Carr's Group plc

RISING TO THE CHALLENGE

Annual Report and Accounts 2021

CARR'S IS AN INTERNATIONAL GROUP INVESTING IN THE AGRICULTURAL AND ENGINEERING SECTORS.

OUR VISION

To build an innovative and successful group of market-leading businesses.

OUR PURPOSE

In Agriculture, our core purpose is to enable more productive and sustainable farming.

In Engineering, our core purpose is to provide specialist engineering services to create and maintain critical operating assets for our customers.

What's in our report

Overview
Our Group

Speciality Agriculture
Speciality Agriculture comprises our feed blocks, mineral supplements and animal health businesses in the UK, Europe, North America, and New Zealand.

Agricultural Supplies
Agricultural Supplies comprises our Carr's Billington branded agricultural stores, machinery, fuel and compound feed business, and our joint venture business Bibby Agriculture.

Engineering
Engineering comprises our businesses across the UK, Europe and USA which manufacture complex equipment and remote handling products, and supply specialist technical services, to customers predominantly in nuclear, defence, and oil and gas industries.

Highlights

Financial

£417.3m

Revenue

2020	£395.6m
2019	£403.9m

5.00p

Dividend Per Share

2020	4.75p
2019	4.75p

£17.6m

Adjusted Operating Profit*

2020 (restated)**	£16.3m
2019 (restated)**	£19.0m

£13.0m

Reported Operating Profit

2020 (restated)**	£12.3m
2019 (restated)**	£16.0m

£16.6m

Adjusted Profit Before Tax*

2020 (restated)**	£15.0m
2019 (restated)**	£18.1m

£12.1m

Reported Profit Before Tax

2020 (restated)**	£10.9m
2019 (restated)**	£15.1m

13.2p

Adjusted Earnings Per Share*

2020 (restated)**	12.0p
2019 (restated)**	14.6p

8.3p

Basic Earnings Per Share

2020 (restated)**	9.1p
2019 (restated)**	12.1p

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

** See note 36 for details of the prior year restatement in respect of the IFRIC agenda decision in April 2021 on cloud configuration and customisation costs.

Commercial and strategic

- Results ahead of Board's improved expectations, despite COVID-19 and oil price volatility
- Substantial increase in profitability of both Agriculture divisions:
  - Strong performance in Speciality Agriculture assisted by livestock prices in the UK and USA
  - Successful year in Agricultural Supplies with feed volumes, machinery revenues, and retail sales all improved
- Engineering adjusted operating profit marginally higher, despite lower oil prices and COVID-19 impact in Q1
- Year-end Engineering order book 15.9% higher than prior year
- Very strong cash and net debt position
- Board remains confident in prospects of all divisions

Strategic Report

At a Glance

Carr's Group plc is an international leader in manufacturing and supplying value-adding products and solutions, with market-leading brands and robust market positions in Agriculture and Engineering. We supply customers in over 50 countries around the world.

The Group operates a decentralised model which empowers operating subsidiaries, enabling them to be competitive, agile and effective in their individual markets whilst setting overall standards and goals.

Speciality Agriculture

Locations

3	6	1
UK	USA	Germany

Agricultural Supplies

Locations

40

UK

Engineering

Locations

4	2	1
UK	USA	Germany

Speciality Agriculture

The Speciality Agriculture division manufactures and supplies supplementation products for livestock including patented feed blocks and trace element boluses which are designed to improve animal performance.

These products are developed and manufactured from three sites in the UK, six sites in the USA and one site in Germany. Our customers are farmers across the UK, Europe, North America, South America and Australasia who are supplied through our extensive global distribution and support network.

Key brands include:

- Crystalyx®, Horslyx® and SmartLic® feed blocks
- Tracesure® boluses
- AminoMax® bypass protein products

Revenue

£68.5m

Adjusted operating profit

£9.5m

Reported operating profit

£6.7m

Agricultural Supplies

The Agricultural Supplies division manufactures compound animal feed products, distributes fuels and farm machinery, and runs a network of country stores across the UK which provide a one-stop-shop for farming and rural communities.

Our businesses work closely with our farming customers, providing specialist advice and support through trusted and longstanding relationships, and pride themselves on excellent customer service levels.

Key brands include:

- Carr's Billington: our animal feeds, agricultural stores, machinery and fuels business
- Bibby Agriculture: our joint venture animal feeds, minerals and forage additives business

Revenue

£297.5m

Adjusted operating profit

£6.7m

Reported operating profit

£5.0m

Engineering

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

It operates from four sites in the UK, two in the USA and one in Germany, and serves a global customer base which includes government bodies, utilities providers, and large corporations.

Its products and services include robotic manipulators and remote handling equipment, life-of-plant extension technologies, radiation protection and decontamination services, design and fabrication, and precision machining.

Key brands include:

- TELBOT® robotic manipulators
- MSIP® life-of-plant extension technology
- Power Fluidics™, waste mobilisation systems

Revenue

£51.3m

Adjusted operating profit

£3.9m

Reported operating profit

£4.0m

Strategic Report

Chairman's Statement

Peter Page
Chairman

"On behalf of the Board, I thank all colleagues for their positive approach to dealing with a constantly changing situation, including working from home with all the issues this brings such as poor broadband or lack of space, often coping with home schooling and caring for family at the same time."

Overview

Carr's Group plc made good progress in the year ended 28 August 2021, financially, operationally, and in development of the organisation. Each of our divisions performed well. The Group delivered results ahead of the Board's expectations.

In the year, we separated the reporting of our Agricultural businesses into Speciality Agriculture and Agricultural Supplies to enable greater visibility on the key drivers of growth and the performance of each business.

All colleagues have been impressively resilient and committed throughout the year, despite the COVID-19 pandemic. They have dealt constructively with customer project delays and travel restrictions in the Engineering businesses, and worked hard to keep stores, fuel depots and manufacturing plants operating in the Agricultural businesses, whilst complying with new practices to minimise health risks. Many went to extraordinary lengths in support of customers. On behalf of the Board, I thank all colleagues for their positive approach to dealing with a constantly changing situation, including working from home with all the issues this brings such as poor broadband or lack of space, often coping with home schooling and caring for family at the same time.

Financial performance

Revenue for the year increased by 5.5% to £417.3m (2020: £395.6m). Adjusted operating profit increased by 7.9% to £17.6m (2020: restated £16.3m), with Speciality Agriculture contributing £9.5m (2020: restated £7.6m), Agricultural Supplies contributing £6.7m (2020: £5.8m), and Engineering contributing £3.9m (2020: £3.8m). Further details of the prior year restatement can be found in note 36.

Reported operating profit increased by 6.1% to £13.0m (2020: restated £12.3m). Adjusted operating profits are before amortisation of acquired intangible assets totalling £1.2m, restructuring and closure costs of £0.2m, ERP system implementation costs of £1.9m, an impairment charge of £2.1m, and the effect of the deferred rate tax change in the share of the associate's results of £0.2m, offset by adjustments to contingent consideration totalling £1.0m, giving a net total adjusting items of £4.6m.

Adjusted profit before tax increased 11.1% to £16.6m (2020: restated £15.0m) and reported profit before tax increased 10.3% to £12.1m (2020: restated £10.9m). Basic earnings per share decreased 8.8% to 8.3p (2020: restated 9.1p) and adjusted earnings per share increased 10.0% to 13.2p (2020: restated 12.0p). Net debt at 28 August 2021, excluding leases, was £10.0m (2020: £18.9m), driven by improved cash flow from operating activities.

Dividend

The Board is proposing a final dividend of 2.65 pence per share which, together with the interim dividends of 1.175 pence per share declared in April 2021 and 1.175 pence per share declared in July 2021, makes a total dividend for the year of 5.0 pence per share, 5.3% up on the prior year (2020: 4.75p). The final dividend, if approved by shareholders, will be paid on 26 January 2022, to shareholders on the register at close of business on 17 December 2021, and the shares will go ex-dividend on 16 December 2021.

Board changes

Tim Davies concluded his appointment as CEO at the AGM in January 2021. Subsequently, he continued to provide support during a valuable handover period. On behalf of the Board, I thank Tim for his substantial contribution during seven years leading the Group.

In succession, Hugh Pelham joined as CEO, bringing experience in the engineering sector and in international markets. An initial review of the Group followed which confirmed the underlying strengths of its businesses and identified opportunities for growth, leading to the separate reporting of our Agriculture businesses.

In October 2021, it was agreed that Hugh Pelham would leave the Company. The Board appreciates his contribution since January. On an interim basis, at the request of the Board, I have assumed the role of Executive Chairman, providing direction and strategic support to Neil Austin and the wider management team. The Board expects to appoint a new CEO during the current financial year, whereupon it is anticipated that I will revert to Non-Executive Chairman.

I would also like to thank Alistair Wannop for his service to the Group as a Non-Executive Director over the last 16 years. Alistair has continued to make his valuable knowledge of the agricultural sector and experience with Carr's available to the Board during a period of transition in the last year. We wish him well for the future as he leaves the Board at the AGM in January 2022.

In September 2021, we announced that Kristen Eshak Weldon will not be standing for re-election at the January 2022 AGM, due to changes in her full-time role. The Board has initiated a process to identify and recruit a suitably qualified Non-Executive Director to join the Board in the early part of 2022.

Stakeholder engagement

During the year, each of the Non-Executive Directors visited different sites around the business and met with senior managers.

During the summer of 2021, following the lifting of COVID-19 restrictions, I visited many depots, stores and manufacturing plants in the UK, meeting employees, customers, and strategic partners. I have also held discussions with a range of shareholders to ensure that the Board has a clear sense of stakeholder views. Our aim is that Directors will continue to visit locations individually to meet directly with our people, to complement feedback the Board receives from the Non-Executive Director responsible for employee engagement.

Due to COVID-19 restrictions, our AGM in January 2021 was held with the Directors in attendance only. To help keep shareholders informed, we released a video statement after the AGM which included an update on business performance and responses to questions submitted prior to the meeting. We plan to return to an ordinary AGM in January 2022, giving all shareholders the opportunity to engage with the Board directly.

In the spring of 2021, we consulted widely on executive remuneration following our AGM in January. Whilst our remuneration report was approved by a majority at the AGM, there was a high level of votes against approval. The Chair of the Remuneration Committee conducted a thorough engagement process. Feedback received and our response has been published on our website. More detail on this is covered in the Directors' Remuneration Report.

Environment, Social, Governance

The Board recognises the importance of Environmental, Social and Governance issues to all stakeholders and has begun the work needed to develop a comprehensive strategy at Group level. Whilst we have a strong foundation for governance and have made good progress in developing our social contribution, we are at the beginning of our environmental development as a Group. Several of our individual businesses have already made sound progress, which we will continue to build on. Sustainability will become integral to the Group's core values and is being integrated into our strategy and the way we conduct business. We outline how our approach is developing in the Responsible Business Report and will build upon this in future reports.

We conducted an externally facilitated Board evaluation during the year. It was reassuring to hear that we are working well in line with the requirements of the Corporate Governance Code in general, with some areas for improvement. This is covered in more detail in our Corporate Governance Report. I am committed to maintaining high standards of governance and to ensure that the Board is functioning as effectively as possible.

In April 2021 the Audit Committee commenced a competitive tender process relating to the appointment of the Group's external auditor for the 2021/22 financial year. That process, which involved five firms and included incumbent auditor KPMG LLP, resulted in the Committee's recommendation that Grant Thornton UK LLP be appointed. That recommendation has now been approved by the Board, which will propose the appointment of Grant Thornton UK LLP as the Group's external auditor at the Group's next Annual General Meeting to be held in January 2022.

Development of future strategy

The Group's strategy is being developed against a backdrop of uncertainty, including the impact of COVID-19, raw material and energy price inflation, labour shortages, and global supply chain disruption.

Factors such as a diminishing geopolitical enthusiasm for global trade, the generational shift being seen in labour market dynamics, and real concern over the environmental impact of business in general, particularly ruminant agriculture, all herald a point of change.

We will incorporate environmental and social issues into the Group's strategy to ensure that we sustain the value we deliver to stakeholders in the long term. The need to reduce the impact of livestock farming on the environment is clear, providing opportunities for the Group's Agriculture businesses. Across Engineering, attractive opportunities in civil and defence sectors will become clearer as key decisions and commitments are confirmed by governments.

For our Agriculture and Engineering divisions, we are looking at the potential for growth alongside the skills and experience needed to manage them successfully.

Outlook

The Group is well-positioned in attractive markets for both Agriculture and Engineering, with good opportunities to grow in the UK and internationally. We continue to improve efficiency with investment in manufacturing processes and IT infrastructure.

Whilst all businesses face inflation headwinds in raw material supply chains, we see a positive outlook for the Group based upon the strength of livestock and milk prices across Agriculture and a growing order book in Engineering.

The Board remains confident in the Group's prospects across all divisions.

Peter Page
Chairman
7 December 2021

We are focused on three key market sectors: Speciality Agriculture, Agricultural Supplies and Engineering, each of which have distinct characteristics and present different opportunities.

Market sector	Market trend

Speciality Agriculture

Production growth

Agricultural production is expected to continue to increase, linked to a growing global population and an ongoing transition towards higher consumption of animal products, particularly dairy. On account of an expected 11% expansion in the global population, together with notable per capita gains over the next ten years, total livestock production is expected to rise by 14% globally.

Sustainable intensification

In the coming years, a growing global population will increasingly affect agricultural systems and drive an intensification of livestock production.

It is expected that if population trends continue, by 2050 the world will need c. 60% more food than is available today.

Agricultural Supplies

Agricultural reform

Significant shifts in UK agricultural policy are expected over the next decade as the Government transitions towards sustainable farming and its target of becoming carbon neutral.

Key changes include the phasing out of Basic Payments and the introduction of Environmental Land Management Schemes, linking support payments to the delivery of environmental and animal welfare benefits.

Raw materials

Almost all supply chains experienced rising raw material costs throughout 2021. Such increases have led to margin pressures and increased customer prices. It is expected that this will continue to rise in the medium term, causing challenges for all businesses.

Engineering

Nuclear power

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

This is alongside an expected increase in the construction of Small Modular Reactors as governments look towards cleaner energy solutions.

Defence

Global investment in defence is expected to remain strong. Major projects such as the UK's £31bn Dreadnought programme and the Aukus partnership between the UK, USA and Australia will continue into the coming decades.

What this means for Carr's

An increasing global demand presents an opportunity for the Group, particularly overseas in growing markets.

The Group is positioning itself to lead in dairy nutrition across the USA, UK and Europe, focusing on enhancing the efficiency of stock rearing in the sector.

14%

Forecast increase in livestock production over the next decade

The efficiency of farming operations is becoming increasingly critical.

Our Speciality Agriculture product ranges are supported by research which demonstrates how they can help farmers produce more efficiently.

11%

Forecast expansion of global population over the next decade

The reforms are expected to drive changes in farming behaviours and priorities in the coming years.

Helping our farming customers to navigate these changes will be a key priority, and we remain ideally placed to provide the necessary support to enable farmers to remain profitable.

£2.4bn

Current level of annual UK farming subsidies

Whilst agricultural markets are expected to remain strong, it will become increasingly important for our business, and those of our customers, to invest in efficiencies to remain profitable.

We will continue to focus on enhancing procurement, and in delivering efficiencies across our business, and remain well placed to support our farmers in developing their businesses.

The increase in levels of decommissioning and legacy clean-up operations globally, together with an expected shift towards Small Modular Reactors, will provide significant opportunities for Carr's to deliver its range of specialist and innovative engineering solutions.

12%

Annual global growth spend in nuclear decommissioning

Continued long-term investment 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 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

Diversified, innovative, 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 developed products and services which are recognised as market-leading on a global scale across both Agriculture and Engineering.

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

How we create value

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 to each of our divisions, centred around a strong focus on adding value through innovative products and solutions.

Speciality Agriculture

- Ten manufacturing sites across the UK, USA and Europe
- Patented products and manufacturing processes
- Research proven to add value
- Globally respected brands

Agricultural Supplies

- 40 sites across the UK including retail stores, machinery branches and fuel depots
- Deep technical expertise
- Priority service levels and trusted relationships
- Supporting 17,000 UK farmers

Engineering

- Seven sites across the UK, USA and Europe
- Unique products and innovative solutions
- Customer-focused delivery
- Global customer base

Who we create value for

Employees

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

1,165
Training days delivered to employees 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 farming customers in the UK

Investors

Our strategy is designed to deliver sustainable growth. During the last five years, we have been able to increase the dividends we pay to investors by 32%.

5.00p
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.

£52k
Charitable donations in the year

Environment

We believe in ethical business practices and are developing a sustainability strategy which will help minimise our environmental impact.

2040
The Group's Net Zero intention

Group Performance Review

Peter Page
Chairman

"I am grateful for the contributions of all employees who continued to meet the challenges of working in a pandemic environment during the year, and who have enabled the Group to deliver a strong set of results."

Overview

The Group delivered improved results, ahead of the Board's expectations, despite a backdrop of COVID-19 and oil price volatility. A substantial increase in profitability in the Speciality Agriculture and Agricultural Supplies divisions mitigated the impact of challenges seen in the early part of the year in our Engineering division due to low oil prices, travel restrictions and customer project delays.

Our health and safety performance improved with reductions in key indicators. This year we appointed a new Group HSE Director and engaged Marsh to undertake an external audit assessing safety standards and risks at a range of Group sites across all divisions and geographies. The audit identified that standards and reporting levels were good but recommended greater levels of consistency across the Group which will be a key objective in the year ahead.

Operational review

The Group is now managed in three operating divisions – Speciality Agriculture, Agricultural Supplies and Engineering – to give greater strategic and operational focus and to provide investors and other stakeholders with more insight to the financial performance of various parts of the Group.

The **Speciality Agriculture** division traded very well throughout the year, with strong livestock prices in the UK and the US underpinning demand. Feed block volumes were significantly ahead of the prior year, as were sales from the Animax product lines. Adjusted operating profit was £9.5m, up 25.0% on the prior year (2020: restated £7.6m). *For more information on the performance of the division in the year see pages 26 to 27.*

Agricultural Supplies had a strong year. Conclusion of the agreement for the terms of the UK's exit from the European Union in late 2020 gave the market confidence.

All elements of the business performed well. Adjusted operating profit was £6.7m, up 15.7% on the prior year (2020: £5.8m). *For more information on the performance of the division in the year see pages 28 to 29.*

The **Engineering** division experienced some difficulties in the first quarter, with depressed oil prices reducing order intake in one part of the division, and lockdowns and international travel restrictions impacting the timing of on-site works and delivery on some contracts. Despite these challenges, adjusted operating profit was £3.9m, up marginally on the prior year (2020: £3.8m). *For more information on performance of the division in the year see pages 30 to 31.*

Central costs of £2.6m at adjusted operating profit level were £1.6m higher than the prior year. This was due to a change in provision for a non-recoverable debt, increased costs for performance-based remuneration, and CEO handover costs.

I am grateful for the contributions of all employees who continued to meet the challenges of working in a pandemic environment during the year, and who have enabled the Group to deliver a strong set of results.

Trading in the current financial year has started positively. We look forward to updating shareholders further at the AGM in January 2022.

Peter Page.

Peter Page
Chairman
7 December 2021

Over the past year, we have continued to pursue our four strategic objectives. Our progress is described opposite.

2021 Objectives

1. Build value by focusing on markets with growth potential

2. Grow and diversify our international footprint

3. Differentiate through innovation and technology

4. Lead in our chosen markets

2021 achievements

Our Speciality Agriculture division has well-established businesses which manufacture and supply ruminant feed supplements in the form of feed blocks, manufactured from a mix of molasses, vegetable oils, fibres and trace elements.

As a result of sales development initiatives and close collaboration with distributors, volumes of feed blocks sold increased by 12.3%. During 2021 we focused on increasing sales volumes further, with the extension of our direct sales team in the USA to new states and into Canada, and with the launch of a new range of dairy products in the UK.

Closer collaboration between businesses in our Engineering division, coupled with a recovery in oil and gas prices from 2020 lows, has led to a growing international opportunity pipeline.

Investments made in the development of new robotics products in 2021 are also expected to open new opportunities from 2022 across Europe and Asia.

In the year, we published our research demonstrating the effectiveness of our dairy feed blocks range as part of its launch. We also continued to invest in manufacturing processes and expect to have fully automated bolus manufacturing in 2022.

In the Engineering division, our new collaboration to develop Hot Isostatic Pressing technology, coupled with our range of established technologies such as MSIP® and Power Fluidics™, is expected to present global opportunities in nuclear industries into the long term.

Our Agricultural Supplies division works in close collaboration with customers, combining personal service with expert knowledge to support thousands of farmers in providing a full range of products and services, from feed to tractors. The business is now the UK's largest franchise for the market-leading Massey Ferguson tractor range.

Specialist capabilities across our Engineering division in building equipment and providing solutions for the handling and safe storage of nuclear waste is becoming increasingly relevant to the civil and defence sectors, where opportunities are expected to grow for several decades.

Development of our future strategy

The Group's strategy is being developed against a backdrop of uncertainty, including the impact of COVID-19, raw material and energy price inflation, labour shortages, and global supply chain disruption.

Factors such as a diminishing geopolitical enthusiasm for global trade, the generational shift being seen in labour market dynamics, and real concern over the environmental impact of business in general, particularly ruminant agriculture, all herald a point of change.

We will incorporate environmental and social issues into the Group's strategy to ensure that we sustain the value we deliver to stakeholders in the long term. The need to reduce the impact of livestock farming on the environment is clear, providing opportunities for the Group's Agriculture businesses. Across Engineering, attractive opportunities in civil and defence sectors will become clearer as key decisions and commitments are confirmed by governments.

For our Agriculture and Engineering divisions, we are looking at the potential for growth alongside the skills and experience needed to manage them successfully.

Our Key Performance Indicators

We monitor our growth and health as a business, and our performance against strategy, using the following key performance indicators.

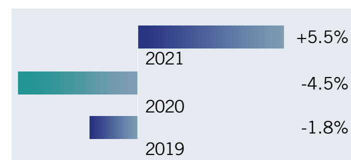
Financial KPIs

Underlying sales growth/decline

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 increase during 2020/21 is largely driven by increases in sales across our Agriculture divisions.

+5.5%

2020: -4.5%

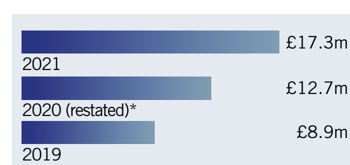


Free cash flow

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 was driven by improved cash flow from operating activities and lower spend on capital expenditure.

£17.3m

2020: restated* £12.7m



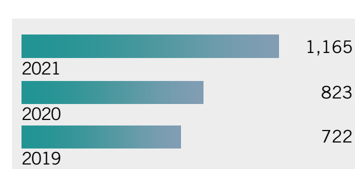
Non-financial KPIs

Number of training days delivered

We are committed to providing a variety of development opportunities for our people. Since 2020, our ability to deliver face-to-face training across the Group has been impacted by the COVID-19 pandemic, but employee engagement in our development programmes has remained strong through the use of online training.

1,165

2020: 823



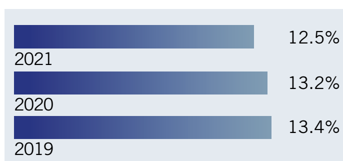
* See note 36 for details of the prior year restatement in respect of the IFRIC agenda decision in April 2021 on cloud configuration and customisation costs.

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 12.5% in the year, largely reflecting conditions across agriculture in the UK.

12.5%

2020: 13.2%

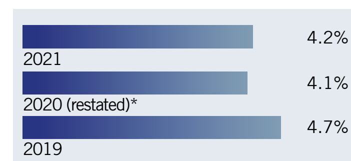


Adjusted Group operating margin

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

4.2%

2020: restated* 4.1%

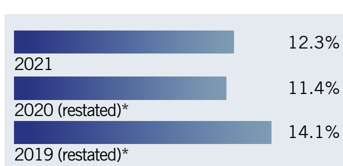


Return on net assets

The Group's overall return on net assets increased slightly to 12.3% this year.

12.3%

2020: restated* 11.4%

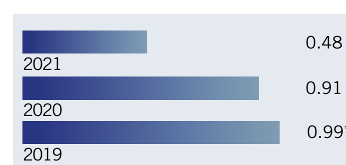


Ratio of net debt to EBITDA

This measures the Group's leverage and reflects its ability to service its debt. The reduction in the year is primarily due to working capital management in our Agricultural Supplies division.

0.48

2020: 0.91



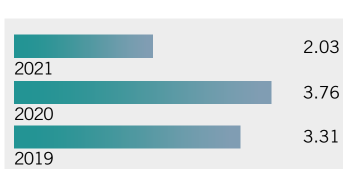
**Not adjusted to reflect IFRS 16

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. The reduction seen in the year is encouraging as we continue to focus on employee safety.

2.03

2020: 3.76



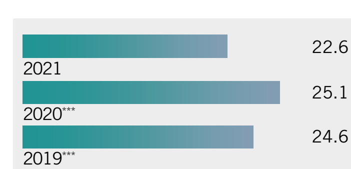
Total injuries/average headcount x 100,000

CO_2 intensity metric

We carefully monitor our carbon emissions and are developing a strategy to ensure that these continue to reduce as we work towards achieving net zero status in the long term.

22.6

2020: 25.1



Tonnes CO_2/£m turnover

***Restated to reflect emissions by Group controlled entities only (see page 42 for more information).

Financial Review

Neil Austin
Chief Financial Officer

"The key features of the year have been the buoyant agricultural markets in the UK and USA, and the impact of low oil prices and COVID-19 on the business in engineering."

Revenue

Reported revenues from continuing operations were £417.3m, 5.5% ahead of last year (2020: £395.6m).

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 159 to 160.

Operating margin

	Adjusted operating margin	Reported operating margin
Speciality Agriculture	13.9%	9.7%
Agricultural Supplies	2.3%	1.7%
Engineering	7.7%	7.8%

Prior year restatement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS), Following the publication of this agenda decision the Group and Company's accounting policy has been reviewed for the costs incurred in respect of the configuration and customisation of the cloud hosted ERP system which has been implemented across several of the Group's businesses. It was concluded that the Group did not have substantive control over all aspects of the ERP system and it was therefore determined that previously capitalised costs should be expensed. As these costs do not relate to the underlying trading performance they have been treated as adjusting items (note 5). Further details of the prior year restatement can be found in note 36.

Operating profit

Adjusted Group operating profit of £17.6m is up 7.9% on last year (2020: restated £16.3m). As a percentage of revenues, the Group's adjusted operating margin is 4.2%, a slight increase on the prior year. Reported operating profit was £13.0m (2020: restated £12.3m).

