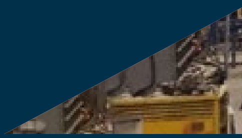
Carr's Group plc

The Agriculture & Engineering Group

Annual Report and Accounts 2020



www.carrsgroup.com

Local International Sustainable

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.

Agriculture

The Agriculture division includes a livestock supplementation business which manufactures feed blocks, boluses and other trace element supplements from locations across the UK, USA and Europe.

These products are supplied through an extensive distribution network to farming customers across the globe.

In the UK the division also sells animal feed, fertiliser, animal health products, oil, farm machinery and rural supplies from a network of country stores and depots.

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.

What's in our report

A robust performance in a year of significant challenge

How we performed in 2020

Operational highlights

- Robust performance in a challenging year, demonstrating the benefits of the Group's diversity
- COVID-19:
  a. Health, safety and well-being of employees remains of paramount importance
  b. Dynamic global business response including rigorous health and safety regimes adhering to government and local guidelines, ensuring businesses remain operational to support customers
  c. Close financial and operational monitoring and controls including contingency planning
  d. No material financial impact during the year overall
- Challenging H1 in UK Agriculture largely mitigated by strong H2, with increased deliveries and collection model adopted to maintain supplies to farmers during COVID-19 lockdown
- Continued growth of Supplements business internationally, and launch of new FesCool® and Pick Block products
- Engineering performance impacted by project delays, restricted access to customer sites owing to COVID-19, and weakened oil price
- Strong performance by NW Total in first full year as part of the Group
- New Global Robotics showrooms opened in Japan and USA
- Strong cash and net debt position

Financial highlights

£395.6m

Revenue

2019	£403.9m
2018	£403.2m

4.75p

Dividend Per Share

2019	4.75p
2018	4.50p

£16.2m

Adjusted Operating Profit*

2019	£18.9m
2018	£17.5m

£13.8m

Reported Operating Profit

2019	£17.2m
2018	£16.4m

£14.9m

Adjusted Profit Before Tax*

2019	£18.0m
2018	£16.6m

£12.5m

Reported Profit Before Tax

2019	£16.3m
2018	£15.5m

11.9p

Adjusted Earnings Per Share*

2019	14.6p
2018	13.9p

10.3p

Basic Earnings Per Share

2019	13.1p
2018	13.0p

* Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance.

Strategic Report
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.

Agriculture	£342.6m
Engineering	£53.0m

Agriculture	£13.4m
Engineering	£3.8m

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 a network of 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.

Agriculture

For more information, see pages 20-23

Locations

50	6	1
UK	USA	Germany

Engineering

For more information, see pages 24-27

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

In difficult market conditions the Group delivered a robust financial performance, responding well to the challenges arising from the COVID-19 pandemic.

Peter Page
Chairman

Review of the year

For the year ended 29 August 2020, in difficult market conditions the Group delivered a robust financial performance, with full year profitability slightly ahead of the Board's revised expectations. Across both divisions, the Group responded well to managing the challenges arising from the COVID-19 pandemic.

First half trading in the Agriculture division was characterised by both challenging market conditions affecting farm incomes and continued unseasonal weather in the UK and USA. Trading in the second half of the year recovered well, and overall profitability exceeded the Board's revised expectations for the year. As COVID-19 restrictions were tightened, the UK Agriculture businesses proved adept in maintaining supplies to farmers whilst keeping people safe. In the Supplements business, new and innovative products were launched, and expanded production and research capabilities supported our international footprint, particularly in New Zealand and Canada where feed block sales continued to build.

In the Engineering division, the first half of the year was impacted by contract phasing. Whilst it had been expected some of this would recover in the second half, delays in receiving expected orders on overseas projects meant that this was not the case. Restrictions imposed on travel and access to customer sites as a consequence of COVID-19, together with the weakened oil price, also negatively affected the division's full year performance with profitability below the Board's revised expectations.

At the onset of COVID-19, all sites moved quickly to follow government guidelines and implemented a range of safety measures including social distancing, increased hygiene and shift-working. People worked from home where possible, maintaining strong engagement with our customers, suppliers and each other, using virtual media. Contingencies were planned across both divisions, which remain under constant review.

Financial review

Revenue for the year decreased by 2.0% to £395.6m (2019: £403.9m). Adjusted operating profit was down 14.2% to £16.2m (2019: £18.9m), with Agriculture contributing £13.4m (2019: £14.7m) and Engineering £3.8m (2019: £5.9m). Reported operating profit fell by 19.5% to £13.8m (2019: £17.2m). Adjusted profits are before amortisation of acquired intangible assets totalling £1.4m and restructuring and closure costs of £2.0m offset by adjustments to contingent consideration totalling £0.9m, giving a net total adjusting items of £2.4m.

Adjusted profit before tax was down 17.4% to £14.9m (2019: £18.0m) and reported profit before tax decreased by 23.4% to £12.5m (2019: £16.3m). Basic earnings per share were down by 21.4% to 10.3p (2019: 13.1p), with fully diluted earnings per share of 10.2p (2019: 12.8p) and adjusted earnings per share down 18.5% to 11.9p (2019: 14.6p).

Net debt at 29 August 2020, excluding leases, was £18.9m (2019: £20.9m). This movement included £18.1m generated from operations, £8.9m used in investing activities and £3.3m paid in dividends.

The recent leasing standard IFRS 16 has been adopted in the year, with a consequential reduction to opening net assets of £1.4m as operating leases were brought onto the balance sheet. There was also a consequential impact to the income statement of an additional charge to profit before tax of £0.1m resulting from the new standard.

With the onset of COVID-19, the Group implemented a rigorous cash forecasting process which is tested regularly against a variety of scenarios. Cash management measures were also implemented to limit non-essential expenditure. Whilst an interim dividend decision in April 2020 was deferred, this was subsequently confirmed and reinstated in July 2020 once the short-term impact of COVID-19 on the business became clearer. Such measures preserved the Group's strong cash and net debt positions, leaving good headroom on the Group's committed banking facilities.

Dividend

The Board is proposing a final dividend of 2.5 pence per share which, together with the interim dividend of 2.25 pence per share declared in July 2020, makes a total dividend for the year of 4.75 pence per share (2019: 4.75p). The final dividend, if approved by Shareholders, will be paid on 15 January 2021, to shareholders on the register on close of business 4 December 2020, and the shares will go ex-dividend on 3 December 2020.

Corporate governance and Board succession

This has been an important year for Board succession. After joining the Board in November 2019, I took over as Non-Executive Chairman following the AGM in January 2020. In October 2020 Kristen Eshak Weldon joined the Board as an Independent Non-Executive Director, bringing international experience of investment appraisal along with real insight into new technology applications in the agri-food sector.

In August 2020 we announced that Tim Davies would be stepping down after seven years as CEO of the Group. On behalf of all shareholders, I am extremely grateful to Tim for his dedication and contribution to the business. Tim's leadership style and genuine concern for colleagues have been most evident since March 2020 as everyone has come to terms with different ways of working, heightened levels of uncertainty and increased demands on the business. Tim will leave the Board at the AGM in January 2021 but will remain available to give advice and share his knowledge during a handover period.

Hugh Pelham joins Carr's Group as CEO in January 2021, standing for election at the AGM. Hugh has relevant experience in developing and growing businesses and integrating them into larger group structures, he has worked in many markets around the world, and he has developed high performing management teams. I look forward to welcoming Hugh to the Group.

As part of its long-term succession strategy, it is planned that Alistair Wannop will stand down from the Board at the conclusion of the AGM in January 2022. Alistair was first appointed to the Board as a Non-Executive Director in September 2005. Given the level of Board succession achieved during 2019 and 2020, and recognising Alistair's deep knowledge of the Group's activities and understanding of agricultural industries, the Board considers it appropriate for Alistair to remain appointed for another year to ensure continuity.

AGM January 2021

In the light of the COVID-19 pandemic, the AGM on 12 January 2021 will be held in a revised format. As shareholders will not be able to attend the meeting in person, the Board will be inviting shareholders to vote on the resolutions proposed by proxy, and to submit any questions in advance of the meeting. We will be publishing a broadcast on the Company's website, reflecting on the year, providing an update on current trading, introducing Hugh Pelham, and answering questions raised by shareholders, following the AGM on 12 January 2021.

Our people

Carr's employs over 1,100 people across the globe, all of whom have made a significant contribution to the business this year, particularly in the demanding situation arising from COVID-19. I am extremely grateful for everyone's support, endurance and adaptability.

Outlook

The Group remains committed to building value by focusing on markets with growth potential, diversifying its international footprint and differentiation through innovation and technology.

The global economy has been dominated by COVID-19, creating uncertainty and making forecasts difficult. Nevertheless, the Group is well positioned as the agriculture sector remains crucial in supplying raw materials and ingredients to the food chain, and our engineering businesses are predominantly involved in government funded contracts in the nuclear sector. Management will continue to focus on optimising all the businesses in the Group.

Trading in the new financial year has started in line with the Board's expectations. Whilst uncertainties remain in the broader economic environment, the Board is confident about the prospects of our business in the medium term.

Peter Page
Chairman
23 November 2020

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

Global agriculture

Population is the key determinant of total food use. Income, relative prices and consumer lifestyles, meanwhile, determine a person's desired food basket.

On accou nt of an expected 11% expansion in the global population over the next ten years, as well as notable gains in per capita income in all regions, total consumption of food commodities is expected to rise by 15%.

Livestock sector

Global livestock production is expected to expand by 14% over the next ten years, supported by low feed prices and stable product prices.

UK policy and environmental challenge

In the UK, Brexit and the passing of a new Agriculture Bill will herald the biggest shake-up in agriculture seen for a generation or more.

Environmental concerns will increasingly impact food consumption and farming practices, especially in developed countries. Production projections, based upon current policies and available technologies, suggest a growth in direct greenhouse gas emissions of 6% in the next ten years, with livestock accounting for 80% of this increase.

What this means for Carr's

Our key agricultural markets are likely to continue to expand over a ten-year perspective with enhanced productivity being a key driver for farmers.

Growth will increasingly vary regionally across the globe. Our global footprint puts us in a strong position to respond to changes in levels of demand.

Our primary market segments of global dairy, beef and sheep production are expected to remain in growth over the coming years.

The UK market is heading into a period of significant change leading to changing farmer demand and opportunities to which we can respond positively.

Responding to climate change is also likely to become an increasingly important issue at farm level.

15%
Predicted increase in consumption of food commodities over the next ten years

14%
Expected growth in global livestock production over the next decade

6%
Estimated growth in greenhouse gas emissions from global agriculture in the next decade

Engineering

Market trend

Civil nuclear

The requirement for nuclear decommissioning and legacy waste clean-up operations continues to grow globally.

In coming decades, it is expected that a significant number of nuclear reactors will be retired from use globally which, together with a growth in subsidised renewable technologies, is expected to increase demand for products and services in the decommissioning market.

Defence

Investment continues in the UK defence sector with a committed spend of £31bn for the Dreadnought programme; the building of four nuclear submarines at Barrow -in-Furness.

The Submarine Dismantling Project is expected to continue into the 2040s, costing at least £10.4bn to decommission the redundant submarine fleet of 27 boats.

Oil and gas

Oil prices started 2020 strong at c. $61/b in January but dropped to a price of c. $40/b as a consequence of reduced demand attributable to the COVID-19 pandemic. It is estimated by the US Energy Information Administration that the oil price will average at c. $50/b in 2021.

What this means for Carr's

Civil nuclear

Continued growth in these highly regulated markets will increase demand for robotics products, decommissioning technologies and the manufacture of waste transportation containment packages.

Lifetime extensions at nuclear facilities, and the demand for enhanced power plant safety, require safe and proven technologies which presents opportunity for our solutions such as MSIP® and Dynamic Natural Convection.

12%

Annual global growth spend in nuclear decommissioning

Defence

Continued long-term investment by the UK Government in defence provides significant future opportunities to utilise technologies across the Group. Carr's has a track record of delivering products and services into this highly regulated and growing 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

In the short term, those of our UK Service & Manufacturing businesses which serve oil and gas markets are focusing on overseas opportunities. In the medium-term, those businesses continue to diversify the markets they serve to further reduce reliance on the oil and gas sector.

Oil and gas companies are investing in their green agenda with opportunities arising in decommissioning to clean up their oil and gas environmental footprint.

$40/b

The current oil price, to which the market is having to adjust

Diversified, innovative,

How we create value

Investment in innovation & technology

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.

Innovation and technology

During the year we continued to develop new products across both divisions. We also made significant investment in our people, and in process efficiencies, to ensure that we can deliver the best levels of service and add the most value to our customers globally.

Agriculture

Our Supplements business launched two new products during the year: FesCool® in the USA and Pick Block in Europe.

Research and product development remain at the core of our business which enables us to remain at the forefront of innovation in our markets.

We also invested during the year in enhancing manufacturing plants in our US Supplements business to maximise efficiencies and ensure that they continue to consistently produce the best quality products.

Engineering

During the year our Global Robotics business opened showrooms in the USA and Japan to further develop opportunities internationally.

We also invested £1.3m in state-of-the-art machinery at our UK Service & Manufacturing site in Carlisle, bringing large-scale machining capabilities in-house and enhancing the range of services we offer to customers.

sustainable

Our resources

Talented people
We place great value in our global 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 strong 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®, Tracesure®, SmartLic® and FesCool® in Agriculture and TELBOT®, MSIP® and Power Fluidics™ 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.

Who we create value for

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

823
Training days delivered in the year

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.

17,000
Number of direct UK Agriculture customers

Investors
Our strategy is designed to deliver sustainable growth. Over the last five years, we have been able to increase the dividends we pay to investors by almost 40%.

4.75p
Dividend per share

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

7
Number of joint venture and associate businesses

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

£81k
Charitable donations in the year

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

43%
Reduction in CO2 emissions over the last three years

Strategic Objectives

Build business value by focusing on markets with growth potential	Grow and diversify our international footprint
2020 achievements	
During the year, our Agriculture division enhanced its strong position in global supplementation, through the development and launch of new product ranges which increase animal performance and add value to our farming customers. Sales volumes across our Supplements business increased 1.2% in the year despite market challenges which places the division well for future growth. In early FY20, we completed the integration of NW Total into our broader Engineering division. NW Total has brought significant opportunity to the Group, particularly in nuclear defence markets where the business continues to further strengthen its order book. We also continue to develop innovative solutions for the nuclear decommissioning sector which represents a considerable long-term opportunity for the Group.	Our Supplements business has seen international growth in the year, particularly into Canada where we have made progress through local distribution channels and in New Zealand where year-on-year feed block sales have increased by 40%. Our German joint venture business has also seen increased exports across Europe including into Russia, Spain, Italy and Turkey. We continue to see significant international sales for our Engineering business including increased revenues generated from the USA, and the opening of showrooms in the USA and Japan for our Global Robotics business. Our Global Technical Services business continues to develop its strong order book, particularly following its success in securing a $6m MSIP® contract to be delivered into Switzerland.
Future priorities	
Agriculture In Agriculture, we will continue to grow 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 will also look to build upon our presence in related sectors including equine in the UK and USA and poultry across Europe.	**Agriculture** 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.
Engineering Our Engineering division continues to concentrate on global nuclear markets, with a particular focus by our Global Robotics business on opportunities in the USA, Europe and Japan. The 2019 acquisition of NW Total has provided us with a strong foothold into the UK nuclear defence market where significant opportunities exist.	**Engineering** In Engineering we will continue to focus on global opportunities, particularly across the USA, Europe and Asia. Our divisional structure aligns the products and services we offer with customers in our chosen markets and enhances our international offering.

Differentiate ourselves through innovation and technology

Following research trials undertaken with Kansas State University, our US Supplements business launched FesCool® in 2020, which enhances the performance of grazing cattle (see page 23). Our German joint venture Supplements business also launched its Pick Block product this year, which promotes improved animal welfare and poultry performance. We also made progress in automating bolus manufacture at Animax, which will help drive future efficiencies and even higher product quality.

In the year, our Engineering division developed a new client relationship management system which aligns our businesses with customers and markets and enables improved business development globally.

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

Acquisitions
We also remain alert to suitable acquisition opportunities, where businesses can be integrated within the Group to achieve synergies and enhance the range of products and solutions offered to our global customer base.

Lead in our chosen markets

Our innovative approach to staying open safely and using technology during the COVID-19 pandemic enabled our UK Agriculture business to maintain leading levels of service, ensuring that our farming customers could keep producing. In the USA we have invested this year in production systems, driving business efficiencies and ensuring that we continue to produce the best products.

During 2020, we invested in new manufacturing technologies across our UK Manufacturing businesses, adding additional machining capabilities and ensuring that our processes remain state-of-the-art.

Service levels
We will continue to invest in our people and in the delivery of our offering. Our collaborative approach and organisational culture will ensure that we continue to offer leading levels of service to our customer base globally.

Adding value
We also strive to ensure that our manufacturing processes are optimised and efficient, enabling us to add the most value to our customers.

Despite challenging trading conditions early in the year together with the onset of COVID-19, a robust performance in the second half resulted in a full year performance which exceeded the Board's revised expectations.

Tim Davies
Chief Executive Officer

Introduction

As outlined in our trading update on 12 March 2020, trading conditions across both divisions during the first half of the year were challenging and, unrelated to COVID-19, led to a reduction in the Board's performance expectations for the full year.

I am pleased to report, however, that despite these challenges, and the significant measures adopted across the Group in order to manage the effects of the pandemic, a very robust performance in the second half resulted in a full year performance which exceeded those revised expectations.

While cash preservation has remained a key priority, we have been able to continue to invest in key areas to ensure that the Group remains well placed for the future. During the year, we strengthened our presence in growth markets across the world, whilst driving innovation and technological advances to maintain our strong position in our established markets.

Agriculture

As previously reported, trading in our Agriculture division in the first half was slower than the prior year, largely driven by atypical weather patterns and growing conditions from the previous summer which reduced demand for key products. Improved trading during the second half, however, resulted in a robust outturn for the full year.

During the year, revenue was down 4.1% to £342.6m (2019: £357.4m). Adjusted operating profit was down 8.5% to £13.4m (2019: £14.7m), whilst reported operating profit was down 4.8% to £13.4m (2019: £14.1m).

Engineering

The Engineering division performed resiliently despite significant challenges. First half trading was slow due to contract phasing and delays in receiving key robotics orders. This did not improve in the second half, as had been expected, mainly due to temporary disruption to nuclear and defence projects due to COVID-19 restrictions, which affected travel and access to customer sites. In addition, the sharp decline in the oil price led to customers deferring investments in the oil and gas sector. Whilst delays to projects had a negative impact on divisional performance, the business was able to strengthen its customer relationships by working flexibly to accommodate changing needs.

During the year, revenue was up 14.0% to £53.0m (2019: £46.5m). NW Total, acquired towards the end of the prior year, contributed £11.7m (2019: £1.9m). Adjusted operating profit was down 35.6% to £3.8m (2019: £5.9m) and reported operating profit was down 77.2% to £1.4m (2019: £6.0m).

Outlook

Agriculture

The Group continues to remain confident in the medium-term prospects of the Agriculture division.

Whilst short-term uncertainty relating to Brexit continues, our resilient performance in UK Agriculture during the pandemic illustrates the strength of our business and its ability to overcome future challenges. That adaptability, combined with operational efficiencies and enhanced customer focus, places the business well for future growth. Since the year-end, we have also significantly expanded the geographic coverage of our machinery franchise across southern Scotland with a more focused product range, which provides an opportunity to grow sales over the medium term.

Internationally, our Supplements business continues to enhance its presence in territories with significant growth opportunity, particularly across Europe, the USA, Canada, and New Zealand. We also remain focused upon increasing our presence in new markets including the UK dairy sector. We continue to build growth through strategic partnerships and sustained research and development, and remain confident in the division's medium term outlook.

Engineering

The Group remains confident in the medium-term prospects of the Engineering division.

Whilst parts of the division which serve oil and gas markets have been impacted in the short-term, owing to a reduction in customer investment attributable to the low oil price, there remain significant opportunities across nuclear and defence markets. The division also continues to develop technologies, in conjunction with its strategic partners, to provide innovative solutions to customer challenges in nuclear markets.

Our improved divisional structure provides a comprehensive offering, able to compete on a larger scale than before. Such changes provide an uplift in the volume of contracts we can tender for and leave the division well placed for future growth.

Tim Davies
Chief Executive Officer
23 November 2020

CARR'S BILLINGTON

Keeping farmers farming during COVID-19

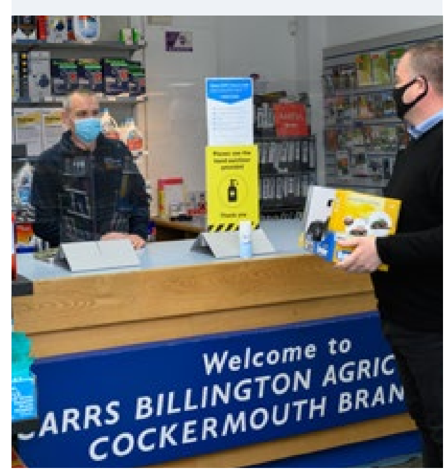
Throughout the pandemic our UK Agriculture business has stepped up to keep farmers farming.

We've stayed safe, but we've stayed open. We've gone the extra mile, keeping up our deliveries of feeds, fuels and essential supplies to our customers across rural communities. And, most importantly, we've kept in touch, particularly with those who are vulnerable or self-isolating.

Our people have worked around the clock, turning our network of Country Stores into collection and distribution centres for our core ranges of agricultural products. We implemented an order-and-collect policy, alongside a rigorous health and safety regime, at all times following government guidelines and social distancing rules.

We are very proud of our colleagues, who keep working hard and staying safe to ensure that farmers can continue to play their vital part in feeding the nation.

www.carrs-billington.com



Our performance

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

In addition to the financial highlights shown on page 3, we monitor our growth and health as a business, and our performance against strategy, using the key performance indicators noted opposite.

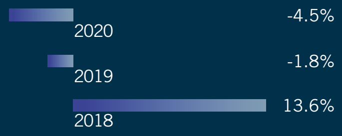
Financial KPIs

Underlying sales growth/decline

-4.5%

2019: -1.8%

Revenues are indicative of business activity but are not in isolation an indicator of performance. Our volume driven businesses are subject to raw material price variations which are largely passed through in selling prices, affecting revenues. The reduction in the current year is reflective of reduced commodity prices, especially the oil price, together with lower levels of activity in Engineering.

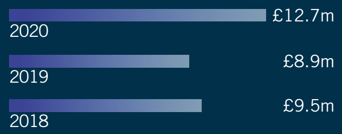


Free cash flow

£12.7m

2019: £8.9m

Free cash flow demonstrates how much cash is available for the Group to utilise for expansionary capital investment, paying dividends, or financing/repaying borrowings. The increase year-on-year largely reflects improvements in the management of our working capital, but is also assisted by lower commodity prices.



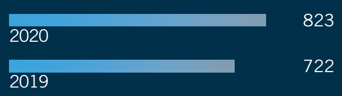
Non-financial KPIs

Number of training days delivered

823

2019: 722

We are committed to providing a variety of development opportunities for our people. In the year, the amount of face-to-face training delivered across the Group was impacted by the COVID-19 pandemic, but employee engagement in our development programmes has remained strong through the use of online training.

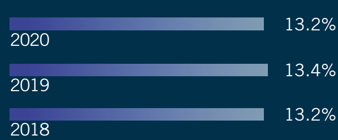


Gross margin

Gross margin is a reflection of how successfully we manage raw material price volatility and our selling prices in competitive markets. Our gross margin fell to 13.2% in the year, largely reflecting conditions across agriculture in the UK.

13.2%

2019: 13.4%

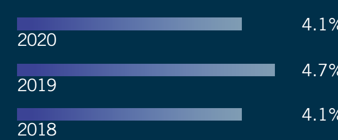


Adjusted Group operating margin

Our underlying operating margin is reflective of the gross margin, but also indicates the efficiency of our operations. The reduction in the year reflects the fixed nature of some of our costs combined with reduced levels of activity.

4.1%

2019: 4.7%

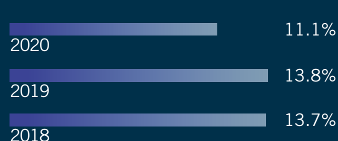


Return on net assets

The Group's overall return on net assets fell to 11.1% this year. This reduction is reflective of the underlying performance of the Group as described elsewhere.

11.1%

2019: 13.8%

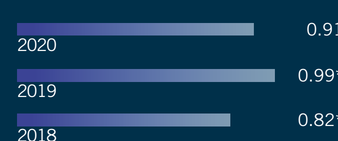


Ratio of net debt to EBITDA

This measures the Group's leverage and reflects its ability to service its debt. The reduction in the year is due to the cash preservation measures implemented in response to the COVID-19 pandemic.

0.91

2019: 0.99*



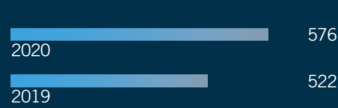
*Not adjusted to reflect IFRS 16

Injury incident frequency rate

We ensure that information relating to all injuries and potential incidents, no matter how serious, is properly captured and reported to enable us to continually improve the health and safety of our people whilst at work.

576

2019: 522



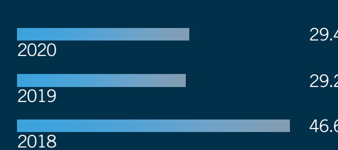
Average rate of injuries/headcount x 100,000

CO_2 intensity metric

We carefully monitor our carbon emissions and have achieved a reduction of 43% in the last three years. During the year these were similar to the previous year overall, although increased delivery activities during the pandemic did increase our consumption of fuels.

29.4

2019: 29.2



Tonnes CO_2/£m turnover

Current and future development and performance

The key features of the year have been challenging markets in the UK and USA for our Agriculture businesses and difficulties associated with COVID-19, particularly in Engineering.

Neil Austin
Chief Financial Officer

Revenue

Reported revenues from continuing operations were £395.6m, 2.0% behind last year (2019: £403.9m).

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 items regarded by the Directors as adjusting items (note 5). These APMs, generally referred to as '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 and reconciliation of APMs is included towards the end of the report and accounts on pages 143 to 144.

Operating profit

Adjusted Group operating profit of £16.2m is down 14.2% on last year (2019: £18.9m). As a percentage of revenues, the Group's adjusted operating margin is 4.1% compared to 4.7% in 2019. Reported operating profit was £13.8m (2019: £17.2m). Our trading performance is covered in detail in the Chief Executive's Review on pages 14 to 15 and in the Divisional Reviews on pages 20 to 23 and 24 to 27.

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

3.9%
Agriculture adjusted operating margin

7.2%
Engineering adjusted operating margin

Adjusted* Operating Profit 2020

Adjusted Operating Profit	2020 £'000	2020 %	2019 £'000	2019 %
Agriculture	**13,400**	**3.9**	14,651	4.1
Engineering	**3,810**	**7.2**	5,917	12.7
Central	**(963)**		(1,638)	
Total	**16,247**		18,930	

*Segmental reported profit figures can be found in note 2 to the financial statements.

The Group's share of the adjusted post-tax result in its associate and joint ventures was £2.6m (2019: £2.7m).

Adjusting items

The Group incurred £2.4m (2019: £1.7m) in respect of adjusting items in the year. This year's charge included amortisation of acquired intangibles of £1.4m, restructuring and impairment charges of £1.9m, offset by a credit of £0.9m in relation to contingent consideration on historic acquisitions (further details are set out in note 5).

Finance costs

Net finance costs of £1.3m were 51.6% higher than in the previous year, principally related to the increased interest payable on leases following adoption of IFRS 16. Interest cover was 10.3 times based on reported profit (12.1 times on an adjusted profit basis) compared to 19.4 times in 2019.

Profit before tax

Adjusted profit before tax at £14.9m was 17.4% lower than in the previous year (2019: £18.0m). Reported profit before taxation was £12.5m (2019: £16.3m).

Taxation

The Group's effective tax charge on profit from activities after net finance costs and excluding results from the associate and joint ventures, which are recorded after tax, was 16.0% (2019: 19.3%). 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 year benefitted from R&D related tax credits in the USA.

Earnings per share

The profit attributable to the equity holders of the Company amounted to £9.5m (2019: £12.0m), and basic earnings per share was 10.3p (2019: 13.1p), a decrease of 21.4%.

Adjusted earnings per share of 11.9p (2019: 14.6p) 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 decrease of 18.5% reflects the reduction in trading performance partly offset by the lower effective tax rate in 2020.

Cash flow and net debt

a free cash flow of £12.7m was generated in the year, representing an increase of 42.1% on £8.9m in the previous year. This was driven by improved cash flow from operating activities, which increased from £12.6m to £18.1m.

Headroom against existing facilities was £35.1m at the year end. The Group's main banking facilities were renewed in November 2018 for a five-year period together with its invoice discounting facility which was renewed for a three-year period in August 2020.

Cash flow and net debt	2020 £m	2019 £m
Cash flow from operating activities	**18.1**	12.6
Net debt (excluding leases)	**18.9**	20.9

IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' during the year, recognising £11.5m of right-of-use assets previously treated as operating leases together with £4.4m of existing assets held under finance lease arrangements. Incremental lease liabilities of £12.7m have also been recognised at the transition date of 1 September 2019. The impact on the income statement was modest, with a reduction in lease costs of £2.1m being offset by depreciation of £1.8m and interest of £0.4m to leave a net charge of £0.1m to profit before tax. Further details of the impact of IFRS 16 are given in the Principal Accounting Policies and note 37.

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 82 deferred members and 224 current pensioners.

The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 29 August 2020 of £8.0m (2019: £7.8m). This is after an actuarial gain of £0.1m (2019: loss of £1.8m) which has been recognised in the Consolidated Statement of Comprehensive Income.

N. Aus

Neil Austin
Chief Financial Officer
23 November 2020

Agriculture

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

Our Agriculture division comprises of two primary sub-divisions:

UK Agriculture

We have a significant presence of country stores across northern England and southern Scotland from which we serve the needs of our core 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.