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

Adjusted* Operating Profit 2021

Adjusted Operating Profit	2021 £m	2021 %	2020 (restated) £m	2020 (restated) %
Speciality Agriculture	**9.5**	**13.9**	7.6	12.3
Agricultural Supplies	**6.7**	**2.3**	5.8	2.1
Engineering	**3.9**	**7.7**	3.8	7.2
Central	**(2.6)**		(0.9)	
Total	**17.6**		16.3	

* 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 £2.9m, up 11.9% (2020: £2.6m).

Adjusting items

The Group incurred £4.6m (2020: restated £4.0m) in respect of adjusting items recognised above the tax line. This year's charge included amortisation of acquired intangibles of £1.2m, restructuring and closure costs of £0.2m, ERP system implementation costs of 1.9m, an impairment charge of £2.1m and the effect of the deferred tax rate change in the share of the associate's results of £0.2m, offset by a credit of £1.0m in relation to contingent consideration on historic acquisitions. The taxation effect of the above items of £0.5m has been included as an adjusting item to profit for the year. In addition, the effect of the increase to the deferred tax rate on the tax charge for the parent Company and its UK subsidiaries, totalling £1.0m, has been included as an adjusting item to profit for the year. Further details of these adjusting items are set out in note 5.

Finance costs

Net finance costs of £1.0m were 27.6% lower than in the previous year, principally due to lower debt levels throughout the year. Interest cover was 13.4 times based on reported profit (18.1 times on an adjusted profit basis) compared to 9.1 times (restated) in 2020.

Profit before tax

Adjusted profit before tax at £16.6m was 11.1% higher than in the previous year (2020: restated £15.0m). Reported profit before taxation was £12.1m (2020: restated £10.9m).

Taxation

The Group's effective tax charge on profit from activities after net finance costs and excluding results from associate and joint ventures, which are recorded after tax, was 24.5% (2020: restated 15.5%). The increase in the effective tax rate is driven by the substantively enacted increase to the UK tax rate which has increased the deferred tax charge in the year by £1.0m. 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. .

Earnings per share

The profit attributable to the equity holders of the Company amounted to £7.7m (2020: restated £8.4m), and basic earnings per share was 8.3p (2020: restated 9.1p), a decrease of 8.8%.

Adjusted earnings per share of 13.2p (2020: restated 12.0p) is calculated by dividing the adjusted profit attributable to equity holders for the year by the weighted average number of shares in issue during the year. The increase of 10.0% reflects the better trading performance across the year.

Cash flow and net debt

A free cash flow of £17.3m was generated in the year, representing an increase of 36.1% on £12.7m in the previous year. This was driven by improved cash flow from operating activities, which increased from £16.6m (restated) to £18.9m and lower spend on capital expenditure.

Headroom against existing facilities was £36.0m 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	2021 £m	2020 (restated) £m
Cash flow from operating activities	**18.9**	16.6
Net debt (excluding leases)	**10.0**	18.9

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 72 deferred members and 220 current pensioners.

The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 28 August 2021 of £9.4m (2020: £8.0m). This is after an actuarial gain of £1.2m (2020: £0.1m) which has been recognised in the Consolidated Statement of Comprehensive Income.

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Neil Austin
Chief Financial Officer
7 December 2021

Speciality Agriculture

Our Speciality Agriculture division manufactures and supplies feed blocks, minerals and boluses containing trace elements and minerals for livestock.

Dairy Crystalyx®
UK Dairy Day 2021 saw the launch of a new range of Crystalyx® feed blocks; our first specifically designed for dairy farmers.

Manufactured using our unique patented process, the dairy range is designed to improve animal performance during the entire dairy cycle from pregnancy, through transition, and into milk production. The range also promotes early rumen development in young calves, and improved health in growing heifers.

In extensive research trials carried out by Dr Peter Ball across five commercial dairy farms, the benefits of Crystalyx® were significant:

- The average time taken for cows to conceive after calving reduced by 21 days
- The proportion of cows pregnant at 100 days improved from 37% to 62%
- The proportion of cows not pregnant at 200 days reduced from 26% to 8%

Decades of research continues to show that Crystalyx® feed blocks add significant value to livestock farmers. Feed blocks and animal supplementation products remain the core of our Speciality Agriculture division and central to our Group strategy.

68%
Increase in the proportion of cows pregnant at 100 days

69%
Reduction in the number of cows not pregnant at 200 days

"The Crystalyx® fed cows performed better than the controls in all measured parameters of reproduction."

Dr Peter Ball
Internationally recognised dairy fertility specialist
and former Head of Dairy Fertility Research at SRUC

Agricultural Supplies

Our Agricultural Supplies division comprises our Carr's Billington branded stores, machinery, fuel and compound feed business, plus our joint venture business, Bibby Agriculture.

Carr's Billington
In September 2021 Carr's Billington announced its acquisition of a 2.5-acre site at Stranraer, to be developed into a new machinery depot and country store.

Due to open in December 2021, the Stranraer site will expand our machinery coverage across South West Scotland and build upon our status as the UK's leading distributor of Massey Ferguson tractors by sales revenue. In the last year, we also opened our new machinery branch at Skipton, which helped to achieve an 8.3% increase in machinery revenues for the division.

Opening the site creates skilled jobs in the area including sales specialists, agricultural advisors, management, and machinery technicians, and will enhance the levels of service we offer to farmers across the region.

9th
Machinery depot to open in the UK

8.3%
Increase in machinery revenues in FY21

"The Stranraer site will expand our machinery coverage across South West Scotland."

Mark Cole
Managing Director, Carr's Billington Agriculture (Sales)

Engineering

Our Engineering division comprises our fabrication and precision engineering business in the UK, robotics business in the UK and Europe and engineering solutions business in the UK and USA.

HIP Collaboration
In April this year NuVision, our US engineering business, entered into a five-year collaboration with GeoRoc International to develop Hot Isostatic Pressing (HIP) technology for radioactive waste treatment.

Using proprietary technology, HIP applies high pressure and temperature to alter the properties of radioactive materials, transforming them into synthetic rock or ceramic, and rendering them safe for long-term storage. HIP offers significant benefits over traditional waste treatment methods and has been identified as a preferred technology for dealing with waste clean-up challenges by nuclear authorities and regulators in both the UK and USA.

This new collaboration builds upon an existing partnership from 2018 and has been successful in attracting substantial government development funding. Over the next five years, NuVision and GeoRoc plan to develop, commercialise and demonstrate the technology, with a view to securing long-term opportunities in the worldwide nuclear industry.

Five-year
Collaboration to develop HIP technology

40%
Reduction in volume of stored nuclear waste

"We are excited to play a central role in the development of HIP, which will offer significant benefits over traditional waste treatment methods and which represents a significant long-term opportunity for Carr's."

Erich Keszler
President, NuVision Engineering

Speciality Agriculture

Speciality Agriculture comprises our businesses which manufacture and supply feed blocks, mineral supplements and trace element boluses to a global customer base from sites in the UK, Europe and USA.

Financial performance

£68.5m
Revenue
+10.6%
2020: £61.9m

£9.5m
Adjusted Operating Profit
+25.0%
2020: restated £7.6m

Revenue split:

UK	38.2%
International	61.8%

Our brands

CRYSTALYX®
HORSLYX®
TRACESURE®
ALLSURE®
AMINOMAX®
SMARTLIC®
MEGALIC®
FLAXLIC®
FESCOOL®
FEED IN A DRUM®

Our geographic footprint

UK
Europe
USA
Canada
New Zealand

Overview

This year saw a very strong performance for the division across all geographies. Overall, sales of feed blocks (including JVs) increased 12.3% compared to the prior year.

Sales of equine products, including Horslyx®, generated the highest revenue growth rates in the division, albeit from a smaller base. The equine market is becoming increasingly important for the Group, in all territories.

Animax performed well in the year, and ahead of the Board's expectations, driven by business development initiatives and cost efficiencies following two challenging years since its acquisition in 2018.

USA

Feed block volumes sold increased by 13.4% compared to the prior year. The impact of drought on farm incomes was mitigated by the easing of COVID-19 restrictions which increased demand for beef and helped firm up livestock prices. The USA is a fragmented market, providing opportunities to increase market share in our core territories through the strength of our brands. We are developing opportunities in Canada for beef and equine products.

We continue to invest in product innovation, particularly to incorporate novel ingredients into our products and in the development of environmentally friendly packaging. The introduction of vacuum control technology in our manufacturing process has enhanced product consistency and we are investing in a new ERP system which will be going live in 2022.

UK and Ireland

Lamb and beef prices remained strong in the UK, driven by greater certainty over Brexit combined with an increase in eating at home during COVID-19 restrictions. These factors, combined with more typical winter weather patterns during the year, have contributed to a significant growth in volumes for all products. Total sales volumes of feed blocks increased 10.8% versus the prior year.

At UK Dairy Day in September 2021, we launched a new range of Crystalyx® dairy feed block products. These are Crystalyx® products specifically formulated for dairy cattle, which deliver value to farmers by enhancing the performance of livestock from calf rearing through to milking.

The project to automate production at Animax is nearing completion and is expected to be fully operational in the current financial year. This will enhance product quality and production efficiency.

Europe

Our joint venture business in Germany, Crystalyx Products GmbH, performed in line with management expectations, with sales volumes growth of 6.0% versus the prior year. Following its launch into the poultry sector last year, Pick Block™ sales continue to grow, underpinned by an efficient and automated production process.

New Zealand

Sales volumes continued to grow in New Zealand, with a 12.4% increase seen compared to the prior year. Increasing freight costs and travel restrictions presented challenges in the year, but the region remains an attractive market opportunity which will continue to be developed.

"This year saw a very strong performance for the division across all geographies."

Outlook

Demand for our products is robust underpinned by good livestock prices in the UK and USA and stable milk prices in the UK, which continues to drive farmer confidence.

There remains substantial opportunity to expand sales in North America and Europe, a strategic priority for the Group.

Agricultural Supplies

Our Agricultural Supplies division includes our Carr's Billington branded agricultural stores, machinery, fuel and compound feed business together with our joint venture business, Bibby Agriculture.

Financial performance

£297.5m
Revenue
+6.0%
2020: £280.7m

£6.7m
Adjusted Operating Profit
+15.7%
2020: £5.8m

Revenue growth:

Feed volumes	+2.6%
Fuel volumes	-5.6%
Machinery revenues	+8.3%
Retail revenues	+1.6%

Our brands

CARR'S BILLINGTON
BIBBY AGRICULTURE

Our geographic footprint

UK

Overview

It's been a successful year for the Agricultural Supplies division, with a 15.7% growth in adjusted operating profit, despite significant increases in commodity prices. Total feed volumes, machinery revenues, and retail sales were all ahead of the prior year. An ongoing programme of modernisation and simplifying the product range continues to help margin improvement.

Financial performance

	FY21 £m	FY20 £m	Change %
Revenue	**297.5**	280.7	+6.0
Adjusted operating profit	**6.7**	5.8	+15.7
Operating margin	**2.3%**	2.1%	+0.2

Feed

Total feed volumes sold were 2.6% up on the prior year. Strong beef and lamb prices, resulting from an increase in home consumption of UK-sourced products, together with better milk prices, contributed to a favourable environment for our customers which helped in the recovery of higher raw material costs through increased pricing.

Machinery

An exceptionally good year for machinery sales delivered revenue growth of 8.3% against last year. We are now the leading seller of Massey Ferguson tractors in the UK following our focus on this brand, the strengthening of our sales team and enhanced after-sales service offering. The reach of our franchise was extended this year to include southern Scotland and we will be opening a new machinery depot and retail store in Stranraer in the current year. In 2021, a new machinery sales operation was opened at our retail premises at Skipton Auction Mart. This full-service combination of machinery, retail and fuels has increased activity at the stores.

Fuel

Overall volumes sold during the year were 5.6% down on the record performance seen in 2020. The business, however, focused on margin management and delivered a strong overall performance.

Retail

Retail stores remained open throughout the year, even when auction markets were closed due to COVID-19 restrictions, utilising phone and collect/delivery services to support farmers safely. Overall sales increased 1.6% on the prior year with like-for-like sales also increasing by 6.3%. A focus on cost has delivered a strong margin improvement, including the introduction of standardised pricing across all stores and the recruitment of a central buying team dedicated to controlling the costs across our supply chain. Following a review of store profitability, the retail estate was reduced by four outlets, with existing customers transferred to adjacent branches where possible. This leaves us with 37 retail sites, including eight machinery branches, which will increase further with the opening of Stranraer this year.

Outlook

Customers are at the centre of our business. We remain committed to supporting UK farmers and always strive to provide the best levels of service.

To develop the business for the future, we continue to invest in IT, people and processes. We continue to embed our new ERP system, which went live on 1 September 2021, and we introduced a new CRM system to enhance our offering to new and existing customers. Our future strategy includes the development of an e-commerce solution.

In addition to our new central buying team, we have recruited new sales managers in feed, fuels, machinery, and retail. We also introduced a scheme to ensure that our management teams spend as much time as possible out with our customers.

Our focus on costs and margins means we are well placed for the year ahead and we will continue to strengthen our business, building upon our unique combination of feed, machinery, fuel and retail stores.

"Total feed volumes, machinery revenues, and retail sales were all ahead of the prior year."

Engineering

Engineering comprises fabrication and precision engineering in the UK, robotics in the UK, USA and Europe and engineering solutions in the UK and USA.

Financial performance

£51.3m

Revenue
-3.2%
2020: £53.0m

£3.9m

Adjusted Operating Profit
+3.0%
2020: £3.8m

£38.8m

Order book
+15.9%
2020: £33.5m

Revenue split:

Nuclear	66%
Defence	17%
Oil and Gas	12%
Other	5%

Our brands

WÄLISCHMILLER ENGINEERING
NUVISION ENGINEERING
NW TOTAL
BENDALLS ENGINEERING
CHIRTON ENGINEERING
CARRSMSM

Our global markets

We supply into highly regulated markets including:

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

Overview

This was a positive year for our Engineering division, with profitability increasing 3.0% to £3.9m (2020: £3.8m) and confirmed orders at the year end up by 15.9%. The key drivers of improved performance were in remote handling and robotics, offset by a much more difficult year in our precision engineering business due to the impact of COVID-19 and low oil and gas prices.

Financial performance

	FY21 £m	FY20 £m	Change %
Revenue	**51.3**	53.0	-3.2
Adjusted operating profit	**3.9**	3.8	+3.0
Order book	**38.8**	33.5*	+15.9

* Restated from the figure of £37m reported in the half-year results to exclude the value of intra-group contracts, which more accurately reflects the position.

UK: Fabrication and precision engineering

Our precision engineering business was challenged by lower oil and gas prices which impacted order intake in the first half of the year. Within fabrication, both revenue and profitability increased driven by a higher level of nuclear work. Total combined revenues were down 10.8% to £15.8m (2020: £17.7m).

Over £19m of new contracts were secured in the year, and our order book for specialist fabrication stood at £13.0m at the financial year end (2020: £2.5m). During the year, we formed the Cumbria Manufacturing Alliance in collaboration with the Shepley Group, which secured a significant nuclear decommissioning contract. That contract will utilise the £1.3m investment made in state-of-the-art capability at our Carlisle facility in 2020.

Although challenged this year, our precision engineering business recovered well in the second half, with £5.2m in new orders secured resulting in an order book of £3.3m at year end (2020: £2.1m).

UK and USA: Engineering solutions

NW Total, our UK engineering solutions business acquired in 2019, made good progress on a major design and build defence contract, with completion expected in FY22. On-site works supporting the UK government's submarine defence programme also progressed well. Several major contracts were secured in the year, including a £4.5m defence contract to upgrade testing facilities which will run over the next two years. The business enters FY22 with a strong order book of £6.8m (2020: £6.7m).

Our engineering solutions business in the USA, NuVision, also delivered a good performance. In the year, a $4m contract was secured to supply MSIP® in Slovenia in late 2022.

We also entered into a five-year agreement with GeoRoc International, world-leading innovators in advanced materials and process engineers for the nuclear, aerospace and defence sectors, to jointly develop and commercialise Hot Isostatic Pressing (HIP) technology for radioactive waste treatment. HIP has been identified as a preferred solution for high profile global waste clean-up challenges and the project has attracted government funding in the UK and USA.

UK, USA and Europe: Remote handling and robotics

Our remote handling and robotics businesses performed well in the year despite travel restrictions and on-site works being impacted by COVID-19 in the first half. Revenues in the year improved 10.0% to £16.3m (2020: £14.8m). The order book at year end was £10.4m (2020: £12.2m).

During the year we also invested in the development of a new product: the A150; a telescopic manipulator for smaller sized hot cells, which enhances our product range and strengthens our competitive position.

Outlook

Enquiry levels remain strong across civil nuclear markets globally, with decommissioning spend expected to increase, creating opportunity for our fabrication and robotics businesses into the long term. A much higher and stable oil price has increased order intake in our precision engineering business.

Prospects in UK defence remain strong going forward, and the UK government's programme to replace the current submarine fleet is expected to provide opportunities for the next two decades.

Our Engineering business in the USA is likely to see a lower level of activity in the current financial year, due to the phasing of outages at nuclear sites impacting the timing of MSIP® works. Long-term prospects remain strong however, and the business is developing opportunities to trial HIP technology in the USA.

Across the division, order books grew in the year to £38.8m at the year end, 15.9% higher than the prior year (2020: £33.5m). Since year end, order books have grown further to £44.6m at the end of October 2021.

"Order books across the division continue to build."

Strategic Report

Risk Management

Our success as a Group depends upon our ability to identify and maximise the opportunities generated by our businesses and the markets in which we operate. In doing so, we continue to develop an embedded approach to risk management which puts risk and opportunity assessment at the heart of our strategy.

Our risk appetite and approach to risk management

The Group adopts a risk profile aligned to our strategy. 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 60 to 63. 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.

Strategic Report
Governance
Financial Statements
Shareholder Information

Task Force on Climate-Related Financial Disclosures

In last year's Strategic Report, we included information on the emerging risks being faced by the Group associated with climate change, including its potential impact on raw material supplies, agricultural operations, and customer demand for our product ranges. We also reported on the steps being taken to address those risks.

This year, our focus on environmental issues has intensified. Work is underway as part of our strategy development to ensure our businesses continue to deliver sustainable value to stakeholders in conjunction with our strategic partners (for more information, see our Responsible Business Report on pages 40 to 46). We recognise the importance of this to our colleagues, partners, customers, investors, and communities. ESG is now a regular item on our Board agenda.

Recognising the medium to long-term potential risks presented by climate change, we have committed to disclosing against the recommendations of the Task Force on Climate-Related Disclosures ("TCFD"). We recognise that there is much to do and will be undertaking a rigorous assessment of the climate-related risks and opportunities facing our businesses during the current year as we continue to develop our strategy.

We are fully supportive of TCFD's aims. Climate change requires a long-term approach, and we anticipate that it may take some time to fully integrate the TCFD's recommendations with the way we operate and report. Processes are currently being developed to accurately collect and report a wider range of information across our sites, and to determine the broader carbon impact of our businesses and strategic partners. We also aim to develop goals for improving our carbon impact and to mitigate the risks presented by climate change, together with metrics to monitor our performance and provide updates to stakeholders.

The Board will report in more detail against the recommendations of the TCFD in our 2022 Annual Report and Accounts.

▲ ▼ ⊖ : Change in risk (increase/decrease/no change)

Risk	Description of the risk	What we are doing to manage the risk
Post-Brexit agricultural and trade policy ▲	Part of our customer base is inherently reliant on agricultural subsidies, 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. There are also increased inflationary pressures in relation to wages and other parts of supply chains. Similarly, the agreement of trade deals that permit agricultural imports with lower welfare standards than those required by UK farmers could put UK customers at a cost disadvantage, which could impact our Agriculture businesses.	The Group benefits from its operational and geographic diversity. We will continue to monitor developments in government policy and incorporate steps into our future business planning where these might be required to mitigate any potentially adverse consequences.
Managing costs ▲	Margins may be affected by fluctuations in raw material prices due to factors such as harvest and weather conditions, crop disease, crop yields, alternative crops, and by-product values. In some cases, due to the basis for pricing in sales contracts, or due to competitive markets, we may not be able to pass on to customers the full amount of raw material price increases or higher energy, freight or other operating costs.	The Group has a number of strategies in place to manage this risk. These include: • strategic long-term relationships with suppliers; • multiple-source suppliers for key ingredients; • raw material and forward energy purchasing policies to provide security of supply and cost; and • close monitoring of contract execution to ensure supply is within agreed terms.

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

Risk	Description of the risk	What we are doing to manage the risk
COVID-19	Our business may be impacted through disruption caused by COVID-19. In Agriculture, our businesses were able to remain open during 2021 and were not subject to restrictions or closures. Their biggest risk is a loss of staff due to a widespread 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 for further impacts on our business and maintain COVID-19 protocols, which enabled the businesses to continue to operate with relatively little impact. Cash flows also continue to be frequently monitored.
IT and cyber-security	The Group relies on information technology and key systems to support the business. In common with other organisations, the Group undertakes development of its IT systems and is susceptible to cyber-attacks with the risk of 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 2020/21. From a system development perspective, major projects are subject to appropriate project governance arrangements.
Acquisitions	Growth through acquisition is a key part of our strategy. The Group 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.
Reliance on key customers	Some businesses within the Group have a significant proportion of their revenue generated from a small number of key customers. A loss of a number of these customers could adversely affect the performance of a division and in turn the Group.	The businesses have established good long-term relationships with key customers to ensure that demands and expectations are met. The Group continues to invest in its businesses to ensure that they are able to satisfy customer needs and are market leaders. The Group is continually working on identifying new markets, products, and opportunities to expand the customer base of all its businesses.

Risk	Description of the risk	What we are doing to manage the risk
People	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	The Group has a number of strategic partners, particularly in the Agriculture division, who are involved either as joint venture partners or significant minority shareholders. A successful working relationship with these partners is paramount to those businesses' success.	Close working relationships are maintained with all the Group's strategic partners. This includes regular meetings, both formally and informally, and close involvement in the setting and monitoring of strategy for those businesses. In addition, arrangements are appropriately documented in contracts and legal agreements.
Customer demand	Changes in customer demand, be that retail, commercial or government customers, caused by economic factors could result in a fall in demand for the Group's product offering, resulting in a significant loss in revenue.	The Group operates in diverse worldwide markets, which provide resilience for the Group against difficulties faced by any one market or economy. The businesses are managed flexibly to react to changing demands in their own sector.
Treasury	We are exposed to a variety of financial risks in relation to treasury. The Group must ensure that it has an adequate level of facilities to provide sufficient funding to operate its businesses and to develop growth opportunities. Changes to the value of currencies can fluctuate widely and could have a significant impact on a division's results. Furthermore, because the Group has international businesses, it is subject to exchange risks in the translation of the underlying net assets and earnings of its foreign subsidiaries 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. To manage the risk of interest rate changes, 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	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.

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

Emerging risks	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 impact of climate change has also been considered in our Engineering business where our precision engineering business currently operates in the oil and gas sector, a sector in which there are longer term risks as a result of climate change.	In light of the longer term risks in the oil and gas sector, we have been cautious in estimating the business' future cash flows when assessing the risk of goodwill impairment.

Viability Statement

The Group is very diverse both operationally and geographically. In the last 12 months, the Group updated its strategic plan which is subject to ongoing monitoring and development as described below.

The Group's funding arrangements are a combination of bank facilities and leasing arrangements secured on particular assets. The bank facilities have a range of maturity/renewal dates, some of which fall within the 3 year period covered by the viability review. In undertaking this assessment, it has been assumed that the facilities are renewed as they fall due for review on the same terms as the existing agreements.

The Group's focus is particularly on developing the agricultural 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 and covers 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 the 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 2021 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 the Agriculture and Engineering sectors, it was decided that a period of three years to 31 August 2024 was the most appropriate for the purpose of a viability assessment. The Group has prepared detailed financial forecasts for the three-year period to 31 August 2024, so that two years and ten 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 33 to 36. 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. Managing costs;
2. Reliance on key customers;
3. Strategic partners; and
4. Customer demand.

From the detailed modelling undertaken, it was determined that none of these risks, either in isolation or in aggregation, would 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. 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. In the event that these measures were insufficient, levels of capital expenditure and dividend payments could be reduced to ensure the Group's viability.

The Group also considered a number of scenarios that would represent serious threats to its liquidity. None of these were considered to be plausible. The Group's main banking facilities are due for renewal in 2023. Given the strength of the balance sheet, and expected performance, it has been assumed that there would be no difficulty renewing these, and any other required facilities, on similar terms to those currently in place.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 August 2024.

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 104 of the accounts.

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.

People

How we engage

We use a variety of methods to ensure that our people remain engaged from regular briefing notes, announcements and vlogs, through to informal meetings with Directors and our annual Employee Engagement Survey. In 2021 our Non-Executive Directors visited Group sites individually to better understand the views of our people together with the issues and opportunities for them and their businesses.

Stakeholder interests

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 their contributions. We are also committed to ensuring that our people remain safe, and that our sites are places in which people can reach their potential.

Outcomes

Our people remain a primary consideration in everything we do. We have a strong commitment to health and safety, where our incident rates fell significantly during the year despite operations fully resuming as COVID-19 restrictions were reduced (see page 17). We also offer broad training and development opportunities, and increased the amount of internal training delivered in the year (see page 16). Our annual employee survey generated positive feedback and identified areas where we can improve (see page 44). We continue to use CarrsConnect and notice boards for regular communications to ensure that our people remain informed about key developments.

Customers

How we engage

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. That dialogue is reported to the Board regularly to ensure that customer perspectives are properly understood as part of the Board's decision-making process.

Stakeholder interests

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.

Outcomes

Good open communication with customers remained crucial during the pandemic. We are in constant dialogue with our customers to understand their developing needs, particularly on large-scale projects being delivered in our Engineering division where travel restrictions presented challenges, to help reduce risks, plan for contingencies and offer support where appropriate. We also maintain close and trusted relationships with our farming customers across Agriculture to provide support and expertise, and add real value to their businesses.

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.

"Understanding the needs of our various stakeholder groups through open communication helps in the development of Group strategy and our goal of greater sustainability."

Peter Page
Chairman

Partners

How we engage

The Group includes a number of joint ventures and one associate 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.

Stakeholder interests

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.

Outcomes

Our joint venture boards and management teams work very closely to understand risk and opportunities, and in the development of business strategy. These longstanding and trusted relationships are a foundation for the success of those businesses and help build strength and resilience into our business model, which proved valuable as we continued to deal with the challenges associated with COVID-19.

Investors

How we engage

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.

Stakeholder interests

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 in accordance with good governance. Our investors expect us to remain open about the Group's current and expected performance so that they can properly assess risks and opportunities when making investment decisions.

Outcomes

In addition to our regular investor engagement, during the year we liaised with key investors on matters such Executive remuneration (see page 65). In the year, the Chairman engaged directly with a large number of shareholders on broader topics and to understand their views more broadly. The Board agenda includes a specific item for considering the views of shareholders, with the involvement of the Group's brokers.