£280.7m
Revenues in 2020

Agriculture

Our brands

CRYSTALYX®
HORSLYX®
TRACESURE®
ALLSURE®
AMINOMAX®
SMARTLIC®
MEGALIC®
FLAXLIC®
FESCOOL®
FEED IN A DRUM®
CARR'S BILLINGTON
WORKWARE
HENDON®
SIMARGHU®

Our geographic footprint

UK
Europe
USA
Canada
New Zealand

Agriculture key figures

£342.6m
Revenues

£13.4m
Adjusted Operating Profit

17,000
UK farming customers

734
Employees globally

Supplements

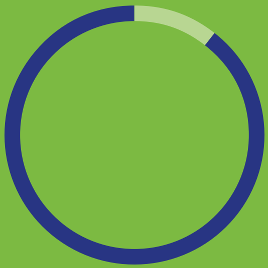
We manufacture and supply a broad range of innovative animal nutritional supplements under well-respected brands. These include patent-protected feed blocks and boluses which effectively release trace elements into livestock consistently and over periods of up to six months. These products help to maintain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

£61.9m
Revenues in 2020

Revenue split:



UK	89.4%
International	10.6%

Strategic Report

Divisional Review: The Year in Review

Agriculture

Overview

As previously reported, trading in our Agriculture division in the first half was slower than the prior year, largely driven by atypical weather patterns and growing conditions from the previous summer which reduced demand for key products. Improved trading during the second half, however, resulted in a robust outturn for the full year.

During the year, revenue was down 4.1% to £342.6m (2019: £357.4m). Adjusted operating profit was down 8.5% to £13.4m (2019: £14.7m), whilst reported operating profit was down 4.8% to £13.4m (2019: £14.1m).

During the period, following the appointment of a new Managing Director in the UK Agriculture business, the management team was strengthened through a further four senior appointments to help optimise efficiencies and drive strategic growth, whilst maintaining an absolute focus on serving our customers. We also appointed a new Commercial Director in our Supplements business.

Supplements

Total global feed block sales volumes were up 1.2% year-on-year. Sales volumes were slightly ahead of the Board's expectations as a direct result of increased demand and growth in target markets during the second half. Despite overall volume increases, however, increases in raw material prices were not wholly mitigated through selling price increases which led to lower margins, particularly in the UK.

UK feed block volumes were up 5.2% compared to the prior year. This performance was driven by improved livestock prices in the second half, which increased farmers' willingness to invest in supplementation.

Following a weaker first half, US feed block sales subsequently recovered towards the end of the financial year, with volumes up 0.5% in the period overall. Whilst cattle prices were suppressed during the majority of the period, prices recovered towards the end.

During the year, we successfully launched our new FesCool® feed block in the USA following extensive research trials undertaken in conjunction with Kansas State University. FesCool® enhances the performance of grazing cattle in warm climates by reducing the impact of fescue toxicity and enhances our range of innovative supplements that add real value to livestock farmers.

In 2020, we also invested in and enhanced our production systems in the USA, spending £2.1m in improving our manufacturing facilities at two of our sites and in the creation of a research facility. This investment will help drive efficiencies and provide us with the opportunity to develop and test new product ranges, ingredients, and manufacturing techniques.

We continue to make progress in developing sales of feed blocks into Canada. As North America moved into stricter national travel restrictions, we benefited from having a sales team on the ground locally. The Canadian market represents a significant potential market for sales into beef and equine sectors, and can be supplied out of the Group's existing facility in Belle Fourche, South Dakota.

New Zealand feed block sales were up 40% in the period where we continued to make progress in raising customer awareness and building relationships with further distribution partners. The Group continues to consider the New Zealand market as offering strong potential for future growth.

In Germany, our joint venture business, Crystalyx Products GmbH, saw a 4.1% decrease in feed block sales compared to the prior year. During the year, the business launched its new Pick Block product, manufactured out of its plant in Oldenburg, Germany, and sales are expected to build. Pick Block is designed to improve poultry welfare standards through environmental enrichment, encouraging birds to demonstrate a wider range of natural behaviours.

Animax, the Group's manufacturer of livestock bolus supplements, had a challenging year owing to market pressures coupled with milder weather which reduced customer demand. During the year, the business appointed a new Commercial Director and increased focus on international growth opportunities. The Group continues to make progress on its manufacturing automation project, which is expected to help drive future efficiencies, new product ranges and even higher product quality.

UK Agriculture

Total volumes in our compound feed business declined by 6.9% during the year. This was largely driven by the warm summer in 2019 and subsequent mild winter which led to high stocks of good forage and reduced farmer demand for bought-in feeds during the first half. Such reduction in demand gave rise to increased competition which impacted margins during the period. During the second half, the initial closure of the food service sector impacted farmer incomes; however, the strong retail sales subsequently seen led to a significant pick-up in demand for certain meat and dairy products which largely offset the effect of this.

£2.1m

Invested in US manufacturing facilities

The Group's fuel distribution business saw sales volumes increase 2.9% on the prior year. This was driven by colder weather during March 2020 and customers stocking up on heating oil in the early stages of the pandemic when commodity prices were low, as well as increased demand from farmers due to a busy spring period on farms generally.

Machinery sales were particularly strong in the year, up 19.2% overall and achieving record sales of £45.5m. New machinery sales were up 17% on the previous year. The performance was driven by improved farmer confidence and government loan schemes supporting farming investments, together with pent-up demand following a period of subdued activity prior to the original Brexit date. Growth in the machinery business, which outperformed the market significantly, is also attributable to the development of our relationship with a key supplier.

The Group's retail outlets performed resiliently, with like-for-like sales up 1.6% and overall sales up 0.6% during the period. During the pandemic, extensive measures were taken to ensure that our network of country stores could continue to service our core farming customers, who remain critical to the UK's food supply chain. These innovative measures included the successful roll-out of a pre-order, collection and delivery service across all branches.

During the year we also progressed our rationalisation and efficiency programme in UK Agriculture. Our ongoing review of retail store effectiveness resulted in the closure of four sites as we focus our offering at strategic locations and enhancing our delivery and collection models. During the pandemic, the early stages of lockdown gave us the ability to test new ways of working, which has provided valuable strategic insight for the future and helped develop our strategy for managing a second wave.

FesCool®

Tall fescue is a resilient source of forage found across 40 million acres of grazed pastures in the USA and consumed by nearly 17 million beef cattle.

Whilst a highly cost-effective source of nutrition, feeding on tall fescue comes with a common issue: fescue toxicity.

Cattle consuming infected tall fescue are susceptible to overheating caused by the constriction of blood vessels. Numerous symptoms are displayed, and cattle performance is affected.

During the year, and following thorough research and trials undertaken in conjunction with Kansas State University, our US Supplements business, Animal Feed Supplement, Inc., launched FesCool®, a new low moisture feed block which improves temperature regulation in cattle through the increased dilation of blood vessels.

In controlled university trials, animals supplemented with FesCool® exhibited better core temperature regulation and increased forage intake, resulting in significantly improved performance.

FesCool® represents another significant development in cattle supplementation and enhances our range of innovative products which bring value to our farming customers.

https://smartlic.com/products/fescool/

Engineering

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.

Engineering

Our Engineering division comprises of three sub-divisions:

Our businesses

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

Our global markets

We supply into highly regulated markets including:

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

UK Service and Manufacturing

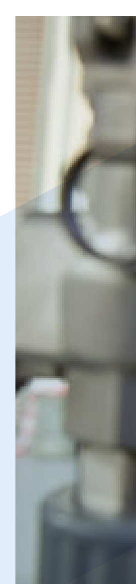
We operate four facilities across the north of England which design, manufacture and service complex and bespoke equipment.

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.

£29.4m

Revenues in 2020



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.

£14.8m

Revenues in 2020

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.

£8.8m

Revenues in 2020

Engineering key figures

£53.0m

Revenues

£3.8m

Adjusted operating profit

369

Employees globally

Revenues by market:

Nuclear	49%
Oil and Gas	21%
Defence	18%
Other	12%

Strategic Report
Divisional Review: The Year in Review
Engineering

Overview
The Engineering division performed resiliently despite significant challenges. First half trading was slow due to contract phasing and delays in receiving key robotics orders. This did not improve in the second half, as had been expected, mainly due to temporary disruption to nuclear and defence projects due to COVID-19 restrictions, which affected travel and access to customer sites. In addition, the sharp decline in the oil price led to customers deferring investments in the oil and gas sector. Whilst delays to projects had a negative impact on divisional performance, the business was able to strengthen its customer relationships by working flexibly to accommodate changing needs.

During the year, revenue was up 14.0% to £53.0m (2019: £46.5m). NW Total, acquired towards the end of the prior year, contributed £11.7m (2019: £1.9m). Adjusted operating profit was down 35.6% to £3.8m (2019: £5.9m) and reported operating profit was down 77.2% to £1.4m (2019: £6.0m).

UK Service and Manufacturing
Our UK Service and Manufacturing business delivered a solid performance during the first half. The second half, however, was heavily impacted by the decline in the oil price and significantly reduced investment in the oil and gas sector, which led to delays on one major project. In the year, total revenues were £29.4m (2019: £23.0m), including NW Total revenues of £11.7m (2019: £1.9m).

NW Total had a strong performance in its first full year as part of the Group. Whilst COVID-19 restrictions were imposed temporarily on one customer site, this had a limited impact on the business overall and the risk of further impact or delay to that project is reduced by on-site controls now in place. The order book for the business remains very strong and we remain very encouraged by the opportunities, particularly in the defence sector, that NW Total brings to the division.

During the year, the Group also invested £1.3m in state-of-the-art machinery at its site in Carlisle, bringing large-scale machining capabilities and enhancing the range of customer services available within the division.

Global Robotics
The Group's Global Robotics business had a challenging year. This was driven by a weaker order book, resulting from contract phasing and delays to projects in Japan, together with export restrictions which continue to affect China. These challenges were exacerbated by delays and travel restrictions imposed as a result of COVID-19. Revenues for the year totalled £14.8m (2019: £16.5m).

While the business experienced lower levels of activity during the year, the order book was strengthened significantly. We also remain optimistic about opportunities in Japan, where many of the country's nuclear facilities continue to be decommissioned. In the year, we opened a showroom for our products in Japan which will help develop opportunities in the region.

Our Global Robotics business continues to develop its position in the USA. Good progress continues to be made on the significant $8.5m contract previously announced, and during the year we opened a robotics showroom at our facility in Mooresville, North Carolina, which will help demonstrate the efficacy of our products to customers in North America.

£11.7m
Full year revenue contribution from NW Total

Global Technical Services

The Group's Global Technical Services business performed in line with expectations, generating revenues of £8.8m (2019: £7.0m).

The phasing of several long-term Mechanical Stress Improvement Process (MSIP®) projects enhanced performance in the second half of the year, which will continue throughout the current year. During the period, the business was awarded another $6m MSIP® contract to be delivered through to 2022.

The development of our passive cooling technology continues to progress, following the award of funding from the US Department of Energy in 2019. It is anticipated that an application for a second tranche of funding will be made during 2021. This technology has the potential to be retrofitted on existing nuclear power plants to improve safety.

Power Fluidics™

Our Global Technical Services business, NuVision Engineering, Inc., is the world leader in the use of Power Fluidics™ systems for nuclear applications.

These waste management systems use changes in air pressure to mobilise radioactive sludges, slurries, and liquids with no moving parts coming into contact with contaminated substances.

Since its first installation at Oak Ridge National Laboratory in 1996, NuVision has completed hundreds of Power Fluidics™ installations globally, with more than 50 projects completed for the US Department of Energy. To date, there have been no reported instances of system failure, erosion or mechanical or corrosion damage.

Power Fluidics™ is a key competence of our Global Technical Services business and provides a reliable and highly effective means of mixing, sampling, and pumping of radioactive waste in a manner which is safe and eliminates facility downtime.

https://nuvisionengineering.com/

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 together with emerging risks. This is overseen by the Executive Directors, who have an active responsibility for focusing on those areas of risk. The Board reviews these risks, including consideration of environmental, social, and governance matters. This review is undertaken quarterly.

For each of our principal and emerging 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 carries out a robust assessment of the principal risks quarterly together with any emerging risks. 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 49 to 52. 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/decrease/no change)

Risk	Description of the risk	What we are doing to manage the risk
Brexit (increase)	The impending end to the transition period following the UK's 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. Our customers also rely on trade flows into the EU for their produce, and any tariffs on exports could impact demand for their products with a consequential impact on demand for our products and services. 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.	We continue to monitor developments post Brexit 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. The Group benefits from its operational and geographic diversity and is not substantially dependent on the EU for either raw materials or revenues.
COVID-19 (increase)	Our business may be impacted through disruption caused by COVID-19. In Agriculture, our businesses were able to remain open during 2020 and were not subject to restrictions or closures. Their biggest risk is a loss of staff due to an outbreak at a production facility, or a wider requirement to self-isolate, that causes us to be unable to produce or deliver goods. Within Engineering, the same risk applies. Additionally, broader travel restrictions or customer-specific site restrictions may impact our ability to deliver projects where site-based engineering or installation is required. At a Group level, any disruption to our businesses could have an impact on cash flows.	We continue to monitor the impacts on our business week by week. Rigorous procedures implemented at all of our sites are overseen by the Group's HSE and Risk Manager. All sites are operating in line with government restrictions in respect of social distancing, PPE requirements, and other measures. Additional hygiene protocols are in place around all of our operations, and where required our self-isolation requirements are more prudent than required by governments. Cash flows continue to be frequently monitored and all businesses run a number of sensitised scenarios demonstrating the impact of disruption. These are consolidated for an overall Group picture.
IT and Cyber-Security (no change)	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 currently implementing a new Group-wide ERP system. The Group remains 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 2019/20. From a system development perspective, major projects are subject to appropriate project governance arrangements.
Acquisitions (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.

: Change in risk (increase/decrease/no change)

Risk	Description of the risk	What we are doing to manage the risk
People (no change)	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 management and other key 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 (no change)	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 the success of those businesses.	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 (no change)	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 (no change)	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 levels of facilities are regularly reviewed by the Chief Financial Officer, 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 (no change)	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.
Managing costs (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.

Emerging risk	Description of the risk	What we are doing to manage the risk
Climate change (increase)	Operating in the Agriculture sector, climate change, raw material sustainability and regulatory requirements can have an impact on the performance of the Group. Such impact can include the cost of raw materials and the sustainability of raw material supplies, farming and manufacturing operations, and customer demand for the Group's products.	The Group is geographically and operationally diverse and has a focus on international growth markets. The Group carefully manages its procurement of raw materials, utilising ethically managed and sustainable sources, and invests in the development of products which are tailored to different farming conditions and which incorporate alternative ingredients to reduce reliance on imported soya for feed products.

The Group's business model and strategy are central to an understanding of its prospects, and details can be found on pages 10 to 13.

Viability Statement

The Group is very diverse both operationally and geographically. The Group set down a strategic plan two years ago, which is subject to ongoing monitoring and development as described below.

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

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

The output of the strategic planning process is a set of Group strategic objectives and a number of strategic priorities for the forthcoming financial year. The latest updates to the strategic plan were finalised in August 2020 following this year's review. This considered the Group's current position and the development of the business as a whole over the next three years.

Given the nature of the business cycles in both Agriculture and Engineering, it was decided that a period of three years to 2 September 2023 was the most appropriate for the purpose of a viability assessment. The Group has prepared detailed financial forecasts for the 3 year period to 2 September 2023, 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 29 to 30. 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. COVID-19;
3. Managing costs;
4. Reliance on key customers;
5. Strategic partners; and
6. Customer demand.

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

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

The scenarios tested included significant reductions in profitability and associated cashflows associated with the risks highlighted above, with consumer demand affecting all business units, additional impacts on Agriculture business units from Brexit and a larger impact on Engineering from disruption caused by COVID-19. 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 were considered to be plausible. We have assumed that, should the need arise we would have both the ability to renew existing debt facilities which mature over the three-year period and be able to raise new debt.

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 2 September 2023.

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 page 85 of the accounts.

Carr's Group promotes a supportive culture of engagement, transparency and fairness. We take great pride in doing what we can to ensure the health, safety and wellbeing of our people and that we adhere to ethical and sustainable business practices.

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
- promotes 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 briefing notes by Executive Directors and senior management which are circulated regularly. Management within the Group is also kept informed on issues that may affect employees which enables effective, transparent communication and consultation where appropriate.

Throughout 2020, we have been able to utilise CarrsConnect, our employee intranet, as an effective communication tool during the COVID-19 pandemic. Information was regularly posted on CarrsConnect including blogs, video blogs, announcements, and updates to ensure that our people remained abreast of key developments.

We have also been able to use our IT systems, in particular Office 365 and Microsoft Teams, to facilitate working from home, which has ensured business continuity and enabled us to remain in touch.

Engagement survey 2020

as part of our increased focus on employee engagement, in November 2020 the Group launched its first Employee Engagement Survey to all staff across the Group. The survey sought confidential feedback on a range of topics including job satisfaction and wellbeing, organisational culture, health and safety and diversity. We want to better understand the views of our people in order to help shape future Group culture, policy and strategy. We recognise that colleagues who have interesting and fulfilling roles, work in safe and healthy environments and feel valued will not only be happier and healthier, but more likely to drive better business performance.

The results of the survey will be reviewed during late 2020 and reported to the Board and to Group employees during early 2021. Where appropriate, action plans will be developed across the Group taking into account feedback and progress monitored by the Board regularly. It will be our intention to repeat the survey in future years to monitor developing employee views, and to ensure that any actions have been appropriate in addressing areas of concern.

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 upon the needs of the business and individual merit. The Group values the benefits of a diverse workplace and is responsive to the needs and views of stakeholder groups.

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.

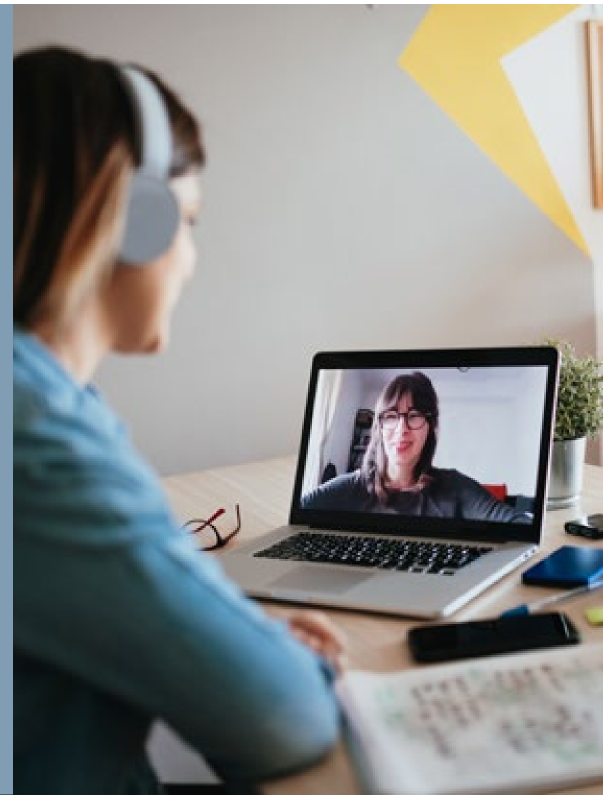
Year overview 2020

We continue to provide extensive development opportunities for all employees.

The Group is committed to continuing development and now offers a broad range of courses and seminars which are delivered in-house. We continue to support a range of individuals across the Group working towards professional qualifications or accreditation.

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 which we expect to continue.

"Engaging with our employees throughout the pandemic"



COVID-19
Given the broad challenges presented by COVID-19, we took the decision prior to lockdown in March to cancel all face-to-face training and to focus on virtual training utilising Microsoft Teams. We found that training by video conference was most effective when delivered in shorter sessions to fewer delegates. We ensured that feedback was gathered after each session, to help improve the employee experience, with feedback being very positive overall.

"Even though the social element of meeting face to face cannot be fully emulated remotely, undertaking the training over Teams was just as beneficial as a normal session in the office. The session itself was just as informative, constructive and enjoyable as expected." Employee feedback

We were fortunate to have a relatively high number of employees who were able to work from home throughout the lockdown period. To help our people adapt to new ways of working, we developed and posted a series of short training video blogs on CarrsConnect, which covered topics including Working from Home, Motivation and Health and Wellbeing, which were widely viewed.

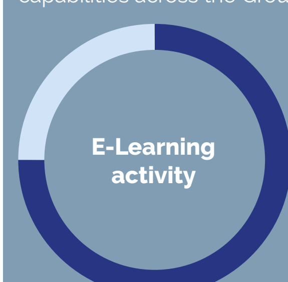
Coronavirus job retention scheme

During the early period of the pandemic, our UK businesses furloughed a number of employees under the Coronavirus Job Retention Scheme (CJRS) where people could not attend work and were unable to work from home or where the pandemic caused a reduction in trade. At the highest point, this affected 62 employees.

In July 2020, we commenced collective consultation in our UK Service & Manufacturing business to best secure its future sustainability given the significant reduction in oil and gas investment attributable to the pandemic. Following such consultation, and the acceptance of 10 voluntary redundancies, a further 15 employees were made redundant. These roles could not be sustained into the longer term and so it was not considered appropriate for the Group to continue receiving support for those employees under the CJRS.

E-Learning

In September 2019 the Group launched its E-Learning platform which provides all employees with unlimited access to accredited health and safety and other workplace training. Manual Handling has been the most commonly completed course to date with 75% of all activity around Health, Safety and Wellbeing and 25% of all activity on Business Knowledge. We are currently working with businesses across the Group to develop a suite of core training modules for all new employees to complete as part of their induction, which will further embed E-Learning and enhance capabilities across the Group.



- Health, Safety and Wellbeing 75%
- Business Knowledge 25%

Health & safety

The health and safety of people in the workplace remains of paramount imporance. The Board considers health and safety performance as a priority item at each meeting and regularly reviews targets and improvements as part of the Group's health and safety strategy.

COVID-19 brought significant health challenges during the second half of the year. Prior to the imposition of lockdown, the Group developed its plans for managing the effects of the pandemic including detailed business continuity plans across both divisions.

As the pandemic has developed, our business continuity plans have remained under close and constant review. From March onwards, a variety of measures were introduced across our businesses including social distancing and site access controls, enhanced hygiene measures, shift-pattern working, and working from home. We also stopped all unnecessary business travel and revised Group travel policies to mitigate risks. All such measures were developed in strict adherence to government guidelines (in the UK and overseas as appropriate) and were rigorously observed.

Health and safety continued

Our staff health and safety training programme continues, with E-Learning continuing to provide a range of accredited courses. All training courses that were previously classroom-based, including IOSH-accredited courses, have been delivered remotely during the pandemic via video conferencing.

In 2020, the Group also established an occupational health programme for employees in all UK locations.

The hazard profile of the businesses remains similar to the prior year. All Group businesses which are accredited to internationally recognised standards, such as OHSAS 18001, have succeeded in retaining these during the year, and are transitioning to the new international standard ISO 45001.

Reported Incidents		
Group	2019/2020	2018/2019
All injuries	83	78
RIDDOR injuries	9	5
All injuries average IFR*	576	522
RIDDOR average IFR*	62	20

*IFR= incident frequency rates, measured as the number of incidents/headcount x 100,000

Over the last 12 months, an increase in incident frequency rates (IFRs) has been seen with a 12 month all injuries average from September 2019 to August 2020 of 576 (2019: 522), and a RIDDOR injuries IFR of 62 (2019: 20).

With no significant change in risk profile, and progress being made towards the Group's strategic health and safety targets, we consider this increase to be reflective of improved injury classification, days lost calculations and incident reporting across the Group as local reporting and data management improves. These statistics will continue to be monitored across the Group and reported annually.

Two RIDDOR injuries were major injuries. The highest number of lost time injury types during the year were hand injuries. A hand safety campaign was therefore launched during the year to raise awareness of hand injuries, which led to a slight decrease in hand injury frequency in the second half.

A health, safety and environmental strategy was launched at the end of the financial year, introducing a plan, action, review cycle for risk identification and control, effective incident investigation, learning, communication and consultation, and monitoring and audit. Each business has developed its own business specific plan for achieving strategic objectives, with progress being regularly reported to the Board throughout the current year.

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.

In 2019, we adopted a new Group Environmental Policy which increases the accountability of subsidiary businesses and their leadership teams for making environmental improvements. As part of that policy, our data collection processes have been enhanced to ensure that, as a Group, we capture information accurately to help drive policy. Across the Group, we monitor energy consumption, transportation, carbon generation, water utilisation and recycling. In the second half of 2020, as resource turned to management of the COVID-19 pandemic, we maintained our data collection practices whilst environmental initiatives were paused temporarily.

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

Solar panels installed on the roofspace at the Animax site in Suffolk led to the generation of nearly 40% of the total electricity demand for the site during the year.

All UK Group locations purchase their energy from Haven Power Limited which sources 100% of its electricity supplies from renewable resources.

Packaging

The impact of packaging on the environment remains under focus. We are exploring alternatives to plastic through research being conducted in our Agriculture business in the USA.

Streamlined Energy and Carbon Reporting

Carbon Reduction Performance*		
CO^2 tonnes	2019/2020	2018/2019
Agriculture, UK	4,292	4,613
Agriculture, overseas	6,240	6,269
Engineering, UK	753	581
Engineering, overseas	253	244
Head Office	103	77
Group total	11,641	11,784

*Scope 1 and Scope 2 emissions

The Group did not generate any additional gases other than carbon dioxide during the year. Absolute energy use in the year across the Group totalled 39.5m kWh.

The increase in emissions in Engineering, UK is largely attributable to the first full year inclusion of NW Total. Data for Head Office has shown an increase due to the inclusion of air and rail travel.

The total amount of carbon dioxide generated across the Group for the year was 11,641 tonnes, a slight decrease on the prior year. The relative carbon footprint of the Group therefore equates to 29.4 tonnes per £m turnover. By comparison, the footprint for the previous year was 29.2 tonnes per £m turnover.

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.

Carr's is now one year into its partnership with Yorkshire Dales Millennium Trust as part of a three-year initiative to create a lasting legacy for agriculture in the Yorkshire Dales and surrounding areas. The programme provides support for people, innovation and the environment to deliver sustainable farm improvements. It also creates new native broadleaf woodlands,

Maintaining planted trees with the Yorkshire Dales Millennium Trust

Decorated purple bales which raise funds for WellChild

which are hugely valuable habitats for wildlife and also provide areas of shelter for farm animals and help with flood risks and soil erosion.

For a fifth consecutive year, Carr's 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. In addition to raising funds, Carr's Billington also raises awareness of this charity through its use of a social media campaign which encourages customers to share pictures of eye-catching purple hay bale displays.

Carr's remains committed to helping young people in the local community. The Group 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. Also local to Carlisle, Bendalls Engineering continue to sponsor Dalston Under 15s football club, which it has supported for the last five years.

At the beginning of 2020, Carr's Billington became corporate supporters of RSABI (Royal Scottish Agricultural Benevolent Institution), which provides support to individuals and families across the agricultural sector.

During the pandemic, Carr's Billington also made donations of slow-moving stock to Carlisle Key (a homeless shelter for young people aged 16-25) and Oak Tree Animal Charity.

As a Group, we actively encourage our people to participate in charitable and community initiatives. In the past 12 months, employees of NW Total cycled 500 miles around the Scottish coastal areas, raising over £2,000 for St Mary's Hospice in Ulverston.

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 whistleblowing 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 chain remain free from modern slavery and human trafficking. Whilst the risk of modern slavery and human trafficking within the Group and its supply chain 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.

Non-Financial Information Statement

Reporting requirement	Group policies and standards	Additional information
Environmental matters	Environmental Policy	See page 34
Employees	Employee Handbook, Health and Safety Policy	See pages 32-34
Human rights	Employee Handbook, Modern Slavery Statement and Policy	See page 35
Social matters	Charitable Donations Policy	See pages 34-35
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 28-30
Description of the business model	-	See pages 10-11
Non-financial key performance indicators	Environmental Policy, Health and Safety Policy, Employee Handbook	See pages 16-17

Strategic Report

Stakeholder Engagement: Our Section 172 Responsibilities

At Carr's Group we believe in fairness and acting responsibly in everything we do, so that we can continue to make a positive impact on our people, partners, investors, customers and the communities in which we operate. We recognise that proper consideration of the interests and views of our broader stakeholders produces better outcomes and enhances the sustainability of our businesses.

We have 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. Consideration is given by the Board to the impact on all of our stakeholders when reviewing all major projects for approval.

On these pages, we identify our various stakeholders, explain how we engage as a business, and describe the positive outcomes this brings. These disclosures demonstrate how we have regard to the matters set out in section 172(1) of the Companies Act 2006.

Board decision-making and stakeholder considerations during the year included the matters set out below:

Board succession
During the year, the Board oversaw the appointment of Peter Page as Non-Executive Chairman and Kristen Eshak Weldon as a Non-Executive Director. The Board also announced the retirement of Tim Davies from the role of CEO, and the subsequent appointment of Hugh Pelham who will take over as CEO in January 2021. These changes at Board level required full consideration of the interests and impact upon our colleagues, investors, strategic partners and customers.

Cash management
As part of the Board's strategy for managing the uncertainties associated with COVID-19, the decision was reached to suspend non-essential capital expenditure and defer the payment of an interim dividend until the likely impact of the pandemic became clearer. These decisions were communicated upon release of the interim results in April 2020 following detailed consideration of the impact that this might have on our investors, our strategic partners, and the communities in which we operate. As the impact on the Group became clearer, the deferred dividend was reinstated and declared in July 2020.

For more information on specific activities during the year, please see:

People	Pages 32-33
Health and safety	Pages 33-34
Communities	Pages 34-35
Board	Page 40

Our stakeholders

People

Customers

Investors

Partners

Communities

How we engage	Stakeholder interests	Outcomes
We use a variety of methods to ensure that our people remain engaged including regular internal announcements, video blogs and informal meetings with Directors. In 2020, we introduced an Employee Engagement Survey. For more information, see page 32.	We strive to ensure that our people remain an active part of our businesses, can shape the future of the Group, have opportunities to develop their skills and experiences, and feel properly valued and rewarded for the efforts and contributions they continue to make.	Our people remain a primary consideration in everything we do. We have a strong commitment to the health, safety and wellbeing of our employees and introduced rigorous measures as part of our management of the COVID-19 pandemic (see page 33). We also further enhanced the range of training and development opportunities we offer during the year. In 2020, we launched our first Employee Engagement survey which will be used to help improve our employee experience and shape the future of the Group. We have also increased our use of employee communications through CarrsConnect to make sure that our people remain informed about developments across the Group.
Staying in touch with our customers and suppliers has never been more important. Our management teams maintain regular and open dialogue with those we do business with which helps build long lasting and trusted relationships. Key customer dialogue is reported to the Board to ensure that customer perspectives are properly understood as part of the Board's decision making process.	Customers want to work with businesses who can meet demands and deliver on promises, who treat them fairly, and who can be trusted to put their interests first. Customers also expect us to manage our business in a sustainable manner.	Good open communication with customers has been crucial during the pandemic. Throughout 2020, we have engaged in constant dialogue with our customers to understand their developing needs, particularly on large-scale projects being delivered in our Engineering division, to help reduce risks, plan for contingencies and offer support where appropriate.
We maintain a regular calendar of announcements and events for investors. The Executive Directors frequently communicate with institutional investors to discuss strategy and broader markets. The Chairman, Non-Executives and Company Secretary also regularly engage with investors on governance issues and other matters concerning the Board.	Our investors trust us to manage their assets and execute the Board's strategy. In so doing, we must act ethically, in a sustainable manner, and to exercise good governance practices. Our investors also expect us to remain open about the Group's current and expected performance.	In addition to our regular investor engagement, during the year we liaised with key investors on matters such as Board succession and changes to our Directors' Remuneration Policy. We have also communicated our strategy for managing the ongoing COVID-19 pandemic, including health and safety considerations across the Group, cash management and contingency planning.
The Group includes a number of joint ventures with strategic partners with whom we maintain an active dialogue. Regular formal and informal meetings take place with our partners involving both Board members and senior management covering strategic, operational and industry issues, which are regularly reported to the Board to ensure that it remains fully appraised.	Our strategic partnerships are founded upon mutual trust and strategic alignment. Our partners value long-term commitment, open communication and diligence so that we can effectively pursue jointly developed strategic goals.	Our joint venture boards and management teams have worked dynamically and collaboratively during 2020 to ensure an aligned and risk-averse approach to COVID-19. Working together has enabled all of our joint venture businesses to continue trading effectively and helped build strength and resilience into our business model, to our mutual benefit.
We practice responsible behaviours at all times and are committed to the communities where we have an impact. We encourage active participation in community initiatives and continue to support a range of selected charitable causes. We are also party to raw material sustainability programmes. Reports on significant community issues and sustainability programmes are delivered to the Board from time to time.	Our various community stakeholders have broad interests ranging from the provision of jobs and investment in local economies, to supporting vulnerable people and environmental and charitable initiatives.	The Group is committed to ethical and responsible business practices and adheres to a policy framework on matters such as modern slavery and the sustainable sourcing of raw materials. We also ensure that environmental considerations feature prominently on the Board's agenda. Across the Group, our people devote considerable time and resources to good causes and community initiatives including Carlisle Youth Zone, WellChild and The Yorkshire Dales Millennium Trust. For more information on our corporate social responsibility programme, please see pages 34 to 35.

This Strategic Report was approved by the Board on 23 November 2020 and signed on its behalf by:

Tim Davies
Chief Executive Officer

Governance
The Board

Peter Page
Non-Executive Chairman

Peter joined Carr's in November 2019 and became Non-Executive Chairman in January 2020. Peter was formerly Chief Executive of Devro plc, one of the world's leading manufacturers of collagen casings for the food industry, a position which he held for 11 years during which time he transformed the company's international manufacturing capabilities. Prior to this, Peter worked at poultry genetics and stock supplier Aviagen.

Tim Davies
Chief Executive Officer

Tim joined Carr's in March 2013 as Chief Executive. Tim was formerly the Group Managing Director at Openfield, the largest farmer-owned grain marketing business in the UK. Prior to this, he progressed from Sales Director to Managing Director of Grainfarmers plc in 2005 and led the company's merger with Centaur Grain Ltd in 2008 to form Openfield. Tim will be standing down as Chief Executive, and from the Board, at the conclusion of the Company's AGM in January 2021.

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.

Ian Wood
Non-Executive Director

Ian was appointed to the Board in 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.

N R A

Neil Austin

Chief Financial Officer

Neil joined Carr's in January 2013 and became Chief Financial Officer 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 working alongside FTSE 350 companies and multi-national organisations.

Alistair Wannop

Non-Executive Director
Employee Engagement Representative

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 and 2018 held office as High Sheriff of Cumbria.

N R A

Kristen Eshak Weldon

Non-Executive Director

Kristen was appointed as a Non-Executive Director in October 2020. Kristen was until recently a member of the Executive Group at Louis Dreyfus Company, where she focused on innovation and forward-looking investments across global agriculture. As Head of Food Innovation and Downstream Strategy, she led investment activities in the ag-tech and food technology industries. Prior to Louis Dreyfus, Kristen spent 13 years at Blackstone, the leading global investment business, where she was co-head of the London office for the company's $75bn Hedge Fund Solutions business.

Matthew Ratcliffe

Company Secretary

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

Committee membership

- N Nomination
- R Remuneration
- A Audit
- Chair
- None

Governance

Chairman's Introduction

Peter Page
Chairman

On behalf of the Board, I present the Group's Corporate Governance Report for the financial year ended 29 August 2020.

The Group's governance framework is designed to safeguard its long-term success for the benefit of all stakeholders. It evolves as the Group develops and promotes transparency, respect and accountability. It ensures that the Board operates in a culture of openness and uses its collective experience to optimise its effectiveness.

This report describes how we adopt the principles of the UK Corporate Governance Code 2018, which has applied to the Group since 1 September 2019.

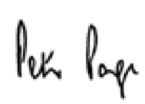
In January 2020 Chris Holmes stood down from the Board after 29 years' dedicated service to the Group firstly as Chief Executive and subsequently Chairman. I became Chairman at the January 2020 AGM. In October 2020 Kristen Eshak Weldon joined the Board as an independent Non-Executive Director, bringing considerable experience of investment appraisal and extensive knowledge of new technology opportunities in global agriculture. Hugh Pelham will be joining the Board in January 2021, taking over as Chief Executive upon Tim Davies standing down at the AGM after seven years in the role.

In last year's Annual Report, we explained that the Board had formalised its workforce engagement initiatives, with Alistair Wannop being appointed as Board Representative for Employment Engagement. Due to COVID-19, planned face-to-face engagement was replaced by videoconference technology to keep people informed and involved. Staying connected with our people has never been more important.

At the AGM in January 2021, our new Executive Director Remuneration Policy will be put to shareholders, as it will be three years since the policy was last approved. Key changes to the policy (compared to that approved in January 2018) are: (a) the alignment of employer pension contribution rates for Executive Directors with those available to the majority of the Group's UK workforce; and (b) the introduction of a new requirement that Executive Directors hold up to 200% of their base salary in shares which have vested under the Long-Term Incentive Plan for a period of two years after they leave their employment, to ensure that interests remain aligned with shareholders over the longer term. These two changes are in line with current best practice and follow consultation with major shareholders. The new policy is set out in the Remuneration Committee Report on pages 54 to 60. We hope you will agree that it is an appropriate framework for rewarding performance and encouraging entrepreneurialism in a manner which aligns with the interests of our stakeholders.

Our forthcoming AGM will be different to previous years. As COVID-19 restrictions prevent the AGM from taking place in person, members will be invited to vote on each of the resolutions proposed by proxy and given the opportunity to raise questions in advance. We will also be broadcasting a presentation online to report on the Company's performance, provide answers to questions and to introduce Hugh Pelham. In addition, we will publish responses to the questions raised by members on the Company's website. Details will be provided in the Notice of AGM.

Developing good governance is central to the integrity, reputation and performance of Carr's Group. I am committed to achieving the highest standards at all times.



Peter Page
Chairman
23 November 2020

Corporate Governance Report

Statement of Compliance with UK Corporate Governance Code

The UK Corporate Governance Code dated July 2018 and issued by the Financial Reporting Council sets out standards of good practice in relation to issues such as:

- Board Leadership and Company Purpose;
- The division of Responsibilities;
- Board Composition, Succession and Evaluation;
- Audit, Risk and Internal Control; and
- Remuneration.

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 29 August 2020, complied with the requirements of the Code in their entirety.

The Board

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

The Board's time can be grouped in to six key areas as outlined below. A portion of its 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 management 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 those arising under s.172 of the Companies Act 2006.

During the year ended 29 August 2020, the Board comprised of two Executive Directors, a Non-Executive Chairman[1], and up to five Non-Executive Directors[2]. There is also a Company Secretary to the Board. Subsequent to the end of the financial year, Kristen Eshak Weldon was appointed as a Non-Executive Director on 1 October 2020, and it was announced that Hugh Pelham would be appointed to the Board as an Executive Director and Chief Executive Designate with effect from 4 January 2021. Biographies of the Board can be found on pages 38-39.

The Board met on 11 scheduled occasions throughout the year. In addition to regular scheduled meetings, a number of additional meetings took place during the year in order to deal with specific business arising from time to time. Whilst the Board's planned agenda was for all scheduled meetings to take place in person, the majority of Board and Committee meetings during 2020 were held by videoconference in order to minimise the risk of COVID-19 transmission. 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 Chief Financial Officer.

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 management and environmental policy;
- 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 development needs of the Board and for each Director; and
- providing strategic insight and a sounding board for the Chief Executive on key business decisions, and challenging proposals where appropriate.

The Chief Executive is responsible for:
- the 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;
- 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. In accordance with the Code, the Board consider it best practice to require all Directors to retire and stand for re-election annually.

1 Until conclusion of the AGM on 7 January 2019, Chris Holmes was Non-Executive Chairman. Following conclusion of that AGM, Peter Page became Non-Executive Chairman.

2 From the appointment of Peter Page to the Board on 1 November 2019 until Chris Holmes standing down from the Board upon conclusion of the AGM on 7 January 2019, there were five Non-Executive Directors. For the remainder of the financial year, there were four Non-Executive Directors.

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 or other third parties may also attend meetings, or parts of meetings, where appropriate from time to time by invitation. The Company Secretary is responsible to the Board for the timeliness and quality of information.

Details of the scheduled meetings of the Board, and of the Audit, Nomination and Remuneration Committees, during the period together with members' attendance are set out in the table below.

Scheduled Meeting Attendance

	Board	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings	11	4	5	6
Peter Page**	9	4*	4	5
Chris Holmes***	5	1*	1*	1
Tim Davies	11	4*	2*	6*
Neil Austin	11	4*	3*	6*
Alistair Wannop	11	4	5	6
John Worby	11	4	5	6
Ian Wood	11	4	5	6

* Attended meeting in full or part by invitation.
** Appointed on 1 November 2019 (attended 100% of meetings whilst appointed).
*** Stood down on 7 January 2020 (attended 100% of meetings whilst appointed).

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. Any conflicts are also required to be declared at the outset of every Board meeting in relation to the matters on the agenda. In the financial year ended 29 August 2020, there were 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, and the report delivered to the Board, drew positive conclusions including that the Board and its Committees were performing effectively and 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.

In each of the years ended 2018 and 2019, the Board carried out internal reviews which built upon the 2017 external review. These reviews were led by the Chairman with the support of the Company Secretary. Reviews 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 issue of questionnaires to members of the Board. Responses were collated by the Company Secretary and reports presented to the Board detailing any views on an anonymous basis, together with progress made to date against previous recommendations. Reports were the subject of detailed and constructive discussion by the Board.

Although the Group sits outside the FTSE 350, the Board considered facilitating an external evaluation of the Board and its Committees during 2020. Given the changes to membership of the Board during 2020, it was considered that the Group would in fact benefit more from an externally facilitated review in 2021. It was determined that the Board would therefore conduct an internal evaluation in 2020, planning for an external evaluation in the coming year. During 2020, the Board therefore undertook an internal evaluation in a similar fashion to those in 2018 and 2019. A detailed report on questionnaire responses was compiled by the Company Secretary including anonymised feedback which was reported to the Board. This led to a detailed discussion and the implementation of certain recommendations including improvements to financial reporting, adding regular management and industry updates to Board agendas, adopting changes to employee engagement practices and adopting regular post-investment appraisals for significant capital expenditure projects.

During the year, the Chairman also evaluated the performance of the Non-Executive Directors through discussions with Board members and the Company Secretary, and informal observations. The Senior Independent Director also held discussions with Board members and the Company Secretary, without the Chairman present, to appraise the Chairman's performance. Feedback was provided following such evaluations and reviewed by the Board.

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 2020 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 its assessment, the Board noted that no issues or concerns regarding independence had been highlighted during previous evaluations. The Board noted that Alistair Wannop had no material business relationships with the Company, does not hold a significant shareholding, does not represent any shareholder, does not have any family connections with the Company, and has not served the Company in any capacity other than as a Non-Executive Director. The Board 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.

The Board has therefore assessed Alistair Wannop, Ian Wood and John Worby as independent. Upon their appointment to the Board on 1 November 2019 and 1 October 2020 respectively, both Peter Page and Kristen Eshak Weldon were assessed by the Board to be independent. The question of Non-Executive Director independence is a matter which is kept under review and assessed annually by the Board.

Non-Executive Director succession

Following the appointment of Kristen Eshak Weldon and as part of the Board's strategy for Non-Executive Director succession, Alistair Wannop will stand down from the Board upon conclusion of the AGM which will take place in January 2022. Alistair was first appointed to the Board in September 2005. Recognising Alistair's deep knowledge of the Group's activities and understanding of agricultural industries, and given the level of Board succession achieved during 2019 and 2020, the Board considers it appropriate for Alistair to remain appointed for a further year to provide continuity.

Board Committees

Audit Committee

The Audit Committee's key responsibilities are to review the effectiveness of the Company's financial reporting, the performance of the external auditor and the Group's systems of risk management and internal control.

During the year, the Audit Committee comprised three independent Non-Executive Directors: John Worby (Chair), Ian Wood and Alistair Wannop. On 1 October 2020, Kristen Eshak Weldon was also appointed to the Committee which now comprises four independent Non-Executive Directors. The Board considers that the Committee meets the requirements of the Code and is appropriate for a company of its size. In particular, the 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 Chairman of the Audit Committee is a chartered accountant with recent and relevant financial experience. The work, responsibilities and governance of the Audit Committee are set out on pages 49 to 52.

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.

From 1 November 2019[3], the Remuneration Committee comprised four independent Non-Executive Directors: Ian Wood (Chair), Peter Page, John Worby and Alistair Wannop. On 1 October 2020, Kristen Eshak Weldon also became a member of the Committee which now comprises five independent Non-Executive Directors. The work, responsibilities and governance of the Remuneration Committee is set out on pages 53 to 66.

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 Peter Page (Chair), Alistair Wannop, John Worby and Ian Wood[4]. On 1 October 2020, Kristen Eshak Weldon also became a member of the Committee. The work, responsibilities and governance of the Nomination Committee are set out on pages 46 to 48.

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.

3 Prior to 1 November 2019, the Committee comprised of three independent Non-Executive Directors: Ian Wood (Chairman), John Worby and Alistair Wannop.
4 Prior to 1 November 2019, the Committee comprised of Chris Holmes (Chairman), Ian Wood, John Worby and Alistair Wannop. Peter Page became a member of the Committee on 1 November 2019 and became Committee Chair upon Chris Holmes standing down from the Board and the Committee on 7 January 2020.

The Annual General Meeting ordinarily provides all shareholders with the opportunity to develop further their understanding of the Company. It is an excellent forum for all Directors to engage with private investors. All shareholders are given the opportunity to raise questions on matters proposed for consideration at the AGM. 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. Following the AGM, the voting results for each resolution are published and are available on the Company's website.

COVID-19 and our January 2021 AGM

Owing to the ongoing risks associated with COVID-19, arrangements for our January 2021 AGM will be different to those in previous years. Members will not be able to attend the meeting in person, but will be invited to cast their votes on the resolutions proposed at the meeting by proxy in advance. Voting at the meeting will take place by poll, on the basis of the proxy votes cast in advance of the meeting. Any members who do try to attend the AGM in person will unfortunately not be permitted to enter the meeting owing to government restrictions and social distancing guidelines. On the day of the AGM we will be publishing a broadcast on the Company's website, reflecting on the year, providing an update on current trading, introducing Hugh Pelham, and answering questions raised by shareholders. Written responses to questions raised by shareholders will also be made available on the Company's website. We hope that our members understand the need for caution in current circumstances and very much look forward to returning to hosting our AGM in person in future years.

Fair, balanced and understandable

The Directors have 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 risk management and internal control, 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 ongoing 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 Chief Financial Officer 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 Chief Financial Officer 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 28 to 30.

By order of the Board

Matthew Ratcliffe
Company Secretary
Carlisle
CA3 9BA
23 November 2020

Nomination Committee Report

Peter Page
Chair of the Nomination Committee

Dear Shareholder

I present this report on the role of the Nomination Committee and its activities during the year.

Nomination Committee Highlights

- Appointment of Hugh Pelham as CEO Designate
- Appointment of Peter Page as Non-Excutive Chairman
- Appointment of Kristen Eshak Weldon as independent Non-Executive Director
- Internal evaluation completed with external evaluation planned for FY2021

Introduction

The Nomination Committee ensures that the Board and senior management team 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.

I joined the Board in November 2019 and took over as Chairman of the Board and Chair of the Nomination Committee upon Chris Holmes standing down at the AGM in January 2020.

In July 2020, we announced the recruitment of Kristen Eshak Weldon to the Board as an independent Non-Executive Director. Kristen joined the Board on 1 October 2020 having previously been Head of Food and Downstream Strategy at Louis Dreyfus Company, where she focused on innovation and investments across global agriculture. Prior to this, Kristen spent 13 years at Blackstone where she was Co-Head of the London office for the company's $75 bn Hedge Fund Solutions business, leading their work on investment opportunities worldwide.

In September 2020, we announced that Hugh Pelham will be joining the Board on 4 January 2021 as Chief Executive Officer Designate and will take over as Chief Executive upon Tim Davies standing down at the AGM later that month. Hugh brings over 30 years' experience in leading growing businesses across various sectors, having most recently been Global President of Minova, part of ASX-listed Orica, a global manufacturer and supplier of chemical and mechanical earth control products, adhesives and support equipment. Prior to this Hugh spent four years leading Wood Group Industrial Services, a supplier of specialist coatings, access and fabric maintenance services to the oil and gas, marine and rail industries. Hugh's broad experience and strong track record of generating long-term value will be of real value to the Group.

More information on the activities of the Committee, including the recruitment processes which led to the appointment of Kristen and Hugh, is set out on the pages which follow.

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 six scheduled 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;
- recruitment for Board appointments;
- 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.

Attendance at meetings of the Committee was as follows:

Member	Meetings attended
Peter Page (Chair)*	100%
John Worby	100%
Ian Wood	100%
Alistair Wannop	100%
Chris Holmes*	100%

* Peter Page was appointed to the Committee on 7 January 2020 at which point Chris Holmes stood down. Each attended 100% of meetings during their tenure.

Changes to the Committee

I joined the Board as an independent Non-Executive Director, Chairman Designate and a member of the Committee on 1 November 2019. I subsequently became Non-Executive Chairman of the Group and Chair of the Committee on 7 January 2020 upon Chris Holmes standing down. After the year end, Kristen Eshak Weldon jointed the Board on 1 October 2020 and became a member of the Committee.

Board evaluation

During the year, the Board conducted an internal evaluation of the Board and its Committees. The Board's previous external evaluation took place in 2017, but owing to succession on the Board during 2020, the Committee considered it appropriate for an external evaluation to take place in 2021.

The 2017 external review was facilitated by corporate governance specialists Independent Audit Limited and reviewed the size, composition and effectiveness of the Board and its Committees. 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.

The internal review during 2020, built upon the 2017 external review, and further internal reviews undertaken in 2018 and 2019. For more information on the process see page 43. The review 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 review also reflected on the previous year, and on decisions made by the Board, in order to identify where its effectiveness can be enhanced. The 2020 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 Peter Page, John Worby, Ian Wood and Alistair Wannop remain independent.

Group succession planning and development

The Group's succession strategy focuses 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.

During the year the Committee reviewed the Group's broader succession and development plans with the Group Head of HR and CEO.

Recruitment processes for leadership and senior positions across the Group are managed under the supervision of the Group 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.

In recent years, the Group has made significant progress in the implementation of its senior management succession plans. This progress continued during 2020 with a significant reorganisation of management teams in our UK Agriculture business under the leadership of the recently appointed Managing Director. Our Engineering division also saw significant change with a greater focus on integration and the appointment of a new President in our Global Technical Services 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 pages 32 to 33.

Board succession

In addition to my appointment to the Board in November 2019, which was detailed in last year's report, the Nomination Committee led two Board recruitment exercises during the year.

As part of the Company's long-term succession planning for Non-Executive Directors, the Board announced the appointment of Kristen Eshak Weldon in July 2020. That recruitment process was led by the Committee who, following a competitive tender exercise, appointed recruitment consultants Independent Search to assist. 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. Kristen was appointed to the Board on 1 October 2020 as an independent Non-Executive Director and as a member of the Audit, Remuneration and Nomination Committees.

During the year the Committee undertook a rigorous search for a Chief Executive Officer to succeed Tim Davies who will be standing down from the Board at the AGM in January 2021. The Committee engaged recruitment consultants Spencer Stuart following a competitive tendering process. The search involved an in-depth analysis of the skills, knowledge and experience which would best benefit the Group and the development of a detailed candidate profile. The search considered a large pool of 426 potential candidates from a broad variety of backgrounds, industries, and countries.

Of the total candidate pool identified, 35 individuals were considered further for the position from both internal and external sources (of that total, 26 candidates were male, eight were female and one was undisclosed). Five shortlisted candidates were ultimately identified, which led to the Committee's recommendation that the Board appoint Hugh Pelham to the position.

Hugh's appointment was announced on 24 September 2020. He will join the Board as an Executive Director and Chief Executive Officer Designate on 4 January 2021 and, subject to the approval of shareholders, will take over as Chief Executive Officer at the conclusion of the AGM which is currently expected to take place on 12 January 2021.

Alistair Wannop has served on the Board since September 2005. As part of the Board's long-term succession strategy, and following the appointment of Kristen Eshak Weldon, it is planned that Alistair will stand down at the conclusion of the Group's AGM in January 2022. Given the level of Board succession achieved during 2019 and 2020, and recognising Alistair's deep knowledge of the Group's activities and understanding of agricultural industries, the Board considers it appropriate for Alistair to remain appointed for another year to ensure continuity.

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 is aware of the benefits to the Group of diversity, including gender diversity, and of the recommendations of the Hampton Alexander Review. Diversity is an important consideration when determining the needs of the Group and its businesses when making recruitment decisions. Whilst the Board does not currently set any specific diversity targets, as part of the Group's employee survey (for more information please see page 32), information will be collected on the diversity of our people from across the Group. This information will be reviewed by the Committee and the Board together with the Group Head of HR in order to enhance understanding of diversity across the Group and to enable the development of policy and/or targets where appropriate.

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	1,146
	Male	838
	Female	308
Senior managers	Total	13
	Male	9
	Female	4
Direct reports to senior managers	Total	42
	Male	26
	Female	16

Re-Election

At the AGM on 12 January 2021, Hugh Pelham and Kristen Eshak Weldon will stand for election by shareholders for the first time since being appointed to the Board. Tim Davies will not stand for re-election owing to him standing down from the Board. All other Directors will stand for re-election in accordance with best practice and 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.

On behalf of the Board

Peter Page.

Peter Page
Chair of the Nomination Committee
23 November 2020

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

- Adoption of IFRS 16
- Consideration of impact of COVID-19
- Appointment of Kristen Eshak Weldon to the Committee

Introduction

This has been the second year in which KPMG LLP (KPMG) has acted as the Group's auditor, having been first 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

During the year, the Audit Committee comprised three Non-Executive Directors; John Worby, who is Chair of the Committee, Ian Wood and Alistair Wannop. On 1 October 2020, Kristen Eshak Weldon became a member of the Committee upon her appointment to the Board.

The Chair of the Committee has recent and relevant financial experience and collectively members of the Committee have in-depth knowledge and experience of agricultural and engineering industries, and a good understanding of the Group's undertakings. Details of Committee members' qualifications can be found on pages 38 to 39.

The Audit Committee met four times during the year, and has an agenda linked to the Group financial calendar. It invites the Chairman, the Chief Executive, the Chief Financial Officer, the Head of Group Finance, the Head of Business Finance, the Head of Internal Audit and the external auditor to attend its meetings. During the year, the Committee met with each of the Head of Internal Audit and the external auditor without the Executive Directors or other senior management being present.

The Committee has met twice since the end of the financial year to consider internal audit work and the results and Annual Report for the year ended 29 August 2020.

Responsibilities

The key responsibilities of the Committee are to provide effective governance over the integrity of the Company's financial reporting and the effectiveness of its systems of internal control and risk management.

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;
- Keep under review and evaluate the effectiveness of the Company's internal financial control, 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;
- 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; and
- Review the adequacy of the Company's whistleblowing and anti-bribery arrangements.

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 Chief Financial Officer, and the external auditor in respect of the half year and full year results and Annual 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 Chief Financial Officer on such issues at the two meetings that reviewed the half year and year end results, as well as reports from the external auditors. The Committee carefully considered the content of these reports in evaluating the significant issues and areas of judgement across the Group.

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

- **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 to test the recoverability of contract balances. The Committee determined that the judgements adopted by management were appropriate.
- **The valuation of the Carr's Group defined benefit pension scheme assets and obligations.** The Committee reviewed valuations of the scheme's investments, and the key actuarial assumptions used to value the scheme obligations. The assumptions made were reviewed against market data in conjunction with independent actuarial specialists, to assess their appropriateness and the disclosures on the sensitivity of the obligations to changes in such assumptions were reviewed. The Committee was satisfied that the scheme's assets were appropriately valued, that the assumptions adopted in relation to the scheme's liabilities were appropriate, and that disclosures made in relation to the scheme were appropriate.
- **The valuation of the Group's share of the Carrs Billington Agriculture (Operations) Ltd defined benefit scheme surplus.** The Committee evaluated the actuarial assumptions adopted in estimating scheme obligations and reviewed asset statements in relation to the scheme's investments in conjunction with actuarial specialists. The Committee was satisfied following such review that the valuation adopted for the scheme surplus was appropriate.
- **Estimates of the recoverability of trade receivables in the Agriculture division.** The Committee reviewed key controls within credit control processes, the estimates and policies adopted in relation to debtors, and the adequacy of the Company's disclosures relating to provisions for receivables. The Committee determined that the estimates and disclosures made were appropriate.
- **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.
- **Potential goodwill impairment.** The Committee challenged the reasonableness of the future business performance assumptions adopted by management for those businesses that had underperformed against expectations. Factors considered included historical performance, industry benchmarks and where relevant the likely long-term impact of the COVID-19 pandemic. The Committee agreed with management's view that no impairments were necessary.
- **Inventory provisioning.** The Committee reviewed management's policies and related processes to monitor inventory movement, particularly given the potential impact of Brexit and COVID-19, and determined that no changes to inventory provisioning was necessary.
- **Adoption of new accounting standard IFRS 16.** The Committee reviewed the accounting policies adopted to meet the requirements of IFRS 16, management controls in relation to key judgements, and the impact of adoption of the standard on the financial statements including relevant disclosures. The Committee was satisfied with the manner in which the accounting standard had been adopted and reflected in the financial statements.
- **Changes to the fair value of contingent consideration in relation to the acquisitions of Animax, NuVision and NW Total.** The Committee challenged management's assessments of the fair value of the contingent consideration likely to be payable as potential earn-out payments for those 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 Chief Financial Officer 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 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, particularly in relation to the ongoing uncertainties associated with COVID-19 and Brexit. It received a written report prepared by the Chief Financial Officer which enabled it to review the base assumptions and various sensitised scenarios throughout the forecast period. The Committee was comfortable with the disclosures made.

Internal Control and Risk Management

During the year the Committee continued to 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.

External Audit

KPMG was appointed as external auditor of the Group at the AGM in January 2020, having first been appointed at the AGM in January 2019 following the recommendation of the Board and a competitive tender process managed by the Audit Committee which took place during 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 2020. the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2020 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 2020, 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. Whilst the Committee was satisfied with the robustness of the audit, the questionnaire highlighted some concerns with the efficiency of the audit process which were discussed in detail with KPMG through a thorough debrief process. It was agreed that improvements would be made for the 2020 audit.

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 Chief Financial Officer 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 2020 financial year, there was no non-audit work undertaken by the Group's external auditor.

The Committee concluded that it was satisfied with the independence of KPMG as auditors and that it should recommend their reappointment to the Board.

Internal Audit

The Committee is responsible for monitoring the performance and effectiveness of the Company's internal audit activities.

During the year, the Committee reviewed and approved the internal audit plan which is devised from assessments across the Group's operations and aligned to the Group risk framework as well as business-specific risks. On an annual basis, the Committee also reviews and approves the Group's internal audit charter which describes the role and mandate of the internal audit function.

The internal audit plan was significantly impacted from March 2020 by the onset of the COVID-19 pandemic, particularly owing to the Group's imposition of travel restrictions. During this period, and to reflect changes to risks across the Group, internal audit resources were refocused towards business continuity planning, the maintenance of control environments whilst working remotely, and the Group's ongoing ERP implementation project. During 2020, the Committee considered the internal audit plan regularly to ensure that internal audit activity remained aligned to any emerging risks.

At each of the Committee's meetings during the year, the Group's Head of Internal Audit provided updates on internal audit activities. Internal audit findings, together with responses from management, were considered by the Committee and, where appropriate, challenged.

The Committee also keeps the performance and effectiveness of the internal audit function under review and in doing so it also assesses the quality, experience and expertise within the internal audit function. The Committee was satisfied that the internal audit function continues to operate effectively, despite the challenges brought by COVID-19, and that the expertise and level of resource available to internal audit were appropriate.

Since the year end, the Committee has agreed the internal audit plan for 2021, which will continue to be reviewed on a quarterly basis to respond to emerging risks or challenges in completing the audit programme as the COVID-19 pandemic continues.

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.

John Worby
Chair of the Audit Committee
23 November 2020

Remuneration Committee Report

Ian Wood
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Remuneration Committee and the Board, I am pleased to present the Report of the Remuneration Committee for the year ended 29 August 2020.