Communities

How we engage

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.

Stakeholder interests

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.

Outcomes

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 and are developing our sustainability strategy. Across the Group, our people devote considerable time and resources to good causes and community initiatives. For more information, see our Responsible Business Report on pages 45 to 46.

Developing our sustainability strategy

"We promote 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."

Developing our sustainability strategy

Central to our strategy are considerations of our environmental impact, stakeholder value, and good governance.

Our intention is to create a Group that generates net zero carbon by 2040. We aim to achieve this through the development of a responsible business framework and through achieving realistic targets which align with our strategy. We recognise that as a business we have much to do but consider this an area of opportunity which will help safeguard the future success of the Group.

During the year our Board held detailed discussions on ESG topics and completed the self-evaluation tool published by Chapter Zero to help identify where the Group can enhance its focus as part of its long-term strategy.

Over the next year, we will identify and address areas of the Group which have a carbon impact and build a framework with targets which our colleagues can relate to. We will set goals in relation to carbon emissions, waste, and water consumption, and determine appropriate performance indicators to track the progress we make towards achieving our objectives.

We will update investors on our plans, and on the progress we make towards our goals.

Some initiatives currently underway across the Group are set out below, centred around four themes: Buying; Producing; Operating; and Living.

Buying:

Sourcing materials ethically and in a sustainable manner.

In the year we commenced an initiative to standardise procurement across the Group to drive best practice. We are now a member of Sedex, one of the world's leading platforms providing supply chain visibility to improve global working conditions. Membership will help to ensure that we source raw materials responsibly and reduce the risk of modern slavery in our supply chains.

In the current year we will launch our Green Car Scheme, providing our UK employees with the opportunity to purchase electric vehicles through salary sacrifice and supporting the transition away from reliance on fossil fuels. We also plan to install charging stations at several of our UK sites.

The Group sources its entire electricity supply in the UK from Drax, which generates its power using 100% renewable sources. Solar panels have been installed at our Animax site and we are exploring opportunities for expanding the use of solar and other renewable energies in conjunction with steps to save energy identified through the Group's Energy Savings Opportunities Scheme audit.

Producing:

Maximising opportunities to reduce consumption and waste.

In recent years, and through various initiatives, we have explored alternatives to plastic packaging. Most notably, we are nearing completion of the development phase in a project to create environmentally friendly and biodegradable packaging for feed blocks in our Speciality Agriculture business in the USA. We hope to be in full scale testing in 2022, in what could be a positive step for our business.

A significant portion of our Engineering operations support the safe clean-up of nuclear waste (see page 30). As part of a collaboration with GeoRoc International (see pages 24 to 25), we are working to develop Hot Isostatic Press technology; a safe, environmentally friendly and permanent means of disposing of nuclear waste.

Streamlined energy and carbon reporting (SECR):

Our carbon generation as a Group (Scope 1 and Scope 2 emissions) are as follows:

	Tonnes CO_2e		
Division	2020/2021	2019/2020*	2018/2019*
Agriculture, UK	**2,536**	2,575	2,768
Agriculture, O/S	**6,120**	6,240	6,269
Engineering, UK	**485**	753	581
Engineering, O/S	**206**	253	244
Head Office	**73**	103	77
Group Total	**9,420**	9,924	9,939
Intensity metric (tonnes CO_2e per £m turnover)	**22.6**	25.1	24.6

* Restated to reflect emissions by Group controlled entities. Emissions from joint venture and associate businesses will be disclosed as Scope 3 emissions in future reports.

We report CO_2 in terms of CO_2e (Carbon Dioxide Equivalent) which includes CO_2 and other greenhouse gases, which enables reporting based on their relative global warming potential. Reporting in this way provides a fuller picture of the Group's impact.

Total electricity use across the Group in the year totalled 11,681,072 kWh. Solar panels across the roofline of our Animax site in Suffolk generated over 250,000 kWh of electricity in the year, of which 93% was used by our own operations with the balance being supplied to the grid. How we will approach reporting in relation to the risks and opportunities presented by climate change in accordance with TCFD recommendations is set out on page 33.

We are also developing reporting systems to collect our Scope 3 emissions so that we can fully assess the environmental impact of our operations, and to enable us to develop specific initiatives to improve our performance as we head towards our net zero goal. We will report on progress in the future.

Operating:

Conducting business responsibly and with accountability.

Environmental and social considerations feature heavily in Group decision-making processes, and we are committed to high standards of governance. The Board is ever mindful of its duties to stakeholders, including its employees, customers, strategic partners, investors and its communities. More information on how the Board discharges these duties is set out in our Stakeholder Engagement report on pages 38 to 39 and in the Corporate Governance Report on pages 50 to 55.

The Group is committed to tax transparency. We aim to comply fully with all tax disclosure, payment, and filing requirements in every country in which we operate and to paying appropriate amounts of tax. Our Tax Strategy and Tax Code of Conduct is published online at www.carrsgroup-ir.com.

During the year, we engaged SeeHearSpeakUp, an independent whistleblowing service, to enable people at any of our locations globally to report concerns easily, anonymously, and in total confidence. The service was launched with an announcement from the Chief Executive and posters are displayed at all sites with clear contact information. Training on whistleblowing is included in our employee induction programme.

SeeHearSpeakUp

Living:

Keeping our employees safe.

Safety is one of our core commitments, and a high-agenda item at every Board and management meeting. Ensuring that we maintain safe environments is a priority.

Mandatory safety training is included for all employees through the Group's e-learning platform. Safety performance is monitored weekly, and we have an annual health and safety plan which drives progress against initiatives as part of our strategy of continuous improvement.

Earlier in the year, we engaged Marsh to carry out independent audits at a range of sites across the Group to identify risks, raise awareness and enhance safety. We were pleased to receive positive feedback, including that safety standards and levels of incident reporting were generally good. Our HSE strategy is one of continuous improvement, and we have developed individual safety plans for each site. Areas for improvements identified in the audit included a lack of consistent approach, noting that the Group's operations included certain high-risk activities, which we will address through the adoption of consistent Group standards.

In the year, there was a reduction in incident rates at a time when normal levels of activity resumed across the Group following the COVID-19 pandemic. Our goal is to have zero accidents. We are constantly working to improve performance.

	FY2019	FY2020	**FY2021**
All injuries	78	83	**46**
RIDDOR injuries	5	9	**4**
All injuries average IFR*	3.31	3.76	**2.03**
RIDDOR average IFR*	0.21	0.41	**0.18**

* IFR = number of incidents / average headcount x 100,000

Over the last 12 months, we have seen a decrease in incidents including RIDDOR. With no significant change in risk profile, the significant reduction in incidents in the year is encouraging as we strive to continually improve safety at all sites.

Our people.
Our ability to attract, retain and develop people is fundamental to the delivery of our strategic goals and the long-term success of the Group. We aim to recruit and retain the best people and build a supportive culture where our employees can develop their skills and careers.

This year we continued our careful approach to managing COVID-19, which helped our people remain safe and enabled us to continue trading. Our manufacturing plants maintained redesigned shift patterns, our retail stores remained open, and our on-site activities were able to continue.

Hybrid working arrangements remained commonplace across the Group as large numbers of employees continued to work from home. In Engineering, employees at our specialist fabrication business in Carlisle, UK were also consulted at length in relation to the introduction of more flexible working arrangements, with a decisive vote being cast in favour of moving from a five-day to a four-day working week.

We ended the year with 1,149 employees, slightly down on last year, largely attributed to the closure of four low-performing retail sites. Due to COVID-19, a small number of people were placed on paid leave, whether due to reduced operational activities or to protect vulnerable individuals, but no support was utilised under the UK Government's Coronavirus Job Retention Scheme in the year.

In 2021, we launched an Employee Assistance Programme covering all UK employees (local healthcare packages are also in place in the USA and Germany). The programme provides improved support for mental health and also broader financial, legal and medical advice, signposting where professional help is available.

Employee engagement
Our first ever annual employee survey in 2020 secured an encouraging response rate of 59%. Feedback showed that our people felt going the extra mile was recognised and appreciated, that HSE was taken very seriously and that our people felt safe at work.

Areas for improvement included career development, communications, and pay and benefits. Taking on board employee feedback, individual business plans were developed in the year focusing on these areas which included the roll-out of performance development reviews for every employee and performance development training for managers. Communication plans have also been developed in each business which have led to the introduction of weekly bulletins containing information on business performance and key developments, town hall meetings, and vlogs published on our intranet, CarrsConnect. Recognising that engagement can be driven by direct dialogue, we also encourage our businesses to increase the visible presence of management at sites. Representatives from the Board also visited sites individually during 2021 to help encourage more dialogue and a better understanding of the Group's operations. In 2021, employee remuneration structures have been the subject of review, which led to the introduction of bonus structures to reward individuals making a significant contribution during the pandemic.

Employee development
We offer broad training and development opportunities to employees through seminars and online courses delivered in-house. In the year, total in-house employee development increased by 41% to 1,165 training days. We also support a range of individuals across the Group working towards external professional qualifications. In the year, our e-learning capability continued to expand. This now comprises 65 modules on a variety of topics including management, HSE, data protection and cyber security. 43% of the training we deliver in-house is now provided online. Certain modules are mandatory for employees following induction. Our management and leadership development programme ran twice in the year and was well attended.

Diversity and equal opportunities
We actively promote an environment free from discrimination, harassment or victimisation, and where everyone receives equal treatment and opportunities regardless of matters such as gender, race, colour, nationality, religion or belief, marital or civil partnership status, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age.

Our policy remains that all decisions relating to employment practices will be objective, free from bias and based upon the individual needs of the business and merit. Our interview and recruitment training aligns with this policy and focuses on ensuring that we select the right person for the role. Our gender statistics are reflective of broader engineering and agriculture industries which currently contain a predominately male workforce. As a Group, we recognise the benefits of attracting the broadest range of candidates, and the range of skills and experiences brought by a diverse workforce, and we continue to enhance our recruitment practices. For more information about the Board's policy on diversity and inclusion, please see the Nomination Committee Report on page 58.

Our communities.
As a responsible business, and a significant employer in the areas where we operate, we are embedded in our local communities. The support we provide takes a variety of forms including charitable monetary donations, fundraising, partnering initiatives and voluntary work.

In 2021 we completed another year in partnership with Yorkshire Dales Millennium Trust, a three-year initiative to help create a legacy for agriculture in the Yorkshire Dales and surrounding areas. Throughout the initiative, the programme has provided support for people, innovation, and the environment by delivering sustainable farm improvements. In addition, it has also created new native broadleaf woodlands, which are valuable habitats for wildlife providing areas of shelter for farm animals and helping with flood risks and soil erosion.

Carr's Group continues to support Cumbria Community Foundation, part of a national and international network of community foundations which provides a means by which people and organisations can make a difference to the most disadvantaged people in the community. The Group has also supported the High Sheriff of Cumbria's 'Better Tomorrows' programme, a three-year project to increase the number of young people having access to support from youth workers to help them reach their full potential. In 2021 we also supported efforts to retain Cumbrian agricultural college, Newton Rigg.

For a sixth consecutive year Carr's Billington has supported WellChild, the UK charity for seriously ill children which relies almost entirely on voluntary donations. In the year, the business raised £45,000 for WellChild through various initiatives including the sale of purple bale wrap. Carr's Billington also raises awareness through social media, encouraging customers to share pictures of decorated purple hay bale displays.

Our Values

Our values are critical to our long-term success. Every decision we make is guided by our core values, which help ensure we retain our reputation as being trusted, reliable and committed to excellent service levels. We carefully consider our core values to help drive a positive and open culture, and strive to act consistently with these at all times.

Trust
we do what we say we will do

Respect
we treat everyone with respect

Integrity
we do the right thing

Our communities continued
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.

In the year, Bendalls Engineering supported the Business and Schools Collaboration Project (BSCP). The BSCP is a collaboration across Cumbria which seeks to engage with and develop young people, providing valuable experiences in industry to help guide career choices. Research shows that people who are provided with experiences whilst at school are less likely to remain out of employment, education, or training, and have improved career prospects. The initiative has so far helped provide experiences for over 7,000 young people in the area. The business also supported Inspira in Carlisle by attending and presenting at STEM and Apprenticeship events.

We also provided support in connection with the lighthouse renovation project in West Cumbria. Whitehaven Harbour Commissioners successfully secured funding to fully restore the harbour's two iconic 19th century lighthouses. In addition to a financial donation, Bendalls was proud to support the initiative by supplying new and replacement metalwork to be used in the renovation.

Ethical business practices

Anti bribery, corruption and conflicts of interest
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 other 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, which are the subject of strict parameters, and of any matters which could give rise to a conflict of interest for consideration approval.

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. We are also a member of Sedex and carry out appropriate due diligence on supply chains and engage with suppliers in relation to their policies on tackling slavery and human trafficking.

ESG and Executive Director remuneration
For information on how environmental, social and governance issues will be considered and prioritised through Executive remuneration structures, see the Directors' Remuneration Report from page 64.

Non-Financial Information Statement

Reporting requirement	Group policies and standards	Additional information
Environmental matters	Environmental Policy	See pages 40 to 43
Employees	Employee Handbook, Health and Safety Policy	See pages 43 to 44
Human rights	Employee Handbook, Modern Slavery Statement and Policy	See pages 44 to 46
Social matters	Charitable Donations Policy	See pages 45 to 46
Anti-corruption and anti-bribery	Anti-Bribery Policy	See page 46
Policy implementation and due diligence	Employee Handbook, financial and other controls and internal due diligence/integration processes	See our Strategic Report on pages 1 to 46
Description of principal risks and impact on business activity	–	See pages 32 to 36
Description of the business model	–	See pages 10 to 11
Non-financial key performance indicators	Environmental Policy, Health and Safety Policy, Employee Handbook	See pages 16 to 17

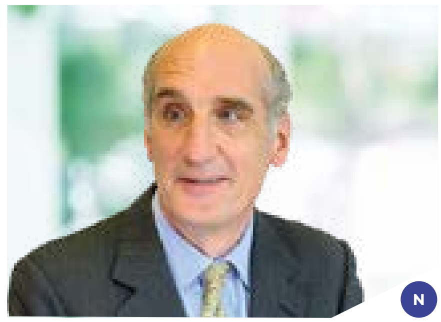
This Strategic Report was approved by the Board on 7 December 2021 and signed on its behalf by

Peter Page.

Peter Page
Chairman

Governance

The Board



Peter Page
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. Peter is currently serving as Executive Chairman under interim arrangements announced on 12 October 2021.

John Worby
Senior Independent Director

John was appointed a Non-Executive Director in April 2015. John is a chartered accountant and 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.

Ian Wood
Non-Executive Director
Employee Engagement Representative

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.

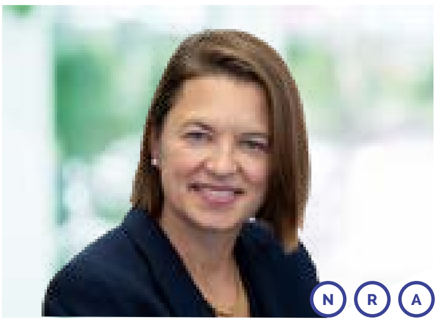
Ian is a Director of Talkin Energy Ltd and a Non-Executive Director of Cumbria County Holdings Ltd.

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.

Committee membership

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



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. Kristen will stand down from the Board at the AGM in January 2022 due to taking a role at a financial services organisation which prevents her remaining on the board of any publicly quoted company.

Matthew Ratcliffe

Group Legal Director and 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.

Alistair Wannop

Non-Executive Director

Alistair was appointed a Non-Executive Director in 2005. Alistair has been the Chairman of both the County NFU and the MAFF northern regional advisory panel. He has served as a Director of The English Farming and Food Partnership, Rural Regeneration Cumbria, and Cumbria Vision. Alistair is a fellow of the Royal Agricultural Society of England and between 2017 and 2018 held office as High Sheriff of Cumbria. Alistair will stand down from the Board after 16 years' service at the AGM in January 2022.

Corporate Governance Report

Introduction from the Chairman

This report describes how Carr's Group plc adopts the UK Corporate Governance Code 2018. In preparation, the Board considered each Principle of the Code to review how it is applied and how it relates directly to Carr's Group plc.

The Board is mindful of its responsibility to consider the interests of all stakeholders, particularly in ensuring that section 172 matters are properly considered when significant decisions are proposed and agreed. One area of particular focus is ESG, where the Executive Directors have been tasked with developing a coherent, well-researched strategy for the long-term benefit of all stakeholders, incorporating environmental, social and sustainability factors as they apply specifically to the sectors in which the Group operates. Information on progress will be included in future reports.

In January 2021 Tim Davies retired from the Board after seven years as CEO. Tim made a substantial contribution to the business, completing significant acquisitions in Agriculture and Engineering, recruiting several external candidates for senior management roles as part of our succession process and, in his final period, leading the business through the COVID-19 pandemic with sensitivity and determination. Hugh Pelham joined the Board as CEO in succession to Tim, subsequently leaving the business by mutual agreement in October 2021. As a consequence, I have taken on the role of Executive Chairman on an interim basis, providing strategic support to Neil Austin and the senior managers. We look forward to the appointment of a permanent CEO in due course, which is expected to take place during the current financial year.

Alistair Wannop leaves the Board at the AGM in January 2022, after 16 years' service as a Non-Executive Board member. Alistair has provided pertinent insight on the agriculture sector, has always maintained an independent view and has been a steadfast representative for the business in the local community. The Board is grateful for Alistair's significant contribution.

In September 2021 we announced that, as a result of a change in her full-time role, Kristen Eshak Weldon is not able to serve on the boards of public companies, and accordingly will not be standing for re-election at the AGM in January 2022. We wish Kristen all success in her future career. As announced on 16 November 2021, Ian Wood has been appointed as the Board's Representative for Employee Engagement, taking over from Kristen in overseeing our efforts in this important area.

Following the AGM, the Board will comprise two Executive Directors, one being myself as Executive Chairman on an interim basis, and two independent Non-Executive Directors. This is in line with Provision 11 of the Code which requires that at least half the Board, excluding the Chairman, should be independent Non-Executive Directors. The board recognises the need to address gender diversity on the Board, which will be addressed in due course. We have reviewed Board composition, along with forthcoming succession requirements and the skills and experience best suited to support the strategy, in advance of a recruitment and selection process for a new Non-Executive Director to join the Board in the first half of 2022.

At the AGM in January 2021, the Remuneration Report was approved with a majority but did receive a high level of votes against approval. As a result, the Chair of the Remuneration Committee conducted a thorough process of engagement with those shareholders who voted against and subsequently published a report on the engagement process, the conclusions drawn by the Committee and proposals for the future. More detail is provided in the Remuneration Committee Report, but in summary the Board is satisfied that we have heard, understood, and addressed the valid issues raised.

During 2021, we conducted an externally facilitated Board assessment process, the first in four years. The brief to the external assessor was to help us identify gaps between current performance and what might reasonably be considered the level attained by a good board. This has proved to be extremely helpful, with reassurance regarding the level of compliance as well as constructive recommendations for improvement.

I recognise that Carr's Group plc has a diverse shareholder base representing a range of interests. We endeavour to make all relevant information available in a timely manner, keeping shareholders well-informed to enable balanced judgements about their investments. Maintaining good governance is central to my role as Chairman of the Board. I am committed to achieving the highest standards.

Peter Page
Chairman
7 December 2021

Governance

Overview of Group Governance

Governance structures

The Group's primary governance structures are as follows:

The Board

The Board is responsible for promoting the long-term sustainable success of the Group, creating value for its shareholders and supporting its broader stakeholders. The Board determines the Group's purpose and strategy, ensuring that these remain aligned with a clear set of values and a positive culture. It provides entrepreneurial leadership within a framework of risk management controls.

The Board also reviews business performance and monitors the delivery of the Group's strategic objectives. It consists of Senior Executive Management together with experienced Non-Executive Directors. All Non-Executive Directors are considered by the Board to be independent.

The Board meets regularly in accordance with its planned agenda, and otherwise as may be required. During the year, owing to the COVID-19 outbreak, most of the scheduled Board meetings took place by videoconferencing, although it was possible for three meetings to take place in person. All Directors have full and timely access to relevant information. The Board maintains a schedule of matters reserved for its approval, which is regularly reviewed and made available on the Group's website.

Board Committees

The Board delegates certain matters to its Audit, Remuneration, and Nomination Committees. Written terms of reference govern the responsibilities of the Committees, which are reviewed regularly by the Board and made available on the Group's website.

The Committees ensure that there is independent oversight of the matters within their remit and assist the Board in fulfilling its responsibilities. Full reports from each of the Committees, detailing their responsibilities, key considerations and actions during the year, are set out from pages 56, 60 and 64.

Executive Leadership Team

The Executive Leadership Team consists of the Executive Directors, Managing Directors of individual businesses and Group functional directors for safety, HR, legal and IT. Meetings to discuss operational performance and commercial developments take place weekly, with focused strategic discussions taking place in person twice yearly. Feedback from meetings is shared with the Board.

Subsidiary and joint-venture operating boards

Operating boards for subsidiary and joint-venture businesses include Managing Directors together with other subsidiary management. Meetings take place monthly, which include subsidiary management together with Executive Directors, leaders of Group functions and – where appropriate – executives from joint venture partners, to discuss operational performance and commercial developments. Feedback on business performance and key developments is shared with the Board.

Division of responsibilities

The Code requires there to be a clear division of responsibilities between the leadership of the Board and Executive leadership of the Group's businesses. The roles of the Chief Executive Officer, Chairman, Senior Independent Director and Non-Executive Directors are reviewed regularly by the Board and details are set out on the Group's website.

A summary of key responsibilities is set out below:

Chairman

- The effective running of the Board demonstrating objective judgement
- Promoting openness and debate on the Board
- Ensuring the Board is well informed to enable constructive discussion and sound decision making
- Ensuring the effectiveness of the Board in the development of the Group's strategy and the monitoring of performance
- Promoting ethical behaviours and high standards of corporate governance
- Setting the Board's agenda in conjunction with the CEO and Company Secretary
- Ensuring effective communication with shareholders and other stakeholders
- Leading the performance evaluation of the Board
- Providing a sounding board for the CEO on key business decisions and challenging proposals where appropriate

Chief Executive Officer

- Developing and implementing the Group's strategy and commercial objectives with input from the Board and advisors
- Health and Safety across the Group
- The overall management of the Group's businesses
- 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
- Ensuring that dialogue is maintained with the Chairman on important issues facing the Group
- Developing and overseeing the Group's Environmental, Social and Governance work, and sustainability strategy
- Promoting the Group's culture, values and behaviours, and adhering to the highest standards of integrity and governance

Overview of Group Governance continued

Senior Independent Director ("SID")
- Acting as a sounding board for the Chairman and providing support in the delivery of his objectives
- Working closely with the Chairman and other Directors, and/or shareholders to resolve significant issues as may be required from time to time
- Leading the evaluation of the Chairman on behalf of the other Directors
- Ensuring an orderly succession process for the Chairman

Non-Executive Directors (including the Chairman and SID)
- Bringing complementary skills, knowledge and experience to the Board
- Constructively challenging the Executive Directors and helping develop Group strategy with an independent outlook
- Devoting time to developing and refreshing their knowledge and skills, to ensure that they are well-informed about the Group and make a positive contribution
- Satisfying themselves as to the accuracy of the Group's financial performance and the effectiveness of controls and systems of risk management
- Determining appropriate levels of remuneration of Executive Directors and having a prime role in succession planning

Interim Executive arrangements
On 12 October 2021, it was announced that Peter Page, Non-Executive Chairman, had become Executive Chairman on an interim basis upon Hugh Pelham leaving the business and the Board. In addition to the responsibilities of the Chairman set out above, Peter Page takes on the following responsibilities of the Chief Executive Officer during the interim period:
- Developing and implementing the Group's strategy and commercial objectives with input from the Board and advisors
- Developing and overseeing the Group's Environmental, Social and Governance work and sustainability strategy
- Promoting the Group's culture, values and behaviours, and adhering to the highest standards of integrity and governance
- Effecting the decisions of the Board and its Committees
- Health and Safety across the Group

The remaining key responsibilities of the Chief Executive Officer pass to Neil Austin, Chief Financial Officer, during the interim period as follows:
- The overall management of the Group's businesses
- Maintaining and protecting the reputations of the Group and its subsidiaries
- Monitoring the Group's performance against the agreed budget
- Ensuring that dialogue is maintained with the Chairman on important issues facing the Group

Other arrangements have been put in place, including the delegation of certain of the Chief Financial Officer's responsibilities to senior finance personnel, to ensure that the Group continues to be managed effectively. The Board is confident that these interim arrangements will ensure robust governance, and enable the Group's strategy to be delivered, during the interim period. Subject to being satisfied of his independence, it is the Board's intention that Peter Page reverts to the role of Non-Executive Chairman upon the appointment of a permanent CEO.

Board activities

Key areas

The Board's principal activities can be grouped into the six key areas as outlined below.

Strategy	Risk	Governance
Setting strategic aims and objectives, including those relating to Environmental, Social and Governance considerations. Setting organisational cultures and behaviours. Reviewing new business developments and opportunities including potential acquisitions. Investing in research and technology.	Overseeing the Group's risk and internal control framework. Considering feedback from external and internal audit. Reviewing financial forecasts and other considerations in support of the viability statement.	Ensuring compliance with legal, regulatory and disclosure requirements. Determining Group delegations of authority, including matters reserved for the Board, and terms of reference for Board Committees. Reviewing potential conflicts of interest. Overseeing Board and Committee performance evaluation. Succession planning and Board appointments.

Finance	Stakeholder engagement	Health, Safety and Environmental
Approving budgets. Monitoring financial performance. Overseeing preparation and management of the financial statements. Approving major capital projects or materially significant contracts. Determining dividend policy. Determining pensions strategy.	Approving strategy for stakeholder engagement and social policy. Ensuring that effective engagement with employees, shareholders and other stakeholders is carried out, and considering feedback. Approval of public announcements. Considering feedback from investor meetings and roadshows.	Approving Health, Safety and Environmental strategy, and monitoring performance. Considering Health, Safety and Environmental reports from management. Providing support where appropriate to drive continuous improvement.

Composition and changes

During the year ended 28 August 2021, the Board comprised of two Executive Directors[1], a Non-Executive Chairman, and four independent Non-Executive Directors[2]. There is also a Company Secretary to the Board. Biographies of Board members are set out on pages 48 to 49.