Remuneration Committee Highlights

- **New Directors' Remuneration Policy to be considered by shareholders at January 2021 AGM**
- **Executive benchmarking exercise undertaken as part of CEO succession planning process**
- **Appointment of Peter Page and Kristen Eshak Weldon to the Committee**

Annual Statement

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

1. This Annual Statement, which summarises the key considerations of the Committee during the year and forms part of the Annual Report on Remuneration.
2. The Directors' Remuneration Policy, which sets out the Policy for the Executive Directors, Chairman and Non-Executive Directors. The Directors' Remuneration Policy will be put to shareholders at the AGM due to take place on 12 January 2021. Changes to the previous policy, which was approved by shareholders at the AGM on 9 January 2018, are summarised below.
3. The Annual Report on Remuneration, which sets out how the Remuneration Policy has been applied in 2019/20, the remuneration received by Directors for the year and how the policy will be applied during 2020/21. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM.

Performance and Remuneration in 2019/20

Whilst full year performance was ahead of the Board's revised expectations, it fell short of the original budget with the result that no annual bonus was payable relating to financial targets.

Adjusted profit before tax of £14.9m was 17.4% below the prior year when the Group achieved a record performance of £18.0m. Adjusted Earnings Per Share was also down to 11.9p (2019: 14.6p).

Non-financial targets were achieved during the year, in relation to which annual bonus was payable. The financial and strategic targets set by the 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 2019/2020

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 on the pages which follow.

During the year, the Committee undertook a review of its existing Directors' Remuneration Policy. The proposed policy, which will be put to shareholders at the AGM in January 2021, includes certain changes designed to ensure that it remains in line with best practice. These are:

1. A requirement that Executive Directors retain all shares which vest under the Company's Long Term Incentive Plan (LTIP), up to a value equal to 200% of their basic salary, for a period of two years following the cessation of their employment with the Company for any reason. This requirement will apply to all shares which vest after the Policy takes effect, regardless of when awards were made under the Company's LTIP.
2. A firm commitment that all Executive Directors – both current and future appointments – receive an employer pension contribution (or cash in lieu where appropriate) at a rate that does not exceed the employer contribution rate available to the majority of the Group's UK workforce (currently 4% of basic salary per annum). Such alignment of pension contributions will be achieved by no later than the end of the Company's current financial year ending August 2021.

In addition to disclosing CEO pay ratios, the Group has also reported on its UK-wide gender pay gap. The Group's largest subsidiary, Carrs Billington Agriculture (Sales) Limited has reported on its gender pay gap since 2018.

Remuneration Committee Report continued

During the year, the Board appointed Peter Page who became Non-Executive Chairman on 7 January 2020. After the year end, the Board appointed Kristen Eshak Weldon as an independent Non-Executive Director and Hugh Pelham as Chief Executive Officer Designate. Kristen joined the Board on 1 October 2020. Hugh will be joining the Board on 4 January 2021 and, subject to shareholder approval, will become Chief Executive Officer upon conclusion of the AGM on 12 January 2021. Whilst neither Kristen nor Hugh have served during the financial year ended 29 August 2020, full details of their remuneration are set out in the report which follows.

Inflationary salary increases of 1% were awarded to the Executive Directors effective 1 September 2020, consistent with the broader workforce.

After the end of the financial year, and as part of the Board's CEO succession planning process, the Committee reviewed Executive Director salaries. This highlighted that Neil Austin's remuneration was significantly below the market. The Committee noted that Neil's salary had increased by an average of 1.8% per annum since appointment in 2013. Reflecting the significant contribution made by Neil, and his growth in role since joining the Board, the Committee determined that it would be appropriate to increase Neil's basic annual salary by 17.5% from 1 November 2020 to £251,000. Neil has received consistently strong Board approval during his tenure and will be integral to a smooth CEO transition. The Committee carried out a market benchmarking exercise as part of its review, and noted that the increased salary fell within a market competitive range (albeit below median). Taking into consideration changes to pension contributions for Executive Directors (as set out in the report which follows), the overall increase to Neil Austin's fixed remuneration is 6.3%. With this in mind, the Committee is confident in its salary proposal, which it considers to be fair and not excessive.

For 2020/21, the maximum annual bonus for the Executive Directors will remain 100% of salary, with 25% of any amount awarded 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.

I hope that you are able to support the Remuneration Committee's Report, and the Directors' Remuneration Policy at the forthcoming AGM on 12 January 2021.

Ian Wood
Chair of the Remuneration Committee
23 November 2020

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 current policy was approved by the shareholders at the AGM which took place on 9 January 2018, receiving a 99.7% proxy vote in favour. This policy builds upon the previous policy and includes the following notable changes which align with the Corporate Governance Code 2018 and emerging best practice:

1. A requirement that Executive Directors retain all shares which vest under the Company's Long Term Incentive Plan (LTIP), up to a value equal to 200% of their basic salary, for a period of two years following the cessation of their employment with the Company for any reason. This requirement will apply to all shares which vest after the Policy takes effect, regardless of when awards were made under the Company's LTIP.
2. A firm commitment that all Executive Directors – both current and future appointments – receive an employer pension contribution (or cash in lieu where appropriate) at a rate that does not exceed the employer contribution rate available to the majority of the Group's UK workforce (currently 4% of basic salary per annum). Such alignment of pension contributions will be achieved during the Company's current financial year ending August 2021.

Further information on the above changes is set out in the remuneration policy table on the pages which follow.

The new policy will be put to shareholders for consideration and approval at the AGM taking place on 12 January 2021.

The role of the Committee

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

Key responsibilities include:

- determining the framework for the remuneration of the Group's Executive Directors, senior management and Chairman;
- reviewing workforce remuneration and related policies;
- 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 culture and 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 incentivising the delivery of rewards to the Group's shareholders, workforce and broader stakeholders.

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

The remuneration package is split into two parts:
- a non-performance related element represented by basic salary, benefit and pension; and
- a performance related element in the form of an annual bonus and a Long Term Incentive Plan.

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

However, there are some differences in the Executive Directors' Remuneration Policy compared to that for the wider workforce, which the Committee believes are necessary to reflect the differing levels of seniority and scope of 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.

In 2019 we formalised our employee engagement activities with Alistair Wannop being appointed as the Board's Representative for Employee Engagement. Whilst we were able to carry out some initial planned activities in the first half of the year, the onset of COVID-19 in the second half prevented group sessions with staff groups from taking place. Employee engagement activities therefore turned towards regular announcements and video blogs on business activities through the Company's intranet, CarrsConnect. In late 2020, we launched an employee engagement survey which will for the first time seek feedback from employees on remuneration.

Consideration of shareholder views
In formulating this policy, the Committee has taken into consideration the views and policies of shareholders and proxy agencies. Proposed changes to the policy were communicated to major shareholders prior to its formation, and all feedback taken into consideration. Advice was also taken on best practice from appropriately qualified remuneration advisers Aon plc and PricewaterhouseCoopers LLP. The views offered to the Committee have been taken into account in the policy below. The Committee welcomes feedback from all of the Group's stakeholders at all times.

Remuneration Policy table

Element	Purpose and link to strategy	Policy and approach	Opportunity
Base salary	To attract and retain the best talent. Reflects an individual's experience, performance and responsibilities within the Group.	Salary levels (and subsequent salary increases) are set taking into consideration a number of factors, including: • level of skill, experience and scope of responsibilities of individual; • business performance, economic climate and market conditions; • increases elsewhere in the Group; and • external comparator groups (used for reference purposes only). Salaries are normally reviewed annually with any increase effective 1 September each year.	There is no formal maximum; however, increases will normally align with the general increase for the broader employee population of the Group. More significant increases may be awarded from time to time to recognise, for example, development in role and change in position or responsibility. Current salary levels are disclosed in the Annual Report on Remuneration.

Element	Purpose and link to strategy	Policy and approach	Opportunity
Pension	Provides a competitive and appropriate pension package that is aligned with arrangements across the Group.	Executive Directors are entitled to participate in a defined contribution pension arrangement or to receive a cash alternative to those contributions. Subject to as provided below, Company contributions for all Executive Directors are at a rate which does not exceed the contribution rate available to the majority of the UK workforce (currently 4%). Tim Davies is standing down from the Board upon conclusion of the AGM on 12 January 2021. He will remain employed by the Company until 22 August 2021 and, during such period, will continue to receive his existing employer pension contribution of 15%. 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 a maximum rate not exceeding that available to the majority of the UK workforce (currently 4%).
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.
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 including material financial misstatement, reputational damage, gross misconduct, fraud, error in the assessment of performance measures and corporate failure. These provisions apply to both the cash and deferred elements of the bonus.	Maximum of 100% of base salary.
Save As You Earn (SAYE)	To encourage employee involvement and encourage greater shareholder alignment.	An HMRC approved SAYE scheme is available to eligible staff, including Executive Directors.	The schemes are subject to the limits set by HMRC from time to time.

Element	Purpose and link to strategy	Policy and approach	Opportunity
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. Annual awards are capped at the equivalent of 100% of base salary at the date of award. In accordance with the rules of the LTIP, which were approved by shareholders at the AGM on 8 January 2013, in circumstances considered by the Committee to be exceptional, single awards in excess of 100% of base salary can be made, up to a maximum of 200% of base salary at the date of the award. Awards are currently based solely upon an EPS growth measure, although the Committee reserves the right to introduce further or alternative performance measures where considered appropriate from time to time and following consultation with major shareholders. 25% vests at threshold performance. There is straight-line vesting between threshold and maximum. A two-year post-vesting holding period applies to the net of tax shares for awards granted in 2018 and beyond. A malus and clawback mechanism applies in specific circumstances including in the event of a material misstatement of the Group's accounts and also for other defined reasons.	Maximum of 100% of base salary for annual awards. Exceptional awards can be made of up to 200% of base salary.
Shareholding guidelines	To provide alignment with shareholder interests.	Executive Directors are required to build up a shareholding equivalent to 200% of base salary over a five-year period.	N/A
Post-cessation shareholding	To provide alignment with shareholder interests in the long term.	Executive Directors are required to retain all shares acquired on vesting under the Company's LTIP, up to a value equal to 200% of their basic salary, for a period of two years following the cessation of their employment with the Company for any reason. This requirement will apply to all shares which vest after the Policy takes effect, regardless of when awards were made under the Company's LTIP.	N/A

Chairman's and Non-Executive Directors' 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 their roles; • market rate; and • that they do not participate in any bonus, pension or share-based scheme. Our policy is for the Executive Directors to review the remuneration of Non-Executive Directors annually following consultation with the Chairman. The Chairman's remuneration is reviewed annually by the Remuneration Committee. The Chairman and the Non-Executive Directors are entitled to reimbursement of reasonable expenses. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director. The Non-Executive Directors will not participate in the Group's share, bonus or pension schemes. Non-Executive Directors are engaged for terms of one year subject to appointment and reappointment at the Company's AGM.	Non-Executive Directors receive a single fee for all services to the Company. Levels of fee are reviewed annually with any increases normally aligning with general increases for the broader employee population of the Group.

Remuneration Committee discretions
The Committee will operate the annual bonus plan and LTIP according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. This is consistent with market practice and these include (but are not limited to) the following:
- the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy table);
- the determination of vesting based on the assessment of performance;
- the determination of a 'good leaver' and where relevant the extent of vesting in the case of the share-based plans;
- treatment in exceptional circumstances such as a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards; and
- the annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year.

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

Performance measures and targets
Our Group strategy and business objectives are the primary consideration when we are selecting performance measures for incentive plans. The annual bonus is based on performance against a stretching combination of financial and non-financial measures. Profit before tax reflects the Group's strategic objective to increase profit. In addition, Executive Directors are assessed on strategic objectives as agreed by the Committee at the beginning of the year. The LTIP is assessed against growth in 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 ordinarily be limited to 200% of base salary (i.e. 100% annual bonus plus 100% Long Term Incentive Plan). This can be increased to 300% in exceptional circumstances (i.e. 100% annual bonus plus 200% 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.

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.

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

	Date of service contract/ letter of appointment	Date first appointed/ to be appointed to the Board	Date stood/standing down
Executive Directors			
Hugh Pelham	23 August 2020	4 January 2021	
Neil Austin	1 January 2013	1 May 2013	
Tim Davies	18 October 2012	1 March 2013	12 January 2021
Non-Executive Directors			
Peter Page	1 September 2020	1 November 2019	
John Worby	1 September 2020	1 April 2015	
Ian Wood	1 September 2020	1 October 2015	
Alistair Wannop	1 September 2020	1 September 2005	
Kristen Eshak Weldon	26 July 2020	1 October 2020	
Chris Holmes	1 September 2019	7 January 1992	7 January 2020

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 prorated 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 2020 pay packages

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2020/2021 financial year. Potential outcomes based on different scenarios are provided for each Executive Director.

The assumptions underlying each scenario are described below.

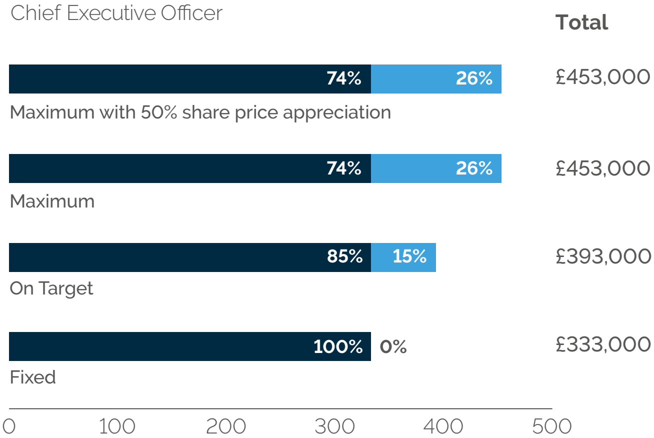
Fixed	Consists of base salary, pension and other benefits. Base salaries are as at 1 September 2020[1]. Benefits are valued using the figures in the total remuneration for the 2019 financial year table, adjusted for any benefits that will not be provided during 2020. Pensions are valued by applying the appropriate percentage to the base salary.

	Base £'000	Benefits £'000	Pension £'000	Total £'000
Tim Davies	289	1	43	333
Neil Austin[1]	251	1	10	262
Hugh Pelham	225[2]	1	9	235

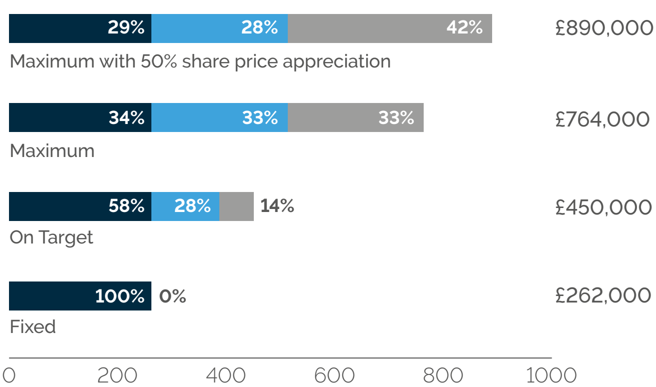
On target	Based on what a Director would receive if performance was in line with plan and the threshold level was achieved under the LTIP.
Maximum	Assumes that the full stretch target for the LTIP are achieved, and maximum performance is obtained under both the financial and non-financial targets set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

1 Neil Austin's total potential remuneration for the 2020/21 financial year has been adjusted to reflect the adjustment made from November 2020 as a consequence of the salary review undertaken by the Committee in 2020.
2 The fixed remuneration for Hugh Pelham has been prorated to reflect that his appointment commences from 4 January 2021. The full year equivalent would be a base salary of £337,000, and total fixed remuneration of £351,000.

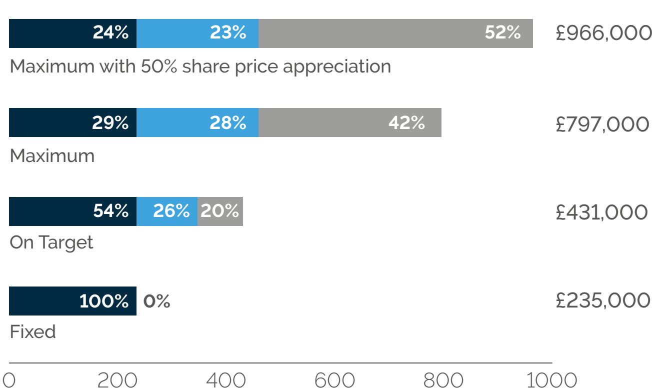
Tim Davis
Chief Executive Officer



Neil Austin
Chief Financial Officer



Hugh Pelham
Chief Executive Officer (Designate)[1]



[1] Note that the fixed remuneration and annual bonus figures shown are reflective of Hugh Pelham's prorated annual base salary for the period from 4 January 2021.

■ Salary and benefits
■ Annual bonus
■ LTIP

Annual Report on Remuneration

This part of the Directors' Remuneration Report sets out a summary of how the Directors' Remuneration Policy was applied during the 2019/20 financial year.

Remuneration Committee

During the 2019/20 year, the Remuneration Committee comprised Ian Wood (Chair), John Worby, Alistair Wannop and Peter Page[3]. The Committee met on 5 occasions during the year with all members in attendance (see page 43).

The Executive Directors 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.

During the year the Committee considered:

- the Committee's terms of reference;
- the Corporate Governance Code and developing remuneration trends, and their impact on the activities of the Committee and remuneration policy;
- the Directors' Remuneration Policy;
- levels of basic pay for Executive Directors, the Chairman and senior management;
- the remuneration package to be offered to the incoming Chief Executive Officer Designate;
- performance targets, both financial and non-financial, for Executive Director variable pay;
- pay and benefits structures across the broader Group (including gender pay gap reporting and 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 changes being proposed to the Directors' Remuneration Policy.

3 Who became a member on 1 November 2019 upon his appointment to the Board.

2020 Remuneration (Audited Information)

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2020 financial year versus 2019. 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]		Pension		Total fixed pay		Bonus		LTIP[4]		Total variable pay		Total remuneration	
£'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive Directors																
Tim Davies	**286**	280	**1**	1	**43**	43	**330**	324	**43**	169	**135**	271	**178**	440	**508**	764
Neil Austin	**211**	207	**1**	1	**32**	31	**244**	239	**38**	131	**98**	200	**136**	331	**380**	570
Non-Executive Directors																
Chris Holmes[2]	**29**	82	**–**	–	**–**	–	**29**	82	**–**	–	**–**	–	**–**	–	**29**	82
Alistair Wannop	**40**	39	**–**	–	**–**	–	**40**	39	**–**	–	**–**	–	**–**	–	**40**	39
John Worby	**40**	39	**–**	–	**–**	–	**40**	39	**–**	–	**–**	–	**–**	–	**40**	39
Ian Wood	**40**	39	**–**	–	**–**	–	**40**	39	**–**	–	**–**	–	**–**	–	**40**	39
Peter Page[3]	**75**	N/A	**–**	N/A	**–**	N/A	**75**	N/A	**–**	N/A	**–**	N/A	**–**	N/A	**75**	N/A

1 Benefits consist of private medical insurance, death in service and income protection insurance.
2 Chris Holmes stood down from the Board on 7 January 2020.
3 Peter Page was appointed to the Board on 1 November 2019.
4 LTIP award values are calculated using the average share price over the final three months of the relevent financial year.

2020 Annual Bonus Payout

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

80% of the bonus was based on Group adjusted profit before tax (PBT). Adjusted PBT is calculated as reported PBT after adding back or deducting any one-off items outside of normal trading that were not anticipated at the time the performance targets were set, such as acquisition related costs. The Group is committed to disclosing its performance targets retrospectively save where this is prevented due to commercial sensitivities. For the year ending 29 August 2020, the PBT targets were set in accordance with the table below.

Threshold target (0%) £'000	Basic target (30%) £'000	Maximum target (80%) £'000
17,616	18,543	19,470

Payments are adjusted on a straight-line basis between the targets set out above. For the year ended 29 August 2020, adjusted PBT for the Group was £14.9m. This performance was below the threshold target and so nothing was payable to the Executive Directors in connection with the Group's financial targets.

Strategic targets, which account for 20% of the bonus, were set at the start of the year. Details of certain targets, together with performance against those targets, are provided in the tables below.

Tim Davies:

Objective	Performance measures	Performance outcome
a. Successful integration of NW Total into the Group.	• Development of target business and Engineering division in line with Board strategy and acquisition plan. • Collaboration and joint working between NW Total and other Engineering businesses. • Continuing growth of order book over medium term.	• Business developing in line with acquisition plan with increasingly diverse order book and opportunity pipeline growth in line with the Board's acquisition plan. • Several collaborative initiatives already underway with other Engineering division businesses in UK Service & Manufacturing. • Strong performance by business in first year as part of the Group.
b. Continued integration and development of Animax business.	• Delivery of first phase of bolus manufacturing automation including successful manufacture to required standards. • Growth in international sales and progress with UK business development strategy.	• Boluses successfully manufactured using new automated process. Testing to date shows good quality product which meets required standards. • International sales growth has been slower than expected owing to delay in securing product registrations and the implementation of international business development strategy.
c. Identify and deliver suitable acquisitions which align to the Board's strategy.	• Develop pipeline of suitable acquisition opportunities with a targeted return which meets the Board's strategy. • Detailed appraisal of acquisition opportunities, with plans presented to the Board for consideration and/or approval where appropriate.	• Seven acquisition profiles presented to the Board during the year, with detailed work undertaken and presented to the Board on three opportunities. • Progression of opportunities delayed owing to COVID-19 but all potential projects remain under review.
d. Continued development of global Agriculture strategy.	• Development and presentation of revised global Agriculture strategy. • Implementation of existing strategy relating to Supplements including focus on UK dairy and international markets with demonstrable year-on-year growth. • Implementation of restructuring of UK Agriculture business.	• Significant year-on-year international Supplements growth (New Zealand sales increased by 40%). • Dairy Supplements launch taking place in December 2020 (COVID-19 delayed original planned launch). • Development of strategy through consideration of markets, customers and competitors, to facilitate transition to new CEO in January 2021. • UK Agriculture transformation plan presented to the Board with implementation on track.

Neil Austin:

Objective	Performance measure	Comments on progress
a. Successful integration of NW Total into the Group.	• Integration of business operations including financial reporting, IT, internal and external audit, tax compliance, banking and payroll.	• All integration work completed successfully, including the on-boarding of staff into the Group's defined contribution pension scheme.
b. Successful continuation of Group ERP project.	• ERP project progressing in line with approved revised budget and delivery timelines. • Regular progress reports delivered to the Board. • Successful go-live within two UK Supplements sites. • Progress with UK Agriculture business with go-live planned for 2021.	• ERP go-live for targeted UK Supplements businesses took place successfully over the year, having been delayed from March 2020 due to COVID-19. • UK Agriculture project underway and scheduled for go-live in May 2021. • Revised scope and budget presented to the Board and approved in August 2020. • Board regularly appraised and project head presented detailed update to Board on 13 October.

Objective	Performance measure	Comments on progress
a. Support CEO in developing and delivery of acquisition pipeline.	• Support development of pipeline of suitable acquisition opportunities and provide detailed appraisals to the Board for consideration. • Deploy structured process in respect of: a. acquisition identification; b. deal evaluation; c. due diligence; and d. execution (if appropriate). • Development of a post-investment appraisal process for acquisitions.	• Seven acquisition profiles presented to the Board during the financial year, with detailed work undertaken and presented to the Board on three opportunities. • Progression of opportunities delayed owing to COVID-19 but all potential projects remain under review. • Post-investment appraisal devised, and appraisals presented in relation to NuVision Engineering, Inc. and Animax Limited.
e. Further develop financial reporting.	• Develop Board reporting to further improve understanding of current performance and incorporate more forward-looking information. • Inclusion of opportunity pipeline information for Engineering businesses. • Inclusion of latest year end forecasts.	• More detailed commentary implemented during the year, and reporting format improved to enable better visibility of trading performance for each business. Further refinements planned for FY21 following discussions with NEDs. • Opportunity pipeline has been developed ready for implementation. • Forecasting information included from March 2020 and further detailed forecast information presented at Board meetings. • Extensive new COVID-19 cash flow reporting in place.

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.

Following the year end, the Committee reviewed overall outcomes of the year and noted that good progress had been made towards the non-financial targets. Noting the financial performance of the Company, the Committee considered whether it would be appropriate to exercise its discretion and withhold awarding any payment to Executive Directors under the non-financial targets. In making its judgement, the Committee took into account that good strategic progress had been made, despite significant and unprecedented external challenges, and also the exceptional response by the Executive Directors to the COVID-19 pandemic, which substantially mitigated its impact on the Company. In the light of those considerations, the Committee determined that a payment based upon achievement of the non-financial targets was merited and awarded a bonus of 15% to Tim Davies and 18% to Neil Austin.

Long Term Incentive Plan

The awards made to Executive Directors in 2017 were subject to average annual adjusted EPS growth targets over the three-year period ending on 29 August 2020 and from a base adjusted EPS of 10.7p. Threshold vesting was set at 3% average annual growth. The average EPS growth over the three-year period was 5.49% and, accordingly, 51.64% of shares under the long-term awards made to Executive Directors in 2017 vested.

Long Term Incentive Plan awards during the year (audited)

Long-term awards for 2020 were made to the Executive Directors in line with the Directors' 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	199,810	100% of salary	286	25%	August 2022
Neil Austin	147,859	100% of salary	211	25%	August 2022

The performance conditions which govern the vesting of those shares are based on annual average growth in adjusted EPS over a three-year period. The Committee regularly reviews the performance measures it adopts to incentivise long-term incentives and considers growth in adjusted EPS to be appropriate because it directly measures the Group's underlying financial performance and is visible to shareholders.

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 an 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	–	43
Neil Austin	67	–	32

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. During the year, pension contributions and/or cash allowances in the year were capped at 15% of salary for existing Executive Directors although contribution rates will be aligned with the majority of the UK workforce before the end of the current financial year. Newly appointed Executive Directors will receive an employer pension contribution that does not exceed the rate received by the majority of the UK workforce (currently 4% of base salary).

Payments to past Directors (audited)

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

Payments for loss of office (audited)

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

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

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

	Total number of interests in shares	Vested LTIP	Unvested LTIP	SAYE (unvested without performance conditions)	Unvested deferred bonus shares	% of salary held in shares*
Executive Directors						
Tim Davies	359,019	115,070	388,447	16,965	71,994	137%
Neil Austin	291,729	84,227	287,450	16,965	54,330	178%
Non-Executive Directors						
Alistair Wannop	22,610	–	–	–	–	n/a
John Worby	25,000	–	–	–	–	n/a
Ian Wood	30,000	–	–	–	–	n/a
Peter Page	40,000	–	–	–	–	n/a

*Based upon the average average share price over the three months of the year ended 29 August 2020.

Performance shares (audited information)

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

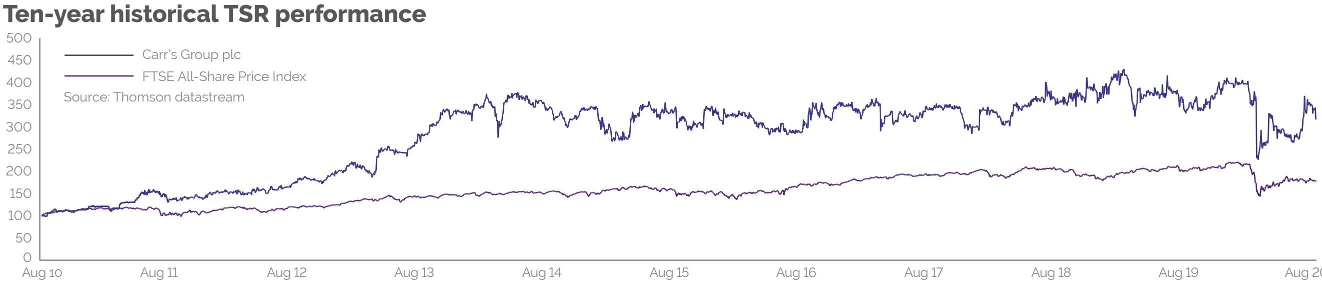
	2017/18 award	2018/19 award	2019/20 award
Tim Davies	222,818	188,637	199,810
Neil Austin	163,095	139,591	147,859

Assessing pay and performance

In the table below we summarise the Chief Executive's single remuneration figure over the past five years, as well as how variable pay plans have paid out in relation to the maximum opportunity. None of the remuneration shown is attributable to share price appreciation.

	2015 Tim Davies	2016 Tim Davies	2017 Tim Davies	2018 Tim Davies	2019 Tim Davies	**2020 Tim Davies**
Single figure of total remuneration	911	531	308	861	764	**508**
Annual variable element (actual award versus maximum opportunity)	100%	55%	0%	100%	60.41%	**15%**
Long-term incentive (vesting versus maximum opportunity)	100%	37.45%	0%	100%	100%	**51.64%**

Ten-year historical TSR performance



Change in Chief Executive's remuneration

In the table below we show the percentage change in the Directors' remuneration between the 2019 and 2020 financial years compared to the other employees.

	Base pay/fees	Benefits	Annual bonus
Tim Davies	2%	0%	-74.7%
Neil Austin	2%	0%	-71.0%
Chris Holmes	2%	N/A	N/A
John Worby	2%	N/A	N/A
Ian Wood	2%	N/A	N/A
Alistair Wannop	2%	N/A	N/A
Other UK employees	2%	0%	-39.2%

Other UK employees

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 Group 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 25th, 50th and 75th percentile of all permanent UK employees of the Group.

	CEO pay		25th percentile		Median		75th percentile	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Total pay (£'000)	**508**	763	**21**	19	**25**	25	**36**	34
Pay ratio	**–**	–	**24**	41	**17**	31	**14**	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 at 29 August 2020.

Gender pay gap
Since 2017, the Company has reported the gender pay gap within its largest subsidiary, Carrs Billington Agriculture (Sales) Limited. Detailed information on the Carrs Billington gender pay gap can be found on the company's website at www.carrs-billington.com. This year, the Committee also considered the gender pay gap across the whole of the UK Group, which was as follows for the snapshot period ending 5 April 2019:

Difference between men and women

	Mean	Median
Hourly pay	28%	25%
Bonus	63%	63%

Proportion of people awarded a bonus

	Mean
Men	48%
Women	35%

Percentage of men/women in each pay quartiles

	Lowest	Q2	Q3	Highest
Men	51%	67%	80%	86%
Women	49%	33%	20%	14%

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

	2020 £'000	2019 £'000	% change
Employee costs	52,890	48,397	9.3
Dividends paid to shareholders	3,344	4,173	-19.9*

*The reduction shown in dividends paid in the year is due to the deferral of the interim dividend announced on 15 April 2020. That interim dividend was reinstated and declared on 15 July 2020 (and paid following the year end on 2 October 2020). The total dividends declared in respect of the year ended 29 August 2020 remains unchanged from the prior year.