In accordance with the Corporate Governance Code, all Directors stand for re-election annually at the Group's AGM. On 22 November 2020, the Group announced that Alistair Wannop would not be standing for re-election at the Group's AGM taking place in January 2022 as part of the Board's planning for Non-Executive Director succession. On 24 September 2021, the Group also announced that Kristen Eshak Weldon would not stand for re-election at the Group's AGM taking place in January 2022, due to a change in her full-time role which required her to stand down from appointments at any publicly quoted company. From 24 September 2021, arrangements were put in place to ensure that no conflict of interest could arise in connection with Kristen's new position. On 12 October 2021, it was agreed that Hugh Pelham would leave the business and the Board, with the interim arrangements set out above taking immediate effect.

1 Tim Davies stood down as Chief Executive Officer at the conclusion of the AGM on 12 January 2021. Hugh Pelham was appointed to the Board on 4 January 2021 and as Chief Executive Officer on 12 January 2021 in succession to Tim Davies.
2 Kristen Eshak Weldon was appointed as an independent Non-Executive Director on 1 October 2020. Prior to her appointment, there were three other Non-Executive Directors (excluding the Chairman).

Overview of Group Governance continued

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 matters with the Chairman or other Directors.

Attendance and agenda

The Board met on eight 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.

In advance of all Board meetings the Directors are supplied with papers covering the matters to be addressed. Members of the Executive Leadership Team or other third parties may also attend meetings, or parts of meetings, where appropriate from time to time by invitation. Executive Directors may attend Committee meetings (or parts of such meetings) by invitation where required. The Company Secretary is responsible to the Board for the timeliness and quality of information.

Details of Director attendance at scheduled Board and Committee meetings are set out below:

	Board	Audit Com	Rem Com	Nom Com
No. of scheduled meetings	8	4	4	2
Peter Page	8	N/A	4**	2
Tim Davies	3*	N/A	N/A	N/A
Hugh Pelham	6*	N/A	N/A	N/A
Neil Austin	8	N/A	N/A	N/A
Alistair Wannop	8	4	4	2
John Worby	8	4	4	2
Ian Wood	8	4	4	2
Kristen Eshak Weldon	8	4	4	2

* Being 100% of the meetings scheduled to take place whilst a member of the Board.
N/A Not applicable (where a Director is not a member of a Committee).
** Peter Page stood down from the Remuneration Committee on 16 November 2021.

Support

Directors can obtain independent professional advice at the Group'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 and access to senior management across the Group where required.

Directors' conflicts of interest

The Companies Act 2006 and the Company's Articles of Association require the Board to consider any actual or potential conflicts of interest. The Board has a policy for managing and, where appropriate, authorising actual or potential conflicts of interest, or related party transactions. Under that policy, Directors are required to declare any interests they or close family members have in any organisations which are not part of the Group, as well as other circumstances which could give rise to a conflict of interest. At the outset of every Board meeting, Directors are required to declare any actual or potential conflicts in relation to matters on the agenda.

The Board regularly reviews its registers of related parties and third-party interests. Directors are required to seek clearance from the Chairman before taking on any new appointments to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed Directors are considered by the Board prior to their appointment. In the financial year ended 28 August 2021, there were no declared conflicts of interest.

Board effectiveness review

During the year, the Board engaged Sam Allen Associates to conduct an independent review of the effectiveness of the Board and its Committees. Details of that process, and its outcomes, are set out in the Nomination Committee Report on pages 56 to 59..

The Board carries out an external effectiveness review regularly, the previous external review taking place in 2017, with annual internal reviews facilitated by the Company Secretary on behalf of the Chairman being carried out in between external reviews.

During the year, the Chairman 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.

Non-Executive Director independence

Taking into account all circumstances, including those factors set out in the Corporate Governance Code, the Board considers all Non-Executive Directors to be independent. Peter Page was considered independent upon appointment as Non-Executive Chairman. On 12 October 2021, Peter Page stepped into the role as Executive Chairman on an interim basis. The Board expects Peter Page to return to the position of Non-Executive Chairman upon the appointment of a permanent Chief Executive Officer, subject to being satisfied as to his independence.

Whilst it is acknowledged that Alistair Wannop has served on the Board in excess of nine years, the Board considers that this alone has not compromised his independence, and that no other circumstances exist which would give rise to a conflict of interest. In particular, Alistair has never been an employee of the Group, no other Board member has been present on the Board in conjunction with Alistair for in excess of nine years, no shareholder is represented by Alistair, no material business relationships exist between Alistair (or any related person) and the Group, and no remuneration (other than NED fees) or other benefits are provided by the Group.

Stakeholder engagement

The Board has developed processes for enabling effective engagement with the Group's stakeholders, and to ensure that stakeholder interests and views are fully considered in making key business decisions. Ian Wood is currently the Board's Non-Executive Director for Employee Engagement, with oversight of Group initiatives, responsibility for reporting on matters to the Board, and ensuring that employee interests are properly considered in Board decision making. Further information on how the Board engages with stakeholders and discharges its Section 172 responsibilities is set out on pages 38 to 39.

Internal controls and risk management

The Board is responsible for overseeing the Group's systems of internal control and internal audit, and for reviewing their effectiveness (including financial, operational, and compliance controls) together with processes for risk management which collectively safeguard the Group's assets. The Audit Committee supports the Board in this process by reviewing the principal risks, and the report on pages 60 to 63 provides further information. 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 Group's organisational structure is designed to effectively plan and implement the Group's objectives, to monitor progress, and to ensure that robust controls become embedded in operations. The Group's internal risk-based control systems have been fully operative throughout the year and up to the date of this Annual Report and Accounts.

The Group's internal controls include financial reporting processes, including monthly reporting from subsidiaries, its associate and joint ventures. This reporting is subject to detailed review by 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.

Key risks to the Group and its businesses are identified and reviewed during regular reviews which take place between Executive Directors, Managing Directors and business unit management teams.

Such reviews consider the financial and other implications of such risks and assess the effectiveness of mitigation controls. The Audit Committee also reviews the effectiveness of risk management and internal control systems. Reports on risk are delivered to the Board regularly which – together with direct involvement in strategy, investment appraisal and budgeting – enable the Board to report on the overall effectiveness of internal controls. A summary of the risk management framework and key risks to the business are set out on pages 32 to 36.

Confidential reporting of concerns

The Group maintains various channels through which people can report concerns or suspicions of wrongdoing within the workplace, including anonymous reporting via an independent whistleblowing service operated by SeeHearSpeakUp. The Board regularly reviews the Group's Whistleblowing Policy which is implemented by the Company Secretary as the Group's Whistleblowing Officer.

Statement of compliance

Save in relation to the following items, the Board considers that the Company has, during the year ended 28 August 2021, complied with the requirements of the Corporate Governance Code 2018 in their entirety.

Code Provision 38: alignment of Executive Director pension contributions

A firm commitment was made in the 2020 Annual Report and Accounts that employer pension contributions for Executive Directors would be aligned with those available to the majority of the Group's workforce by the end of the financial year ending 28 August 2021. As planned, such alignment was achieved in January 2021. Tim Davies – who stood down as CEO in January 2021 – continued to receive his contractual entitlement of 15% until leaving the Group on 22 August 2021.

Code Provision 41: workforce engagement on Executive remuneration

Whilst the Group's employee engagement survey in 2020 sought feedback in relation to remuneration and benefits, this was not directly in relation to the alignment of Executive remuneration with broader Group remuneration policy. The Remuneration Committee does however evaluate broader Group remuneration such as basic pay increases, bonuses and share awards, when determining remuneration levels for Executive Directors and Senior Management. Further details on the considerations of the Remuneration Committee are set out on pages 64 to 83.

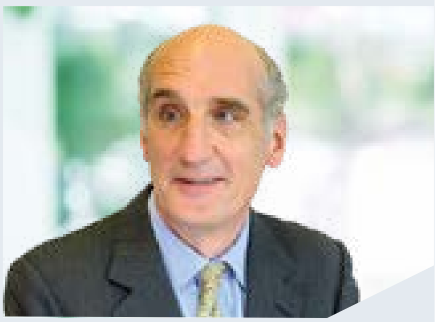
Code Provision 9: interim arrangements

The Board recognises that the interim executive arrangements, announced on 12 October 2021, include the Chairman acting in an executive capacity which is not consistent with Code Provision 9. It is the Board's intention that Peter Page reverts to acting as Non-Executive Chairman upon the appointment of a new CEO for the Group.

Matthew Ratcliffe
Company Secretary
Carlisle
CA3 9BA
7 December 2021

Governance

Nomination Committee Report



Peter Page
Nomination Committee Chair

Dear Shareholder

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

Nomination Committee Highlights

- **Changes to Board membership**
- **External Board evaluation completed**
- **NED and CEO succession processes commenced**

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 and to meet the requirements of good governance. The Committee monitors succession plans for the Board and senior management to anticipate future vacancies arising due to promotion or retirement along with developments in the business. The Committee has robust and transparent procedures for identifying suitable candidates, using external consultants where appropriate.

After more than seven years at Carr's Group plc, Tim Davies retired as CEO, leaving the Board at the AGM on 12 January 2021. I am most grateful to Tim for his contribution to the Group's growth and diversification into new geographical markets. Tim's resilience and dedication were particularly valuable as he steered the Group through the most difficult period of the recent COVID-19 pandemic.

Hugh Pelham joined the Group in January 2021, taking on the role of CEO at the AGM. Whilst Hugh brought experience and energy to the role, it was mutually agreed in October that he would stand down as CEO and from the Board. I am grateful for the constructive way Hugh transferred responsibilities.

Since October, I have taken on the role of Chairman in an executive capacity, committing all my working time to the business, focusing on strategic priorities with the support of senior managers. Neil Austin, CFO, manages the day-to-day trading activities of the business. The Committee and the Board are satisfied that this is the optimum arrangement for an interim period.

On 1 October 2020, Kristen Eshak Weldon joined the Board as a Non-Executive Director. In September 2021, Kristen took up a new role as Global Head of Sustainable Investing at a financial services organisation, a condition of which precludes her from holding Non-Executive roles on the boards of public companies due to the potential for a conflict of interest. As a result, Kristen will not be standing for re-election at the forthcoming AGM. We are all grateful for Kristen's contribution during her time on the Board.

Currently, the Nomination Committee is planning succession to ensure a measured programme of recruitment and induction for new Non-Executive Directors over the next three years.

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.

Strategic Report | Governance | Financial Statements | Shareholder Information

Activities of the Committee

Details of the planned meetings of the Committee and attendance are set out on page 54. In the year, the Committee's primary areas of focus were:

- recruitment for Board appointments;
- the succession plans in place for the Board and senior management across the Group;
- the Group's policy on diversity and inclusion;
- the structure, size, composition and diversity of the Board, its Committees and senior management across the Group;
- the Group's talent management, training and development programmes; and
- the Committee's terms of reference to ensure they appropriately reflect the Committee's remit.

Board evaluation

During the year, the Board facilitated an external review of its effectiveness. A tender process was carried out by the Chairman and Company Secretary on behalf of the Board which led to the appointment of Sam Allen of Sam Allen Associates, an experienced and independent provider of board evaluations. Neither Sam Allen nor Sam Allen Associates have provided services to the Group or otherwise had any connections to the Group previously.

The evaluation process was agreed with the Chairman and involved virtual meetings with all Board members, the collation of responses to questionnaires focused on key areas, a review of previous Board papers and minutes, and attendance at a Board and Remuneration Committee meeting. The initial evaluation report and analysis were presented to the Chairman and Senior Independent Director, with the full results discussed with the full Board at a later meeting.

The evaluation provided a valuable external perspective on Board governance and effectiveness, including several recommendations which the Board plans to implement, including the following:

Recommendation	Specific actions
Increase focus on strategy development	Complete a review of market insights and core Group competencies to support development of strategy which will be the subject of regular review.
Determine risk appetite of Board	A separate and specific review of the Board's risk appetite will be arranged to provide clarity and to assist with the development of strategy.
Reduce level of operational detail	The presentation of management information and Board papers will be reviewed to enhance the availability of key information such as KPI and trend reporting, linked to strategy, performance and governance.
Enhance purpose of Board meetings	Ensure that Board papers include sufficient forward-looking information.
Embed ESG considerations	The Board will regularly review stakeholder issues as a separate item to enable consideration of issues such as climate change, stakeholder engagement, culture, diversity and inclusion. The Remuneration Committee will also consider ESG targets and progress in determining executive rewards.

The Company will update shareholders on the progress made in relation to the matters identified above in its 2022 Annual Report.

Nomination Committee Report continued

Group succession planning and development

The Group's succession strategy focuses upon ensuring that sufficient appropriately qualified and experienced employees are recruited or developed internally to meet the future management and leadership needs of the business. Recruitment processes for leadership and senior positions across the Group are managed under the supervision of the Group's HR Director, inviting both internal and external candidates. Independent recruitment consultants are also appointed where appropriate.

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 from page 44.

Board succession

The Nomination Committee led two recruitment exercises during 2020 which led to the appointment of two Directors in the year ended 28 August 2021. Details of the recruitment exercises were set out in our Annual Report and Accounts 2020.

Kristen Eshak Weldon joined the Board on 1 October 2020 as an independent Non-Executive Director and as a member of the Audit, Remuneration and Nomination Committees. On 21 April 2021, we announced that Kristen had also taken over from Alistair Wannop as the Board's Representative for Employee Engagement. On 24 September 2021, due to a change in her full-time role, we announced that Kristen would leave the Board following the AGM in January 2022. The Board is grateful for Kristen's contribution and wishes her success in the future. On 16 November 2021 we announced that Ian Wood had been appointed as the Board's Representative for Employee Engagement.

Hugh Pelham joined the Board on 4 January 2021, becoming Chief Executive at the Group's AGM on 12 January 2021. We announced on 12 October 2021 that Hugh Pelham would leave the Board and his role as Chief Executive with immediate effect, by mutual agreement. For an interim period, I have taken on the role of Executive Chairman, working full time in the business alongside Neil Austin and the management team. On an interim basis, Neil has taken on day-to-day management of the Group's operations, with certain of his financial responsibilities delegated to senior finance employees. It is anticipated that I will revert to being Non-Executive Chairman upon the appointment of a new Chief Executive Officer.

The Committee is currently recruiting for a Non-Executive Director and has commenced the process for a CEO. Shareholders will be kept informed of progress.

At the AGM in January 2022, Alistair Wannop leaves the Board, having served as a Non-Executive Director since 2005. The Board is extremely grateful for Alistair's insight, particularly in UK agriculture, his extensive understanding of the Group's operations, and his significant support and contribution towards the Board's effectiveness over the last 16 years.

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. All appointments, whether external recruitments or internal promotions, are based on merit, and are not influenced or affected by race, colour, nationality, religion or belief, gender, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age. There are no differences in pay structures for persons of different genders performing similar roles.

The Nomination Committee recognises that diversity strengthens the Board, and that it is important to ensure that it is not solely comprised of like-minded individuals with similar backgrounds. The Group's policy is to improve diversity at all levels of the organisation.

Successful delivery of the Group's strategy depends on the recruitment and retention of a motivated and skilled workforce in an increasingly competitive labour market. The Board recognises that steps taken to improve diversity in the workplace can increase the attractiveness of the Group to prospective employees and enhance the available talent pool.

Gender breakdown

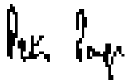
Group employees	Total Male Female	1,153 846 307
Senior managers	Total Male Female	13 10 3
Direct reports to senior managers	Total Male Female	60 45 15

Re-election

At the AGM on 11 January 2022, Peter Page, Neil Austin, John Worby and Ian Wood will stand for re-election to the Board in accordance with best practice under the Corporate Governance Code. The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election of each Director. Their biographical details on pages 48 to 49 demonstrate the range of experience and skills which each brings to the benefit of the Group.

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

On behalf of the Board.



Peter Page
Nomination Committee Chair
7 December 2021

Audit Committee Report

John Worby
Audit Committee Chair

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

- **Effectiveness of internal and external audit reviewed**
- **External audit tender completed**
- **Evaluation of ongoing impact of COVID-19**

Introduction

This report details the principal activities of the Audit Committee during the year, together with information on its governance.

This has been the third 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.

In 2021, the Committee carried out an external audit tender with the result that the Committee recommended the appointment of Grant Thornton UK LLP as the Group's auditor for the 2021/22 financial year. Further details of that process and the reasons for the Committee's recommendation are set out later in this report.

Composition of Committee and Meetings

In the year, the Audit Committee comprised four Non-Executive Directors: John Worby, who is Chair of the Committee; Ian Wood; Alistair Wannop; and, from 1 October 2020, Kristen Eshak Weldon.

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 48 to 49.

The Audit Committee met on four scheduled occasions during the year, and has an agenda linked to the Group financial calendar. Additional meetings took place relating to the external audit tender undertaken in the year.

The Committee invites the Chairman, the Chief Executive, the Chief Financial Officer, the Finance Director – Group, Finance Director – Engineering, Head of Group 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 three times since the end of the financial year to review and recommend the proposal to change auditors, and to consider internal audit work and the results and Annual Report for the year ended 28 August 2021.

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 the Annual Report and Accounts.

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 to consider 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:

- **Capitalisation of cloud hosted software.** The Committee reviewed judgements taken when applying the new accounting policy in relation to the IFRIC agenda decision regarding configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS). This resulted in a change in the accounting policy for such costs which involved a prior year restatement. For further details see note 36. The Committee was satisfied with the judgements made.
- **Contract risks in Engineering, 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 Carr's Group 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 Committee also reviewed and was satisfied in relation to the surplus arising on the Carrs Billington Agriculture (Operations) Ltd defined benefit scheme.
- **Estimates of the recoverability of trade receivables in the Agricultural Supplies 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.
- **Going concern.** The Committee considered various reviews including market analyses, funding availability, forecast modelling, sensitivity analyses and historical comparisons to assess the ongoing risk. and was satisfied that it was appropriate to adopt the going concern basis of accounting for the preparation of the accounts.
- **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 an impairment was necessary in relation to the Group's investment in Afgritech LLC but that no other impairments were necessary.

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 noted and concurred with the revised segmental disclosure to show separately the financial performance of Speciality Agriculture and Agricultural Supplies. 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. 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 2021, having first been appointed at the AGM in January 2019. KPMG's engagement partner is Nick Plumb, who has been in place since commencement of the audit for the 2019 financial year.

Following approval by shareholders to appoint KPMG in January 2021, the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2021 financial year.

The Audit Committee assessed the qualifications, expertise and independence of KPMG as auditors as part of the tender process which led to its appointment and updated its assessment during the 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 2021, identifying their assessment of these key risks.

The assessment of the effectiveness and quality of the audit process and in addressing these key risks is formed by, amongst other things, the reporting from the auditors. Each year, following completion of the audit, 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. Feedback from that process is reported to the Committee.

In last year's annual report, the Committee reported concerns with efficiencies during completion of the 2018/19 audit. Such concerns were the subject of a debrief with KPMG which resulted in agreed improvements for the 2019/20 audit.

Following the 2019/20 audit, a similar review took place. Whilst the Committee remained satisfied with the robustness of the audit, and the relationship between the Committee and external auditor, the review highlighted further concerns in relation to costs and efficiencies which were the subject of detailed discussions with KPMG. Whilst it was agreed that improvements would be made for the 2020/21 audit, the Committee separately determined it to be appropriate to carry out an external audit tender relating to the 2021/22 audit.

Audit tender and Committee recommendation

For the reasons set out above, the Committee completed a tender exercise in 2021 relating to the appointment of the Group's external auditor for the 2021/22 financial year.

Seven firms were invited to tender, which included a mix of three 'Big Four' firms and four other firms. KPMG, the incumbent auditor, was invited to tender, having been first appointed as the Group's external auditor in 2019. PwC was not eligible to tender, having been the Group's external auditor for a significant period until 2019.

Of the seven firms invited to tender, five, including KPMG, participated in the process. Two firms declined owing to capacity constraints. Following execution of a non-disclosure agreement, access was granted to Group materials via a secure data room.

Presentations from tendering firms took place before a panel including John Worby (Audit Committee Chair), Ian Wood (Audit Committee Member), Neil Austin (Chief Financial Officer) and other senior finance personnel.

Comprehensive and transparent criteria were used by the panel to score tendering firms which covered (amongst others) the following topics:

- Experience, credentials, cultural fit, and enthusiasm of audit team
- Understanding of the Group
- Service approach, and proposals for transition and delivery
- Approach to quality assurance
- Value for money and fee transparency
- Clarity of communication
- Ability to add value

The respective merits of the tendering firms were subsequently considered at length by the panel and Committee. Ultimately, the Committee recommended the appointment of Grant Thornton UK LLP, with Mick Frankish as lead audit partner, to the Board. The Committee's recommendation was driven by, amongst other factors, the quality of Grant Thornton's presentation and proposition for audit combined with a good cultural fit, strong audit quality results, and a competitive and transparent fee structure.

The proposed appointment will be put to shareholders at the AGM in January 2022. In preparation for engagement as the Group's external auditors, Grant Thornton attended the 2020/21 year-end Committee meeting.

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's 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 2021 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 of Grant Thornton UK LLP as the proposed auditors for 2021/22.

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.

Whilst the internal audit plan continued to be impacted in 2021 by COVID-19 restrictions, particularly owing to the Group's imposition of travel restrictions, the Committee was satisfied with the work done during the year which included considering the design and operating effectiveness of financial controls, the integrity of financial reporting, contract accounting and monitoring, environmental controls and processing controls.

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 2022, which will continue to be reviewed on a quarterly basis to be able to respond in the event that further challenges are experienced in connection with COVID-19.

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.

Conclusion

The Committee considers that the work performed above demonstrates that the Committee continues to operate effectively and fulfil its responsibilities.

I will be available to shareholders at the forthcoming AGM to respond to any questions relating to the Audit Committee's work.

John Worby
Audit Committee Chair
7 December 2021

Governance

Remuneration Committee Report

Ian Wood
Remuneration Committee Chair

Dear Shareholder

I am pleased to present the Report of the Remuneration Committee for the year ended 28 August 2021.

Remuneration Committee Highlights

- **Approval of Remuneration Policy**
- **Consultation with shareholders on FY20 Remuneration Report**
- **Alignment of Executive Director pension contributions**

1. Annual Statement

Introduction to the report

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.
2. The Directors' Remuneration Policy, which was approved at the AGM which took place on 12 January 2021. No changes to the Remuneration Policy are proposed this year.
3. The Annual Report on Remuneration, which sets out how the Remuneration Policy was applied in 2020/21, the remuneration received by Directors relating to 2020/21, and how the policy will be applied during 2021/22. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM.

Performance and remuneration in 2020/21

The Group's financial performance in the year was strong. Adjusted profit before tax was ahead of the Board's original expectations at £16.6m and 11.1% ahead of the prior year (2020: restated £15.0m). Adjusted earnings per share increased 10.0% to 13.2p (2020: restated 12.0p).

Progress also was made against the Group's long-term goals, with the development of strategy under the leadership of the Executive Directors including work towards the development of an environmental and sustainability framework, the identification of suitable acquisition opportunities, and the commencement of several initiatives to standardise Group practices, improve governance and realise efficiencies.

Taking into consideration the Group's financial performance and strategic development in the year, the Committee determined that targets set in respect of annual bonuses had been met[1].

Owing to the performance of the Group over the last three financial years, no award shares granted to Executive Directors under the Group's Long-Term Incentive Plan will vest in 2021.

The Committee is satisfied that the Remuneration Policy operated as intended in 2020/21, and that remuneration outcomes for Executive Directors were well aligned with Group strategy and shareholder interests.

Full details of the remuneration targets set by the Committee, together with performance against those targets and the remuneration outcomes, are set out in the Annual Report on Remuneration which follows from page 74.

Committee focus in 2020/21

This was a busy year for the Committee. Key areas of focus included:

- A review of Executive Director remuneration[2] and setting remuneration for Executive Directors, the Chairman and Senior Management.
- Overseeing wider workforce remuneration in the context of fairness.
- Developing and agreeing performance-related targets for Executive Directors in line with strategy, and monitoring outcomes.
- A review of the Directors' Remuneration Policy, which was put to shareholders at the AGM on 12 January 2021 receiving a 99.7% vote in favour.
- The completion of a shareholder consultation exercise in relation to the Committee's Annual Report on Remuneration for 2019/20.
- The alignment of Executive Director pension contributions with the wider workforce, in line with best practice under the Corporate Governance Code.

Further information on each of the above matters is set out on the pages which follow.

1 No annual bonus was paid to Hugh Pelham, who stood down from the Board on 11 October 2021.
2 Full details of the Committee's review of Executive Director remuneration, and of changes made to Executive remuneration as a consequence, were included in the Committee's report for the prior year.

Interim arrangements

On 11 October 2021, Hugh Pelham stepped down from his role as CEO and left the Group with immediate effect. As a consequence, and on an interim basis until the Board appoints a CEO in succession, Peter Page (Chairman) became Executive Chairman and Neil Austin (CFO) took on additional operational responsibilities. Further details on roles and responsibilities during the interim period is set out in the Corporate Governance Report on page 52. Details of Hugh Pelham's remuneration on departure are set out on page 79. Following the year end a consultation exercise took place with certain major shareholders prior to finalising remuneration arrangements for Peter Page during the interim period until the appointment of a permanent CEO for the Group. Details of such arrangements are set out on the pages which follow.

Shareholder consultation

At the AGM on 12 January 2021, whilst the Directors' Remuneration Policy received overwhelming support (99.7%), the Committee's Annual Report on Remuneration was approved with the support of just 54.5% of proxy votes cast.

To deepen our understanding of investor concerns, the Committee contacted investor advisory bodies and shareholders representing 97.0% of the votes cast against the Report. Feedback was received from over 80% of the organisations contacted, which was given either in writing or through virtual meetings which I attended together with the Company Secretary.

That feedback identified the following key concerns with the Committee's Report:

1. That the Group's CEO had been appointed with a base salary which was 16.6% greater than his predecessor. During 2020, an increase of 17.5% was also applied to the base salary of the Company's CFO.
2. That annual bonuses were paid to Executive Directors in relation to the achievement of non-financial targets notwithstanding that some support had been taken in the year by the Group under the UK Government's Coronavirus Job Retention Scheme.

The Committee notes shareholder feedback on the incoming remuneration package of the CEO. The Board recognises the importance of recruiting, retaining and motivating an executive team who can drive the Group's strategy and grow shareholder value as a priority. When recruiting the CEO, the Board carried out an extensive search of the market, with the remuneration package offered being reflective of the outcome of this process in relation to the calibre of candidate required. As such, our remuneration philosophy remains that the overall remuneration package offered should be sufficiently competitive to attract, retain and motivate high-quality executives, whilst not being excessive.

In 2020, the Committee looked to review salaries in the market. As part of this review, the Committee realigned salaries to market levels, including the CFO's salary, which was below the market competitive level, having not been reviewed against the market since 2013. It was noted that, following this adjustment, shareholder concerns were not raised in relation to the overall levels of remuneration paid to Executive Directors. However, the Committee will take on board feedback from a number of shareholders around the need for more regular and incremental salary reviews in future and for any above-inflationary increases to be accompanied by a compelling rationale such as where Executive Directors develop in role.

When reviewing payments under the annual bonus plan, the Committee took into account alignment with the wider workforce and broader stakeholders, including shareholders. Employees across the Group continued to receive bonuses in relation to performance during the year and investment in training initiatives increased on the prior year. Shareholders continued to receive dividends, and charitable donations from the Company were maintained. Bonuses were paid in respect of non-financial targets only, and no relief was given against targets despite the challenges associated with COVID-19 during 2019/20.

The Group published the outcome of its shareholder consultation on its website on 22 April 2021. A copy was also added to the Public Register maintained by the Investment Association and provided to all shareholders who provided feedback.

During the year, the Committee reviewed the Remuneration Policy to ensure it remained fit for purpose and determined that no changes were required at this time. The Committee remains cognisant of shareholder feedback in implementing the Policy. For the 2020/21 financial year, the Group did not utilise any support from the Coronavirus Job Retention Scheme.

It is important that the Committee fully understands stakeholder views so that it can be sure these are properly considered in reaching decisions. On behalf of the Committee, I am very grateful for the engagement and feedback offered during this process.

Remuneration in 2021/22

For 2021/22, 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.

Non-financial targets for the annual bonus also incorporate ESG considerations, which focus upon developing the Group's ESG strategy. The Committee also intends to grant LTIP awards of 100% of salary, which will be based upon stretching EPS targets. Under the interim arrangements described above, and in his capacity as Executive Chairman, Peter Page will receive no performance-related remuneration.

I hope that you are able to support the Remuneration Committee's Report at the forthcoming AGM on 11 January 2022.

Ian Wood
Remuneration Committee Chair
7 December 2021

2. Remuneration Policy

Introduction

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 12 January 2021, receiving a 99.7% proxy vote in favour. No changes are proposed to the policy this year.

The role of the Committee

The primary role of the Remuneration Committee is to make recommendations to the Board on the Group's policy for Executive Director 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 Executive Directors' Remuneration Policy to ensure that it aligns with Group culture and strategy, and to ensure that the Group rewards fairly and responsibly
- Reviewing remuneration trends, employment conditions and policies across the Group
- Determining the broad policy on executive remuneration, and setting remuneration for the Chairman, Executive Directors and senior management
- Determining targets and outcomes for performance-related pay schemes of the Executive Directors and senior management
- Reviewing the design of any share incentive plans for approval by the Board and/or shareholders
- Engaging with stakeholders on matters within its remit

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, benefits and pension; and
- a performance-related element in the form of an annual bonus (including a Deferred Share Bonus Plan) 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.

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 in 2020, 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 were taken into account in developing the policy below, which received overwhelming support (99.7% of proxy votes cast by shareholders) at the AGM on 12 January 2021.

In 2021, a consultation exercise was undertaken in connection with the Committee's Annual Report on Remuneration. For further information please see the Annual Statement at the outset of this Report on page 64. The Committee reviewed the Directors' Remuneration Policy during the year in the light of its consultation, determining that no changes were required at this time but remaining cognisant of shareholder views.

The Committee welcomes feedback from all stakeholders at all times.

Remuneration policy table

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

Remuneration policy table continued

Element	Purpose and link to strategy	Policy and approach	Opportunity
EXECUTIVE DIRECTORS			
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, given commercial sensitivities of disclosing targets. 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 took effect on 12 January 2021, regardless of when awards were made under the Company's LTIP.	N/A

Remuneration policy table continued

Element	Purpose and link to strategy	Policy and approach	Opportunity
NON-EXECUTIVE DIRECTORS			
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. Such areas include (but are not limited to):

- 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 Group'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.

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.

Directors' terms of employment and loss of office continued

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.

Dates of service contracts and appointment to the Board for all Directors are given below:

	Date of service contract/letter of appointment	Date of first appointment to the Board	Date stood/standing down
Executive Directors			
Hugh Pelham	23 August 2020	4 January 2021	11 October 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 2021	1 November 2019	
John Worby	1 September 2021	1 April 2015	
Ian Wood	1 September 2021	1 October 2015	
Alistair Wannop	1 September 2021	1 September 2005	11 January 2022
Kristen Eshak Weldon	1 September 2021	1 October 2020	11 January 2022

* Executive Chairman under interim arrangements from 11 October 2021.

Estimates of total future potential remuneration from 2021 pay packages

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2021/22 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. Save as otherwise stated, base salaries are as at 1 September 2021. Benefits are valued using the figures in the total remuneration for the 2021 financial year table, adjusted for any benefits that will not be provided during 2022. Pensions are valued by applying the appropriate percentage to the base salary.

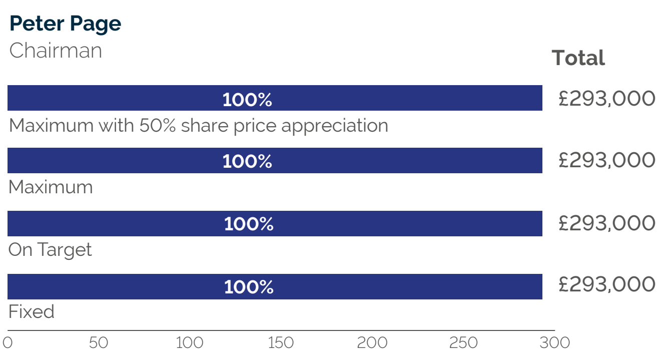
	Base £'000	Benefits £'000	Pension £'000	Total £'000
Peter Page	293**	-	-	293
Hugh Pelham	208*	1	5	214
Neil Austin	256	1	10	267

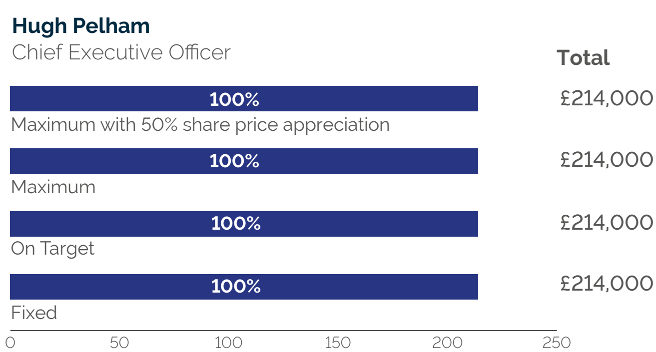
On target	Based on what a Director would receive if performance was in line with plan, and if the threshold level was achieved under the LTIP.
Maximum	Assumes that the full stretch target for the LTIP is achieved, and maximum performance is obtained under both the financial and non-financial targets set for the annual bonus scheme.
Maximum with 50% share price appreciation	Assumes maximum remuneration outcomes are achieved and a 50% increase in the value of share-based remuneration.

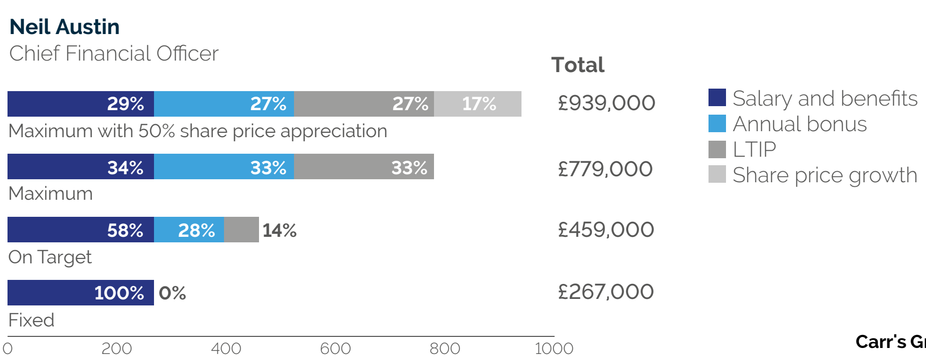
* Reflecting the total remuneration payable in respect of the financial year comprising basic salary, pension and other benefits for the period to 11 October 2021 together with a payment in lieu of notice of £170,000 which was payable upon Hugh Pelham stepping down from the Board.

** Reflective of £91,800 per annum as Non-Executive Chairman until 11 October 2021 and £340,000 per annum thereafter as Executive Chairman under interim arrangements.

Remuneration estimates based upon outcomes







3. 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 2020/21 financial year.

Remuneration Committee

During the 2020/21 year, the Remuneration Committee comprised Ian Wood (Chair), John Worby, Alistair Wannop, Peter Page and, from 1 October 2020, Kristen Eshak Weldon. The Committee held four scheduled meetings during the year with all members in attendance (see page 54).

Peter Page stepped down from the Remuneration Committee upon assuming the role of Executive Chairman on an interim basis in October 2021.

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 Directors' Remuneration Policy;
- levels of basic pay and remuneration structures for Executive Directors, the Chairman and senior management;
- variable pay performance targets for Executive Directors, both financial and non-financial;
- outcomes under variable pay arrangements for Executive Directors and senior management;
- shareholder feedback relating to Executive Director remuneration;
- pay and benefits structures across the Group (including gender pay gap reporting and CEO pay ratios);
- the Committee's terms of reference; and
- the Corporate Governance Code and developing remuneration trends, and their impact on the activities of the Committee and remuneration policy.

2021 remuneration (audited information)

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2021 financial year versus 2020. 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		Pension		Total fixed pay		Bonus		LTIP		Total variable pay	
£'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Directors														
Hugh Pelham[1]	**225**	-	**1**	-	**9**	-	**235**	-	**-**[5]	-	**-**	-	**-**	-
Neil Austin	**245**	211	**2**	1	**14**	32	**261**	244	**242**	38	**-**	98	**242**	136
Tim Davies[4]	**120**	286	**1**	1	**18**	43	**139**	330	**120**	43	**-**	135	**120**	178
Non-Executive Directors														
Peter Page	**90**	75[2]	**-**	-	**-**	-	**90**	75[2]	**-**	-	**-**	-	**-**	-
Alistair Wannop	**40**	40	**-**	-	**-**	-	**40**	40	**-**	-	**-**	-	**-**	-
John Worby	**40**	40	**-**	-	**-**	-	**40**	40	**-**	-	**-**	-	**-**	-
Ian Wood	**40**	40	**-**	-	**-**	-	**40**	40	**-**	-	**-**	-	**-**	-
Kristen Eshak Weldon	**37**[3]	-	**-**	-	**-**	-	**37**[3]	-	**-**	-	**-**	-	**-**	-

1 Reflective of 8 months' service in the year following appointment on 4 January 2021.
2 Reflective of 10 months' service in the year following appointment on 1 November 2019.
3 Reflective of 11 months' service in the year following appointment on 1 October 2020.
4 Figures for 2021 are reflective of 5 months' service in the year.
5 Owing to the anticipated financial performance of the Group, an accrual of £207,000 was made in the Group's accounts on the expectation that such sum would be payable in bonus following the end of the financial year to Hugh Pelham. Following Hugh Pelham standing down from the Board after the financial year end, no bonus was ultimately paid.

2021 annual bonus pay out

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.

Notwithstanding the Group's performance, no bonus was paid under either financial or non-financial targets to Hugh Pelham who stood down from the Board on 11 October 2021.

Financial targets

80% of the bonus was based on Group adjusted profit before tax ("PBT"). Adjusted PBT is calculated as reported PBT after adding back or deducting any one-off items outside of normal trading that were not anticipated at the time the performance targets were set, such as acquisition-related costs. The Group is committed to disclosing its performance targets retrospectively save where this is prevented due to commercial sensitivities. For the year ended 28 August 2021, the PBT targets were set in accordance with the table below.

Threshold target (0%) £'000	Basic target (40%) £'000	Maximum target (80%) £'000
14,629	15,399	16,169

Payments are adjusted on a straight-line basis between the targets set out above, although the Committee determined that no annual bonus would be payable in the event of a performance which failed to exceed performance in the prior year at £14.938m.

For the year ended 28 August 2021, adjusted PBT for the Group was £16.6m with the result that the maximum annual bonus would be payable to the Executive Directors under the financial targets.

Strategic targets

Strategic targets, which account for 20% of the bonus, were set at the start of the year. Strategic targets would be assessed independently of financial performance, but the Committee determined that no more than 50% of the bonus available for the strategic targets would become payable if financial performance did not at least meet the basic target.

Details of certain key strategic targets set by the Committee are provided in the tables on the following pages.

Remuneration Committee Report continued

Neil Austin:

Objective	Performance Measure	Performance Outcome	Committee's assessment of achievement
Support onboarding of incoming CEO	Support with familiarisation with Group structure. Support in relationship building across subsidiaries, joint venture, and strategic partners. Support in review and further development of Group strategy. Support with familiarisation of corporate governance.	Provided appropriate support during onboarding and facilitated relationship building across the Group and with all key stakeholders. Provided sound advice and assistance in connection with the management of the transition to new management.	90% achieved
ERP project	Progress Group's ERP project in line with approved budget and delivery programme. Successful go-live within Carr's Billington business during financial year. Programme on track for go-live in US Speciality Agriculture during FY22. Keep Board appraised of progress and seek timely approvals in connection with required changes.	Go-live achieved in Carr's Billington as planned on 1 September 2021, subject to certain minor issues to be resolved in the new financial year. Programme on track and implementation within US Speciality Agriculture expected during FY22. Board well appraised of progress during year with regular updates. Costs slightly in excess of approved budget.	85% achieved
Support CEO in improving performance in certain Group businesses	Supporting development of specific business improvement initiatives.	Appropriate support provided in the development of business improvement initiatives.	85% achieved
Personal development	Continued skills and knowledge development through completion of Harvard Business School modules. Take on operational responsibility for areas of the Group.	Good personal development in the year, despite postponement of certain Harvard Business School modules due to COVID-19. Plan established for taking on operational responsibility in FY22.	70% achieved
Committee's assessment of total opportunity to be awarded:			**83%**

Tim Davies:

Objective	Performance Measure	Performance Outcome	Committee's assessment of achievement
CEO handover	Develop handover plan in conjunction with incoming CEO. Introduction to key contacts within and outside the Group. Develop calendar of key dates to enable smooth transition.	Clear handover plan developed and well-implemented in a timely manner. Board satisfied smooth handover achieved.	100% achieved
Build and develop market, customer and competitor analyses across the Group in support of handover	Development of materials. Introduction of incoming CEO to strategy mapping information together with reference library.	Analysis of relevant materials developed across each Group business and detailed induction meetings took place involving third party market specialists. Programme of discussing data mapping and works developed.	100% achieved
Committee's assessment of total opportunity to be awarded:			**100%**

Hugh Pelham:

Objective	Performance Measure	Performance Outcome	Committee's assessment of achievement
Group initiatives	Development of Group strategy. Completion of market research and identification of acquisition targets. Development of business improvement plans. Development of sales training programme.	N/A	N/A
Divisional initiatives: Speciality Agriculture	Establishment of divisional structure together with consistent operating, commercial and financial standards. Development of marketing plan.	N/A	N/A
Divisional initiatives: Agricultural Supplies	Development of plan to optimise joint venture structure. Development of plan to enhance operational efficiencies.	N/A	N/A
Divisional initiatives: Engineering	Implementation of consistent operating standards. Completion of key partnering agreements. Completion of customer surveys and development of follow-up plans.	N/A	N/A
Committee's assessment of total opportunity to be awarded:			**N/A**

Following the year end, the Committee considered outcomes against the strategic targets. The tables above summarise the Committee's assessment of performance against the targets together with the resulting bonus assessed as payable for each of the Executive Directors.

In addition to the above financial and strategic performance indicators, the Committee retains full discretion when assessing performance outcomes to consider other factors which may include environmental, social and governance considerations and in order to avoid formulaic outcomes where these would not be appropriate.

Long Term Incentive Plan

The awards made to Executive Directors in 2018 were subject to average annual adjusted EPS growth targets over the three-year period ending on 28 August 2021 and from a base adjusted EPS of 15.2p. Threshold vesting was set at 3% average annual growth (at which level 25% of award shares would vest), with maximum vesting achieved at 10% average annual growth.

The average EPS growth over the three-year period from the base adjusted EPS was -4.4% and, accordingly, 0% of shares under the long-term awards made to Executive Directors in 2018 vested.

Long Term Incentive Plan awards during the year (audited)

Long-term awards were made to the Executive Directors during the 2020/21 financial year in line with the Directors' Remuneration Policy as follows:

	Number of shares	Basis on which the award was made	Face value of the award (£'000)	Threshold vesting	End of performance period
Hugh Pelham	272,324[1]	100% of salary[2]	337,000	25%	August 2023
Neil Austin	200,800	100% of salary[3]	251,000	25%	August 2023

1 It was determined that the award relating to 272,324 shares under the Long Term Incentive Plan would lapse without vesting upon Hugh Pelham standing down from the Board on 11 October 2021.
2 Awarded on 12 January 2021 using a share price of £1.2375.
3 Awarded on 23 November 2020 using a share price of £1.2500.

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
Neil Austin	67	-	10
Hugh Pelham	67	-	9
Tim Davies	67	-	18

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.

Until 31 December 2020, pension contributions and/or cash allowances in the year were capped at 15% of salary for Executive Directors. From 1 January 2021, such allowances were reduced to 4% of salary for existing Executive Directors to align with the majority of the Group's UK workforce. Tim Davies stood down from the Board in January 2021 but continued to receive a cash allowance equal to 15% of salary until his employment contract terminated on 22 August 2021.

Payments to past Directors (audited)

Tim Davies stood down from the Board at the conclusion of the Group's AGM on 12 January 2021. His employment contract provided for 12 months' notice of termination which expired on 22 August 2021. In accordance with his contract of employment, Tim Davies continued to receive salary and benefits in respect of the period from 12 January 2021 until 22 August 2021, and a prorated bonus to reflect the period until 31 January 2021.

Hugh Pelham stood down from the Board on 11 October 2021 with immediate effect receiving a payment of £170,000 in lieu of notice.

	Salary £'000	Cash in lieu of pension contribution £'000	Bonus £'000	Total £'000
Tim Davies	176	26	120	322
Hugh Pelham	170*	-	-	170

* Payment made in lieu of notice.

No other 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 (as at the date of this report) 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						
Neil Austin	370,896	-	348,659	17,647	29,891	217%
Peter Page	90,000	-	-	-	-	39%
Non-Executive Directors						
Alistair Wannop	22,610	-	-	-	-	n/a
John Worby	32,500	-	-	-	-	n/a
Ian Wood	30,000	-	-	-	-	n/a
Kristen Eshak Weldon	10,000	-	-	-	-	n/a

* Based upon the average share price over the three months of the year ended 28 August 2021.

Performance shares (audited information)

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

	2018/19 award	2019/20 award	2020/21 award
Tim Davies	188,637	199,810	N/A
Neil Austin	139,591	147,859	200,800
Hugh Pelham	N/A	N/A	N/A*

* It was determined that the award to Hugh Pelham made in the year would lapse without vesting upon him standing down from the Board on 11 October 2021.

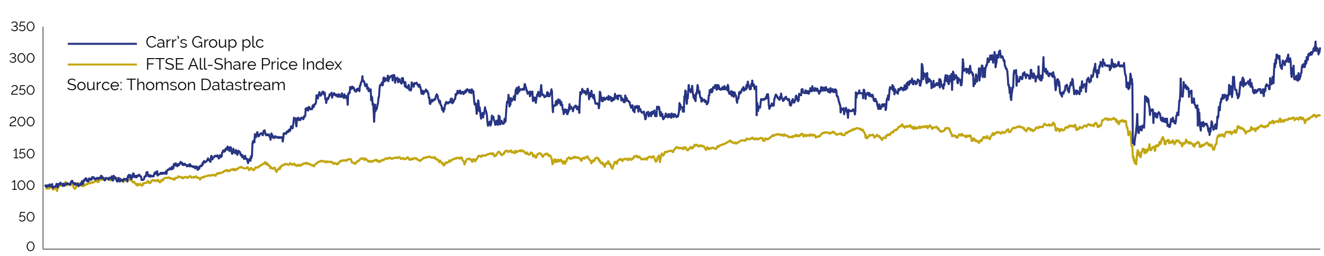
Assessing pay and performance

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

	2012 Chris Holmes	2013 Chris Holmes	2013 Tim Davies	2014 Tim Davies	2015 Tim Davies	2016 Tim Davies	2017 Tim Davies	2018 Tim Davies	2019 Tim Davies	2020 Tim Davies	2021 Tim Davies[4]	2021 Hugh Pelham[3]
Single figure of total remuneration	573	286[1]	283[2]	559	911	531	308	861	764	508	259	244
Annual variable element (actual award versus maximum opportunity)	100%	100%	100%	100%	100%	55%	0%	100%	60.41%	15%	100%	0%
Long-term incentive (vesting versus maximum opportunity)	N/A	N/A	N/A	N/A	100%	37.45%	0%	100%	100%	51.64%	N/A	0%

1 Reflective of a six-month period.
2 Reflective of a six-month period.
3 Reflective of an eight-month period.
4 Reflective of a four-month period.

Ten-year historical TSR performance



Change in Directors' remuneration

In the table below we show the percentage change in the Directors' remuneration between the 2020 and 2021 financial years compared to the other employees.

	Base pay/fees	Benefits	Annual bonus
Hugh Pelham	16.6%[1]	N/A	N/A
Neil Austin	16.1%[2]	-68%	637%
Peter Page	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%	138%

1 When compared with the remuneration of of the previous CEO as disclosed in the 2019/20 Remuneration Report.
2 As disclosed in the 2019/20 Remuneration Report.

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 HR Director in relation to employee pay. The outcome of that exercise, and any changes to employee pay levels, are considered when determining the appropriateness of any 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Total pay (£'000)	351*	508	20	21	27	25	36	36
Pay ratio	-	-	18	24	13	17	10	14

* Annualised figure on the basis of Hugh Pelham's fixed remuneration.

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 28 August 2021.

Gender pay gap

The Group's gender pay gap reporting information was as follows for the snapshot period ending 5 April 2020 (being the most recent data available). For information on the Group's approach to equal opportunities and diversity, please see our Responsible Business Report on page 44 and the Nomination Committee Report on pages 56 to 59:

Difference between men and women

	Mean		Median	
	2020	2019	2020	2019
Hourly pay	29%	28%	25%	25%
Bonus	73%	63%	90%	63%

Proportion of people awarded a bonus

	2020	2019
Men	40%	48%
Women	36%	35%

Percentage of men/women in each pay quartiles

	Lowest		Q2		Q3		Highest	
	2020	2019	2020	2019	2020	2019	2020	2019
Men	53%	51%	64%	67%	82%	80%	84%	86%
Women	47%	49%	36%	33%	18%	20%	16%	14%

Relative spend on pay

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

	2021 £'000	2020 £'000	% change
Employee costs	50,796	52,218	-2.7%
Dividends paid to shareholders	5,490	3,344	+64.2*

* The significant change 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). But for the deferral of that interim dividend, the increase in dividends in the year amounts to 5.3% compared with the prior year.

External appointments
The Executive Directors did not receive any remuneration in respect of any external appointments in 2020/21.

Implementation of the policy in 2021/22
For 2021/22, 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 retrospectively in next year's report. Non-financial targets for Executive Director annual bonuses in the 2021/22 financial year include ESG targets covering the development of goals for the Group, planning towards achieving those goals, and the determination of measures to track progress.

The Committee intends to grant LTIP awards of 100% of salary to Neil Austin, 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 2021, of 2%, which is consistent with the broader workforce.

External advisors
During the year, external advisers PricewaterhouseCoopers LLP ("PwC") were engaged to advise the Committee on remuneration issues, most notably in connection with the preparation of the Directors' Remuneration Report and in connection with the shareholder engagement exercise undertaken in early 2021. PwC is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. Total fees paid for the services provided amounted to £5,250. PwC provides other services to the Company, in relation to accounting. The Committee is satisfied that no conflicts of interest exist in relation to advice provided to the Committee. It is also satisfied that the members of PwC teams do not have connections with the Company which might impair their independence.

2021 AGM
At our AGM in January 2021, the Directors' Remuneration Policy was approved with 99.7% of proxy votes being cast in favour. The Annual Report on Remuneration was also approved, with 54.5% of proxy votes being cast in favour. Further information on the shareholder engagement exercise which took place following the AGM is set out on page 65.

By order of the Board

Ian Wood
Remuneration Committee Chair
7 December 2021

Governance

Directors' Report

The Directors submit their report and the audited accounts of the Group for the year ended 28 August 2021.

Carr's Group plc is a public limited company incorporated in England and Wales and whose shares are listed and traded on the London Stock Exchange Main Market. Its registered office is at Old Croft, Stanwix, Carlisle, CA3 9BA.

Results and dividends

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

Member	2021	2020
Aggregate interim dividends	**2.35p**	**2.25p**
Final dividend per share proposed	**2.65p**	**2.50p**

Subject to approval at the Annual General Meeting, the final dividend will be paid on 26 January 2022 to members on the register at the close of business on 17 December 2021. Shares will become ex-dividend on 16 December 2021. The Group profit from continuing activities before taxation was £12.1m (2020: restated £10.9m). After a taxation charge of £2.4m (2020: restated £1.3m), the profit for the year is £9.7m (2020: restated £9.6m).

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 Responsible Business Report from page 44.

Environment

The Company's report on sustainability, and on environmental, social and governance considerations is set out from page 40.

Political and charitable donations

During the year ended 28 August 2021, the Group contributed £52,000 (2020: £81,000) in the UK for charitable purposes. Further details have been included within our Responsible Business Report on pages 45 to 46. There were no political donations during the year (2020: £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 in January 2022, is limited to £762,843.10 which represented approximately 33% of the nominal value of the issued share capital on 21 November 2020. 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 in January 2022.
- 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:

- for general purposes, up to an aggregate nominal amount of £115,582.25, which represented approximately 5% of the Company's issued share capital on 21 November 2020; and
- in connection with acquisitions or other capital development, up to a further aggregate nominal amount of £115,582.25, which represented approximately 5% of the Company's issued share capital on 21 November 2020,

This authority will expire at the end of the Annual General Meeting to be held in January 2022.

- 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 9,246,582 Ordinary Shares which represented approximately 10% of the Company's issued share capital on 21 November 2020. 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 undertakes 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 in January 2022. 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 64 to 83, are as follows:

Member	**At 28 August 2021 Ordinary Shares**	At 29 August 2020 Ordinary Shares
H M Pelham	**265,468**	N/A
N Austin	**370,896**	291,729
P W B Page	**90,000**	40,000
A G M Wannop	**22,610**	22,610
J G Worby	**32,500**	25,000
I Wood	**30,000**	30,000
K E Weldon	**10,000**	N/A

All the above interests are beneficial. There have been no other changes to the above interests in the period from 28 August 2021 to 30 November 2021.