External appointments
The Executive Directors did not receive any remuneration in respect of any external appointments in 2019/20.

Implementation of the policy in 2020/21
For 2020/21, 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%. Due to commercial sensitivity, targets will be disclosed respectively in next year's report.

The Committee intends to grant LTIP awards of 100% of salary to Neil Austin and, upon him joining the Board, Hugh Pelham, 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.

Inflationary salary increases were awarded to the Executive Directors effective 1 September 2020, of 1% which is consistent with the broader workforce. A salary increase of 17.5% was also awarded to Neil Austin with effect from 1 November 2020, following the Executive Director benchmarking exercise undertaken by the Committee after the year end as part of its CEO succession planning exercise. Taking into account the alignment of pension contributions, the overall increase in fixed remuneration payable to Neil Austin amounts to 6.3%.

Hugh Pelham will join the Board as CEO Designate on 4 January 2021 and will take over as CEO upon conclusion of the Company's AGM on 12 January 2021. Hugh will receive an annual base salary of £337,000 per annum. This base salary is reflective of an increase of 16.6% against the previous CEO base salary, although a reduction in employer pension contributions means that overall fixed remuneration is 5.4% higher. The Committee took advice from remuneration consultants PwC in connection with the proposed salary which was considered to be commensurate with market levels.

External advisors
During the year, external advisers Aon plc (Aon) and PricewaterhouseCoopers LLP (PwC) were engaged to advise the Committee on remuneration issues, most notably in connection with proposed changes to the Directors' Remuneration Policy and on the remuneration offered to the incoming Chief Executive Officer Designate. Both Aon and PwC are a signatories to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. The Company switched from Aon to PwC due to the Committee's primary adviser moving roles. Total combined fees paid for the services provided amounted to £14,000. PwC provides other services to the Company, in relation to accounting. The Committee is satisfied that no conflicts of interest in respect of advice provided to the Committee exist. It is also satisfied that the members of Aon and PwC teams do not have connections with the Company which might impair their independence.

2020 AGM
At our AGM in January 2020, the Committee's Annual Report on Remuneration received a 99.6% proxy vote from shareholders in favour (47,277,997 votes), with 0.3% against (143,909 votes) and 0.1% withheld (47,175). The previous Directors' Remuneration Policy, which was approved at our AGM in January 2018, received a 99.7% proxy vote from shareholders 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
Chair of the Remuneration Committee
23 November 2020

Directors' Report

The Directors submit their report and the audited accounts of the Company for the year ended 29 August 2020.

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

Results and dividends

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

	2020	2019
Interim dividend	**2.25p**	2.25p[1]
Final dividend per share proposed	**2.50p**	2.50p

1 In aggregate comprising a first interim dividend of 1.125 pence per share paid on 31 May 2019 and a second interim dividend of 1.125 pence per share paid on 4 October 2019.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 January 2021 to members on the register at the close of business on 4 December 2020. Shares will become ex-dividend on 3 December 2020.

The Group profit from continuing activities before taxation was £12.5m (2019: £16.3 m. After taxation charge of £1.6 m (2019: £2.7 m), the profit for the year is £10.9 m (2019: £13.6 m).

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 28 of 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 32 to 35.

Environment

The Company's report on sustainability and the environment, including its carbon footprint, is on page 34.

Political and charitable donations

During the year ended 29 August 2020 the Group contributed £81,000 (2019: £41,000) in the UK for charitable purposes. Further details have been included with the Corporate Responsibility Statement on pages 34 to 35. There were no political donations during the year (2019: £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 29 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 12 January 2021, is limited to £762,346.30 which is approximately 33% of the nominal value of the issued share capital on 21 November 2019. 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 12 January 2021.

- 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 £115,507.00, representing approximately 5% of the Company's issued share capital as at 21 November 2019. This authority will expire at the end of the Annual General Meeting to be held on 12 January 2021.

- 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 9,240,560 Ordinary Shares being approximately 10% of the Company's issued share capital at 21 November 2019. 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% 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 five 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 12 January 2021. 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 66), are as follows:

	At 29 August 2020 Ordinary Shares	At 31 August 2019 Ordinary Shares
T J Davies	**359,019**	245,929
N Austin	**291,729**	202,054
P W B Page	**40,000**	0
A G M Wannop	**22,610**	22,610
J G Worby	**25,000**	25,000
I Wood	**30,000**	10,000

All the above interests are beneficial. There have been no other changes to the above interests in the period from 29 August 2020 to 23 November 2020.

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 there 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 12 January 2021 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 23 November 2020 in the 92,465,833 Ordinary Shares of the Company, as required by the Companies Act 2006:

	Number of shares	% of issued share capital
Heygate and Sons Limited	12,652,870	13.68
BBHISL Nominees Limited (130227)	4,270,000	4.62
Nortrust Nominees Limited (BAEMNL)	3,973,519	4.30
Chase Nominees Limited (ELUCIT)	3,701,254	4.00
Rathbone Nominees Limited	2,646,797	2.86

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.

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:

- they are not aware of any relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themself 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 Board

M Ratcliffe

Matthew Ratcliffe
Company Secretary
23 November 2020

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 29 August 2020 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 29 August 2020 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 two financial years ended 29 August 2020. 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.

Materiality: Group financial statements as a whole	£1,500,000 (2019: £850,000) 0.4% of Group revenue (2019: 4.9% of Group profit before tax before certain adjusting items)	
Coverage	93% (2019: 92%) of Group profit before tax	
Key audit matters		**vs 2019**
Recurring 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 defined benefit pension obligation	◀▶
	New: Provision for trade receivables	▲

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

Key audit matters are those matters that, in our professional judgement, 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 29 (principal risks), page 31 (viability statement), page 50 (Audit Committee Report).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the Going concern, Contract risk in Engineering on over time contracts, Valuation of Carr's Group defined benefit pension obligation (Parent Company) and Provision for trade receivables key audit matters below, and 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 its effects are subject to unprecedented levels of uncertainty of consequences, 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, Contract risk in Engineering on over time contracts, Valuation of Carr's Group defined benefit pension obligation (Parent Company) and Provision for trade receivables key audit matters, 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, Contract risk in Engineering on over time contracts, Valuation of Carr's Group defined benefit pension obligation (Parent Company) and Provision for trade receivables key audit matters, 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 Going concern, Contract risk in Engineering on over time contracts, Valuation of Carr's Group defined benefit pension obligation (Parent Company) and Provision for trade receivables key audit matters, we found the resulting estimates and related disclosures, and 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 31 (viability statement), page 51 (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 COVID-19 on the economy as a whole; • 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 potential impact of COVID-19 and Brexit in eroding 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: • **Benchmarking assumptions** – 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 covenant 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 considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. • **Evaluating Directors' intent** – We evaluated the intent of the Directors and the potential mitigating actions within their control that 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 (2019 result: acceptable).

	The risk	Our response
Contract risk in Engineering on over time contracts Contract revenue over time (£34.8m; 2019: £27.8m) Refer to page 50 (Audit Committee Report), pages 86 to 87 and 94 (accounting policy) and pages 97 and 114 to 115 (financial disclosures).	**Subjective estimate** For a significant proportion of its contracts in the Engineering division, the Group recognises revenue and profit over time. Depending on the nature of the performance obligation, the Group measures progress based either on the input method (by considering the proportion of contract costs incurred relative to the estimated total forecast costs at completion), or the output basis (with reference to certified contract works). The recognition of contract revenue and profit over time for performance obligations measured on the input basis is dependent upon estimates in relation to the forecast total costs of each performance obligation, which inform the percentage of completion calculation. The recognition of contract revenue and profit over time for performance obligations measured on both the input and the output basis is dependent upon estimates in relation to forecast total revenues, including assessment of contract revenue variations, which should be recognised only when evidence supports the conclusion that it is highly probable that a significant reversal of revenue recognised will not occur. 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 stage of completion, and qualitative factors, such as contracts under increased management scrutiny, that we considered to be indicative of risk. Our procedures for the contracts selected included: • **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 unusual contract clauses or contractual mechanisms and we assessed how these were reflected in the amounts recognised in the financial statements. • **Challenge key judgements** – We obtained the detailed project review papers and challenged the Group's estimates and judgements in respect of contract forecasts, variations, 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 enquiries of the Group's in-house legal counsel. • **Independent re-performance** – We recalculated progress towards satisfaction of performance obligations to assess the expected revenue and profit recognition and compared this to the amounts recorded. • **Tests of detail** – We inspected correspondence with customers and third parties, including in instances where contract variations have arisen, to challenge the revenue and costs recorded. • **Remote inspection** – For contracts measured on the input basis in the UK Engineering business, we performed remote inspections, physically inspecting the job progress around the year-end point, and challenging the stage of completion and forecast costs to complete through observation and discussion with key personnel. • **Cost allocation** – We challenged the accuracy of contract cost allocation through vouching costs to source documentation and confirming that those costs related to the stated contract, reviewing certain controls including timesheet authorisation. • **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 revenue and profit margin recognised on over time contracts to be acceptable (2019 result: acceptable).

	The risk	Our response
Provision for trade receivables Trade receivables (£49.1m; 2019: £51.4m) Provision (£1.9m; 2019: £1.3m) Refer to page 50 (Audit Committee Report), page 94 (accounting policy) and pages 115 to 116 (financial disclosures).	**Subjective estimate** There are material amounts of trade receivables within the Agriculture division, where historically there has been a slower collection pattern and for which financial stress may have increased during the year due to the impacts of COVID-19 and Brexit (see above). The effect of these matters is that, as part of our risk assessment, we determined that the provision for trade receivables has 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: • **Assessing assumptions** – We assessed the Directors' assumptions behind the provision against trade receivables, and tested the accuracy of the ageing calculations in order to recalculate management's provision. • **Historical comparisons** – We assessed historical receivable collection patterns in the Agriculture division and compared these to current trends. • **Tests of detail** – We assessed the amount of cash received against trade receivables at year-end, investigating significant, overdue amounts where cash has not been received and for which no provision has been recognised. • **Assessing transparency** – Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision. **Our results** – We found the provision for trade receivables to be acceptable.
Parent Company: Valuation of Carr's Group Pension Scheme defined benefit pension obligation (£65.8m; 2019: £68.0m) Refer to page 50 (Audit Committee Report), pages 87 and 94 (accounting policy) and pages 124 to 129 (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 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 28) 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 (2019 result: acceptable).

The acquisitions of Animax and NW Total Engineered Solutions took place in the previous financial year. While there are aspects of the acquisition accounting which are subject to audit procedures in the current year, we have not assessed this as a significant risk in our current year audit. We also continue to perform procedures over the valuation of certain Carr's Group defined benefit pension scheme assets in relation to the Parent Company. However, the assets held are subject to lower estimation uncertainty than in the previous financial year and therefore we have not assessed this as one of the most significant risks in our current year audit. Therefore, these items are not separately identified in our report this year.

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 £1,500,000, determined with reference to a benchmark of revenue of which it represents 0.4% (2019: 4.9% of Group profit before tax, normalised to exclude certain of the year's adjusting items as disclosed in note 5, of £17.2m). Our benchmark has changed because we consider revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax, and is reflective of the size and complexity of the Group.

Materiality for the Parent Company financial statements as a whole was set at £600,000 (2019: £350,000), determined with reference to a benchmark of Company total assets, of which it represents 0.7% (2019: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £52,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 53 (2019: 52 reporting components), we subjected nine (2019: eight) to full scope audits for Group purposes and two (2019: two) to specified risk-focused audit procedures. 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. We conducted reviews of financial information (including enquiry) at these non-significant components to re-examine our assessment that there were no significant risks of material misstatement.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 7% of Group profit before tax and 1% of total Group assets is represented by 14 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 £110,000 to £900,000, having regard to the mix of size and risk profile of the Group across the components. The work on two of the nine components (2019: two of the eight components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

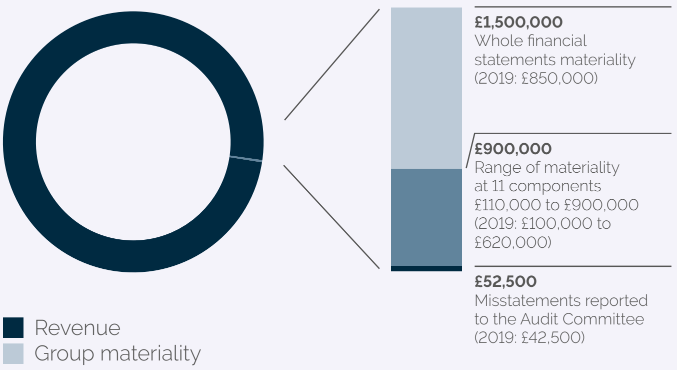
The Group team held video and telephone conference meetings with the component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

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").

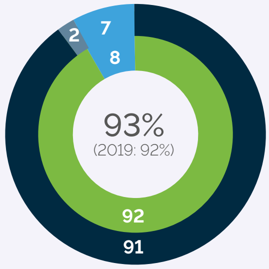
Group revenue
£395.6m
(2019: £403.9m)

Group materiality
£1,500,000
(2019: £850,000)

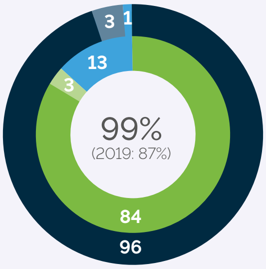


Group revenue

Group profit before tax



Group total assets



Full scope for Group audit purpose 2020
Specified risk-focused audit procedures 2020
Full scope for Group audit purposes 2019
Specified risk-focused audit procedures 2019
Residual components

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 in 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 12 months from the date of approval of the financial statements; or
- the same statement 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 and Accounts

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 emerging and 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 on page 31 that they have carried out a robust assessment of the emerging and 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 judgements 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 the UK Corporate Governance Code does not properly disclose a departure from the 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 Corporate Governance Statement 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 Corporate Governance Statement 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 68 to 69, 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 regulatory and 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 and its legal form. 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
23 November 2020

Consolidated Income Statement

For the year ended 29 August 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	2,3	**395,630**	403,905
Cost of sales		**(343,381)**	(349,798)
Gross profit		**52,249**	54,107
Distribution costs		**(19,507)**	(18,454)
Administrative expenses		**(21,535)**	(20,835)
Adjusted[1] share of post-tax results of associate		**1,191**	1,230
Adjusting items	5	**-**	(306)
Share of post-tax results of associate		**1,191**	924
Share of post-tax results of joint ventures		**1,442**	1,453
Adjusted[1] operating profit	2	**16,247**	18,930
Adjusting items	5	**(2,407)**	(1,735)
Operating profit	2,4	**13,840**	17,195
Finance income	7	**313**	463
Finance costs	7	**(1,656)**	(1,349)
Adjusted[1] profit before taxation	2	**14,904**	18,044
Adjusting items	5	**(2,407)**	(1,735)
Profit before taxation	2	**12,497**	16,309
Taxation	8	**(1,575)**	(2,685)
Profit for the year		**10,922**	13,624
Profit attributable to:			
Equity shareholders		**9,533**	12,049
Non-controlling interests		**1,389**	1,575
		10,922	13,624
Earnings per ordinary share (pence)			
Basic	10	**10.3**	13.1
Diluted	10	**10.2**	12.8
Adjusted[1]	10	**11.9**	14.6

[1] Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 5. An alternative performance measures glossary can be found on pages 143 to 144.

Consolidated and Company Statements of Comprehensive Income

For the year ended 29 August 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Profit for the year		**10,922**	13,624	**6,739**	6,768
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation (losses)/gains arising on translation of overseas subsidiaries		**(2,552)**	1,857	**-**	-
Net investment hedges		**(54)**	37	**-**	-
Taxation credit/(charge) on net investment hedges		**10**	(7)	**-**	-
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains/(losses) on retirement benefit asset:					
– Group	28	**142**	(1,845)	**142**	(1,845)
– Share of associate		**408**	(88)	**-**	-
Taxation (charge)/credit on actuarial gains/(losses) on retirement benefit asset:					
– Group	19	**(27)**	314	**(27)**	314
– Share of associate		**(96)**	15	**-**	-
Other comprehensive (expense)/income for the year, net of tax		**(2,169)**	283	**115**	(1,531)
Total comprehensive income for the year		**8,753**	13,907	**6,854**	5,237
Total comprehensive income attributable to:					
Equity shareholders		**7,364**	12,332	**6,854**	5,237
Non-controlling interests		**1,389**	1,575	**-**	-
		8,753	13,907	**6,854**	5,237

Consolidated and Company Balance Sheets

As at 29 August 2020

(Company Number 00098221)

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Assets					
Non-current assets					
Goodwill	11	**32,041**	32,877	**-**	-
Other intangible assets	11	**9,171**	9,318	**334**	376
Property, plant and equipment	12	**38,259**	41,917	**118**	158
Right-of-use assets	13	**14,856**	-	**457**	-
Investment property	14	**158**	164	**-**	-
Investment in subsidiary undertakings	15,18	**-**	-	**32,568**	26,538
Investment in associate	15,16	**14,307**	13,392	**245**	245
Interest in joint ventures	15,17	**10,551**	9,671	**272**	272
Other investments	15	**73**	76	**-**	-
Financial assets					
– Non-current receivables	22	**20**	22	**34,735**	16,413
Retirement benefit asset	28	**8,037**	7,769	**8,037**	7,769
Deferred tax assets	19	**-**	410	**-**	285
		127,473	115,616	**76,766**	52,056
Current assets					
Inventories	20	**40,961**	46,270	**-**	-
Contract assets	21	**8,114**	9,466	**-**	-
Trade and other receivables	22	**51,686**	56,349	**2,617**	36,185
Current tax assets	23	**1,535**	-	**1,954**	840
Financial assets					
– Derivative financial instruments	27	**3**	-	**-**	-
– Cash and cash equivalents	24	**17,571**	28,649	**7,984**	6,778
		119,870	140,734	**12,555**	43,803
Total assets		**247,343**	256,350	**89,321**	95,859
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	26	**(11,420)**	(23,856)	**(2,450)**	(7,806)
– Leases	13	**(2,778)**	-	**(97)**	-
Contract liabilities	21	**(1,061)**	(1,269)	**-**	-
Trade and other payables	25	**(55,522)**	(62,653)	**(1,660)**	(2,533)
Current tax liabilities		**(33)**	(1,010)	**-**	-
		(70,814)	(88,788)	**(4,207)**	(10,339)
Non-current liabilities					
Financial liabilities					
– Borrowings	26	**(25,021)**	(28,586)	**(22,947)**	(26,846)
– Leases	13	**(11,171)**	-	**(354)**	-
Deferred tax liabilities	19	**(4,783)**	(4,987)	**(1,365)**	(1,321)
Other non-current liabilities	25	**(1,385)**	(2,999)	**-**	-
		(42,360)	(36,572)	**(24,666)**	(28,167)
Total liabilities		**(113,174)**	(125,360)	**(28,873)**	(38,506)
Net assets		**134,169**	130,990	**60,448**	57,353

Consolidated and Company Balance Sheets continued

As at 29 August 2020

(Company Number 00098221)

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Shareholders' equity					
Share capital	29	**2,312**	2,299	**2,312**	2,299
Share premium		**9,176**	9,165	**9,176**	9,165
Other reserves		**4,436**	7,922	**780**	1,693
Retained earnings:					
At the beginning of the year		**94,864**	87,843	**44,196**	42,623
Effect of IFRS 16 adoption		**(931)**	-	**(7)**	-
Profit attributable to the equity shareholders		**9,533**	12,049	**6,739**	6,768
Other changes in retained earnings		**(2,264)**	(5,028)	**(2,748)**	(5,195)
		101,202	94,864	**48,180**	44,196
Total shareholders' equity		**117,126**	114,250	**60,448**	57,353
Non-controlling interests		**17,043**	16,740	**-**	-
Total equity		**134,169**	130,990	**60,448**	57,353

The comparative year presented has not been restated for the adoption of IFRS 16.

The financial statements set out on pages 78 to 140 were approved by the Board on 23 November 2020 and signed on its behalf by:

Tim J Davies **Neil Austin**

Consolidated Statement of Changes in Equity

For the year ended 29 August 2020

	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
As at 2 September 2018	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
As previously reported at 31 August 2019	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**94,864**	**114,250**	**16,740**	**130,990**
Effect of IFRS 16 adoption	**-**	**-**	**-**	**-**	**-**	**-**	**(931)**	**(931)**	**(511)**	**(1,442)**
At 1 September 2019 (restated)[1]	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**93,933**	**113,319**	**16,229**	**129,548**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**9,533**	**9,533**	**1,389**	**10,922**
Other comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(2,596)**	**-**	**427**	**(2,169)**	**-**	**(2,169)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(2,596)**	**-**	**9,960**	**7,364**	**1,389**	**8,753**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(3,344)**	**(3,344)**	**(588)**	**(3,932)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**(843)**	**-**	**-**	**691**	**(152)**	**15**	**(137)**
Excess deferred taxation on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**(27)**	**(2)**	**(29)**
Allotment of shares	**13**	**11**	**-**	**-**	**-**	**-**	**-**	**24**	**-**	**24**
Purchase of own shares held in trust	**-**	**-**	**(58)**	**-**	**-**	**-**	**-**	**(58)**	**-**	**(58)**
Transfer	**-**	**-**	**13**	**-**	**-**	**(2)**	**(11)**	**-**	**-**	**-**
At 29 August 2020	**2,312**	**9,176**	**(45)**	**734**	**3,550**	**197**	**101,202**	**117,126**	**17,043**	**134,169**

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 £691,000 (2019: £759,000) 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 16 (note 37).

Company Statement of Changes in Equity

For the year ended 29 August 2020

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
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
As previously reported at 31 August 2019	**2,299**	**9,165**	**-**	**1,693**	**44,196**	**57,353**
Effect of IFRS 16 adoption	**-**	**-**	**-**	**-**	**(7)**	**(7)**
At 1 September 2019 (restated)[1]	**2,299**	**9,165**	**-**	**1,693**	**44,189**	**57,346**
Profit for the year	**-**	**-**	**-**	**-**	**6,739**	**6,739**
Other comprehensive income	**-**	**-**	**-**	**-**	**115**	**115**
Total comprehensive income	**-**	**-**	**-**	**-**	**6,854**	**6,854**
Dividends paid	**-**	**-**	**-**	**-**	**(3,344)**	**(3,344)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**(868)**	**519**	**(349)**
Excess deferred taxation on share-based payments	**-**	**-**	**-**	**-**	**(25)**	**(25)**
Allotment of shares	**13**	**11**	**-**	**-**	**-**	**24**
Purchase of own shares held in trust	**-**	**-**	**(58)**	**-**	**-**	**(58)**
Transfer	**-**	**-**	**13**	**-**	**(13)**	**-**
At 29 August 2020	**2,312**	**9,176**	**(45)**	**825**	**48,180**	**60,448**

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 £519,000 (2019: £520,000) was transferred from the equity compensation reserve to retained earnings and £212,000 (2019: £301,000) was transferred from the equity compensation reserve to investment in subsidiaries in respect of options exercised in the year.

[1] Restated for the adoption of IFRS 16 (note 37).

Consolidated and Company Statements of Cash Flows

For the year ended 29 August 2020

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	31	**22,639**	16,004	**(2,520)**	(2,587)
Interest received		**176**	178	**1,774**	1,765
Interest paid		**(1,696)**	(1,276)	**(729)**	(547)
Tax (paid)/received		**(3,059)**	(2,306)	**(571)**	492
Net cash generated from/(used in) operating activities		**18,060**	12,600	**(2,046)**	(877)
Cash flows from investing activities					
Acquisition of subsidiaries (net of overdraft/cash acquired)		**–**	(9,868)	**–**	–
Contingent/deferred consideration paid		**(2,659)**	(379)	**–**	–
Dividends received from subsidiaries		**–**	–	**8,856**	6,805
Net receipt/(payment) of loans to subsidiaries		**–**	–	**1,130**	(12,623)
Dividend received from associate and joint ventures		**701**	711	**588**	588
Other loans		**718**	79	**–**	–
Purchase of intangible assets		**(1,459)**	(1,310)	**–**	(89)
Proceeds from sale of property, plant and equipment		**421**	831	**–**	–
Purchase of property, plant and equipment		**(6,569)**	(4,471)	**–**	(46)
Purchase of own shares held in trust		**(58)**	(13)	**(58)**	(13)
Net cash (used in)/generated from investing activities		**(8,905)**	(14,420)	**10,516**	(5,378)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	29	**24**	38	**24**	38
New bank loans and movement on RCF		**1,889**	14,430	**(1,500)**	13,763
Lease principal repayments		**(3,171)**	(1,278)	**(114)**	–
Repayment of borrowings		**(2,459)**	(2,493)	**(2,400)**	(1,613)
Receipt of loans from subsidiaries		**–**	–	**110**	–
Decrease in other borrowings		**(14,508)**	(1,352)	**–**	–
Dividends paid to shareholders	9	**(3,344)**	(4,173)	**(3,344)**	(4,173)
Dividends paid to related party		**(588)**	(588)	**–**	–
Net cash (used in)/generated from financing activities		**(22,157)**	4,584	**(7,224)**	8,015
Effects of exchange rate changes		**(989)**	526	**(40)**	63
Net (decrease)/increase in cash and cash equivalents		**(13,991)**	3,290	**1,206**	1,823
Cash and cash equivalents at beginning of the year		**24,295**	21,005	**6,778**	4,955
Cash and cash equivalents at end of the year	24	**10,304**	24,295	**7,984**	6,778

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 financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have reviewed the Group's operational forecasts and projections for the three years to 2 September 2023 as used for the viability assessment, taking account of reasonably possible changes in trading performance, together with the planned capital three-year statement 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 for a period of at least 12 months from approval of these financial statements ("The going concern period"). The Group has operated within all its banking covenants throughout the year. In addition, the Group's main banking facility is in place until November 2023 and an invoice discounting facility has been recently renewed for a three-year period to August 2023.

For the purpose of assessing the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and cash flows through to the year ended 2023. The forecasts consider the current cash position, the availability of banking facilities and an assessment of the principal areas of risk and uncertainty, paying particular attention to the impact of COVID-19. These forecasts have been sensitised for severe but plausible downside scenarios. The scenarios tested included significant reductions in profitability and associated cashflows linked to the six principal risks highlighted in the viability statement on page 31, with consumer demand affecting all business units, additional impacts on Agriculture business units from Brexit and a larger impact on Engineering from disruption caused by COVID-19. 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 severe but plausible downside scenarios occurring over the period of the financial forecasts.

In addition, several other mitigating measures remain available and within the control of the Directors that were not included in the scenarios. These include withholding discretionary capital expenditure and reducing or cancelling future dividend payments.

In all the scenarios, the Group complied with its financial bank covenants, operated within its existing bank facilities, and met its liabilities as they fall due.

Consequently, the Directors are confident that the Group and the Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Principal Accounting Policies

continued

Basis of consolidation continued

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 associate's 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.

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 recognition continued

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.

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.

Retirement benefit asset/obligation

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 that there is a right to recognise, and that there is no restriction on the recognition of, the IAS 19 pension surplus. At 29 August 2020 and 31 August 2019, the consolidated and Company balance sheet recognises the full surplus on the Carr's Group defined benefit pension scheme. The Company intends to recover the surplus through reduced contributions.

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 28 provides further information on this scheme and how it has been accounted for in the consolidated accounts.

Principal Accounting Policies
continued

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. Reportable operating segments have been identified as Agriculture and Engineering.

Adjusting items
Adjusting 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 note 5 to the financial statements. The separate disclosure of profit before adjusting items is consistent with how business performance is measured internally and is presented to aid comparability of performance. Events which may give rise to adjusting items include, but are not limited to, amortisation of acquired intangible assets, adjustments to contingent consideration arising from fair value revaluation, restructuring/closure costs including the impairment of assets to recoverable amounts, acquisition related costs 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

Other intangible assets continued

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 IAS 38 '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 improvements	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.

Principal Accounting Policies
continued

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
The Group and Company adopted IFRS 16 'Leases' with effect from 1 September 2019 and have applied the standard using the modified retrospective approach under which the cumulative effect of initially applying the standard is recognised at the date of initial application. Further details of the effect of the adoption of IFRS 16 and the new accounting treatment for leases where the Group or Company is the lessee can be found within the new standards and interpretations section on pages 91 to 93.

Prior to transition to IFRS 16 the accounting policy was:

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

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

Tax
The tax charge comprises current tax and deferred tax.

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

Deferred tax is provided 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.

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 remeasured 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 1 September 2019 the following became effective and were adopted by the Group and Company:

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'

With the exception of IFRS 16, which is 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.

Principal Accounting Policies

continued

New standards and interpretations continued

IFRS 16 'Leases'

The Group adopted IFRS 16 with effect from 1 September 2019 and has applied the standard using the modified retrospective approach under which the cumulative effect of initially applying the standard is recognised at the date of initial application. The Group has restated its opening total equity position as at 1 September 2019 by a charge of £1.4m. Comparative information has not been restated and is therefore still reported under IAS 17 'Leases' and related interpretations. To assist comparability, note 37 shows the balance sheet as at 29 August 2020 had the Group continued to adopt IAS 17 and related interpretations.

Under the modified retrospective approach used, the Group has recognised right-of-use assets at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application. The liability has been recognised at an amount equal to the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The incremental borrowing rates used range between 1.3% – 3.88% based on the geographic location and economic circumstances of the lessee. In addition to existing finance leased assets with a net book value of £4.4m being transferred to right-of-use assets on transition, £11.5m of right-of-use assets were recognised on transition in respect of leases previously accounted for as operating leases under IAS 17. An additional lease obligation of £12.7m was recognised on transition in respect of leases previously accounted for as operating leases. Prepayments and accruals totalling £0.5m have been removed from the balance sheet on transition.

A reconciliation of operating lease commitments disclosed as at 31 August 2019 to the lease liabilities recognised on transition is as follows:

	£'000
Operating lease commitments as at 31 August 2019	12,917
Discounted using the incremental borrowing rate at initial application	(4,365)
Inclusion of liabilities beyond break clauses	3,746
Other	357
Lease liabilities (excluding existing finance lease liabilities) at 1 September 2019	12,655
Included within:	
Current liabilities	1,618
Non-current liabilities	11,037
	12,655

The following table shows the effect of IFRS 16 on the income statement for the period ended 29 August 2020.