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 in January 2022 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 30 November 2021 in the 93,741,420 Ordinary Shares of the Company, as required by the Companies Act 2006:

Member	**Number of shares**	% of issued share capital
Heygate and Sons Limited	**12,652,870**	13.5
Nortrust Nominees Limited (BAEMNL)	**5,564,726**	5.9
BBHISL Nominees Limited (130227)	**4,270,000**	4.6
Chase Nominees Limited (ELUCIT)	**3,876,254**	4.1
Rock (Nominees) Limited	**3,423,738**	3.7

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 accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements on the same basis. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 48 to 49. 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

Matthew Ratcliffe
Company Secretary
7 December 2021

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 28 August 2021 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 28 August 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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 to the extent applicable.

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 three financial years ended 28 August 2021. We have fulfilled our ethical responsibilities under, and we remain independent of, the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£1.7m (2020: £1.5m) 0.4% of Group revenue (2020: 0.4% of Group revenue)	
Coverage	87% (2020: 93%) of total profits and losses that made up Group profit before tax	
Key audit matters		**vs 2020**
Recurring risks	Contract risk in Engineering on over time contracts	◄►
	Provision for trade receivables in Agriculture	◄►
	Parent Company: Valuation of Carr's Group defined benefit pension obligation	◄►
	New: Valuation of the recoverable amount of certain cash generating units	▲

2. Key audit matters: 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 decreasing order of audit significance, 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
Contract risk in Engineering on over time contracts Contract revenue over time (£36.4m; 2020: £34.8m) Refer to page 61 (Audit Committee Report), pages 105 to 106 and 112 (accounting policy) and pages 115 and 132 (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 a valuation of contract work performed to date). 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 is also dependent upon estimates in relation to forecast total revenues, including an 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. For certain contracts, typically those of a bespoke and/or complex nature, estimates of forecast costs can include a high degree of estimation uncertainty. 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 for certain ongoing contracts which are not substantially complete, involves 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 bespoke and/or complex contracts and 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, contract clauses and the method of revenue recognition in accordance with IFRS 15. • **Challenge key judgements –** We obtained the latest forecasts of contract revenues and costs, and challenged the Group's estimates in respect of contract forecasts, costs to complete and the recoverability of contract assets via agreement to third-party certifications, confirmations and other documentation, challenge of senior operational and financial management, and with reference to our own expertise. We also performed corroborative inquiries of the Group's in-house legal counsel. • **Site visits –** For a selection of contracts and locations, performing site visits to inspect the job progress around the year-end point, and to challenge the stage of completion and forecast costs to complete through observation and discussion with key personnel. • **Involvement of specialists –** For one contract in the Group with a higher degree of complexity, we involved our own quantity surveyor specialists to challenge the underlying contract estimates and judgements compared to our knowledge of the business and industry norms. • **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 had arisen, to challenge the revenue and costs recorded. • **Historical comparisons –** We assessed the Group's historical contract forecasting accuracy by comparing prior year forecasts for certain contracts with the actual margin achieved when the contracts completed during the current year. • **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 (2020 result: acceptable).

Independent Auditor's Report continued

to the Members of Carr's Group plc

	The risk	Our response
Valuation of the recoverable amount of certain cash generating units Goodwill: £31.6m; with the specific risk being associated with the Wälischmiller Engineering GmbH (£5.7m), NuVision Engineering Inc. (£8.0m) and Carr's Engineering Ltd – Chirton Profit Centre (£2.5m) cash generating units. Refer to page 61 (Audit Committee Report), pages 107 and 112 (accounting policy) and pages 121 to 122 (financial disclosures).	**Forecast-based assessment** The carrying value of goodwill is significant for the Group. The estimated recoverable amount of the goodwill for each of the Group's cash generating units, assessed with reference to value in use calculations, is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The impairment tests for the Wälischmiller Engineering GmbH, NuVision Engineering Inc. and Carr's Engineering Ltd – Chirton Profit Centre cash generating units indicates that the headroom in the impairment tests for these cash generating units is more sensitive to small changes in the assumptions and estimates applied in the value in use calculations. The risk is greater in the Engineering division which is more susceptible to the potential impacts of COVID-19 on trading performance. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill for the Wälischmiller Engineering GmbH, NuVision Engineering Inc. and Carr's Engineering Ltd – Chirton Profit Centre cash generating units 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. The financial statements (note 11) disclose the sensitivity estimated by the Group.	Our procedures included: • **Assessing methodology –** We obtained the discounted value in use cash flow models and assessed the methodology, principles and integrity of each model. • **Benchmarking assumptions –** We compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates. • **Historical comparisons –** We assessed the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years. • **Sensitivity analysis –** We performed sensitivity and breakeven analysis on the key forecast cashflows, long-term growth and discount rate assumptions. • **Assessing transparency –** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our results** We found the Group's conclusions in respect of the valuation of the recoverable amount of the Wälischmiller Engineering GmbH, NuVision Engineering Inc. and Carr's Engineering Ltd – Chirton Profit Centre cash generating units to be acceptable.
Provision for trade receivables in Agriculture Trade receivables (£58.0m; 2020: £49.1m) Provision (£2.0m; 2020: £1.9m) Refer to page 61 (Audit Committee Report), page 112 (accounting policy) and pages 133 to 134 (financial disclosures).	**Subjective estimate** There are material amounts of trade receivables within the Carrs Billington Agriculture (Sales) component, where historically there has been a slower collection pattern and for which the predominant customer base of UK farmers may be subject to continued economic uncertainties caused by the ongoing impacts of COVID-19 and Brexit. The associated provision for trade receivables involves estimation uncertainty, which increases the risk of bias in forming the accounting estimate. 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 management's assumptions behind the provision against trade receivables and related expected credit losses estimate calculations, and tested the accuracy of the ageing calculations in order to recalculate management's provision. • **Historical comparisons –** We assessed historical trade receivable collection patterns in the Carrs Billington Agriculture (Sales) component 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 –** We assessed 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 (2020 result: acceptable).

	The risk	Our response
Parent Company: Valuation of Carr's Group Pension Scheme defined benefit pension obligation (£66.3m; 2020: £65.8m) Refer to page 61 (Audit Committee Report), pages 106 and 112 (accounting policy) and pages 142 to 147 (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 (2020 result: acceptable).

For each of the key audit matters reported above, we performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union on our audit, and going concern. However, following a reduction in the levels of uncertainty in respect of the Brexit and COVID-19 related impacts on the Group, we have not assessed either of these areas as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

Independent Auditor's Report continued

to the Members of Carr's Group plc

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

Materiality for the Group financial statements as a whole was set at £1,700,000 (2020: £1,500,000), determined with reference to a benchmark of Group revenue, of which it represents 0.4% (2020: 0.4%). We consider Group 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 £800,000 (2020: £600,000), determined with reference to a benchmark of Company total assets, of which it represents 0.9% (2020: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 65%) of materiality for the financial statements as a whole, which equates to £1,275,000 (2020: £975,000) for the Group and £600,000 (2020: £390,000) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £59,500 (2020: £52,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 30 (2020: 53 reporting components), we subjected 9 (2020: 9) to full scope audits for Group purposes and 2 (2020: 2) 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.

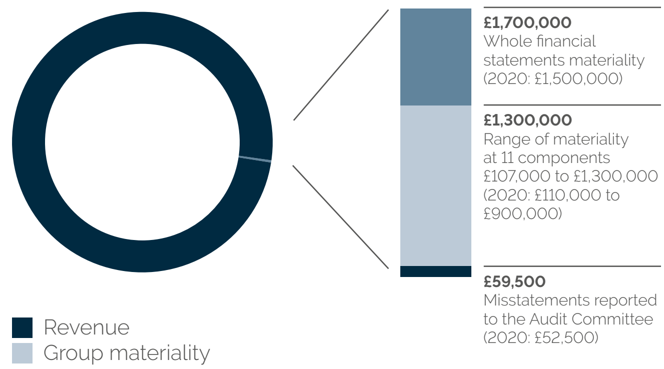
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 1% (2020: 0%) of Group revenue, 13% (2020: 7%) of Group profit before tax and 1% (2020: 1%) of total Group assets is represented by 14 (2020: 14) reporting components, none of which individually represented more than 3% (2020: 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 £107,000 to £1,300,000 (2020: £110,000 to £900,000), having regard to the mix of size and risk profile of the Group across the components.

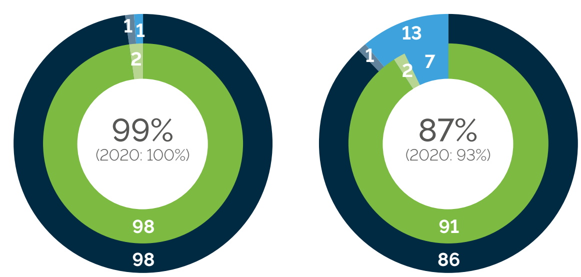
Group revenue
£417.3m
(2020: £395.6m)

Group materiality
£1,700,000
(2020: £1,500,000)

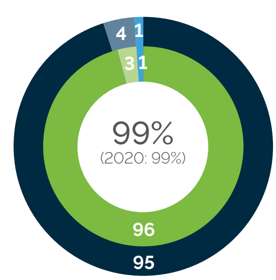


Group revenue

Total profits and losses that made up Group profit before tax



Group total assets



- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Residual components

The work on 2 of the 9 components (2020: 2 of the 9 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 to assess the audit risks and strategy. 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. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- the potential impacts of COVID-19 on the Group's customer base; and
- the potential impacts of agricultural reform post-Brexit on the Group's UK Agriculture customer base.

We also considered less predictable but realistic second order impacts, such as reduced demand from key customers or a significant financial deterioration in a long-term contract in Engineering, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Assessing 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;
- Critically assessing assumptions in the Directors' initial downside scenarios relevant to liquidity and covenant compliance, in particular in relation to profitability, by comparing to historical trends and our knowledge of the entity and the sector in which it operates;
- Considering 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;
- Assessing 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 any related covenant requirements and the evidence available regarding whether they will be met; and
- Assessing the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years.

We considered whether the going concern disclosure in the principal accounting policies on page 104 gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in the principal accounting policies on page 104 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 the going concern period, and we found the going concern disclosure on page 104 to be acceptable; and
- the related statement under the Listing Rules set out on page 37 is materially consistent with the financial statements and our audit knowledge.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and the Group's in-house legal counsel, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

- Reading Board and Remuneration Committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and the Directors, including the adjusted profit before tax target for management remuneration; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that inappropriate contract estimates or judgements result in an over or understatement of revenue on over time contracts in the Engineering division, the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as for cost to complete estimates for contracts in Engineering.

We also identified a fraud risk related to the risk of bias in the accounting estimates relating to provisions against trade receivables in Agriculture, in response to possible pressures to meet profit targets.

Further detail in respect of the contract risk in Engineering on over time contracts, and the provision for trade receivables in Agriculture, is set out in the key audit matter disclosures in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected journal pairings for revenue, pension scheme and treasury related journals.
- Assessing significant accounting estimates for bias.

We discussed with the Audit Committee and those charged with governance matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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 discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement 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, taxation legislation and pensions 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 and corruption, employment law, data protection regulations and trading standards, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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 and Accounts 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

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement (page 37) 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 how emerging risks are identified, 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.

We are also required to review the Viability Statement, set out on page 37 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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 perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Report relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review, and to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in these respects.

Based solely on our work on the other information described above:

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

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 86, 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 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 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.

9. 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

7 December 2021

Consolidated Income Statement

For the year ended 28 August 2021

	Notes	2021 £'000	2020 (restated)[2] £'000
Continuing operations			
Revenue	2,3	**417,254**	395,630
Cost of sales		**(365,174)**	(343,381)
Gross profit		**52,080**	52,249
Distribution costs		**(18,434)**	(19,507)
Administrative expenses		**(20,784)**	(22,901)
Adjusted[1] share of post-tax results of associate		**1,525**	1,191
Adjusting items	5	**(694)**	(202)
Share of post-tax results of associate		**831**	989
Share of post-tax results of joint ventures		**1,421**	1,442
Impairment of joint venture (adjusting item)	5	**(2,090)**	–
Adjusted[1] operating profit	2	**17,585**	16,293
Adjusting items	5	**(4,561)**	(4,021)
Operating profit	2,4	**13,024**	12,272
Finance income	7	**260**	313
Finance costs	7	**(1,232)**	(1,656)
Adjusted[1] profit before taxation	2	**16,613**	14,950
Adjusting items	5	**(4,561)**	(4,021)
Profit before taxation	2	**12,052**	10,929
Taxation	8	**(2,400)**	(1,316)
Adjusted[1] profit for the year		**14,675**	12,727
Adjusting items	5	**(5,023)**	(3,114)
Profit for the year		**9,652**	9,613
Profit attributable to:			
Equity shareholders		**7,712**	8,422
Non-controlling interests		**1,940**	1,191
		9,652	9,613
Earnings per ordinary share (pence)			
Basic	10	**8.3**	9.1
Diluted	10	**8.1**	9.0
Adjusted[1]	10	**13.2**	12.0

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. Adjustments made to calculate adjusted earnings per share can be found in note 10. An alternative performance measures glossary can be found on pages 159 to 160.

2 See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Consolidated and Company Statements of Comprehensive Income

For the year ended 28 August 2021

	Notes	Group 2021 £'000	Group 2020 (restated)[1] £'000	Company 2021 £'000	Company 2020 (restated)[1] £'000
Profit for the year		**9,652**	9,613	**6,261**	6,773
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation losses arising on translation of overseas subsidiaries		**(1,781)**	(2,552)	**–**	–
Net investment hedges		**165**	(54)	**–**	–
Taxation (charge)/credit on net investment hedges		**(31)**	10	**–**	–
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains on retirement benefit asset:					
– Group	28	**1,205**	142	**1,205**	142
– Share of associate		**578**	408	**–**	–
Taxation charge on actuarial gains on retirement benefit asset:					
– Group	19	**(301)**	(27)	**(301)**	(27)
– Share of associate		**(144)**	(96)	**–**	–
Other comprehensive (expense)/income for the year, net of tax		**(309)**	(2,169)	**904**	115
Total comprehensive income for the year		**9,343**	7,444	**7,165**	6,888
Total comprehensive income attributable to:					
Equity shareholders		**7,403**	6,253	**7,165**	6,888
Non-controlling interests		**1,940**	1,191	**–**	–
		9,343	7,444	**7,165**	6,888

[1] See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Consolidated and Company Balance Sheets

As at 28 August 2021

(Company Number 00098221)

		Group			Company		
	Notes	**2021 £'000**	2020 (restated)[1] £'000	2019 (restated)[1] £'000	**2021 £'000**	2020 (restated)[1] £'000	2019 (restated)[1] £'000
Assets							
Non-current assets							
Goodwill	11	**31,560**	32,041	32,877	**–**	–	–
Other intangible assets	11	**5,151**	6,365	7,878	**–**	–	–
Property, plant and equipment	12	**36,198**	38,259	37,325	**85**	118	158
Right-of-use assets	13	**16,777**	14,856	16,086	**346**	457	267
Investment property	14	**152**	158	164	**–**	–	–
Investment in subsidiary undertakings	15,18	**–**	–	–	**32,461**	32,568	26,538
Investment in associate	15,16	**14,268**	14,042	13,329	**245**	245	245
Interest in joint ventures	15,17	**9,482**	10,551	9,671	**172**	272	272
Other investments	15	**72**	73	76	**–**	–	–
Contract assets	21	**312**	–	–	**–**	–	–
Financial assets							
– Non-current receivables	22	**20**	20	22	**33,494**	34,735	16,413
Retirement benefit asset	28	**9,371**	8,037	7,769	**9,371**	8,037	7,769
Deferred tax asset		**–**	–	410	**–**	–	285
		123,363	124,402	125,607	**76,174**	76,432	51,947
Current assets							
Inventories	20	**43,226**	40,961	46,270	**–**	–	–
Contract assets	21	**7,202**	8,114	9,466	**–**	–	–
Trade and other receivables	22	**61,735**	51,686	55,573	**2,279**	2,617	36,185
Current tax assets	23	**2,669**	2,068	–	**2,586**	2,017	911
Financial assets							
– Derivative financial instruments	27	**–**	3	–	**–**	–	–
– Cash and cash equivalents	24	**24,309**	17,571	28,649	**11,063**	7,984	6,778
		139,141	120,403	139,958	**15,928**	12,618	43,874
Total assets		**262,504**	244,805	265,565	**92,102**	89,050	95,821
Liabilities							
Current liabilities							
Financial liabilities							
– Borrowings	26	**(11,113)**	(11,420)	(22,673)	**(2,341)**	(2,450)	(7,806)
– Leases	13	**(2,967)**	(2,778)	(2,801)	**(98)**	(97)	(95)
Contract liabilities	21	**(2,447)**	(1,061)	(1,269)	**–**	–	–
Trade and other payables	25	**(69,526)**	(55,522)	(62,424)	**(2,395)**	(1,660)	(2,533)
Current tax liabilities		**(42)**	(33)	(736)	**–**	–	–
		(86,095)	(70,814)	(89,903)	**(4,834)**	(4,207)	(10,434)
Non-current liabilities							
Financial liabilities							
– Borrowings	26	**(23,159)**	(25,021)	(26,846)	**(21,906)**	(22,947)	(26,846)
– Leases	13	**(12,458)**	(11,171)	(12,777)	**(250)**	(354)	(180)
Deferred tax liabilities	19	**(5,503)**	(4,783)	(4,721)	**(2,201)**	(1,365)	(1,320)
Other non-current liabilities	25	**(55)**	(1,385)	(2,999)	**–**	–	–
		(41,175)	(42,360)	(47,343)	**(24,357)**	(24,666)	(28,346)
Total liabilities		**(127,270)**	(113,174)	(137,246)	**(29,191)**	(28,873)	(38,780)
Net assets		**135,234**	131,631	128,319	**62,911**	60,177	57,041

[1] See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Consolidated and Company Balance Sheets continued

As at 28 August 2021

(Company Number 00098221)

	Notes	Group 2021 £'000	Group 2020 (restated)[1] £'000	Group 2019 (restated)[1] £'000	Company 2021 £'000	Company 2020 (restated)[1] £'000	Company 2019 (restated)[1] £'000
Shareholders' equity							
Share capital	29	**2,343**	2,312	2,299	**2,343**	2,312	2,299
Share premium		**10,155**	9,176	9,165	**10,155**	9,176	9,165
Other reserves		**2,578**	4,436	7,922	**536**	780	1,693
Retained earnings:							
At the beginning of the year		**98,907**	92,749	86,659	**47,909**	43,884	42,357
Profit attributable to the equity shareholders		**7,712**	8,422	12,049	**6,261**	6,773	6,729
Other changes in retained earnings		**(3,613)**	(2,264)	(5,959)	**(4,293)**	(2,748)	(5,202)
		103,006	98,907	92,749	**49,877**	47,909	43,884
Total shareholders' equity		**118,082**	114,831	112,135	**62,911**	60,177	57,041
Non-controlling interests		**17,152**	16,800	16,184	**–**	–	–
Total equity		**135,234**	131,631	128,319	**62,911**	60,177	57,041

[1] See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

The financial statements set out on pages 97 to 156 were approved by the Board on 7 December 2021 and signed on its behalf by:

Peter Page **Neil Austin**

Consolidated Statement of Changes in Equity

For the year ended 28 August 2021

	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 previously reported at 31 August 2019	2,299	9,165	–	1,577	6,146	199	93,933	113,319	16,229	129,548
Prior year adjustment[1]	–	–	–	–	–	–	(1,184)	(1,184)	(45)	(1,229)
At 1 September 2019 (restated)[1]	2,299	9,165	–	1,577	6,146	199	92,749	112,135	16,184	128,319
Profit for the year (restated)[1]	–	–	–	–	–	–	8,422	8,422	1,191	9,613
Other comprehensive (expense)/income	–	–	–	–	(2,596)	–	427	(2,169)	–	(2,169)
Total comprehensive (expense)/income (restated)[1]	–	–	–	–	(2,596)	–	8,849	6,253	1,191	7,444
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 (restated)[1]	2,312	9,176	(45)	734	3,550	197	98,907	114,831	16,800	131,631
As previously reported at 29 August 2020	2,312	9,176	(45)	734	3,550	197	101,202	117,126	17,043	134,169
Prior year adjustment[1]	–	–	–	–	–	–	(2,295)	(2,295)	(243)	(2,538)
At 30 August 2020 (restated)[1]	**2,312**	**9,176**	**(45)**	**734**	**3,550**	**197**	**98,907**	**114,831**	**16,800**	**131,631**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7,712**	**7,712**	**1,940**	**9,652**
Other comprehensive (expense)/income	**–**	**–**	**–**	**–**	**(1,647)**	**–**	**1,338**	**(309)**	**–**	**(309)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**–**	**(1,647)**	**–**	**9,050**	**7,403**	**1,940**	**9,343**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(5,490)**	**(5,490)**	**(1,647)**	**(7,137)**
Equity-settled share-based payment transactions	**–**	**–**	**–**	**(254)**	**–**	**–**	**660**	**406**	**58**	**464**
Excess deferred taxation on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**32**	**32**	**1**	**33**
Allotment of shares	**31**	**979**	**–**	**–**	**–**	**–**	**–**	**1,010**	**–**	**1,010**
Purchase of own shares held in trust	**–**	**–**	**(110)**	**–**	**–**	**–**	**–**	**(110)**	**–**	**(110)**
Transfer	**–**	**–**	**155**	**–**	**–**	**(2)**	**(153)**	**–**	**–**	**–**
At 28 August 2021	**2,343**	**10,155**	**–**	**480**	**1,903**	**195**	**103,006**	**118,082**	**17,152**	**135,234**

[1] See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

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 £660,000 (2020: £691,000) was transferred from the equity compensation reserve to retained earnings in respect of options exercised in the year.

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

Company Statement of Changes in Equity

For the year ended 28 August 2021

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
As previously reported at 31 August 2019	2,299	9,165	–	1,693	44,189	57,346
Prior year adjustment[1]	–	–	–	–	(305)	(305)
At 1 September 2019 (restated)[1]	2,299	9,165	–	1,693	43,884	57,041
Profit for the year (restated)[1]	–	–	–	–	6,773	6,773
Other comprehensive income	–	–	–	–	115	115
Total comprehensive income (restated)[1]	–	–	–	–	6,888	6,888
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 (restated)[1]	2,312	9,176	(45)	825	47,909	60,177
As previously reported at 29 August 2020	2,312	9,176	(45)	825	48,180	60,448
Prior year adjustment[1]	–	–	–	–	(271)	(271)
At 30 August 2020 (restated)[1]	**2,312**	**9,176**	**(45)**	**825**	**47,909**	**60,177**
Profit for the year	**–**	**–**	**–**	**–**	**6,261**	**6,261**
Other comprehensive income	**–**	**–**	**–**	**–**	**904**	**904**
Total comprehensive income	**–**	**–**	**–**	**–**	**7,165**	**7,165**
Dividends paid	**–**	**–**	**–**	**–**	**(5,490)**	**(5,490)**
Equity-settled share-based payment transactions	**–**	**–**	**–**	**(289)**	**422**	**133**
Excess deferred taxation on share-based payments	**–**	**–**	**–**	**–**	**26**	**26**
Allotment of shares	**31**	**979**	**–**	**–**	**–**	**1,010**
Purchase of own shares held in trust	**–**	**–**	**(110)**	**–**	**–**	**(110)**
Transfer	**–**	**–**	**155**	**–**	**(155)**	**–**
At 28 August 2021	**2,343**	**10,155**	**–**	**536**	**49,877**	**62,911**

1 See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

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 £422,000 (2020: £519,000) was transferred from the equity compensation reserve to retained earnings and £331,000 (2020: £212,000) was transferred from the equity compensation reserve to investment in subsidiaries in respect of options exercised in the year.

Consolidated and Company Statements of Cash Flows

For the year ended 28 August 2021

	Notes	Group 2021 £'000	Group 2020 (restated)[1] £'000	Company 2021 £'000	Company 2020 (restated)[1] £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	31	**22,163**	21,227	**(1,909)**	(2,520)
Interest received		**109**	176	**1,443**	1,774
Interest paid		**(1,244)**	(1,696)	**(484)**	(729)
Tax paid		**(2,131)**	(3,059)	**–**	(571)
Net cash generated from/(used in) operating activities		**18,897**	16,648	**(950)**	(2,046)
Cash flows from investing activities					
Contingent/deferred consideration paid		**(1,077)**	(2,659)	**–**	–
Dividends received from subsidiaries		**–**	–	**8,248**	8,856
Receipt of loans to subsidiaries		**–**	–	**477**	1,130
Dividend received from associate and joint ventures		**1,898**	701	**1,039**	588
Other loans		**–**	718	**–**	–
Purchase of intangible assets		**(107)**	(47)	**–**	–
Proceeds from sale of property, plant and equipment		**396**	421	**–**	–
Purchase of property, plant and equipment and right-of-use assets		**(3,850)**	(6,569)	**–**	–
Purchase of own shares held in trust		**–**	(58)	**–**	(58)
Net cash (used in)/generated from investing activities		**(2,740)**	(7,493)	**9,764**	10,516
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	29	**1,010**	24	**1,010**	24
Purchase of own shares held in trust		**(110)**	–	**(110)**	–
New financing and draw downs on RCF		**11,526**	5,889	**10,000**	2,500
Repayment of RCF draw downs		**(8,500)**	(4,000)	**(8,500)**	(4,000)
Lease principal repayments		**(3,252)**	(3,171)	**(98)**	(114)
Repayment of borrowings		**(2,400)**	(2,459)	**(2,400)**	(2,400)
(Repayment)/receipt of loans from subsidiaries		**–**	–	**(110)**	110
Increase/(decrease) in other borrowings		**2,394**	(14,508)	**–**	–
Dividends paid to shareholders	9	**(5,490)**	(3,344)	**(5,490)**	(3,344)
Dividends paid to related party		**(1,647)**	(588)	**–**	–
Net cash used in financing activities		**(6,469)**	(22,157)	**(5,698)**	(7,224)
Effects of exchange rate changes		**(296)**	(989)	**(37)**	(40)
Net increase/(decrease) in cash and cash equivalents		**9,392**	(13,991)	**3,079**	1,206
Cash and cash equivalents at beginning of the year		**10,304**	24,295	**7,984**	6,778
Cash and cash equivalents at end of the year	24	**19,696**	10,304	**11,063**	7,984

[1] See note 36 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

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") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 with the exception of the change in accounting policy, following the IFRIC agenda decision published in April 2021, for costs incurred in relation to the configuration and customisation of the Group's, and associate's, recently implemented cloud hosted ERP system. Further details of the IFRIC agenda decision and the prior year restatement can be found in note 36.

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 31 August 2024 as used for the viability assessment, taking account of reasonably possible changes in trading performance, together with the planned capital investment over that same period. The Group is expected to have a sufficient level of financial resources available through operating cash flows and existing bank facilities 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 is in place until 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 2024. The forecasts consider the current cash position, the availability of banking facilities and an assessment of the principal areas of risk and uncertainty. These forecasts have been sensitised on a combined basis for severe but plausible downside scenarios. The scenarios tested included significant reductions in profitability and associated cashflows linked to the four principal risks highlighted in the viability statement on page 37. 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.

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, together with impairment losses, are recognised in the income statement, and its share of movement in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. The Group's investment in 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 Speciality Agriculture and Agricultural Supplies divisions are recognised at a point in time. Revenues generated by the Group's Engineering division are recognised over time where either 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 or where the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. 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 or valued 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 28 August 2021 and 29 August 2020, 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.

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 Speciality Agriculture, Agricultural Supplies 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, ERP system implementation costs, impairment of joint ventures and the effect of changes to deferred tax rates.

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

Following a change in accounting policy during the year (see note 36) software costs incurred as part of a service agreement are only capitalised when it can be evidenced that the Group has control over the resources defined in the agreement. Software customisation and configuration costs relating to software not controlled by the Group are expensed as incurred.

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. Intangible assets are amortised on a straight-line basis.

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.

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 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.

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.

After initial measurement the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Right-of-use assets are adjusted for any remeasurement of lease liabilities.

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 or 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.

Principal Accounting Policies
continued

Leases continued
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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 30 August 2020 the following became effective and were adopted by the Group and Company:

- 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

Their adoption did not have a material effect on the Group or Company's profit for the year or equity.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other circumstances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

This agenda decision had a material effect on the Group and Company. Further details of the restatement can be found in note 36.

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

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021)

It is considered that the above 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:

Intangible assets - cloud based software costs

When the Group incurs configuration and customisation costs as part of a service agreement significant judgement is required in

Significant judgements, key assumptions and estimates (continued)

Intangible assets - cloud based software costs (continued)
assessing whether the Group has control over the resources defined in the agreement. The Group has reviewed its service agreements in respect of its Cloud hosted ERP system to align its accounting policy with the IFRS Interpretations Committee (IFRIC) agenda decision in April 2021 on the clarification of accounting in relation to 'Configuration and customisation Costs in a Cloud Computing Arrangement'. Given that this agenda decision is relatively recent, with continuing evolution of guidance and interpretation, the Group consider this to be a key and difficult judgement to determine.

The Group has considered several factors to conclude on the appropriate accounting treatment. These factors include the nature and key terms of licence arrangements, ownership of intellectual property rights, ability to restrict access to systems, ability to remove software applications from the cloud environment and run them within the Group's own IT environment instead, ability to determine when upgrades are applied and whether associated applications are distinct from the software.

Having considered these factors the Group concluded that it did not have substantive control over all aspects of the ERP system and has therefore determined that these previously capitalised costs should be expensed. Further details of the prior year restatement to reflect this change in accounting policy can be found in note 36.

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. The carrying value of the defined benefit pension scheme surplus at 28 August 2021 is £9.4m (2020: £8.0m). 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, calculated in accordance with IAS 19, is £5.4m (2020: £3.5m) of which the Group recognises 49% in its balance sheet within its 'Investment in associate'.

Impairment of goodwill and 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 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 of goodwill was identified in the current or prior year. The carrying value of goodwill at 28 August 2021 is £31.6m (2020: £32.0m). Further details of cash generating units and stress testing performed on the carrying values can be found in note 11.

During the year an impairment of £2.1m (2020: £nil) has been recognised against the carrying value of interest in joint ventures and a loan receivable due from joint ventures. Further details of this impairment can be found in note 15.

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 28 August 2021 is £2.0m (2020: £1.9m). 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 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.

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 £6,261,000 (2020: restated £6,773,000).

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. Following a strategic and operational review reportable operating segments have been identified as Speciality Agriculture, Agricultural Supplies and Engineering. Prior year disclosures have been restated to aid comparability. 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. Prior year disclosures have also been restated following the change in accounting policy for cloud configuration and customisation costs.

Speciality Agriculture derives its revenue from the sale of animal feed blocks and animal health products.

Agricultural Supplies derives its revenue from the manufacture and sale of animal feed together with retail sales of farm equipment, fuels and farm consumables through its network of rural stores.

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 adjusted 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 28 August 2021 is as follows:

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
Total segment revenue	74,395	297,506	51,299	–	423,200
Inter-segment revenue	(5,934)	(6)	(6)	–	(5,946)
Revenue from external customers	68,461	297,500	51,293	–	417,254
Adjusted[1] EBITDA[2]	9,858	7,348	6,133	(2,417)	20,922
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,335)	(2,602)	(2,208)	(138)	(6,283)
Share of post-tax results of associate (adjusted[1]) and joint ventures	991	1,955	–	–	2,946
Adjusted[1] operating profit	9,514	6,701	3,925	(2,555)	17,585
Adjusting items (note 5)	(2,847)	(1,684)	97	(127)	(4,561)
Operating profit	6,667	5,017	4,022	(2,682)	13,024
Finance income					260
Finance costs					(1,232)
Adjusted[1] profit before taxation					16,613
Adjusting items (note 5)					(4,561)
Profit before taxation					12,052

[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 before share of post-tax results of associate and joint ventures.

2 Segmental information continued

Assets and liabilities

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
Segment gross assets	**48,558**	**110,716**	**79,994**	**23,236**	**262,504**
Segment gross liabilities	**(12,251)**	**(58,056)**	**(27,783)**	**(29,180)**	**(127,270)**

The segmental information for the year ended 29 August 2020 is as follows. This has been restated to present Speciality Agriculture and Agricultural Supplies separately. This is to aid comparability with the segmental information presented for the current year. The disclosure has also been restated following the change in accounting policy for cloud configuration and customisation costs.

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
Total segment revenue	66,948	280,740	53,020	–	400,708
Inter-segment revenue	(5,058)	(8)	(12)	–	(5,078)
Revenue from external customers	61,890	280,732	53,008	–	395,630
Restated:					
Adjusted[1] EBITDA[2]	7,914	6,884	6,754	(781)	20,771
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,362)	(2,665)	(2,944)	(140)	(7,111)
Share of post-tax results of associate (adjusted[1]) and joint ventures	1,061	1,572	–	–	2,633
Adjusted[1] operating profit	7,613	5,791	3,810	(921)	16,293
Adjusted items	(184)	(1,388)	(2,449)	–	(4,021)
Operating profit	7,429	4,403	1,361	(921)	12,272
Finance income					313
Finance costs					(1,656)
Adjusted[1] profit before taxation					14,950
Adjusted items					(4,021)
Profit before taxation					10,929

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 before share of post-tax results of associate and joint ventures.

Assets and liabilities (restated)

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
Segment gross assets	45,860	97,285	83,852	17,808	244,805
Segment gross liabilities	(8,845)	(44,664)	(31,156)	(28,509)	(113,174)

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:

	2021 £'000	2020 £'000
UK	**351,766**	337,126
Europe	**15,700**	10,680
USA	**48,007**	46,186
New Zealand	**1,779**	1,628
Other	**2**	10
	417,254	395,630

2 Segmental information continued

Non-current assets

	2021					2020 (restated)				
	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**	**5,692**	**8,013**	**–**	**31,560**	17,855	5,929	8,257	–	32,041
Other intangible assets	**3,788**	**520**	**843**	**–**	**5,151**	4,879	519	967	–	6,365
Property, plant and equipment	**20,271**	**7,938**	**7,950**	**39**	**36,198**	21,670	8,183	8,373	33	38,259
Right-of-use assets	**16,184**	**58**	**535**	**–**	**16,777**	14,283	–	573	–	14,856
Investment property	**152**	**–**	**–**	**–**	**152**	158	–	–	–	158
Investment in associate	**14,268**	**–**	**–**	**–**	**14,268**	14,042	–	–	–	14,042
Interest in joint ventures	**2,489**	**3,838**	**3,155**	**–**	**9,482**	2,928	3,462	4,161	–	10,551
Other investments	**50**	**–**	**22**	**–**	**72**	50	1	22	–	73
Contract assets	**312**	**–**	**–**	**–**	**312**	–	–	–	–	–
Non-current receivables	**–**	**–**	**20**	**–**	**20**	–	–	20	–	20
Retirement benefit asset	**9,371**	**–**	**–**	**–**	**9,371**	8,037	–	–	–	8,037
	84,740	**18,046**	**20,538**	**39**	**123,363**	83,902	18,094	22,373	33	124,402

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	2021 £'000	2020 £'000
Over time	**36,435**	34,790
At a point in time	**380,819**	360,840
	417,254	395,630

Transaction price allocated to the remaining performance obligations

	2022 £'000	2023 £'000	2024 onwards £'000	Total £'000
Total transaction price allocated to the remaining performance obligations	**21,477**	**8,891**	**3,031**	**33,399**

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

	2021 £'000	2020 (restated) £'000
Group operating profit is stated after (crediting)/charging:		
Amortisation of grants	**(54)**	(55)
(Profit)/loss on disposal of property, plant and equipment	**(144)**	265
Profit on disposal of right-of-use leases	**–**	(37)
Depreciation and impairment of property, plant and equipment	**3,822**	4,567
Depreciation of right-of-use assets	**2,529**	2,462
Depreciation of owned investment property	**6**	6
Amortisation of intangible assets	**1,256**	1,467
Adjustments to contingent consideration (note 5)	**(1,013)**	(937)
Restructuring/closure costs (note 5)	**248**	1,964
Cloud configuration and customisation costs – Group (note 5)	**1,356**	1,412
Cloud configuration and customisation costs – share of associate (note 5)	**515**	202
Impairment of investment and loan receivable (note 5)	**2,090**	–
Foreign exchange losses	**200**	57
Derivative financial instruments losses/(gains)	**3**	(3)
Research and development expense	**3,787**	2,066
Auditors' remuneration:		
Audit services (Company £17,480; 2020: £17,137)	**89**	75
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	**319**	290
Total audit services	**408**	365
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:		
Rental income	**(42)**	(42)
Operating expenses	**28**	43
	(14)	1

The auditors' remuneration in respect of the prior year of £365,000 includes a £50,000 additional fee raised during that year in respect of the audit of the year ended 2019.

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.

	2021 £'000	2020 (restated) £'000
Amortisation of acquired intangible assets (i)	**1,186**	1,380
Adjustments to contingent consideration (ii)	**(1,013)**	(937)
Restructuring/closure costs (iii)	**248**	1,964
Cloud configuration and customisation costs – Group (iv)	**1,356**	1,412
Cloud configuration and customisation costs – share of associate (iv)	**515**	202
Impairment of joint venture (v)	**2,090**	–
Effect of deferred tax rate change – share of associate (vi)	**179**	–
Included in profit before taxation	**4,561**	4,021
Effect of deferred tax rate change – Group (vi)	**990**	–
Taxation effect of the above adjusting items	**(528)**	(907)
Included in profit for the year	**5,023**	3,114

(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 £nil (2020: £239,000).

(iv) Costs relating to material spend previously capitalised in relation to the implementation of the Group's, and associate's, ERP system that have now been expensed following the adoption of the IFRIC agenda decision. See note 36 for further details of the prior year restatement.

(v) During the year the joint venture Afgritech LLC reported a loss and is expected to continue to underperform against budgeted information in the short to medium term. An impairment review has been undertaken which has resulted in an impairment charge of £1,314,000 (2020: £nil) against the carrying amount of interest in joint venture and an impairment charge of £776,000 (2020: £nil) against the carrying amount of a loan receivable. Further details can be found in note 15.

(vi) On 24 May 2021, legislation was substantively enacted in the UK to increase the corporate tax rate to 25% with effect from 1 April 2023. As a result of the change, a tax charge of £179,000 was recognised in the year in the Group's share of associate results and £990,000 was recognised in the Group's tax charge (note 8) in relation to the remeasurement of deferred tax assets and liabilities. This does not relate to the underlying performance of the associate or Group and has therefore been included as an adjusting item.

6 Staff costs

The tables below include Directors.

	2021 £'000	2020 £'000
Wages and salaries	**42,869**	44,627
Social security costs	**4,721**	5,045
Pension costs	**2,742**	2,683
Share-based payments	**464**	(137)
	50,796	52,218

Included within pension costs is a charge of £18,000 (2020: £13,000) in respect of the defined benefit pension scheme.

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

	2021 Number	2020 Number
Sales, office and management	**628**	638
Manufacture and distribution	**513**	572
	1,141	1,210

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

6 Staff costs continued

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

	2021 £'000	2020 £'000
Aggregate Directors' remuneration[1]	**1,414**	1,004
Aggregate pension contributions[2]	**3**	20
Aggregate amount of gains on exercise of share options[3]	**306**	474
	1,723	1,498

1 Salary (after salary sacrifice of pension), fees, bonuses, pay in lieu of pension and benefits in kind. Includes bonuses based on amounts accrued at the year end.
2 Cash contributions paid in the year into the defined contribution pension scheme.
3 Gains realised in the year in respect of the LTIP, deferred bonus plan and share save scheme.

The number of Directors in the defined contribution pension scheme during the year was two (2020: two).

Further details of the Directors' emoluments, pension benefits and share options are given in the Remuneration Committee Report on pages 64 to 83.

7 Finance income and finance costs

	2021 £'000	2020 £'000
Finance income		
Bank interest	**108**	151
Net interest on the net defined benefit retirement asset (note 28)	**147**	139
Other interest	**5**	23
Total finance income	**260**	313
Finance costs		
Interest payable on bank overdrafts	**(109)**	(149)
Interest payable on bank loans and other borrowings	**(547)**	(934)
Interest payable on leases	**(476)**	(461)
Other interest	**(100)**	(112)
Total finance costs	**(1,232)**	(1,656)

8 Taxation

(a) Analysis of the charge in the year

	2021 £'000	2020 (restated) £'000
Current tax:		
UK corporation tax		
Current year	**837**	818
Adjustment in respect of prior years	**18**	(150)
Foreign tax		
Current year	**1,130**	356
Adjustment in respect of prior years	**(84)**	(217)
Group current tax	**1,901**	807
Deferred tax:		
Origination and reversal of timing differences		
Current year	**767**	450
Adjustment in respect of prior years	**(268)**	59
Group deferred tax (note 19)	**499**	509
Tax on profit	**2,400**	1,316

Deferred tax recognised in equity is disclosed in note 19.

8 Taxation continued

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2020: lower) than the rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 (restated) £'000
Profit before taxation	**12,052**	10,929
Tax at 19% (2020: 19%)	**2,290**	2,077
Effects of:		
Tax effect of share of results of associate and joint ventures	**(428)**	(462)
Tax effect of expenses that are not allowable in determining taxable profit	**488**	184
Tax effect of non-taxable income	**(778)**	(633)
Effects of different tax rates of foreign subsidiaries	**77**	83
Effects of changes in deferred tax rates	**990**	304
Unrecognised deferred tax on losses	**95**	71
Adjustment in respect of prior years	**(334)**	(308)
Total tax charge for the year	**2,400**	1,316

The tax effect of expenses that are not allowable in determining taxable profit includes adjustments for impairment of joint venture (note 5), share-based payments, depreciation and amortisation of non-qualifying assets, and other expenses disallowable for UK corporation tax.

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

The Group has reviewed its accounting policy following the IFRIC agenda decision in April 2021 in respect of the configuration and customisation costs previously capitalised in relation to the Group's cloud hosted ERP system. Following this review these previously capitalised costs have been expensed and amortisation previously charged on those assets has been reversed. The tax charge for year ended 29 August 2020 shown above has been restated to reflect the tax effect of this change in accounting policy. This has resulted in a reduction of £259,000 to the UK tax charge as set out in note 36.

(c) Change in corporation tax rate

On 24 May 2021, legislation was substantively enacted in the UK to increase the corporate tax rate to 25% with effect from 1 April 2023. As a result of the change, a tax charge of £990,000 was recognised for the year for the parent Company and UK tax resident subsidiaries in relation to the remeasurement of deferred tax assets and liabilities. UK deferred tax balances at 28 August 2021 are provided at 25% (2020: 19%). This charge of £990,000 does not relate to the underlying profitability of the Group and has been treated as an adjusting item (note 5).

9 Dividends

Equity	2021 £'000	2020 £'000
Second interim paid for the year ended 29 August 2020 of 2.25p per 2.5p share (2019: 1.125p)	**2,080**	1,034
Final dividend for the year ended 29 August 2020 of 2.5p per 2.5p share (2019: 2.5p)	**2,311**	2,310
First interim paid for the year ended 28 August 2021 of 1.175p per 2.5p share (2020: nil)	**1,099**	–
	5,490	3,344

Since the year end an interim dividend of £1,100,423 being 1.175p per share, has been paid. The financial statements do not reflect the dividend payable.

The proposed final dividend for the year ended 28 August 2021 to be considered by shareholders at the Annual General Meeting is £2,484,148 being 2.65p per share, making a total for the year of 5.0p (2020: 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.

The second interim dividend paid in respect of the year ended 29 August 2020 of £2,080,000 included 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.

10 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 93,123,043 shares (2020: 92,346,828) 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:

	2021		2020 (restated)	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Earnings per share – basic	**7,712**	**8.3**	8,422	9.1
Adjusting items:				
Amortisation of acquired intangible assets	**1,186**	**1.3**	1,380	1.5
Adjustments to contingent consideration	**(1,013)**	**(1.1)**	(937)	(1.0)
Restructuring/closure costs	**248**	**0.3**	1,964	2.1
Cloud configuration and customisation costs – Group	**1,356**	**1.5**	1,412	1.5
Cloud configuration and customisation costs – share of associate	**515**	**0.6**	202	0.2
Impairment of joint venture	**2,090**	**2.2**	–	–
Taxation effect of the above	**(528)**	**(0.7)**	(907)	(0.9)
Effect of increase to UK deferred tax rate – Group	**990**	**1.1**	–	–
Effect of increase to UK deferred tax rate – share of associate	**179**	**0.2**	–	–
Non-controlling interest in the above	**(433)**	**(0.5)**	(471)	(0.5)
Earnings per share – adjusted	**12,302**	**13.2**	11,065	12.0

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. The potentially dilutive Ordinary Shares, where the exercise price is less than the average market price of the Company's Ordinary Shares during the year, are disclosed in note 30.

	2021			2020 (restated)		
	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	**7,712**	**93,123,043**	**8.3**	8,422	92,346,828	9.1
Effect of dilutive securities:						
Share Save Scheme	**–**	**1,145,027**	**(0.1)**	–	978,350	(0.1)
Long Term Incentive Plan	**–**	**422,112**	**(0.1)**	–	405,866	–
Diluted earnings per share	**7,712**	**94,690,182**	**8.1**	8,422	93,731,044	9.0

	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	**12,302**	**94,690,182**	**13.0**	11,065	93,731,044	11.8

11 Goodwill and other intangible assets

	Group						
	Goodwill £'000	Customer relationships £'000	Know-how, technology and development costs £'000	Brands, patents and trademarks £'000	Contract backlog £'000	Software £'000	Total £'000
Cost							
At 1 September 2019 (restated)	35,418	3,392	2,714	3,105	250	792	45,671
Exchange differences (restated)	(836)	–	(12)	(133)	(21)	(10)	(1,012)
Additions (restated)	–	–	37	6	–	4	47
Disposals	–	–	–	–	–	(3)	(3)
At 29 August 2020 (restated)	**34,582**	**3,392**	**2,739**	**2,978**	**229**	**783**	**44,703**
Exchange differences	**(481)**	**–**	**(23)**	**(53)**	**(7)**	**(33)**	**(597)**
Additions	**–**	**–**	**–**	**3**	**–**	**104**	**107**
Reclassification	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
At 28 August 2021	**34,101**	**3,392**	**2,716**	**2,928**	**222**	**837**	**44,196**
Accumulated amortisation and impairment							
At 1 September 2019 (restated)	2,541	211	538	692	174	760	4,916
Exchange differences	–	–	(9)	(46)	(18)	(13)	(86)
Charge for the year (restated)	–	653	474	243	73	24	1,467
At 29 August 2020 (restated)	**2,541**	**864**	**1,003**	**889**	**229**	**771**	**6,297**
Exchange differences	**–**	**–**	**(4)**	**(24)**	**(7)**	**(33)**	**(68)**
Charge for the year	**–**	**546**	**467**	**230**	**–**	**13**	**1,256**
At 28 August 2021	**2,541**	**1,410**	**1,466**	**1,095**	**222**	**751**	**7,485**
Net book amount							
At 31 August 2019 (restated)	32,877	3,181	2,176	2,413	76	32	40,755
At 29 August 2020 (restated)	32,041	2,528	1,736	2,089	–	12	38,406
At 28 August 2021	**31,560**	**1,982**	**1,250**	**1,833**	**–**	**86**	**36,711**

The Group has reviewed its accounting policy following the IFRIC agenda decision in April 2021 in respect of the configuration and customisation costs previously capitalised in relation to the Group's cloud hosted ERP system. Following this review, costs previously capitalised as additions for the year ended 29 August 2020 of £1,412,000 have now been expensed and amortisation of £46,000 charged on those assets in that year has been reversed. For the year ended 31 August 2019, the Group identified £1,481,000 of cumulative costs previously capitalised that should be expensed and £41,000 of cumulative amortisation, which is to be reversed. See note 36 for further details of this prior year restatement. All of the software relating to the cloud hosted ERP system previously capitalised by the Company has been expensed with any amortisation reversed.

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:

	2021 £'000	2020 £'000
Carrs Billington Agriculture (Sales) Ltd	**5,285**	5,285
Carrs Agriculture Ltd – UK feed blocks	**2,068**	2,068
Animal Feed Supplement, Inc.	**18**	19
Wälischmiller Engineering GmbH	**5,692**	5,929
Carr's Engineering Ltd – Chirton profit centre	**2,526**	2,526
NuVision Engineering, Inc.	**7,995**	8,238
Animax Ltd	**1,742**	1,742
NW Total Engineered Solutions Ltd	**6,234**	6,234
	31,560	32,041

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

11 Goodwill and other intangible assets continued

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill is tested for impairment by estimating future cash flows from the cash generating units to which goodwill has been allocated and discounting those cash flows to their present value. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The key assumptions in this calculation are the levels of future cash flows, particularly in the perpetuity period, and the discount rate. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Cash flows are estimated using the most recent budget information for the year to August 2022, which has been approved by the Board and forecast information for the four years to August 2026 based on medium-term business plans and an assumption for long-term growth of between 0-2.2% excluding inflation. The pre-tax discount rates used to discount the forecast cash flows for all cash generating units are in the range 4.88% – 8.09% (2020: 4.82% – 8.18%).

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 the two cash generating units discussed below.

For the NuVision Engineering, Inc. cash generating unit, the estimated recoverable amount of the cash generating unit exceeded its carrying value by £4.8m 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 pre-tax discount rate and long-term growth rate. If the pre-tax discount rate assumption was increased from 7.05% to 9.32%, the recoverable amount for the cash generating unit 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 £0.9m. To trigger a material impairment, when combined with the discount rate increase, the long-term growth rate would need to decrease to -0.1%.

For the Chirton profit centre cash generating unit, the estimated recoverable amount of the cash generating unit exceeded its carrying value by £2.7m 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 pre-tax discount rate. If the pre-tax discount rate assumption was increased from 7.8% to 11.1%, the recoverable amount for the cash generating unit would be reduced to a level comparable with its carrying value. To trigger a material impairment the pre-tax discount rate would have to increase to over 15%.

Whilst the initial assessment indicated that the Wälischmiller Engineering GmbH cash generating unit might also be sensitive to movements in the discount rate and growth rate, after further analysis the Board are satisfied that this is not the case.

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 or other intangible assets in the Company (2020 restated: none).

Significant cash generating units

The table below shows the key assumptions that have been used in the impairment testing for goodwill with a significant carrying value together with sensitised assumptions required to eliminate the headroom:

	Headroom £m	Long-term average growth in EBIT[1] %	Pre-tax discount rate %	Pre-tax discount rate (sensitised)[2] %	Long-term growth rate %	Long-term growth rate (sensitised)[2] %	Cash flows (sensitised)[3] %
Cash generating unit							
NuVision Engineering, Inc.	**4.8**	**5.1**	**7.05**	**9.32**	**2.0**	**-0.5**	**-29.5**
NW Total Engineered Solutions Ltd	**22.8**	**2.1**	**7.17**	**20.75**	**2.2**	**-10.5**	**-68.3**
Wälischmiller Engineering GmbH	**14.4**	**3.0**	**8.09**	**12.18**	**1.5**	**-3.5**	**-37.8**
Carrs Billington Agriculture (Sales) Ltd	**152.6**	**2.7**	**4.88**	**19.49**	**1.8**	**-37.9**	**-78.5**
Carr's Engineering Ltd – Chirton profit centre	**2.7**	**1.9**	**7.80**	**11.10**	**–**	**-3.8**	**-24.9**
Carrs Agriculture Ltd – UK feed blocks	**105.1**	**2.0**	**5.45**	**27.15**	**1.8**	**-30.0**	**-82.0**
Animax Ltd	**23.8**	**6.3**	**5.44**	**17.45**	**1.8**	**-11.6**	**-77.3**

1 Earnings before interest and tax.
2 Rate required to eliminate headroom.
3 Percentage reduction required to cash flows to eliminate headroom.

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 1 September 2019	32,418	42,926	701	76,045	640
Exchange differences	(534)	(1,100)	(5)	(1,639)	–
Additions	502	1,815	4,045	6,362	–
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**
Exchange differences	**(529)**	**(493)**	**(65)**	**(1,087)**	**–**
Additions	**1,248**	**1,235**	**1,109**	**3,592**	**–**
Transfers from right-of-use assets	**–**	**803**	**–**	**803**	**–**
Disposals	**(21)**	**(5,108)**	**(14)**	**(5,143)**	**(365)**
Reclassifications	**898**	**1,345**	**(3,785)**	**(1,542)**	**–**
At 28 August 2021	**34,730**	**39,315**	**1,388**	**75,433**	**274**
Accumulated depreciation and impairment					
At 1 September 2019	8,473	30,247	–	38,720	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 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**
Exchange differences	**(122)**	**(386)**	**–**	**(508)**	**–**
Charge for the year	**1,046**	**2,776**	**–**	**3,822**	**33**
Transfers from right-of-use assets	**–**	**261**	**–**	**261**	**–**
Disposals	**(7)**	**(4,884)**	**–**	**(4,891)**	**(365)**
At 28 August 2021	**10,172**	**29,063**	**–**	**39,235**	**189**
Net book amount					
At 31 August 2019	23,945	12,679	701	37,325	158
At 29 August 2020	23,879	10,237	4,143	38,259	118
At 28 August 2021	**24,558**	**10,252**	**1,388**	**36,198**	**85**

During the year the classification of assets were reviewed and it was concluded that £1,542,000 of asset cost was better presented as right-of-use assets. As the asset value is not considered material comparatives have not been restated.