	£'000
Reduction in lease expense recognised	2,100
Depreciation on right-of-use assets	(1,832)
Profit on disposal of right-of-use leases	37
Interest cost of lease liabilities	(362)
Impact on Group profit before tax	(57)

Depreciation, profit on disposal and interest costs in the table above exclude amounts in respect of finance leases that would have been recognised in the income statement under IAS 17.

On transition to IFRS 16 the Group has applied the following practical expedients permitted by the standard on a lease-by-lease basis:

- Accounting for leases where the lease term ends within 12 months of the date of initial application as short-term leases;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group is not required to make any transition adjustment for leases previously classified as operating leases under IAS 17 where the underlying asset is of low value.

The Group is also not required to reassess whether a contract is, or contains, a lease at the date of initial application. IFRS 16 permits the Group to apply the standard only to contracts that were previously identified as containing a lease under IAS 17 and IFRIC 4 'Determining whether an arrangement contains a lease'.

New standards and interpretations continued

The Group leases properties, motor vehicles, plant and machinery and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

Prior to transition to IFRS 16 the Group classified leases as either finance leases or operating leases in accordance with IAS 17. Payments made under operating leases were charged to the income statement on a straight-line basis over the term of the lease.

Since transition to IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and is also subject to regular impairment reviews.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. Where this cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at of before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- Restoration costs required by the terms and conditions of the lease.

At the commencement date of property leases the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise minor office and IT equipment.

The Group acts as lessor in certain operating lease arrangements. Rental income is recognised on a straight-line basis in the income statement. The Group is not a lessor in any finance lease arrangements.

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

Amendments to References to the Conceptual Framework in IFRS standards
Amendments to IFRS 3 'Business combinations'
Amendments to IAS 1 and IAS 8 to update the definition of material
Amendments to IFRS 7, IFRS 9 and IAS 39 addressing issues affecting financial reporting in the period leading up to IBOR reform
Amendment to IFRS 16 'Leases' for COVID-19 related rent concessions

It is considered that the above amendments will not have a significant effect on the results or net assets of the Group or Company.

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:

Leases

Significant judgements are required, principally in respect of property leases, when determining the lease term where the lease contains break clauses or options to extend the term. The Group has several property leases and in valuing these assets the Group has assumed that the right to break or extend the lease is not exercised. The Group will regularly monitor these leases and should this assumption become inappropriate the asset and liability will be revalued accordingly.

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 28 and actual returns on scheme assets compared to those predicted in the previous scheme valuation. 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 the prior year 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 29 August 2020 is £8.0m (2019: £7.8m). More information on the pension scheme is given in note 28.

The associate's defined benefit pension scheme is also subject to these estimation uncertainties. 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. The surplus being recognised by the associate is £3.5m (2019: £1.9m) 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.

No impairment was identified in the current or prior year. The carrying value of goodwill at 29 August 2020 is £32.0m (2019: £32.9m). 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 29 August 2020 is £1.9m (2019: £1.3m). Further details of the provision, including ageing profile, can be found in note 22.

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 uses estimates and judgements when assessing the total expected costs on a contract. The Group has controls in place to review and monitor 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.

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.

There were no acquisitions during the year. In the prior year the Group made acquisitions with a combined intangible asset fair value of £6.6m (note 11).

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. Further details in respect of contingent consideration, including movements in fair value between opening and closing balances, is included in note 27.

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 £6,739,000 (2019: £6,768,000).

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. Reportable operating segments have been identified as Agriculture and Engineering. Central comprises the central business activities of the Group's head office, which earns no external revenues. 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 adjusting items (note 5) consistent with the presentation in the financial statements.

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

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 29 August 2020 is as follows:

	Agriculture £'000	Engineering £'000	Central £'000	Group £'000
Total segment revenue	342,627	53,020	–	395,647
Inter-segment revenue	(5)	(12)	–	(17)
Revenue from external customers	342,622	53,008	–	395,630
Adjusted[1] EBITDA[2]	14,798	6,754	(781)	20,771
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(4,031)	(2,944)	(182)	(7,157)
Share of post-tax results of associate and joint ventures	2,633	–	–	2,633
Adjusted[1] operating profit	13,400	3,810	(963)	16,247
Adjusting items (note 5)	42	(2,449)	–	(2,407)
Operating profit	13,442	1,361	(963)	13,840
Finance income				313
Finance costs				(1,656)
Adjusted[1] profit before taxation				14,904
Adjusting items (note 5)				(2,407)
Profit before taxation				12,497

1 Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 5.
2 Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and share of post-tax results of associate and joint ventures.

Notes to the Financial Statements

continued

2 Segmental information continued

Assets and liabilities

	Agriculture £'000	Engineering £'000	Central £'000	Group £'000
Segment gross assets	**145,413**	**83,852**	**18,078**	**247,343**
Segment gross liabilities	**(53,509)**	**(31,156)**	**(28,509)**	**(113,174)**

The segmental information for the year ended 31 August 2019 is as follows. This has been restated to present Central costs separately. This is to aid comparability with the segmental information presented for the current year.

	Agriculture £'000	Engineering £'000	Central £'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]	14,914	7,796	(1,554)	21,156
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(2,946)	(1,879)	(84)	(4,909)
Share of post-tax results of associate (adjusted[1]) and joint ventures	2,683	–	–	2,683
Adjusted[1] operating profit	14,651	5,917	(1,638)	18,930
Adjusted items	(531)	65	(1,269)	(1,735)
Operating profit	14,120	5,982	(2,907)	17,195
Finance income				463
Finance costs				(1,349)
Adjusted[1] profit before taxation				18,044
Adjusted items				(1,735)
Profit before taxation				16,309

1 Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 5.

2 Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and share of post-tax results of associate and joint ventures.

Assets and liabilities

	Agriculture £'000	Engineering £'000	Central £'000	Group £'000
Segment gross assets	157,685	82,436	16,229	256,350
Segment gross liabilities	(67,476)	(25,678)	(32,206)	(125,360)

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:

	2020 £'000	2019 £'000
UK	**337,126**	346,824
Europe	**10,680**	12,012
USA	**46,186**	43,734
New Zealand	**1,628**	1,298
Other	**10**	37
	395,630	403,905

2 Segmental information continued

Non-current assets

	2020					2019				
	UK £'000	Europe £'000	USA £'000	New Zealand £'000	Total £'000	UK £'000	Europe £'000	USA £'000	New Zealand £'000	Total £'000
Goodwill	17,855	5,929	8,257	–	32,041	17,855	5,997	9,025	–	32,877
Other intangible assets	7,684	519	967	1	9,171	7,516	560	1,242	–	9,318
Property, plant and equipment	21,670	8,183	8,373	33	38,259	25,690	8,629	7,561	37	41,917
Right-of-use assets	14,283	–	573	–	14,856	–	–	–	–	–
Investment property	158	–	–	–	158	164	–	–	–	164
Investment in associate	14,307	–	–	–	14,307	13,392	–	–	–	13,392
Interest in joint ventures	2,928	3,462	4,161	–	10,551	2,470	3,102	4,099	–	9,671
Other investments	50	1	22	–	73	50	1	25	–	76
Non-current receivables	–	–	20	–	20	–	–	22	–	22
Retirement benefit asset	8,037	–	–	–	8,037	7,769	–	–	–	7,769
	86,972	18,094	22,373	34	127,473	74,906	18,289	21,974	37	115,206

Major customers

There are no revenues from transactions with individual customers which amount to 10% 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 disaggregated based on the timing of revenue recognition.

Timing of revenue recognition	2020 £'000	2019 £'000
Over time	34,790	27,840
At a point in time	360,840	376,065
	395,630	403,905

Transaction price allocated to the remaining performance obligations

	2021 £'000	2022 £'000	2023 onwards £'000	Total £'000
Total transaction price allocated to the remaining performance obligations	23,968	4,660	569	29,197

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

	2020 £'000	2019 £'000
Group operating profit is stated after (crediting)/charging:		
Amortisation of grants	**(55)**	(54)
Loss/(profit) on disposal of property, plant and equipment	**265**	(30)
Profit on disposal of right-of-use leases	**(37)**	–
Depreciation and impairment of property, plant and equipment	**4,567**	4,804
Depreciation of right-of-use assets	**2,462**	–
Depreciation of owned investment property	**6**	6
Amortisation of intangible assets	**1,513**	943
Business combination expenses (note 5)	**–**	509
Restructuring/closure costs (note 5)	**1,964**	437
Foreign exchange losses/(gains)	**57**	(153)
Derivative financial instruments (gains)/losses	**(3)**	26
Operating lease charges (IAS 17)	**–**	2,094
Research and development expense	**2,066**	3,111
Auditors' remuneration:		
Audit services (Company £17,137; 2019: £16,719)	**75**	73
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	**290**	184
Total audit services	**365**	257

	2020 £'000	2019 £'000
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:		
Rental income	**(42)**	(40)
Operating expenses	**43**	42
	1	2

The auditors' remuneration of £365,000 includes a £50,000 additional fee raised in the year in respect of the audit of the prior year.

5 Adjusting items

In reporting financial information, the Group presents alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and therefore the Group believes that these APMs provide stakeholders with additional useful information on the performance of the business. The following adjusting items have been added back to reported profit measures.

	2020 £'000	2019 £'000
Amortisation of acquired intangible assets (i)	**1,380**	814
Adjustments to contingent consideration (ii)	**(937)**	(1,126)
Restructuring/closure costs (iii)	**1,964**	437
Business combination expenses (iv)	**–**	509
Past service cost – Group (v)	**–**	795
Past service cost – share of associate (v)	**–**	306
	2,407	1,735

(i) Amortisation of acquired intangible assets which do not relate to the underlying profitability of the Group but rather relate to costs arising on acquisition of businesses.
(ii) Adjustments to contingent consideration arise from the revaluation of contingent consideration in respect of acquisitions to fair value at the year end. Movements in fair value arise from changes to the expected payments since the previous year end based on actual results and updated forecasts. Any increase or decrease in fair value is recognised through the income statement.
(iii) Restructuring/closure costs include redundancy costs and impairments of assets to recoverable amounts. The impairment to property, plant and equipment was £239,000 (2019: £nil).
(iv) Business combination expenses relate to acquisition costs incurred.
(v) The scheme actuary's estimated effect on the Group's, and share of associate's, pension scheme liabilities following the equalisation of Guaranteed Minimum Pensions ("GMPs"). For further details of the past service costs see note 28.

6 Staff costs
The tables below include Directors.

	2020 £'000	2019 £'000
Wages and salaries	**44,627**	39,868
Social security costs	**5,045**	4,460
Pension costs	**2,683**	3,189
Share-based payments	**(137)**	880
	52,218	48,397

Included within pension costs is a charge of £13,000 (2019: £816,000) in respect of the defined benefit pension scheme. The prior year charge includes £795,000 in respect of GMP equalisation. Further details of this charge can be found in note 28.

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

	2020 Number	2019 Number
Sales, office and management	**638**	614
Manufacture and distribution	**572**	539
	1,210	1,153

Key management is 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.

	2020 £'000	2019 £'000
Aggregate Directors' remuneration[1]	**1,004**	1,012
Aggregate pension contributions[2]	**20**	20
Aggregate amount of gains on exercise of share options[3]	**474**	471
	1,498	1,503

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 (2019: two).

Further details of the Directors' emoluments, pension benefits and share options are given in the Remuneration Committee Report on pages 53 to 66.

7 Finance income and finance costs

	2020 £'000	2019 £'000
Finance income		
Bank interest	**151**	127
Net interest on the net defined benefit retirement asset (note 28)	**139**	284
Other interest	**23**	52
Total finance income	**313**	463
Finance costs		
Interest payable on bank overdrafts	**(149)**	(117)
Interest payable on bank loans and other borrowings	**(934)**	(1,016)
Interest payable on leases	**(461)**	(82)
Other interest	**(112)**	(134)
Total finance costs	**(1,656)**	(1,349)

Interest payable on leases recognises an additional £0.4m following the adoption of IFRS 16.

8 Taxation

(a) Analysis of the charge in the year

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax		
Current year	1,077	1,447
Adjustment in respect of prior years	(150)	45
Foreign tax		
Current year	356	1,557
Adjustment in respect of prior years	(217)	109
Group current tax	1,066	3,158
Deferred tax:		
Origination and reversal of timing differences		
Current year	450	(357)
Adjustment in respect of prior years	59	(116)
Group deferred tax (note 19)	509	(473)
Tax on profit	1,575	2,685

Deferred tax recognised in equity is disclosed in note 19.

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2019: lower) than the rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	12,497	16,309
Tax at 19% (2019: 19%)	2,374	3,099
Effects of:		
Tax effect of share of results of associate and joint ventures	(500)	(452)
Tax effect of expenses that are not allowable in determining taxable profit	184	180
Tax effect of non-taxable income	(633)	(482)
Effects of different tax rates of foreign subsidiaries	83	256
Effects of changes in deferred tax rates	304	(24)
Unrecognised deferred tax on losses	71	70
Adjustment in respect of prior years	(308)	38
Total tax charge for the year	1,575	2,685

The tax effect of expenses that are not allowable in determining taxable profit includes adjustments for share-based payments, depreciation and amortisation of non-qualifying assets, and other expenses disallowable for UK corporation tax. The prior year also includes business combination expenses (note 5) which were treated as disallowable for tax purposes.

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

(c) Change in corporation tax rate

The prevailing UK corporation tax rate of 19% was substantively enacted as part of the Finance Act 2019 on 12 March 2019. The rate was due to reduce to 17% from April 2020, however, in the budget on 12 March 2020 it was announced that the main rate of UK corporation tax will be held at 19%. Deferred tax is therefore provided at 19%. UK deferred tax balances at the prior year end were provided at 17%.

9 Dividends

Equity	2020 £'000	2019 £'000
Second interim paid for the year ended 31 August 2019 of 1.125p per 2.5p share (2018: 1.075p)	1,034	983
Final dividend for the year ended 31 August 2019 of 2.5p per 2.5p share (2018: 2.35p)	2,310	2,156
First interim paid for the year ended 29 August 2020 of nil per 2.5p share (2019: 1.125p)	–	1,034
	3,344	4,173

Since the year end an interim dividend of £2,079,551, being 2.25p per share, has been paid. This includes the deferred first interim dividend that, under normal circumstances, would have been paid in May 2020. This was deferred due to the uncertainty associated with the COVID-19 pandemic. The financial statements do not reflect the dividend payable.

The proposed final dividend for the year ended 29 August 2020 to be considered by shareholders at the Annual General Meeting is £2,310,612 being 2.5p per share, making a total for the year of 4.75p (2019: 4.75p). 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 92,346,828 shares (2019: 91,828,015) in issue during the year.

Adjusting items disclosed in note 5 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:

	2020		2019	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings per share – basic	9,533	10.3	12,049	13.1
Adjusting items:				
Amortisation of acquired intangible assets	1,380	1.5	814	0.9
Adjustments to contingent consideration	(937)	(1.0)	(1,126)	(1.2)
Restructuring/closure costs	1,964	2.1	437	0.5
Business combination expenses	–	–	509	0.6
Past service cost — Group	–	–	795	0.9
Past service cost — share of associate	–	–	306	0.3
Taxation effect of the above	(639)	(0.7)	(367)	(0.4)
Non-controlling interest in the above	(273)	(0.3)	(57)	(0.1)
Earnings per share – adjusted	11,028	11.9	13,360	14.6

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 30.

Notes to the Financial Statements
continued

10 Earnings per ordinary share continued

	2020			2019		
	Earnings £'000	Weighted average number of shares	Earnings per share pence	Earnings £'000	Weighted average number of shares	Earnings per share pence
Earnings per share	9,533	92,346,828	10.3	12,049	91,828,015	13.1
Effect of dilutive securities:						
Share Save Scheme	–	978,350	(0.1)	–	748,265	(0.1)
Long Term Incentive Plan	–	405,866	–	–	1,771,378	(0.2)
Diluted earnings per share	9,533	93,731,044	10.2	12,049	94,347,658	12.8

	Adjusted earnings £'000	Weighted average number of shares	Earnings per share pence	Adjusted earnings £'000	Weighted average number of shares	Earnings per share pence
Diluted adjusted earnings per share	11,028	93,731,044	11.8	13,360	94,347,658	14.2

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 backlog £'000	Software £'000	Total £'000	Software £'000
Cost								
At 2 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
Exchange differences	(836)	–	(12)	(133)	(21)	(10)	(1,012)	–
Additions	–	–	37	6	–	1,416	1,459	–
Disposals	–	–	–	–	–	(3)	(3)	–
At 29 August 2020	34,582	3,392	2,739	2,978	229	3,676	47,596	417
Accumulated amortisation and impairment								
At 2 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
Exchange differences	–	–	(9)	(46)	(18)	(13)	(86)	–
Charge for the year	–	653	474	243	73	70	1,513	42
At 29 August 2020	2,541	864	1,003	889	229	858	6,384	83
Net book amount								
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
At 29 August 2020	32,041	2,528	1,736	2,089	–	2,818	41,212	334

11 Goodwill and other intangible assets continued

During the prior year goodwill of £7,999,000 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.

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:

	2020 £'000	2019 £'000
Carrs Billington Agriculture (Sales) Ltd	**5,285**	5,285
Carrs Agriculture Ltd – UK feed blocks	**2,068**	2,068
Animal Feed Supplement, Inc.	**19**	21
Wälischmiller Engineering GmbH	**5,929**	5,997
Carr's Engineering Ltd – Chirton profit centre	**2,526**	2,526
NuVision Engineering, Inc.	**8,238**	9,004
Animax Ltd	**1,742**	1,742
NW Total Engineered Solutions Ltd	**6,234**	6,234
	32,041	32,877

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

During the year there was an internal restructuring of Carrs Billington Agriculture (Sales) Ltd, the primary purpose of which was to better leverage economies of scale within the business and to operate more efficiently across its core components rather than operating as regional profit centres working semi-independently of each other. Internal financial reporting, such as the budget for the year to August 2021 and forecast information for the four years to August 2025, have been prepared on this basis. Given that it is no longer possible to separate revenues and cash inflows over historic profit centres, it is no longer appropriate to view the profit centres as cash generating units for this business. A reassessment of cash generating units was undertaken, and it was determined that the business comprised one integrated cash generating unit, which is consistent with the lowest level of monitoring of goodwill that is undertaken. The table above therefore now includes goodwill of £5.3m against a single cash generating unit. To aid comparability the prior year has been restated to also show goodwill against a single cash generating unit.

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.

11 Goodwill and other intangible assets continued

Cash flows are estimated using the most recent budget information for the year to August 2021, which has been approved by the Board and forecast information for the four years to August 2025 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 4.82% – 8.18% (2019: 3.42% – 10.29%).

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, other than potentially for Animax and the Chirton profit centre.

For the Animax cash generating unit, the assumptions underpinning the cash flow projections used in the value in use calculation reflect an appropriate view of past experience adjusted for the potential growth including benefits in respect of the new automation system to improve future profitability. The estimated recoverable amount of the cash generating unit significantly exceeded its carrying value and therefore the Directors concluded that no impairment was required; however the calculations are sensitive to changes in key assumptions. The key assumptions considered by the Directors, where a reasonably possible change could give rise to an impairment, were the long-term growth rate and discount rate. If the pre-tax discount rate assumption was increased by 14.7%, the cash generating unit's recoverable amount would be reduced to a level comparable with its carrying value. If this higher discount rate assumption was combined with a 1% decrease in the long-term growth rate, which, although not management's current expectation is considered to be reasonably possible, this would lead to an impairment charge of £0.3m.

For the Chirton profit centre cash generating unit, the estimated recoverable amount of the cash generating unit exceeded its carrying value by approximately £6.5m and therefore the Directors concluded that no impairment was required; however the calculations are sensitive to changes in key assumptions, in particular reasonably possible changes to the discount rate. If the pre-tax discount rate assumption was increased by 4.8%, the cash generating unit's recoverable amount would be reduced to a level comparable with its carrying value. To trigger a material impairment the discount rate would have to increase to over 14.3%.

Amortisation and impairment charges are recognised within administrative expenses and have been highlighted separately within adjusting items (note 5) where they relate to acquired intangible assets.

There is no goodwill in the Company (2019: none).

Significant cash generating units

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

	Goodwill carrying value £'000	Pre-tax discount rate %	Long-term average growth in EBIT[1] %	Long-term growth rate %
Cash generating unit				
NuVision Engineering, Inc.	**8,238**	**8.18**	**1.9**	**2**
NW Total Engineered Solutions Ltd	**6,234**	**8.18**	**3.0**	**2**
Wälischmiller Engineering GmbH	**5,929**	**8.18**	**3.8**	**2**
Carrs Billington Agriculture (Sales) Ltd	**5,285**	**4.82**	**3.7**	**2**
Carr's Engineering Ltd – Chirton profit centre	**2,526**	**8.18**	**57.8**	**2**
Carrs Agriculture Ltd – UK feed blocks	**2,068**	**4.82**	**2.3**	**2**
Animax Ltd	**1,742**	**4.82**	**16.7**	**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 64% in NuVision Engineering Inc. by 59% in NW Total Engineered Solutions Ltd, by 67% in Wälischmiller Engineering GmbH, by 91% in Carrs Billington Agriculture (Sales) Ltd, by 47% in Carr's Engineering Ltd – Chirton profit centre, by 96% in Carrs Agriculture Ltd – UK feed blocks and by 91% in Animax Ltd.

[1] Earnings before interest and tax

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 2 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**
Exchange differences	**(534)**	**(1,100)**	**(5)**	**(1,639)**	**–**
Additions	**502**	**1,815**	**4,045**	**6,362**	**–**
Transfers to right-of-use assets	**–**	**(5,730)**	**–**	**(5,730)**	**–**
Transfers from right-of-use assets	**–**	**672**	**–**	**672**	**–**
Disposals	**(145)**	**(2,488)**	**–**	**(2,633)**	**(1)**
Reclassifications	**893**	**(292)**	**(598)**	**3**	**–**
At 29 August 2020	**33,134**	**41,533**	**4,143**	**78,810**	**639**
Accumulated depreciation and impairment					
At 2 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**
Exchange differences	**(231)**	**(831)**	**–**	**(1,062)**	**–**
Charge for the year	**1,101**	**3,227**	**–**	**4,328**	**40**
Impairment during the year	**–**	**239**	**–**	**239**	**–**
Transfers to right-of-use assets	**–**	**(1,138)**	**–**	**(1,138)**	**–**
Transfers from right-of-use assets	**–**	**272**	**–**	**272**	**–**
Disposals	**(88)**	**(1,858)**	**–**	**(1,946)**	**(1)**
At 29 August 2020	**9,255**	**31,296**	**–**	**40,551**	**521**
Net book amount					
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
At 29 August 2020	**23,879**	**10,237**	**4,143**	**38,259**	**118**

Transfers to right-of-use assets represent finance leased assets being transferred from property, plant and equipment on transition to IFRS 16. Transfers from right-of-use assets represent finance leased assets that became owned assets on maturity of the lease term.

Notes to the Financial Statements
continued

12 Property, plant and equipment continued

Freehold land amounting to £3,025,704 (2019: £2,994,878) has not been depreciated.

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 £1,450,000 (2019: £1,504,000).

Included in the above table in respect of assets held under floating charges are assets with a net book amount of £7,653,000 (2019: £7,668,000). This excludes specific assets under legal charge which are separately disclosed above.

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cost of sales	**3,276**	3,696	**–**	–
Distribution costs	**10**	8	**–**	–
Administrative expenses	**1,042**	1,100	**40**	43
	4,328	4,804	**40**	43

13 Right-of-use assets and lease liabilities

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group			Company
	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Plant, equipment and vehicles £'000
Cost				
At 31 August 2019	**–**	**–**	**–**	**–**
Transition to IFRS 16 (note 37)	**10,096**	**1,398**	**11,494**	**267**
Exchange differences	**(74)**	**(1)**	**(75)**	**–**
Additions	**195**	**2,228**	**2,423**	**429**
Transfers to property, plant and equipment	**–**	**(672)**	**(672)**	**–**
Transfers from property, plant and equipment	**–**	**5,730**	**5,730**	**–**
Disposals	**(622)**	**(273)**	**(895)**	**(205)**
At 29 August 2020	**9,595**	**8,410**	**18,005**	**491**
Accumulated depreciation				
At 31 August 2019	**–**	**–**	**–**	**–**
Exchange differences	**(11)**	**–**	**(11)**	**–**
Charge for the year	**1,187**	**1,275**	**2,462**	**96**
Transfers to property, plant and equipment	**–**	**(272)**	**(272)**	**–**
Transfers from property, plant and equipment	**–**	**1,138**	**1,138**	**–**
Disposals	**(85)**	**(83)**	**(168)**	**(62)**
At 29 August 2020	**1,091**	**2,058**	**3,149**	**34**
Net book amount				
At 31 August 2019	–	–	–	–
At 29 August 2020	**8,504**	**6,352**	**14,856**	**457**

Transfers from property, plant and equipment represent finance leased assets being transferred to right-of-use assets on transition to IFRS 16. Transfers to property, plant and equipment represent finance leased assets that became owned assets on maturity of the lease term.

13 Right-of-use assets and lease liabilities continued

Lease liabilities	Group £'000	Company £'000
Current liabilities	2,778	97
Non-current liabilities	11,171	354
	13,949	451

Finance lease liabilities recognised on the balance sheet under IAS 17 in the comparative year are included within borrowings on the balance sheet.

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	Group £'000	Company £'000
Less than one year	3,204	105
One to two years	2,359	111
Two to three years	1,830	87
Three to four years	1,298	87
Four to five years	992	87
More than five years	8,512	–
	18,195	477

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Group £'000	Company £'000
Depreciation	2,462	96
(Profit)/loss on disposal	(37)	4
Interest expense	483	8
Short-term leases and low-value assets	111	–
	3,019	108

There is no expense recognised in the income statement in respect of variable lease payments that are not included in the measurement of the leases liabilities.

The total Group cash outflow for leases in the year ended 29 August 2020 was £3,654,000. The total Company cash outflow for leases in the year ended 29 August 2020 was £122,000.

The Group receives income on one right-of-use property sublease. A maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis is as follows:

	Group £'000
Less than one year	71
One to two years	71
Two to three years	71
Three to four years	71
Four to five years	71
More than five years	27
	382

The Company has no income arising from leases.

14 Investment property

Group	Total £'000
Cost	
At 2 September 2018, 31 August 2019 and 29 August 2020	**299**
Accumulated depreciation	
At 2 September 2018	129
Charge for the year	6
At 31 August 2019	**135**
Charge for the year	**6**
At 29 August 2020	**141**
Net book amount	
At 1 September 2018	170
At 31 August 2019	164
At 29 August 2020	**158**

The fair value of investment properties at 29 August 2020 is £360,000 (2019: £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 (2019: none).

15 Investments

Group	Associate £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
At 2 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**
Exchange difference	**–**	**(238)**	**(3)**	**(241)**
Share of post-tax result	**1,191**	**1,442**	**–**	**2,633**
Share of gains/(losses) recognised directly in equity	**312**	**(211)**	**–**	**101**
Dividend paid by associate and joint ventures	**(588)**	**(113)**	**–**	**(701)**
At 29 August 2020	**14,307**	**10,551**	**82**	**24,940**
Accumulated provision for impairment				
At 2 September 2018, 31 August 2019 and 29 August 2020	**–**	**–**	**9**	**9**
Net book amount				
At 1 September 2018	13,129	8,004	74	21,207
At 31 August 2019	13,392	9,671	76	23,139
At 29 August 2020	**14,307**	**10,551**	**73**	**24,931**

Other investments comprise shares in several private limited companies.

15 Investments continued

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
At 2 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**
Recapitalisation	**11,866**	**–**	**–**	**11,866**
Dissolution of dormant subsidiary undertakings	**(6,479)**	**–**	**–**	**(6,479)**
Share-based payment charge in respect of employees of subsidiary undertakings	**(158)**	**–**	**–**	**(158)**
At 29 August 2020	**36,561**	**245**	**272**	**37,078**
Accumulated provision for impairment				
At 2 September 2018 and 31 August 2019	**4,794**	**–**	**–**	**4,794**
Dissolution of dormant subsidiary undertakings	**(801)**	**–**	**–**	**(801)**
At 29 August 2020	**3,993**	**–**	**–**	**3,993**
Net book amount				
At 1 September 2018	26,561	245	272	27,078
At 31 August 2019	26,538	245	272	27,055
At 29 August 2020	**32,568**	**245**	**272**	**33,085**

The recapitalisation of £11,866,000 represents the increased shareholding in a subsidiary following the capitalisation of inter-company debt.

During the year the Company began the process of dissolving several dormant subsidiaries. They have been officially dissolved post-year end. Details of dissolved dormant subsidiaries can be found on page 146.

16 Investment in associate

The associated undertaking at 29 August 2020 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 £nil (2019: £1,269,000). 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:

	2020 £'000	2019 £'000
Total assets	**41,031**	43,407
Total liabilities	**(11,833)**	(16,076)
Revenues	**121,371**	134,758
Profit after tax	**2,431**	1,885

Notes to the Financial Statements

continued

17 Interest in joint ventures

The joint ventures at 29 August 2020 are:

Group

Name	Equity interest held %	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 Filers Way, Weston Gateway Business Park, Weston-Super-Mare BS24 7JP.

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.

At the year end the joint ventures had capital commitments of £nil (2019: £291,553). 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:

	2020 £'000	2019 £'000
Non-current assets	**8,742**	9,133
Current assets	**8,384**	7,616
Current liabilities	**(4,977)**	(5,356)
Non-current liabilities	**(1,615)**	(1,739)
Income	**39,478**	40,735
Expenses	**(37,666)**	(38,880)
Net finance cost	**(88)**	(94)

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.

18 Investment in subsidiary undertakings

Name	Ordinary Shares held %	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 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
Carrs Properties Ltd	100	England[1]	UK	Property holding
Carr's International Finance Ltd	100	England[1]	UK	Finance company
Animax Ltd	100	England[7]	UK	Manufacture of animal health products
Animax NZ Ltd	100	New Zealand[8]	New Zealand	Distributor of animal health products
Clinimax Ltd	100	England[7]	UK	Manufacture of specialist disinfectants
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: Shepherds Grove West, Stanton, Bury St Edmunds, Suffolk IP31 2AR.
8 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 146 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 Total Engineered Solutions Ltd; Carrs Agriculture Ltd holds 100% of the investment in Carr's Supplements (NZ) Ltd, Conegar S.A., Animax Ltd and Clinimax Ltd; Carr's Engineering (US), Inc. holds 100% of the investment in NuVision Engineering, Inc.; and Animax Ltd holds 100% of the investment in Animax NZ Ltd.

Non-controlling interests in subsidiary undertakings

The following tables summarise the information relating to Carrs Billington Agriculture (Sales) Ltd, where there is a material non-controlling interest. The amounts presented are before inter-company eliminations with other companies within the Group. The non-controlling interest in the subsidiary was 49% in both the current and prior year.

Balance sheet	**2020 £'000**	2019 £'000
Non-current assets	**21,584**	17,885
Current assets	**56,618**	73,901
Non-current liabilities	**(5,087)**	(2,290)
Current liabilities	**(41,132)**	(57,747)
Net assets	**31,983**	31,749
Net assets attributable to non-controlling interest	**15,672**	15,557

18 Investment in subsidiary undertakings continued

Income statement and statement of comprehensive income	2020 £'000	2019 £'000
Revenue	**280,741**	296,295
Profit after tax	**2,448**	2,783
Profit after tax allocated to non-controlling interest	**1,200**	1,364

There is no other comprehensive income in the current or prior year.

Statement of cash flows	2020 £'000	2019 £'000
Cash flows from operating activities	**10,227**	5,766
Cash flows from investment activities	**(1,638)**	(1,441)
Cash flows from financing activities	**(17,505)**	(3,551)
Net (decrease)/increase in cash and cash equivalents	**(8,916)**	774

During the year dividends of £588,000 (2019: £588,000) were paid to the non-controlling interest.

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Accelerated tax depreciation	**–**	–	**(2,727)**	(2,934)	**(2,727)**	(2,934)
Employee benefits	**–**	–	**(1,527)**	(1,321)	**(1,527)**	(1,321)
Other	**–**	410	**(529)**	(732)	**(529)**	(322)
Tax assets/(liabilities)	**–**	410	**(4,783)**	(4,987)	**(4,783)**	(4,577)

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 1 September 2019 £'000	Transition to IFRS 16 £'000	Exchange differences £'000	Recognised in income £'000	Recognised in equity £'000	At 29 August 2020 £'000
Assets:						
Other	410	**–**	**–**	**(410)**	**–**	**–**
	410	**–**	**–**	**(410)**	**–**	**–**
Liabilities:						
Accelerated tax depreciation	(2,934)	**–**	**69**	**138**	**–**	**(2,727)**
Employee benefits	(1,321)	**–**	**–**	**(179)**	**(27)**	**(1,527)**
Other	(732)	**266**	**24**	**(58)**	**(29)**	**(529)**
	(4,987)	**266**	**93**	**(99)**	**(56)**	**(4,783)**
Net liabilities	(4,577)	**266**	**93**	**(509)**	**(56)**	**(4,783)**

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

19 Deferred tax assets and liabilities continued

Movement in deferred tax during the prior 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)

	Assets		Liabilities		Net	
Company	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Accelerated tax depreciation	**22**	20	**–**	–	**22**	20
Employee benefits	**–**	–	**(1,527)**	(1,321)	**(1,527)**	(1,321)
Other	**140**	265	**–**	–	**140**	265
Tax assets/(liabilities)	**162**	285	**(1,527)**	(1,321)	**(1,365)**	(1,036)

Movement in deferred tax during the year

	At 1 September 2019 £'000	Transition to IFRS 16 £'000	Recognised in income £'000	Recognised in equity £'000	**At 29 August 2020 £'000**
Assets:					
Accelerated tax depreciation	20	**–**	**2**	**–**	**22**
Other	265	**1**	**(101)**	**(25)**	**140**
	285	**1**	**(99)**	**(25)**	**162**
Liabilities:					
Employee benefits	(1,321)	**–**	**(179)**	**(27)**	**(1,527)**
	(1,321)	**–**	**(179)**	**(27)**	**(1,527)**
Net liabilities	(1,036)	**1**	**(278)**	**(52)**	**(1,365)**

Notes to the Financial Statements
continued

19 Deferred tax assets and liabilities continued
Movement in deferred tax during the prior 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)

Tax of £41,000 (2019: £53,000) in respect of tax losses has not been recognised as a deferred tax asset in the Group balance sheet. The Company has no unrecognised tax losses (2019: none).

20 Inventories

Group	2020 £'000	2019 £'000
Raw materials and consumables	13,268	12,813
Work in progress	2,351	3,887
Finished goods and goods for resale	25,342	29,570
	40,961	46,270

Inventories are stated after a provision for impairment of £1,546,000 (2019: £912,000). The amount recognised as an expense in the year in respect of the write down of inventories is £691,000 (2019: £416,000). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is £45,000 (2019: £55,000).

The cost of inventories recognised as an expense and included in cost of sales is £341,791,000 (2019: £348,430,000).

The Company has no inventories (2019: none).

21 Contract balances
The timing of revenue recognition, billings and cash collection results in trade receivables (billed amounts), contract 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	2020 £'000	2019 £'000
At the beginning of the year	9,466	6,909
Exchange differences	112	125
Subsidiaries acquired	–	102
Transfers from contract assets recognised at the beginning of the year to receivables	(8,080)	(5,711)
Increase related to services provided in the year	6,616	8,041
At the end of the year	8,114	9,466

21 Contract balances continued

Contract liabilities	2020 £'000	2019 £'000
At the beginning of the year	**1,269**	1,458
Exchange differences	**(58)**	11
Subsidiaries acquired	**–**	573
Revenue recognised against contract liabilities at the beginning of the year	**(1,048)**	(1,601)
Increase due to cash received, excluding any amounts recognised as revenue during the year	**898**	828
At the end of the year	**1,061**	1,269

The Group has assessed expected credit losses and the loss allowance for contract balances as immaterial. The Company has no contract assets or contract liabilities (2019: none).

22 Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current:				
Trade receivables	**49,077**	51,438	**–**	88
Less: provision for impairment of trade receivables	**(1,873)**	(1,285)	**–**	–
Trade receivables – net	**47,204**	50,153	**–**	88
Amounts owed by Group undertakings (note 36)	**–**	–	**219**	33,097
Amounts owed by other related parties (note 36)	**1,989**	1,997	**1,776**	1,764
Other taxes and social security receivable	**317**	376	**–**	13
Other receivables	**889**	1,661	**212**	824
Prepayments and accrued income	**1,287**	2,162	**410**	399
	51,686	56,349	**2,617**	36,185
Non-current:				
Amounts owed by Group undertakings (note 36)	**–**	–	**34,735**	16,413
Other receivables	**20**	22	**–**	–
	20	22	**34,735**	16,413

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 charge of £652,000 (2019: credit of £316,000) has been recognised within administrative expenses in the consolidated income statement in respect of the movement in provision for impairment of trade receivables.

For all other receivables presented above the Group has assessed expected credit losses and the loss allowance as immaterial.

22 Trade and other receivables continued

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 4.50%, 6.25% or Bank of England base rate + 2.50%. Such amounts are unsecured and have remaining terms of 1.5 – 2 years.

	2020			2019		
Group	Gross £'000	Impairment £'000	Past due but not impaired £'000	Gross £'000	Impairment £'000	Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Not past due	**34,347**	**(109)**	**N/A**	33,451	(193)	N/A
Past due 1 – 30 days	**6,517**	**(28)**	**6,489**	5,713	(20)	5,693
Past due 31 – 60 days	**2,347**	**(21)**	**2,326**	4,345	(47)	4,298
Past due 61 – 90 days	**1,219**	**(15)**	**1,204**	1,729	(40)	1,689
Past due 91 – 120 days	**940**	**(12)**	**928**	1,703	(47)	1,656
Past 121 days	**3,707**	**(1,688)**	**2,019**	4,497	(938)	3,559
	49,077	**(1,873)**	**12,966**	51,438	(1,285)	16,895

	2020			2019		
Company	Gross £'000	Impairment £'000	Past due but not impaired £'000	Gross £'000	Impairment £'000	Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Past 121 days	**–**	**–**	**–**	88	–	88
	–	**–**	**–**	88	–	88

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.

Trade receivables are assessed by management for credit risk and are considered past due when a counterparty has failed to make a payment when that payment was contractually due. Management assesses trade receivables that are past the contracted due date by the ageing periods as presented in the tables above, consistent with how it views the credit risk of trade receivables.

A default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due.

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 (2019: none).

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The carrying value of trade receivables is denominated in the following currencies:				
Sterling	**41,416**	46,251	**–**	88
US Dollar	**1,960**	1,326	**–**	–
Euro	**2,955**	2,023	**–**	–
New Zealand Dollar	**870**	544	**–**	–
Other	**3**	9	**–**	–
	47,204	50,153	**–**	88

23 Current tax assets

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Corporation tax recoverable	**1,535**	–	**1,411**	840
Group taxation relief	**–**	–	**543**	–
	1,535	–	**1,954**	840

24 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash and cash equivalents per the balance sheet	**17,571**	28,649	**7,984**	6,778
Bank overdrafts (note 26)	**(7,267)**	(4,354)	**–**	–
Cash and cash equivalents per the statement of cash flows	**10,304**	24,295	**7,984**	6,778

25 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current:				
Trade payables	**16,669**	16,564	**550**	600
Amounts owed to Group undertakings (note 36)	**–**	–	**2**	2
Amounts owed to other related parties (note 36)	**19,820**	24,654	**–**	–
Other taxes and social security payable	**2,524**	1,970	**543**	741
Contingent, deferred and unpaid cash consideration	**2,169**	5,271	**–**	–
Other payables	**9,270**	9,338	**171**	354
Accruals and deferred income	**5,070**	4,856	**394**	836
	55,522	62,653	**1,660**	2,533
Non-current:				
Contingent consideration	**1,276**	2,835	**–**	–
Accruals and deferred income	**109**	164	**–**	–
	1,385	2,999	**–**	–

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

Trade and other payables includes deferred and contingent consideration on prior year acquisitions. After retranslation at the balance sheet date of foreign currency denominated amounts, £2,169,000 (2019: £5,271,000) of these outstanding payables are recognised within current liabilities and £1,276,000 (2019: £2,835,000) are recognised within non-current liabilities.

25 Trade and other payables continued

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At the beginning of the year	169	214	–	–
Exchange differences	–	(2)	–	–
Subsidiaries acquired	–	11	–	–
Amortisation in the year	(55)	(54)	–	–
At the end of the year	114	169	–	–
Included within:				
Current liabilities	5	5	–	–
Non-current liabilities	109	164	–	–
	114	169	–	–

26 Borrowings

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current:				
Bank overdrafts	7,267	4,354	–	–
Bank loans and other borrowings	4,153	18,319	2,340	2,340
Loans from Group undertakings (note 36)	–	–	110	5,466
Finance leases (IAS 17)	–	1,183	–	–
	11,420	23,856	2,450	7,806
Non-current:				
Bank loans	25,021	26,846	22,947	26,846
Finance leases (IAS 17)	–	1,740	–	–
	25,021	28,586	22,947	26,846
Borrowings are repayable as follows:				
On demand or within one year	11,420	23,856	2,450	7,806
In the second year	3,106	3,295	2,340	2,340
In the third to fifth years inclusive	21,915	25,291	20,607	24,506
	36,441	52,442	25,397	34,652

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £181,000 (2019: £241,000) of which £60,000 (2019: £60,000) is deducted from current liabilities and £121,000 (2019: £181,000) is deducted from non-current liabilities.

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The net borrowings are:				
Borrowings as above	36,441	52,442	25,397	34,652
Cash and cash equivalents	(17,571)	(28,649)	(7,984)	(6,778)
Net borrowings	18,870	23,793	17,413	27,874
Net borrowings (excluding leases under IAS 17)	18,870	20,870	17,413	27,874

Bank loans and other borrowings includes an amount of £62,000 (2019: £14,570,000) 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.

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 includes a drawn down revolving credit facility of £18.3m (2019: £19.8m) which is repayable in November 2023. At the year end the Group had £10.3m of undrawn revolving credit facilities (2019: £7.2m).

27 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	2020						2019					
	Sterling £'000	US Dollar £'000	Euro £'000	NZ Dollar £'000	Other £'000	Total £'000	Sterling £'000	US Dollar £'000	Euro £'000	NZ Dollar £'000	Other £'000	Total £'000
Assets												
Other investments	50	22	1	–	–	73	50	25	1	–	–	76
Non-current receivables	–	20	–	–	–	20	–	22	–	–	–	22
Contract assets	4,407	1,850	1,857	–	–	8,114	4,455	1,590	3,421	–	–	9,466
Current trade and other receivables	43,055	3,182	2,972	870	3	50,082	46,975	4,239	2,033	544	20	53,811
Current derivatives	–	–	3	–	–	3	–	–	–	–	–	–
Cash and cash equivalents	10,228	4,625	2,231	487	–	17,571	18,787	7,537	1,711	592	22	28,649
	57,740	9,699	7,064	1,357	3	75,863	70,267	13,413	7,166	1,136	42	92,024
Liabilities												
Current borrowings	9,430	648	1,342	–	–	11,420	22,307	141	1,408	–	–	23,856
Current leases	2,514	264	–	–	–	2,778	–	–	–	–	–	–
Contract liabilities	377	418	266	–	–	1,061	699	401	169	–	–	1,269
Current trade and other payables	47,169	3,565	2,098	161	–	52,993	53,374	5,311	1,864	122	7	60,678
Non-current borrowings	18,179	329	6,513	–	–	25,021	23,759	–	4,827	–	–	28,586
Non-current leases	10,869	302	–	–	–	11,171	–	–	–	–	–	–
Other non-current liabilities	1,276	–	–	–	–	1,276	2,835	–	–	–	–	2,835
	89,814	5,526	10,219	161	–	105,720	102,974	5,853	8,268	122	7	117,224

Company	2020				2019			
	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Assets								
Non-current receivables	11,329	15,018	8,388	34,735	–	16,413	–	16,413
Current trade and other receivables	999	1,208	–	2,207	24,157	1,993	9,623	35,773
Cash and cash equivalents	6,832	634	518	7,984	6,206	120	452	6,778
	19,160	16,860	8,906	44,926	30,363	18,526	10,075	58,964
Liabilities								
Current borrowings	2,450	–	–	2,450	7,806	–	–	7,806
Current leases	97	–	–	97	–	–	–	–
Current trade and other payables	1,117	–	–	1,117	1,792	–	–	1,792
Non-current borrowings	18,178	–	4,769	22,947	22,019	–	4,827	26,846
Non-current leases	354	–	–	354	–	–	–	–
	22,196	–	4,769	26,965	31,617	–	4,827	36,444

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.

27 Derivatives and other financial instruments continued

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% (2019: 10%) weakening or strengthening in Sterling against other currencies represents reasonable possible changes.

	2020		2019	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
Impact on profit after taxation	784	(641)	860	(703)
Impact on total equity	5,602	(4,584)	5,731	(4,689)

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.

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.

	2020		2019	
Group borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank overdrafts	1.87	7,267	2.57	4,354
Bank loans and other borrowings	1.68	29,174	2.14	45,165
Finance lease liabilities (IAS 17)	–	–	2.82	2,923
		36,441		52,442
Fixed rate		2,483		2,923
Floating rate		33,958		49,519
		36,441		52,442

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

Bank overdrafts	US prime rate + 1.0% margin; US prime rate + 0.5% 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; 1.5%

	2020		2019	
Company borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank loans	1.69	25,287	2.30	29,186
Loans from Group undertakings	–	110	–	5,466
Floating rate		25,397		34,652

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

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

27 Derivatives and other financial instruments continued

Sensitivity analysis

The impact of a decrease or increase in interest rates during the year is shown in the table below. The Directors consider that a 1% movement in interest rates represents a reasonable possible change.

	2020		2019	
	1% decrease £'000	1% increase £'000	1% decrease £'000	1% increase £'000
Impact on profit after taxation	542	(542)	396	(396)
Impact on total equity	542	(542)	396	(396)

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.

	2020				2019			
Group	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	7,267	7,267	–	–	4,354	4,354	–	–
Bank loans and other borrowings	30,639	4,668	3,563	22,408	47,717	19,023	2,984	25,710
Finance lease liabilities (IAS 17)	–	–	–	–	3,111	1,263	1,016	832
Contract liabilities	1,061	1,061	–	–	1,269	1,269	–	–
Trade and other payables	52,993	52,993	–	–	60,678	60,678	–	–
Other non-current liabilities	1,320	–	1,320	–	3,010	–	1,700	1,310
	93,280	65,989	4,883	22,408	120,139	86,587	5,700	27,852

	2020				2019			
Company	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank loans	26,629	2,808	2,764	21,057	31,739	3,045	2,984	25,710
Loans from Group undertakings	110	110	–	–	5,466	5,466	–	–
Trade and other payables	1,117	1,117	–	–	1,792	1,792	–	–
	27,856	4,035	2,764	21,057	38,997	10,303	2,984	25,710

The above tables exclude leases accounted for under IFRS 16. Details of the contractual undiscounted cash flows for leases under IFRS 16 can be found in note 13.

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.

27 Derivatives and other financial instruments continued

Borrowing facilities

The Group has various undrawn facilities. The undrawn facilities available at 29 August 2020, in respect of which all conditions precedent had been met, were as follows:

	2020 Floating rate £'000	2019 Floating rate £'000
Expiring in one year or less	6,883	3,565
Expiring within two and five years inclusive	28,200	18,626
	35,083	22,191

Undrawn facilities include overdraft facilities of £2.5m (2019: £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.

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 29 August 2020 the Group had net debt of £18.9m (2019: net debt, excluding leases, of £20.9m). Based on net debt, excluding leases, gearing was 14.1% at the year end (2019: 15.9%).

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

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.

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. Fair value is determined considering the expected payment, which is discounted to present value. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition.

The significant unobservable inputs are the projections of future profitability, which have been based on the budget for the year to August 2021 and forecast information for future periods, and the discount rate, which has been based on the incremental borrowing rate. A significant amount of the contingent consideration payable is included within current liabilities and has therefore not been discounted. A reasonable change in the discount rate applied would not have a material impact on the balances recognised within non-current liabilities.

27 Derivatives and other financial instruments continued

The following table presents a reconciliation of the contingent consideration liability measured at fair value on a recurring basis using significant unobservable inputs (level 3).

	2020 £'000	2019 £'000
Fair value at the beginning of the year	7,954	3,532
Exchange differences	(184)	211
Acquisitions in the year	–	5,337
Payments made to vendors	(2,513)	–
Change in fair value	(1,835)	(1,126)
Fair value at the end of the year	3,422	7,954

The change in fair value has been included within the credit of £937,000 shown as an adjusting item in note 5. Also included in the adjusting item are expenses incurred by the Group related to payments made to the vendors.

Fair values of financial assets and liabilities

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

Derivative financial instruments

Hedge of net investment in foreign subsidiaries

The Group hedges foreign denominated loans against its investment in foreign subsidiaries. A foreign exchange pre-tax loss of £112,000 (2019: pre-tax gain of £81,000) was recognised in equity during the year on translation of US Dollar denominated loans with a fair value of $1,608,000 (2019: $1,608,000) to Sterling. A foreign exchange pre-tax gain of £58,000 (2019: pre-tax loss of £44,000) was recognised in equity during the year on translation of Euro denominated loans with a fair value of €5,330,000 (2019: €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:

	2020		2019	
Group	Fair value £'000	Contractual or notional amount £'000	Fair value £'000	Contractual or notional amount £'000
At the beginning of the year	–	–	13	1,206
Gains/(losses) during the year	3	105	(13)	(1,206)
At the end of the year – included within current assets	3	105	–	–

The Company has no forward foreign currency contracts (2019: none).

27 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	2020 Fair value £'000	2020 Contractual or notional amount £'000	2019 Fair value £'000	2019 Contractual or notional amount £'000
At the beginning of the year	–	–	13	124
Losses during the year	–	–	(13)	(124)
At the end of the year	–	–	–	–

The Company has no currency swaps (2019: 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.

28 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 (2019: £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 29 August 2020 by a qualified independent actuary.

Major assumptions:

	2020 %	2019 %
Inflation (RPI)	2.90	3.00
Inflation (CPI)	2.00	2.10
Rate of discount	1.80	1.80
Pension in payment increases:		
RPI or 5.0% per annum if less	2.90	3.00
RPI or 5.0% per annum if less, minimum 3.0% per annum	3.50	3.50

28 Retirement benefits continued

The mortality tables used in the valuation as at 29 August 2020 are 100% of S2PA with allowance for mortality improvements using CMI_2019 with a 1.25% p.a. underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 29 August 2020:

	At 29 August 2020	At 31 August 2019
Males currently age 45	23.1 years	23.2 years
Females currently age 45	25.3 years	25.2 years
Males currently age 65	21.8 years	21.8 years
Females currently age 65	23.7 years	23.7 years

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

	2020 £'000	2019 £'000
Administrative expenses	13	21
Past service cost	–	795
Net interest on the net defined benefit asset	(139)	(284)
Total (income)/expense	(126)	532

The past service cost in the prior year of £795,000 represents the scheme actuary's estimated effect on the Group's pension scheme liabilities following the equalisation of Guaranteed Minimum Pensions ("GMPs"). The Group continues to monitor further clarifications arising from the High Court case of *Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others*. This was recognised as a past service cost through the Income Statement and disclosed as an adjusting item in the prior year (note 5).

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

	2020 £'000	2019 £'000
Within operating profit:		
Administrative expenses	13	816
Within interest:		
Finance income	(139)	(284)
Total (income)/expense	(126)	532

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

	2020 £'000	2019 £'000
Actual gains and losses arising from changes in:		
Financial assumptions	422	(9,373)
Demographic assumptions	173	589
Return on assets, excluding interest income	(453)	6,939
Total remeasurement of the net defined benefit asset	142	(1,845)

28 Retirement benefits continued

Amounts included in the Balance Sheet:

	2020 £'000	2019 £'000
Present value of funded defined benefit obligations	(65,834)	(68,037)
Fair value of scheme assets	73,871	75,806
Surplus in funded scheme	8,037	7,769

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

	2020 £'000	2019 £'000
Benefit obligation at the beginning of the year	68,037	60,488
Past service cost	–	795
Interest cost	1,199	1,642
Net measurement (gains)/losses – financial	(422)	9,373
Net measurement gains – demographic	(173)	(589)
Benefits paid	(2,807)	(3,672)
Benefit obligation at the end of the year	65,834	68,037

Benefit obligation by participant status:

	2020 £'000	2019 £'000
Vested deferreds	22,615	22,930
Retirees	43,219	45,107
	65,834	68,037

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

	2020 £'000	2019 £'000
Fair value of scheme assets at the beginning of the year	75,806	70,634
Interest income on scheme assets	1,338	1,926
Return on assets, excluding interest income	(453)	6,939
Benefits paid	(2,807)	(3,672)
Scheme administrative cost	(13)	(21)
Fair value of scheme assets at the end of the year	73,871	75,806

Analysis of the scheme assets and actual return:

	Fair value of assets	
	2020 £'000	2019 £'000
Equity instruments	11,563	11,753
Property	2,328	2,388
Bonds	52,274	57,153
Cash	5,360	70
Other	2,346	4,442
	73,871	75,806
Actual return on scheme assets	885	8,865

28 Retirement benefits continued

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. Cash includes investments in UK Cash Funds within the Mercer fund portfolios.

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	**68,468**
	+25 basis points	**63,349**
Price inflation rate	-25 basis points	**64,315**
	+25 basis points	**67,162**
Post-retirement mortality assumption	-1 year age rating	**68,603**
	+1 year age rating	**63,123**

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 years (2019: 16-17 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	**2,885**
Year 2	**2,966**
Year 3	**3,048**
Year 4	**3,133**
Year 5	**3,220**
Next 5 years	**17,494**

Notes to the Financial Statements
continued

28 Retirement benefits continued

Characteristics and the risks associated with the Scheme

Information about the characteristics of the Scheme:

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at 31 December 2015 (or date of leaving, if earlier) and their length of service. Since 31 December 2015 the Scheme has been closed to future accrual.

The Scheme is a registered scheme under UK legislation.

The Scheme is subject to the scheme funding requirements outlined in UK legislation. 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 2021 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 lower risk assets, such as bonds. 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 £1,815,000 (2019: £1,647,000).

Carrs Billington Agriculture Pension Scheme

One of the Group's subsidiaries, Carrs Billington Agriculture (Sales) Ltd, is a participating employer in the Carrs Billington Agriculture Pension Scheme, which is a multi-employer defined benefit pension scheme. For the reasons explained below this scheme is accounted for as a defined contribution scheme.

The scheme is closed to new entrants and has been closed to future accrual since 1 December 2007. There is currently a surplus, calculated in accordance with IAS 19, of £3.5m (2019: £1.9m). 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.

28 Retirement benefits continued

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 £13.7m and the Group's estimated liability on the wind-up of the scheme was £6.6m.

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 (2019: £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 2018, which showed that the scheme had a deficit of £2.6m on a technical provisions basis.

The Group's level of participation in the scheme is estimated at 48.5%, which is based on its estimated share of the total buy-out liabilities. The Group has a 49% shareholding in its associate company which is the sponsoring company of the pension scheme. As a result of equity accounting for its share of the net assets of the associate, the Group recognises 49% of the surplus calculated on an IAS 19 accounting basis within 'Investment in associate' in its consolidated balance sheet.

Included in the Group's 'Share of post-tax results of associate' in the prior year is £306,000 in respect of the effect of the GMP equalisation on the Carrs Billington Agriculture Pension Scheme's liabilities. This was disclosed as an adjusting item (note 5).

Other pension schemes

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £581,000 (2019: £526,000).

Pension contributions into NEST during the year amounted to £95,000 (2019: £84,000).

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 £31,000 (2019: £64,000).

29 Share capital

	2020		2019	
Group and Company	**Shares**	**£'000**	Shares	£'000
Allotted and fully paid Ordinary Shares of 2.5p each:				
At the beginning of the year	**91,942,005**	**2,299**	91,403,112	2,285
Allotment of shares	**523,828**	**13**	538,893	14
At the end of the year	**92,465,833**	**2,312**	91,942,005	2,299

The table above includes 41,352 (2019: 3) shares held in the Employee Share Trust.

The consideration received on the allotment of shares during the year was £23,688 (2019: £37,787).

For details of share-based payment schemes see note 30.

Notes to the Financial Statements
continued

30 Share-based payments
Group
The Group operates three active share-based payment schemes at 29 August 2020.

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 December 2017, December 2018 and November 2019 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 three-year vesting period plans. The exercise period is six 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 Save Schemes are as follows:

	Long Term Incentive Plan November 2019	Long Term Incentive Plan December 2018	Long Term Incentive Plan December 2017	Share Save Scheme (3-Year Plan 2020)	Share Save Scheme (3-Year Plan 2019)	Share Save Scheme (3-Year Plan 2018)
Grant date	11/11/19	19/12/18	22/12/17	16/12/19	17/12/18	18/12/17
Share price at grant date (weighted average)	£1.43	£1.485	£1.240	£1.565	£1.44	£1.20
Exercise price (weighted average)	£0.00	£0.00	£0.00	£1.223	£1.275	£1.061
Fair value per option at grant	£1.277	£1.348	£1.119	£0.46	£0.36	£0.28
Number of employees at grant	8	8	7	157	153	290
Shares under option at grant	610,464	579,788	611,596	508,407	420,851	1,465,455
Vesting period (years)	3	3	3	3	3	3
Model used for valuation	Market value*	Market value*	Market value*	Black-Scholes	Black-Scholes	Binomial
Expected volatility	–	–	–	36.4%	34.8%	32.7%
Option life (years)	10	10	10	3.65	3.65	3.5
Expected life (years)	6.5	6.5	6.5	3.4	3.4	3.25
Risk-free rate	–	–	–	0.61%	0.81%	0.6%
Expected dividends expressed as a dividend yield	2.33%	2.05%	1.68%	3.04%	2.56%	2.7%
Expectations of vesting	0%	0%	50%	95%	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 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.

30 Share-based payments continued

Number of options (LTIP and Share Save)

	Long Term Incentive Plan November 2019 Number '000	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Long Term Incentive Plan November 2016 Number '000	Share Save Scheme (3-Year Plan 2020) Number '000	Share Save Scheme (3-Year Plan 2019) Number '000	Share Save Scheme (3-Year Plan 2018) Number '000
Outstanding:							
At 2 September 2018	–	–	612	542	–	–	1,337
Granted in the year	–	580	–	–	–	421	–
Exercised in the year	–	–	–	–	–	–	(8)
Forfeited in the year	–	–	–	–	–	(43)	(140)
At 31 August 2019	**–**	**580**	**612**	**542**	**–**	**378**	**1,189**
Granted in the year	**610**	**–**	**–**	**–**	**508**	**–**	**–**
Exercised in the year	**–**	**–**	**–**	**(514)**	**–**	**–**	**(10)**
Forfeited in the year	**–**	**–**	**–**	**(28)**	**(57)**	**(52)**	**(192)**
At 29 August 2020	**610**	**580**	**612**	**–**	**451**	**326**	**987**
Exercisable:							
At 31 August 2019	–	–	–	–	–	–	–
At 29 August 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average: Remaining contractual life (years)	**9**	**8**	**7**	**6**	**3.07**	**2.07**	**0.83**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**2.50**	**2.82**	**1.82**	**0.58**

The total (credit)/charge recognised for the year arising from share-based payments are as follows:

	2020 £'000	2019 £'000
Deferred Bonus Share Plan 2019	**(13)**	75
Long Term Incentive Plan December 2018	**(175)**	175
Long Term Incentive Plan December 2017	**(121)**	228
Long Term Incentive Plan November 2016	**–**	227
Long Term Incentive Plan November 2015	**–**	22
Share Save Scheme (3-Year Plan 2020)	**55**	–
Share Save Scheme (3-Year Plan 2019)	**42**	32
Share Save Scheme (3-Year Plan 2018)	**75**	113
Share Save Scheme (5-Year Plan 2014)	**–**	8
	(137)	880

Notes to the Financial Statements
continued

30 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 November 2019 Number '000	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Long Term Incentive Plan November 2016 Number '000	Share Save Scheme (3-Year Plan 2020) Number '000	Share Save Scheme (3-Year Plan 2019) Number '000	Share Save Scheme (3-Year Plan 2018) Number '000
Outstanding:							
At 2 September 2018	–	–	486	381	–	–	203
Granted in the year	–	470	–	–	–	58	–
Exercised in the year	–	–	–	–	–	–	–
Forfeited in the year	–	–	–	–	–	–	(5)
At 31 August 2019	**–**	**470**	**486**	**381**	**–**	**58**	**198**
Granted in the year	**443**	**–**	**–**	**–**	**42**	**–**	**–**
Exercised in the year	**–**	**–**	**–**	**(379)**	**–**	**–**	**–**
Forfeited in the year	**–**	**–**	**–**	**(2)**	**–**	**(23)**	**(42)**
At 29 August 2020	**443**	**470**	**486**	**–**	**42**	**35**	**156**
Exercisable:							
At 31 August 2019	–	–	–	–	–	–	–
At 29 August 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average:							
Remaining contractual life (years)	**9**	**8**	**7**	**6**	**3.07**	**2.07**	**0.83**
Remaining expected life (years)	**5.50**	**4.50**	**3.50**	**2.50**	**2.82**	**1.82**	**0.58**

The total (credit)/charge recognised for the year arising from share-based payments are as follows:

	2020 £'000	2019 £'000
Deferred Bonus Share Plan 2019	**(13)**	75
Long Term Incentive Plan December 2018	**(133)**	133
Long Term Incentive Plan December 2017	**(80)**	181
Long Term Incentive Plan November 2016	**–**	168
Long Term Incentive Plan November 2015	**–**	22
Share Save Scheme (3-Year Plan 2020)	**12**	–
Share Save Scheme (3-Year Plan 2019)	**7**	4
Share Save Scheme (3-Year Plan 2018)	**18**	17
Share Save Scheme (5-Year Plan 2014)	**–**	2
	(189)	602

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

	2020 £'000	2019 £'000
Long Term Incentive Plan December 2018	**–**	43
Long Term Incentive Plan December 2017	**53**	94
Long Term Incentive Plan November 2016	**–**	178
Long Term Incentive Plan November 2015	**–**	–
Share Save Scheme (3-Year Plan 2020)	**33**	–
Share Save Scheme (3-Year Plan 2019)	**49**	21
Share Save Scheme (3-Year Plan 2018)	**191**	146
Share Save Scheme (5-Year Plan 2014)	**–**	2
Total carrying amount of investments	**326**	484

31 Cash generated from/(used in) continuing operations

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit for the year from continuing operations	**10,922**	13,624	**6,739**	6,768
Adjustments for:				
Tax	**1,575**	2,685	**(264)**	(89)
Tax credit in respect of R&D	**(250)**	(526)	**–**	–
Dividends received from subsidiaries	**–**	–	**(14,016)**	(6,805)
Dividends received from associate	**–**	–	**(588)**	(588)
Depreciation and impairment of property, plant and equipment	**4,567**	4,804	**40**	43
Depreciation of right-of-use assets	**2,462**	–	**96**	–
Depreciation of investment property	**6**	6	**–**	–
Intangible asset amortisation	**1,513**	943	**42**	41
Loss/(profit) on disposal of property, plant and equipment	**265**	(30)	**–**	–
(Profit)/loss on disposal of right-of-use assets	**(37)**	–	**4**	–
Loss on dissolution of dormant subsidiaries	**–**	–	**5,337**	–
Business combination expenses	**–**	509	**–**	–
Adjustments to contingent consideration	**(937)**	(1,126)	**–**	–
Net fair value (credit)/charge on share-based payments	**(137)**	880	**(189)**	602
Release of loan provision	**(783)**	–	**–**	–
Other non-cash adjustments	**(504)**	(139)	**1,624**	(1,384)
Finance costs:				
Interest income	**(313)**	(463)	**(1,911)**	(2,055)
Interest expense and borrowing costs	**1,716**	1,399	**750**	666
Share of results of associate and joint ventures	**(2,633)**	(2,377)	**–**	–
IAS 19 income statement charge (excluding interest):				
Administrative expenses (note 28)	**13**	21	**13**	21
Past service cost (note 28)	**–**	795	**–**	795
Changes in working capital (excluding the effects of acquisitions):				
Decrease/(increase) in inventories	**4,811**	(670)	**–**	–
Decrease/(increase) in receivables	**3,862**	(1,008)	**637**	(804)
(Decrease)/increase in payables	**(3,479)**	(3,323)	**(834)**	202
Cash generated from/(used in) continuing operations	**22,639**	16,004	**(2,520)**	(2,587)

32 Analysis of net debt

Group	At 1 September 2019 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 29 August 2020 £'000**
Cash and cash equivalents	28,649	**(10,089)**	**–**	**(989)**	**17,571**
Bank overdrafts	(4,354)	**(2,913)**	**–**	**–**	**(7,267)**
	24,295	**(13,002)**	**–**	**(989)**	**10,304**
Loans and other borrowings:					
– Current	(18,319)	**13,615**	**528**	**23**	**(4,153)**
– Non-current	(26,846)	**1,463**	**(60)**	**422**	**(25,021)**
Net debt (excluding finance lease liabilities – IAS 17)	(20,870)	**2,076**	**468**	**(544)**	**(18,870)**
Finance leases (IAS 17):					
– Current	(1,183)				
– Non-current	(1,740)				
Net debt (including finance lease liabilities – IAS 17)	(23,793)				

Other non-cash changes relate to the release of a loan forgiven by the lender and the release of deferred borrowing costs to the consolidated income statement.

32 Analysis of net debt continued

Company	At 1 September 2019 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 29 August 2020 £'000
Cash and cash equivalents	6,778	1,246	–	(40)	7,984
Loans and other borrowings:					
– Current	(7,806)	(110)	5,466	–	(2,450)
– Non-current	(26,846)	3,900	(60)	59	(22,947)
Net debt	(27,874)	5,036	5,406	19	(17,413)

Other non-cash changes relate to loans eliminated on dissolution of dormant subsidiaries and the release of deferred borrowing costs to the consolidated income statement.

33 Capital commitments

Group	2020 £'000	2019 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	860	173

The Company has no capital commitments (2019: none).

34 Other financial commitments

Group

The Group had commitments under non-cancellable operating leases as follows:

	Group				Company	
	2020		2019		2020	2019
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Other £'000	Other £'000
Within one year	–	–	1,379	634	–	87
Within two and five years inclusive	–	–	3,514	805	–	177
After five years	–	–	6,556	29	–	–
	–	–	11,449	1,468	–	264

The table above excludes leases accounted for under IFRS 16 'Leases.' Details of contractual undiscounted cash flows for leases under IFRS 16 can be found in note 13.

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 29 August 2020 amounted to £5,973,000 (2019: £2,582,000).

Certain subsidiary undertakings utilise guarantee facilities with financial institutions which include their own bankers. These financial institutions in the normal course of business enter into certain specific guarantees with some of the subsidiaries' customers. All these guarantees allow the financial institutions to have recourse to the subsidiaries if a guarantee is enforced. The total outstanding of such guarantees at 29 August 2020 was £5,635,000 (2019: £4,386,000).

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 £14,314,000 (2019: £14,070,000) and as at 29 August 2020 £933,000 (2019: £1,572,000) 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 29 August 2020 the cumulative rent payable over the remaining term of the lease is £932,000 (2019: £1,040,000).

35 Financial guarantees and contingent liabilities continued

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 (2019: £1,500,000).

One of the Group's subsidiary undertakings is a participating employer in the Carrs Billington Agriculture Pension Scheme. On a wind-up of the scheme the buy-out deficit would be split between the participating employers with the Group's level of participation in the scheme estimated at 48.5%. At the last actuarial valuation, the Group's estimated liability on the wind-up of the scheme was £6.6m (2019: £7.6m).

The Group and Company do 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Balances reported in the Balance Sheet				
Amounts owed by businesses controlled by key management personnel (in a trading capacity):				
Trade receivables	**104**	18	**–**	–
Transactions reported in the Income Statement				
Revenue	**474**	72	**–**	–

Transactions with subsidiaries

	Company	
	2020 £'000	2019 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Loans	**34,735**	49,231
Other receivables	**219**	279
	34,954	49,510
Amounts owed to subsidiary undertakings:		
Loans	**(110)**	(5,466)
Other payables	**(2)**	(2)
	(112)	(5,468)
Transactions reported in the Income Statement		
Management charges receivable	**2,857**	2,967
Dividends received	**14,016**	6,805
Interest receivable	**1,653**	1,725
Purchases	**(1)**	(1)

36 Related parties continued

Transactions with associate

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Balances reported in the Balance Sheet				
Amounts owed by associate:				
Trade and other receivables	**246**	185	**169**	45
Amounts owed to associate:				
Trade and other payables	**(19,815)**	(24,628)	**–**	–
Transactions reported in the Income Statement				
Revenue	**514**	695	**–**	–
Rental income	**20**	20	**–**	–
Management charges receivable	**106**	166	**106**	113
Dividends received	**–**	–	**588**	588
Management charges payable	**(253)**	(153)	**–**	–
Purchases	**(106,072)**	(116,074)	**–**	–

Transactions with joint ventures

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**1,639**	1,794	**1,607**	1,719
Amounts owed to joint ventures:				
Trade and other payables	**(5)**	(3)	**–**	–

Included within Group and Company trade and other receivables is £1,605,000 (2019: £1,717,000) in respect of loans owed by joint ventures.

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Transactions reported in the Income Statement				
Revenue	**417**	836	**–**	–
Management charges receivable	**166**	165	**–**	–
Purchases	**(200)**	(310)	**–**	–

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. This lease was accounted for under IFRS 16 on the transition date of 1 September 2019, and at 29 August 2020 the liability included in the consolidated balance sheet was £1,114,000. Lease payments made in the year were £98,000. At the prior year end, under IAS 17, £23,000 was owed to Ironworks Properties LLP.

37 Adoption of IFRS 16 'Leases'

The Group adopted IFRS 16 with effect from 1 September 2019 and has applied IFRS 16 using the modified retrospective approach 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 17.

Adjustments to the opening balance sheet arising from the adoption of IFRS 16 are as follows.

	31 August 2019 £'000	Adjustments £'000	1 September 2019 £'000
Non-current assets			
Property, plant and equipment	41,917	(4,409)	37,508
Right-of-use assets	–	15,903	15,903
Current assets			
Trade and other receivables	56,349	(776)	55,573
Current liabilities			
Borrowings	(23,856)	1,183	(22,673)
Leases	–	(2,801)	(2,801)
Trade and other payables	(62,653)	229	(62,424)
Non-current liabilities			
Borrowings	(28,586)	1,740	(26,846)
Leases	–	(12,777)	(12,777)
Deferred tax liabilities	(4,987)	266	(4,721)
Equity			
Retained earnings	94,864	(931)	93,933
Non-controlling interests	16,740	(511)	16,229
Headline figures			
Non-current assets	115,616	11,494	127,110
Current assets	140,734	(776)	139,958
Total assets	256,350	10,718	267,068
Current liabilities	(88,788)	(1,389)	(90,177)
Non-current liabilities	(36,572)	(10,771)	(47,343)
Total liabilities	(125,360)	(12,160)	(137,520)
Net assets	130,990	(1,442)	129,548
Total shareholders' equity	114,250	(931)	113,319
Total equity	130,990	(1,442)	129,548

The adjustments to the opening position reflect the recognition of £11.5m of right-of-use assets previously accounted for as operating leases under IAS 17 together with £4.4m of existing assets held under finance lease arrangements reclassified to the new balance sheet category of right-of-use assets. Prepayments and accruals in respect of leases recognised on the balance sheet as at 31 August 2019 have been removed and additional lease liabilities of £12.7m have been recognised in respect of leases previously accounted for as operating leases under IAS 17. Finance lease liabilities of £2.9m have been reclassified from borrowings to leases on transition.

Notes to the Financial Statements

continued

37 Adoption of IFRS 16 'Leases' continued

To enable users of these accounts to compare the years presented in this Annual Report and Accounts the following table shows the balance sheet of the Group as at 29 August 2020 as though IAS 17 still applied.

	29 August 2020 (as reported) £'000	Adjustments £'000	29 August 2020 (IAS 17) £'000
Non-current assets			
Property, plant and equipment	38,259	4,851	43,110
Right-of-use assets	14,856	(14,856)	–
Current assets			
Trade and other receivables	51,686	806	52,492
Current tax assets	1,535	(17)	1,518
Current liabilities			
Borrowings	(11,420)	(1,259)	(12,679)
Leases	(2,778)	2,778	–
Trade and other payables	(55,522)	(175)	(55,697)
Non-current liabilities			
Borrowings	(25,021)	(1,558)	(26,579)
Leases	(11,171)	11,171	–
Deferred tax liabilities	(4,873)	(285)	(5,158)
Equity			
Retained earnings	101,202	1,029	102,231
Non-controlling interests	17,043	427	17,470
Headline figures			
Non-current assets	127,473	(10,005)	117,468
Current assets	119,870	789	120,659
Total assets	247,343	(9,216)	238,127
Current liabilities	(70,814)	1,344	(69,470)
Non-current liabilities	(42,360)	9,328	(33,032)
Total liabilities	(113,174)	10,672	(102,502)
Net assets	134,169	1,456	135,625
Total shareholders' equity	117,126	1,029	118,155
Total equity	134,169	1,456	135,625

The adjustments to the reported figures as at 29 August 2020 reflect the derecognition of right-of-use assets and lease liabilities except for finance leases that would have been capitalised under IAS 17. It also reinstates prepayments in respect of lease premiums paid at the commencement of the lease together with prepayments and accruals in respect of the regular lease payments for those leases that were accounted for as operating leases under IAS 17.

38 Prior year acquisitions

There were no acquisitions during the current year. To provide users of these financial statements with an understanding of the effect of acquisitions to the prior year income statement and balance sheet the following disclosures are presented, all of which relate to the year ended 31 August 2019.

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 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 prior year ended 31 August 2019 amounted 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 were recognised within the consolidated income statement for the year ended 31 August 2019 in respect of acquisitions made in that 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 for the year ended 31 August 2019 and have been included in business combination expenses within adjusting items (note 5). £509,000 has been charged to the income statement in the year ended 31 August 2019 and £121,000 has been recognised in earlier years as incurred.

Notes to the Financial Statements

continued

38 Prior year 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 remained unpaid at the year ended 31 August 2019. Intangible assets represents the fair value of IP, brand names and customer relationships.

Pro forma full year information (year ended 31 August 2019)

IFRS 3 (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.

Year ended 31 August 2019:	£'000
Revenue	414,536
Profit before taxation	17,406

Five Year Statement

Continuing operations Revenue and results	(Restated)[1] 2016 £'000	(Restated)[1] 2017 £'000	2018 £'000	2019 £'000	**2020 £'000**
Revenue	314,907	346,224	403,192	403,905	**395,630**
Operating profit	14,851	10,690	16,405	17,195	**13,840**
Analysed as:					
Adjusted operating profit	15,063	12,091	17,464	18,930	**16,247**
Adjusting items	(212)	(1,401)	(1,059)	(1,735)	**(2,407)**
Operating profit	14,851	10,690	16,405	17,195	**13,840**
Finance income	236	176	358	463	**313**
Finance costs	(1,009)	(864)	(1,261)	(1,349)	**(1,656)**
Profit before taxation	14,078	10,002	15,502	16,309	**12,497**
Analysed as:					
Adjusted profit before taxation	14,290	11,403	16,561	18,044	**14,904**
Adjusting items	(212)	(1,401)	(1,059)	(1,735)	**(2,407)**
Profit before taxation	14,078	10,002	15,502	16,309	**12,497**
Taxation	(2,907)	(1,707)	(1,855)	(2,685)	**(1,575)**
Profit for the year from continuing operations	11,171	8,295	13,647	13,624	**10,922**
Profit for the year from discontinued operations	2,817	–	–	–	**–**
Profit for the year	13,988	8,295	13,647	13,624	**10,922**
Ratios (continuing operations)					
Operating margin (excluding adjusting items)[1]	4.8%	3.5%	4.3%	4.7%	**4.1%**
Return on net assets (excluding adjusting items)	13.0%	10.8%	13.7%	13.8%	**11.1%**
Earnings per share – basic	10.7p	7.7p	13.0p	13.1p	**10.3p**
– adjusted	10.9p	8.9p	13.9p	14.6p	**11.9p**
Dividends per ordinary share	3.8p	4.0p	4.5p	4.75p	**4.75p**

1 Restated for the reclassification to operating profit of the share of post-tax results of the associate and joint ventures.

Five Year Statement

continued

Net assets employed	2016 £'000	(Restated)[1] 2017 £'000	2018 £'000	2019 £'000	**2020 £'000**
Non-current assets					
Goodwill	11,440	24,293	24,272	32,877	**32,041**
Other intangible assets	286	2,266	2,223	9,318	**9,171**
Property, plant and equipment	35,811	37,149	38,484	41,917	**38,259**
Right-of-use assets	–	–	–	–	**14,856**
Investment property	182	176	170	164	**158**
Investments	14,996	18,106	21,207	23,139	**24,931**
Financial assets					
– Non-current receivables	50	444	21	22	**20**
Retirement benefit asset	311	5,209	10,146	7,769	**8,037**
Deferred tax assets	–	–	–	410	**–**
	63,076	87,643	96,523	115,616	**127,473**
Current assets					
Inventories	33,423	37,023	42,371	46,270	**40,961**
Contract assets	–	–	–	9,466	**8,114**
Trade and other receivables	56,940	59,723	67,516	56,349	**51,686**
Current tax assets	303	297	119	–	**1,535**
Financial assets					
– Derivative financial instruments	–	13	26	–	**3**
– Cash and cash equivalents	48,411	23,887	24,632	28,649	**17,571**
	139,077	120,943	134,664	140,734	**119,870**
Total assets	202,153	208,586	231,187	256,350	**247,343**
Current liabilities					
Financial liabilities					
– Borrowings	(21,642)	(17,060)	(34,994)	(23,856)	**(11,420)**
– Leases	–	–	–	–	**(2,778)**
– Derivative financial instruments	(20)	(18)	–	–	**–**
Contract liabilities	–	–	–	(1,269)	**(1,061)**
Trade and other payables	(46,823)	(56,181)	(64,290)	(62,653)	**(55,522)**
Current tax liabilities	(470)	(673)	(175)	(1,010)	**(33)**
	(68,955)	(73,932)	(99,459)	(88,788)	**(70,814)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(18,625)	(20,966)	(4,997)	(28,586)	**(25,021)**
– Leases	–	–	–	–	**(11,171)**
Deferred tax liabilities	(1,817)	(4,010)	(3,981)	(4,987)	**(4,783)**
Other non-current liabilities	(2,668)	(3,755)	(1,784)	(2,999)	**(1,385)**
	(23,110)	(28,731)	(10,762)	(36,572)	**(42,360)**
Total liabilities	(92,065)	(102,663)	(110,221)	(125,360)	**(113,174)**
Net assets	110,088	105,923	120,966	130,990	**134,169**

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

Alternative Performance Measures Glossary

The Annual Report and Accounts includes alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and therefore the Directors believe that these APMs provide stakeholders with additional useful information on the Group's performance.

Alternative performance measure	Definition and comments
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets, share of post-tax results of the associate and joint ventures and excluding items regarded by the Directors as adjusting 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 adjusting items. This measure is reconciled to statutory operating profit in the income statement and note 2. Adjusted results are presented because if included, these adjusting 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 adjusting items. This measure is reconciled to statutory profit before taxation in the income statement and note 2. Adjusted results are presented because if included, these adjusting 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 adjusting items 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 adjusting items 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.
Net debt	The net position of the Group's and Company's cash at bank and borrowings. Details of the movement in net debt is shown in note 32.
Underlying sales growth/decline	Year-on-year increase/(decrease) in sales revenue excluding the impact of acquisitions and disposals. This performance measure allows the user to have a clearer understanding of the organic sales growth/decline of the Group. A reconciliation of underlying sales growth/decline to reported revenue is shown below.
Free cash flow	Cash generated from operating activities less maintenance capital expenditure. The calculation of free cash flow is shown below. Free cash flow demonstrates how much cash is available for the Group to utilise for expansionary capital investment, paying dividends, or financing/repaying borrowings.
Gross margin	Reported gross profit as a percentage of reported revenue. Gross margin is a reflection of how successfully the Group manages raw material price volatility and its selling prices in competitive markets. A calculation of gross margin is shown below.
Adjusted Group operating margin	Operating profit after adding back items regarded by the Directors as adjusting items as a percentage of revenue. Adjusted Group operating margin excluding adjusting items is 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. The calculation of adjusted Group operating margin to the statutory equivalent is shown below.
Return on net assets	Profit before tax after adding back items regarded by the Directors as adjusting items as a percentage of net assets. This financial performance metric allows users to understand how effectively and efficiently the Group is using its assets to generate earnings. The calculation of return on net assets is shown below.
Ratio of net debt to EBITDA	The ratio of net debt to EBITDA is a measurement of leverage and reflects the Group's ability to service its debt. The calculation of net debt to EBITDA is shown below.

Alternative Performance Measures Glossary

continued

The following tables show reconciliations and calculations that are not presented elsewhere in this Annual Report and Accounts.

Underlying sales growth/decline

	2020 £'000	2019 £'000	Change
Reported revenue	**395,630**	403,905	-2.0%
NW Total	**(11,740)**	(1,880)	
Underlying revenue	**383,890**	402,025	-4.5%

The impact on year-on-year organic revenue growth/decline of other acquisitions in the comparative year are immaterial and have therefore not been included in the calculation of underlying sales growth/decline.

Free cash flow

	2020 £'000	2019 £'000	Change
Cash generated from operating activities per the consolidated statement of cash flows	**18,060**	12,600	+43.3%
Maintenance capital expenditure	**(5,372)**	(3,670)	
Free cash flow	**12,688**	8,930	+42.1%

Gross margin

	2020 £'000	2019 £'000	Change
Reported revenue	**395,630**	403,905	-2.0%
Reported gross profit	**52,249**	54,107	
Gross profit as a percentage of revenue	**13.2%**	13.4%	

Adjusted Group operating margin

	2020 £'000	2019 £'000	Change
Reported operating profit	**13,840**	17,195	-19.5%
Adjusting items (note 5)	**2,407**	1,735	
Adjusted operating profit	**16,247**	18,930	-14.2%
Reported revenue	**395,630**	403,905	
Adjusted operating profit as a percentage of reported revenue	**4.1%**	4.7%	

Return on net assets

	2020 £'000	2019 £'000	Change
Reported profit before taxation	**12,497**	16,309	-23.4%
Adjusting items (note 5)	**2,407**	1,735	
Adjusted profit before taxation	**14,904**	18,044	-17.4%
Net assets per the consolidated balance sheet	**134,169**	130,990	
Adjusted profit before taxation as a percentage of net assets	**11.1%**	13.8%	

Ratio of net debt to EBITDA

	2020 £'000	2019 £'000	Change
Adjusted EBITDA (note 2)	**20,771**	21,156	-1.8%
Net debt excluding leases (note 32)	**18,870**	20,870	
Ratio of net debt excluding leases to adjusted EBITDA	**0.91**	0.99	

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

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

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

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

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

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

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

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

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

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

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

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

Carr's Billington Agriculture (Sales) Ayr
1A Whitfield Drive, Heathfield Industrial Estate, Ayr, Ayrshire
KA8 9RX
Tel: 01292 263635

Carr's Billington Agriculture (Sales) Ayr
Livestock Auction Mart, Whiteford Hill, Ayr
KA6 5JW
Tel: 01292 619229

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

Carr's Billington Agriculture (Sales) Balloch
Ballagan, Stirling Road, Balloch
G83 8LY
Tel: 01389 752800

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

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

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

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

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

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

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

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

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

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

Carr's Billington Agriculture (Sales) Leek
Macclesfield Road, Leek, Staffordshire
ST13 8NR
Tel: 01538 383277

Carr's Billington Agriculture (Sales) Milnathort
Stirling Road, Milnathort, Kinross
KY13 9UZ
Tel: 01577 862381

Carr's Billington Agriculture (Sales) Morpeth
Unit 20c, Coopies Lane Industrial Estate, Morpeth, Northumberland
NE61 6JN
Tel: 01670 503930

Carr's Billington Agriculture (Sales) Morpeth
Old Station Buildings, Coopies Lane, Morpeth, Northumberland
NE61 2SL
Tel: 01670 518474

Carr's Billington Agriculture (Sales) Oban
Unit 3 Oban Livestock Centre Soroba, Oban, Argyll
PA34 4SD
Tel: 01631 566279

Carr's Billington Agriculture (Sales) Penicuik
4 Eastfield Park Road, Penicuik, Midlothian,
EH26 8EZ
Tel: 01968 707040

Carr's Billington Agriculture (Sales) Penrith
Haweswater Road, Penrith Industrial Estate, Penrith, Cumbria
CA11 9EU
Tel: 01768 866354

Carr's Billington Agriculture (Sales) Rothbury
The Store, Coquet View, Rothbury, Morpeth, Northumberland,
NE65 7RZ
Tel: 01669 620320

Carr's Billington Agriculture (Sales) Skipton
Skipton Auction Mart, Gargrave Road, Skipton, North Yorkshire
BD23 1UD
Tel: 01756 792166

Carr's Billington Agriculture (Sales) Spennymoor
Southend Works, Byers Green, Spennymoor, Durham
DL16 7NL
Tel: 01388 662266

Carr's Billington Agriculture (Sales) Stirling
Stirling Agricultural Centre, Stirling
FK9 4RN
Tel: 01786 474826

Carr's Billington Agriculture (Sales) Wigton
Hopes Auction Co Ltd, Skye Road, Wigton, Cumbria,
CA7 9NS
Tel: 016973 45874

Carr's Billington Agriculture (Sales) Wooler
Bridge End, South Road, Wooler, Northumberland,
NE71 6QE
Tel: 01668 281567

Carr's Billington Fuels Carlisle
Kingstown Broadway, Kingstown Industrial Estate, Carlisle
CA3 0HA
Tel: 01228 534 342

Carr's Billington Fuels Castle Douglas
Abercromby Industrial Park, Castle Douglas, Dumfriesshire,
DG7 1BA
Tel: 01387 750747

Carr's Billington Fuels Dumfries
Dargavel Stores, Lockerbie Road, Dumfries, Dumfriesshire
DG1 3PG
Tel: 01387 750747

Carr's Billington Fuels Cockermouth
Lakeland Agricultural Centre Cockermouth, Cumbria
CA13 0QQ Tel: 01900 828800

Carr's Billington Fuels Hexham
Tyne Mills Industrial Estate, Hexham, Northumberland
NE46 1XL
Tel: 01434 600404

Carr's Billington Fuels Lancaster
Lancaster Mill, Lansil Way Lancaster, Lancashire
LA1 3QY
Tel: 01524 599333

Carr's Billington Fuels Penrith
High Mill, Langwathby, Penrith, Cumbria
CA10 1NB
Tel: 01768 889899

Carr's Billington Fuels Stranraer
Droughduil, Dunragit, Stranraer
DG9 8QA
Tel: 01387 750747

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

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

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

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

ENGINEERING

Bendalls Engineering
Brunthill Road, Kingstown Industrial Estate, Carlisle
CA3 0EH Tel: 01228 815 350

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

Chirton Engineering
Unit 4A, Tyne Tunnel Trading Estate, High Flatworth, North Shields, Tyne and 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
Unit 2 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

Dormant Subsidiaries at 29 August 2020

Company Name	Registered and Located	Ownership
B. E. Williams Ltd[1]	England and Wales	51%[2]
B.R.B Trust Ltd[1]	England and Wales	100%
Caltech Biotechnology Ltd[1]	England and Wales	100%
Carrs Animal Feed Supplements Ltd[1]	England and Wales	100%
Carrs Feeds Ltd[1]	England and Wales	51%[2]
Carrs Fertilisers Ltd[1]	England and Wales	100%
Carr's Group Corporate Trustee Ltd	England and Wales	100%
Carr's International Industries Ltd[1]	England and Wales	100%
Carr's Milling Industries Ltd[1]	England and Wales	100%
Carrs Milling Ltd[1]	England and Wales	100%
Carrs Natural Feeds Ltd[1]	England and Wales	100%
Carr's Supplements (ROI) Ltd	Republic of Ireland	100%
Chirton Engineering Ltd	England and Wales	100%
Forsyths of (Wooler) Ltd[1]	England and Wales	51%[2]
Greens Flour Mills Ltd[1]	England and Wales	100%
Horse and Pet Warehouse Ltd	Scotland	51%[2]
Johnstone Fuels and Lubricants Ltd[1]	Scotland	51%[2]
NW Pump & Valve Ltd[1]	England and Wales	100%
Paul Chuter Agricultural Services Ltd	England and Wales	51%[2]
Pearson Farm Supplies Ltd	England and Wales	51%[2]
Phoenix Feeds Ltd	England and Wales	51%[2]
R Hind Ltd[1]	England and Wales	100%
Reid and Robertson Ltd[1]	Scotland	51%[2]
Robert Hutchison Ltd[1]	England and Wales	100%
Safe at Work Ltd[1]	England and Wales	51%[2]
Scotmin Nutrition Ltd[1]	Scotland	100%
Simarghu Ltd[1]	England and Wales	51%[2]
Walischmiller Solutions Ltd[1]	England and Wales	100%
Wallace Oils Ltd[1]	England and Wales	51%[2]
WM. Nicholls & Company (Crickhowell) Ltd[1]	England and Wales	51%[2]

1 Dissolution process commenced prior to 29 August 2020 and officially dissolved post-year end.
2 100% owned by Carrs Billington Agriculture (Sales) Ltd which is a 51% subsidiary of Carr's Group plc.

Companies registered in England and Wales have a registered office of Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA. Companies registered in Scotland have a registered office of 13 Whitfield Drive, Heathfield Ind. Est., Ayr KA8 9RX, with the exception of Horse and Pet Warehouse Ltd which has a registered office of 1a Whitfield Drive, Heathfield Ind. Est., Ayr KA8 9RX. Companies registered in the Republic of Ireland have a registered office of Trinity House, Charleston Road, Ranelagh, Dublin 6 D06C8X4.

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
Glasgow City Office,
10 Gordon Street,
Glasgow
G1 3PL

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

Notes

Carr's Group plc
Old Croft
Stanwix
Carlisle CA3 9BA
United Kingdom