Balances at 1 September 2019 shown in the table above exclude finance leased assets which were transferred to right-of-use assets on adoption of IFRS 16 'Leases'.

Transfers from right-of-use assets represent finance leased assets that became owned assets on maturity of the lease term.

Freehold land amounting to £3,435,880 (2020: £3,025,704) 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 £1,396,000 (2020: £1,450,000).

Included in the above table in respect of assets held under floating charges are assets with a net book amount of £6,483,000 (2020: £7,653,000). This excludes specific assets under legal charge which are separately disclosed above.

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continued

12 Property, plant and equipment continued
Depreciation is recognised within the Consolidated Income Statement as shown below:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cost of sales	**2,613**	3,276	**–**	–
Distribution costs	**333**	10	**–**	–
Administrative expenses	**876**	1,042	**33**	40
	3,822	4,328	**33**	40

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 1 September 2019	10,096	7,128	17,224	267
Exchange differences	(74)	(1)	(75)	–
Additions	195	2,228	2,423	429
Transfers to property, plant and equipment	–	(672)	(672)	–
Disposals	(622)	(273)	(895)	(205)
At 29 August 2020	**9,595**	**8,410**	**18,005**	**491**
Exchange differences	**(24)**	**(1)**	**(25)**	**–**
Additions	**23**	**2,630**	**2,653**	**–**
Modifications	**858**	**(16)**	**842**	**–**
Transfers to property, plant and equipment	**–**	**(803)**	**(803)**	**–**
Disposals	**–**	**(135)**	**(135)**	**(13)**
Reclassifications	**–**	**1,559**	**1,559**	**–**
At 28 August 2021	**10,452**	**11,644**	**22,096**	**478**
Accumulated depreciation				
At 1 September 2019	–	1,138	1,138	–
Exchange differences	(11)	–	(11)	–
Charge for the year	1,187	1,275	2,462	96
Transfers to property, plant and equipment	–	(272)	(272)	–
Disposals	(85)	(83)	(168)	(62)
At 29 August 2020	**1,091**	**2,058**	**3,149**	**34**
Exchange differences	**(9)**	**–**	**(9)**	**–**
Charge for the year	**1,075**	**1,454**	**2,529**	**105**
Transfers to property, plant and equipment	**–**	**(261)**	**(261)**	**–**
Disposals	**–**	**(89)**	**(89)**	**(7)**
At 28 August 2021	**2,157**	**3,162**	**5,319**	**132**
Net book amount				
At 31 August 2019	10,096	5,990	16,086	267
At 29 August 2020	8,504	6,352	14,856	457
At 28 August 2021	**8,295**	**8,482**	**16,777**	**346**

Balances at 1 September 2019 shown in the table above include finance leased assets which were transferred from property, plant and equipment on adoption of IFRS 16 'Leases'.

Transfers to property, plant and equipment represent finance leased assets that became owned assets on maturity of the lease term.

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13 Right-of-use assets and lease liabilities continued

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Current liabilities	**2,967**	2,778	**98**	97
Non-current liabilities	**12,458**	11,171	**250**	354
	15,425	13,949	**348**	451

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Less than one year	**3,280**	3,204	**104**	105
One to two years	**2,766**	2,359	**97**	111
Two to three years	**2,164**	1,830	**89**	87
Three to four years	**1,675**	1,298	**73**	87
Four to five years	**1,221**	992	**–**	87
More than five years	**8,134**	8,512	**–**	–
	19,240	18,195	**363**	477

Amounts recognised in the income statement
The income statement shows the following amounts relating to leases:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Depreciation	**2,529**	2,462	**105**	96
(Profit)/loss on disposal	**–**	(37)	**–**	4
Interest expense	**476**	461	**9**	8
Short-term leases and low-value assets	**110**	111	**–**	–
	3,115	2,997	**114**	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 lease liabilities.

The total Group cash outflow for leases was £3,728,000 (2020: £3,632,000). The total Company cash outflow for leases was £107,000 (2020: £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 2021 £'000	Group 2020 £'000
Less than one year	**71**	71
One to two years	**71**	71
Two to three years	**71**	71
Three to four years	**71**	71
Four to five years	**27**	71
More than five years	**–**	27
	311	382

The Company has no income arising from leases.

14 Investment property

Group	Total £'000
Cost	
At 1 September 2019, 29 August 2020 and 28 August 2021	**299**
Accumulated depreciation	
At 1 September 2019	135
Charge for the year	6
At 29 August 2020	**141**
Charge for the year	**6**
At 28 August 2021	**147**
Net book amount	
At 31 August 2019	164
At 29 August 2020	158
At 28 August 2021	**152**

The fair value of investment properties at 28 August 2021 is £360,000 (2020: £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 (2020: none).

15 Investments

Group	Associate £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
At 1 September 2019 (restated)	13,329	9,671	85	23,085
Exchange difference	–	(238)	(3)	(241)
Share of post-tax result (restated)	989	1,442	–	2,431
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 (restated)	**14,042**	**10,551**	**82**	**24,675**
Exchange difference	**–**	**(253)**	**(1)**	**(254)**
Share of post-tax result	**831**	**1,421**	**–**	**2,252**
Share of gains/(losses) recognised directly in equity	**434**	**(64)**	**–**	**370**
Dividend paid by associate and joint ventures	**(1,039)**	**(859)**	**–**	**(1,898)**
At 28 August 2021	**14,268**	**10,796**	**81**	**25,145**
Accumulated provision for impairment				
At 1 September 2019 and at 29 August 2020	**–**	**–**	**9**	**9**
Impairment in the year	**–**	**1,314**	**–**	**1,314**
At 28 August 2021	**–**	**1,314**	**9**	**1,323**
Net book amount				
At 31 August 2019 (restated)	13,329	9,671	76	23,076
At 29 August 2020 (restated)	14,042	10,551	73	24,666
At 28 August 2021	**14,268**	**9,482**	**72**	**23,822**

Other investments comprise shares in several private limited companies.

The Group has reviewed its accounting policy following the IFRIC agenda decision in April 2021 in respect of the configuration and customisation costs previously capitalised in relation to the Group's cloud hosted ERP system. Following this review, costs previously capitalised within the Group's investment in associate for the year ended 29 August 2020 of £202,000 have now been expensed. For the year ended 31 August 2019, the Group identified £63,000 of cumulative costs previously capitalised that should be expensed. See note 36 for further details of this prior year restatement.

15 Investments continued

IAS 36, 'Impairment of assets', requires consideration of the carrying value of assets under certain circumstances to ensure that they are not carried at more than their recoverable amount. With the exception of goodwill, where an annual impairment test is required, impairment reviews are required to be carried out where there is an indicator of impairment. Indicators of impairment include worse economic performance than expected.

During the year the joint venture Afgritech LLC reported a loss and is expected to continue to underperform against budgeted information in the short to medium term. As such, the Board has carried out an impairment review of the business. The review considered the projected future performance of the business based on a range of inputs with the key assumptions noted in the table below.

Pre-tax discount rate	**4.5%**
Long-term growth rate	**0.0%**

The business assets comprise fixed assets including land and buildings together with working capital and cash balances. Land and buildings have been appraised by an independent third party to determine recoverable amount. At 28 August 2021, the Group's interest in the joint venture within investments was £1.3m together with a loan receivable of £1.6m recognised within current assets.

The results of the impairment review were considered by the Board which concluded that the Group's share of the interest in the joint venture and associated loan receivable should be impaired to a value of £0.8m, based on future discounted cash flows, being the Group's share of the business's net recoverable value. There is no related goodwill or intangible assets recognised in respect of this business. A provision for impairment has been recognised against the investment carrying amount, reducing the investment value to £nil, and a provision for impairment of £0.8m has been recognised against the loan receivable, reducing the carrying amount to £0.8m. The total impairment charge of £2.1m has been recognised separately on the face of the Group income statement and has also been included as an adjusting item (note 5). This is reported within the Speciality Agriculture segment in note 2.

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
At 1 September 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**
Share-based payment charge in respect of employees of subsidiary undertakings	**(107)**	**–**	**–**	**(107)**
At 28 August 2021	**36,454**	**245**	**272**	**36,971**
Accumulated provision for impairment				
At 1 September 2019	4,794	–	–	4,794
Dissolution of dormant subsidiary undertakings	(801)	–	–	(801)
At 29 August 2020	**3,993**	**–**	**–**	**3,993**
Impairment in the year	**–**	**–**	**100**	**100**
At 28 August 2021	**3,993**	**–**	**100**	**4,093**
Net book amount				
At 31 August 2019	26,538	245	272	27,055
At 29 August 2020	32,568	245	272	33,085
At 28 August 2021	**32,461**	**245**	**172**	**32,878**

During the year there was an impairment of £100,000 recognised against the cost of investment in Afgritech Ltd following the impairment review of its subsidiary Afgritech LLC. This impairment of £100,000 reduces the carrying amount in respect of Afgritech Ltd to £nil.

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

During the prior year the Company began the process of dissolving several dormant subsidiaries. They were officially dissolved at the start of the current year.

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16 Investment in associate

The associated undertaking at 28 August 2021 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 33% 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 £2,408,000 (2020: £nil). 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:

	2021 £'000	2020 (restated) £'000
Total assets	**43,139**	40,364
Total liabilities	**(14,020)**	(11,706)
Revenues	**137,957**	121,371
Profit after tax	**1,696**	2,019

17 Interest in joint ventures

The joint ventures at 28 August 2021 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.

17 Interest in joint ventures continued

Joint ventures are accounted for using the equity method.

At the year end the joint ventures had capital commitments of £nil (2020: £nil). No contingent liabilities exist within the joint ventures.

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

	2021 £'000	2020 £'000
Non-current assets	7,763	8,742
Current assets	10,176	8,384
Current liabilities	(6,054)	(4,977)
Non-current liabilities	(1,106)	(1,615)
Income	44,293	39,478
Expenses	(42,556)	(37,666)
Net finance cost	(49)	(88)

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.

During the year an impairment of £1,314,000 was recognised against the investment in Afgritech Ltd and its subsidiary Afgritech LLC. This is not reflected in the aggregate amounts shown in the table above.

18 Investment in subsidiary undertakings

Name	Company registration number[9]	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
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[9]	00088157	100	England[1]	UK	Property holding
Carr's International Finance Ltd[9]	10888476	100	England[1]	UK	Finance company
Animax Ltd[9]	01604213	100	England[6]	UK	Manufacture of animal health products
Animax NZ Ltd		100	New Zealand[7]	New Zealand	Distributor of animal health products
Carr's Supplements (ROI) Ltd		100	Ireland[8]	Ireland	Distributor of animal feed blocks and health products
NW Total Engineered Solutions Ltd[9]	02953309	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: 17b Farnham Street, Parnell, Auckland, 1052, 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: Shepherds Grove West, Stanton, Bury St Edmunds, Suffolk IP31 2AR.
7 Registered Office address: RSM New Zealand (Auckland), Level 2, Building 5, 60 Highbrook Drive, East Tamaki, Auckland 2013, New Zealand.
8 Registered Office address: Trinity House, Charleston Road, Ranelagh, Dublin 6, Ireland.
9 UK subsidiaries that have taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 28 August 2021. The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

18 Investment in subsidiary undertakings continued

Dormant subsidiaries are listed on page 162 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 and Animax 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	**2021 £'000**	2020 (restated) £'000
Non-current assets	**21,141**	20,972
Current assets	**70,091**	56,618
Non-current liabilities	**(6,061)**	(5,087)
Current liabilities	**(53,394)**	(41,016)
Net assets	**31,777**	31,487
Net assets attributable to non-controlling interest	**15,571**	15,429

Income statement and statement of comprehensive income	**2021 £'000**	2020 (restated) £'000
Revenue	**297,506**	280,741
Profit after tax	**3,034**	1,952
Profit after tax allocated to non-controlling interest	**1,487**	956

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

Statement of cash flows	**2021 £'000**	2020 (restated) £'000
Cash flows from operating activities	**4,049**	9,729
Cash flows from investment activities	**155**	(1,140)
Cash flows from financing activities	**(2,880)**	(17,505)
Net increase/(decrease) in cash and cash equivalents	**1,324**	(8,916)

During the year dividends of £1,647,000 (2020: £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	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Accelerated tax depreciation	**–**	–	**(3,201)**	(2,727)	**(3,201)**	(2,727)
Employee benefits	**–**	–	**(2,343)**	(1,527)	**(2,343)**	(1,527)
Other	**41**	–	**–**	(529)	**41**	(529)
Tax assets/(liabilities)	**41**	–	**(5,544)**	(4,783)	**(5,503)**	(4,783)

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

19 Deferred tax assets and liabilities continued

Movement in deferred tax during the year

	At 30 August 2020 £'000	Exchange differences £'000	Recognised in income £'000	Recognised in equity £'000	**At 28 August 2021 £'000**
Accelerated tax depreciation	(2,727)	23	(497)	–	(3,201)
Employee benefits	(1,527)	–	(515)	(301)	(2,343)
Other	(529)	24	513	33	41
	(4,783)	47	(499)	(268)	(5,503)

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.

Movement in deferred tax during the prior year

	At 1 September 2019 £'000	Exchange differences £'000	Recognised in income £'000	Recognised in equity £'000	At 29 August 2020 £'000
Accelerated tax depreciation	(2,934)	69	138	–	(2,727)
Employee benefits	(1,321)	–	(179)	(27)	(1,527)
Other	(56)	24	(468)	(29)	(529)
	(4,311)	93	(509)	(56)	(4,783)

	Assets		Liabilities		Net	
Company	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Accelerated tax depreciation	28	22	–	–	28	22
Employee benefits	–	–	(2,343)	(1,527)	(2,343)	(1,527)
Other	114	140	–	–	114	140
Tax assets/(liabilities)	142	162	(2,343)	(1,527)	(2,201)	(1,365)

Movement in deferred tax during the year

	At 30 August 2020 £'000	Recognised in income £'000	Recognised in equity £'000	**At 28 August 2021 £'000**
Accelerated tax depreciation	22	6	–	28
Employee benefits	(1,527)	(515)	(301)	(2,343)
Other	140	(52)	26	114
	(1,365)	(561)	(275)	(2,201)

Movement in deferred tax during the prior year

	At 1 September 2019 £'000	Recognised in income £'000	Recognised in equity £'000	At 29 August 2020 £'000
Accelerated tax depreciation	20	2	–	22
Employee benefits	(1,321)	(179)	(27)	(1,527)
Other	266	(101)	(25)	140
	(1,035)	(278)	(52)	(1,365)

Tax of £17,123 (2020: £41,000) 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 (2020: none).

Balances at 1 September 2019 shown in the tables above include deferred tax recognised on the adoption of IFRS 16 'Leases'.

20 Inventories

Group	2021 £'000	2020 £'000
Raw materials and consumables	**13,374**	13,268
Work in progress	**1,110**	2,351
Finished goods and goods for resale	**28,742**	25,342
	43,226	40,961

Inventories are stated after a provision for impairment of £2,202,000 (2020: £1,546,000). The amount recognised as an expense in the year in respect of the write down of inventories is £753,000 (2020: £691,000). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is £29,000 (2020: £45,000).

The cost of inventories recognised as an expense and included in cost of sales is £364,143,000 (2020: £341,791,000).

The Company has no inventories (2020: 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	2021 £'000	2020 £'000
At the beginning of the year	**8,114**	9,466
Exchange differences	**(129)**	112
Transfers from contract assets recognised at the beginning of the year to receivables	**(6,516)**	(8,080)
Increase related to services provided in the year	**6,045**	6,616
At the end of the year	**7,514**	8,114
Included within:		
Current assets	**7,202**	8,114
Non-current assets	**312**	–
	7,514	8,114

Contract liabilities	2021 £'000	2020 £'000
At the beginning of the year	**1,061**	1,269
Exchange differences	**(27)**	(58)
Revenue recognised against contract liabilities at the beginning of the year	**(994)**	(1,048)
Increase due to cash received, excluding any amounts recognised as revenue during the year	**2,407**	898
At the end of the year	**2,447**	1,061

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 (2020: none).

22 Trade and other receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Current:				
Trade receivables	**58,007**	49,077	**–**	–
Less: provision for impairment of trade receivables	**(2,003)**	(1,873)	**–**	–
Trade receivables – net	**56,004**	47,204	**–**	–
Amounts owed by Group undertakings (note 35)	**–**	–	**458**	219
Amounts owed by other related parties (note 35)	**1,646**	1,989	**871**	1,776
Other taxes and social security receivable	**1,460**	317	**–**	–
Other receivables	**1,073**	889	**476**	212
Prepayments	**1,552**	1,287	**474**	410
	61,735	51,686	**2,279**	2,617
Non-current:				
Amounts owed by Group undertakings (note 35)	**–**	–	**33,494**	34,735
Other receivables	**20**	20	**–**	–
	20	20	**33,494**	34,735

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 £164,000 (2020: £657,000) has been recognised within administrative expenses in the consolidated income statement in respect of the movement in provision for impairment of trade receivables.

During the year an impairment of £776,000 (2020: £nil) was recognised in both the Group and Company against a loan receivable due from a joint venture. This is included in the amounts owed by other related parties in the table above. Further details of the impairment can be found in note 15.

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

There are no interest bearing, non-trading amounts owed by Group undertakings within current trade and other receivables in either the current or prior period.

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.

Group	2021 Gross £'000	2021 Impairment £'000	2021 Past due but not impaired £'000	2020 Gross £'000	2020 Impairment £'000	2020 Past due but not impaired £'000
The ageing of trade receivables is as follows:						
Not past due	**38,878**	**(116)**	**N/A**	34,347	(109)	N/A
Past due 1 – 30 days	**8,791**	**(39)**	**8,752**	6,517	(28)	6,489
Past due 31 – 60 days	**3,531**	**(65)**	**3,466**	2,347	(21)	2,326
Past due 61 – 90 days	**1,684**	**(43)**	**1,641**	1,219	(15)	1,204
Past due 91 – 120 days	**954**	**(40)**	**914**	940	(12)	928
Past 121 days	**4,169**	**(1,700)**	**2,469**	3,707	(1,688)	2,019
	58,007	**(2,003)**	**17,242**	49,077	(1,873)	12,966

22 Trade and other receivables continued

The Company has no trade receivables (2020: £nil).

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 (2020: none).

	Group		Company	
	2021 £'000	2020 £'000	**2020 £'000**	2020 £'000
The carrying value of trade receivables is denominated in the following currencies:				
Sterling	**48,934**	41,416	**–**	–
US Dollar	**3,086**	1,960	**–**	–
Euro	**2,850**	2,955	**–**	–
New Zealand Dollar	**1,134**	870	**–**	–
Other	**–**	3	**–**	–
	56,004	47,204	**–**	–

23 Current tax assets

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Corporation tax recoverable	**2,669**	2,068	**1,851**	1,474
Group taxation relief	**–**	–	**735**	543
	2,669	2,068	**2,586**	2,017

24 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash and cash equivalents per the balance sheet	**24,309**	17,571	**11,063**	7,984
Bank overdrafts (note 26)	**(4,613)**	(7,267)	**–**	–
Cash and cash equivalents per the statement of cash flows	**19,696**	10,304	**11,063**	7,984

25 Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current:				
Trade payables	**16,269**	16,669	**744**	550
Amounts owed to Group undertakings (note 35)	**–**	–	**11**	2
Amounts owed to other related parties (note 35)	**23,144**	19,820	**1**	–
Other taxes and social security payable	**1,697**	2,524	**409**	543
Contingent, deferred and unpaid cash consideration	**1,320**	2,169	**–**	–
Other payables	**2,823**	9,270	**116**	171
Accruals	**24,268**	5,065	**1,114**	394
Deferred income	**5**	5	**–**	–
	69,526	55,522	**2,395**	1,660
Non-current:				
Contingent consideration	**–**	1,276	**–**	–
Deferred income	**55**	109	**–**	–
	55	1,385	**–**	–

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, £1,320,000 (2020: £2,169,000) of these outstanding payables are recognised within current liabilities and £nil (2020: £1,276,000) are recognised within non-current liabilities.

Deferred income comprises government grants as follows:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At the beginning of the year	**114**	169	**–**	–
Amortisation in the year	**(54)**	(55)	**–**	–
At the end of the year	**60**	114	**–**	–
Included within:				
Current liabilities	**5**	5	**–**	–
Non-current liabilities	**55**	109	**–**	–
	60	114	**–**	–

26 Borrowings

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Current:				
Bank overdrafts	**4,613**	7,267	**–**	–
Bank loans and other borrowings	**6,500**	4,153	**2,341**	2,340
Loans from Group undertakings (note 35)	**–**	–	**–**	110
	11,113	11,420	**2,341**	2,450
Non-current:				
Bank loans	**23,159**	25,021	**21,906**	22,947
	23,159	25,021	**21,906**	22,947
Borrowings are repayable as follows:				
On demand or within one year	**11,113**	11,420	**2,341**	2,450
In the second year	**1,570**	3,106	**1,153**	2,340
In the third to fifth years inclusive	**21,589**	21,915	**20,753**	20,607
	34,272	36,441	**24,247**	25,397

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £121,000 (2020: £181,000) of which £60,000 (2020: £60,000) is deducted from current liabilities and £61,000 (2020: £121,000) is deducted from non-current liabilities.

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
The net borrowings are:				
Borrowings as above	**34,272**	36,441	**24,247**	25,397
Cash and cash equivalents	**(24,309)**	(17,571)	**(11,063)**	(7,984)
Net borrowings	**9,963**	18,870	**13,184**	17,413

Bank loans and other borrowings includes an amount of £2,456,000 (2020: £62,000) 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 £19.6m (2020: £18.3m) which is repayable in November 2023. At the year end the Group had £9.0m of undrawn revolving credit facilities (2020: £10.3m).

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	2021 Sterling £'000	2021 US Dollar £'000	2021 Euro £'000	2021 NZ Dollar £'000	2021 Total £'000	2020 Sterling £'000	2020 US Dollar £'000	2020 Euro £'000	2020 NZ Dollar £'000	2020 Other £'000	2020 Total £'000
Assets											
Other investments	50	22	–	–	72	50	22	1	–	–	73
Non-current contract assets	312	–	–	–	312	–	–	–	–	–	–
Non-current receivables	–	20	–	–	20	–	20	–	–	–	20
Current contract assets	4,001	1,122	2,079	–	7,202	4,407	1,850	1,857	–	–	8,114
Current trade and other receivables	51,175	3,503	2,911	1,134	58,723	43,055	3,182	2,972	870	3	50,082
Current derivatives	–	–	–	–	–	–	–	3	–	–	3
Cash and cash equivalents	14,506	5,664	4,048	91	24,309	10,228	4,625	2,231	487	–	17,571
	70,044	10,331	9,038	1,225	90,638	57,740	9,699	7,064	1,357	3	75,863
Liabilities											
Current borrowings	9,319	91	1,703	–	11,113	9,430	648	1,342	–	–	11,420
Current leases	2,691	260	16	–	2,967	2,514	264	–	–	–	2,778
Contract liabilities	1,573	295	579	–	2,447	377	418	266	–	–	1,061
Current trade and other payables	61,805	3,545	2,339	135	67,824	47,169	3,565	2,098	161	–	52,993
Non-current borrowings	17,337	–	5,822	–	23,159	18,179	329	6,513	–	–	25,021
Non-current leases	12,146	275	37	–	12,458	10,869	302	–	–	–	11,171
Other non-current liabilities	–	–	–	–	–	1,276	–	–	–	–	1,276
	104,871	4,466	10,496	135	119,968	89,814	5,526	10,219	161	–	105,720

Company	2021 Sterling £'000	2021 US Dollar £'000	2021 Euro £'000	2021 Total £'000	2020 Sterling £'000	2020 US Dollar £'000	2020 Euro £'000	2020 Total £'000
Assets								
Non-current receivables	12,192	14,574	6,728	33,494	11,329	15,018	8,388	34,735
Current trade and other receivables	1,406	399	–	1,805	999	1,208	–	2,207
Cash and cash equivalents	9,612	1,191	260	11,063	6,832	634	518	7,984
	23,210	16,164	6,988	46,362	19,160	16,860	8,906	44,926
Liabilities								
Current borrowings	2,341	–	–	2,341	2,450	–	–	2,450
Current leases	98	–	–	98	97	–	–	97
Current trade and other payables	1,986	–	–	1,986	1,117	–	–	1,117
Non-current borrowings	17,338	–	4,568	21,906	18,178	–	4,769	22,947
Non-current leases	250	–	–	250	354	–	–	354
	22,013	–	4,568	26,581	22,196	–	4,769	26,965

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% (2020: 10%) weakening or strengthening in Sterling against other currencies represents reasonable possible changes.

	2021		2020	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
Impact on profit after taxation	969	(793)	784	(641)
Impact on total equity	5,649	(4,661)	5,602	(4,584)

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.

	2021		2020	
Group borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank overdrafts	1.84	4,613	1.87	7,267
Bank loans and other borrowings	1.74	29,659	1.68	29,174
		34,272		36,441
Fixed rate		1,671		2,483
Floating rate		32,601		33,958
		34,272		36,441

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	Bank of England base rate + 1.67%; Bank of England base rate + 1.77%; Euribor + 1.7%; Bank of England base rate + 1.15% margin

	2021		2020	
Company borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank loans	1.79	24,247	1.69	25,287
Loans from Group undertakings	–	–	–	110
Floating rate		24,247		25,397

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

Bank loans	Bank of England base rate + 1.67%; Bank of England base rate + 1.77%; 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% (2020: 1%) movement in interest rates represents a reasonable possible change.

	2021 1% decrease £'000	2021 1% increase £'000	2020 1% decrease £'000	2020 1% increase £'000
Impact on profit after taxation	**396**	**(396)**	542	(542)
Impact on total equity	**396**	**(396)**	542	(542)

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.

Group	2021 Total £'000	2021 Within one year £'000	2021 One to two years £'000	2021 Two to five years £'000	2020 Total £'000	2020 Within one year £'000	2020 One to two years £'000	2020 Two to five years £'000
Bank overdrafts	**4,613**	**4,613**	**–**	**–**	7,267	7,267	–	–
Bank loans and other borrowings	**30,651**	**6,975**	**1,990**	**21,686**	30,639	4,668	3,563	22,408
Contract liabilities	**2,447**	**2,447**	**–**	**–**	1,061	1,061	–	–
Trade and other payables	**67,824**	**67,824**	**–**	**–**	52,993	52,993	–	–
Other non-current liabilities	**–**	**–**	**–**	**–**	1,320	–	1,320	–
	105,535	**81,859**	**1,990**	**21,686**	93,280	65,989	4,883	22,408

Company	2021 Total £'000	2021 Within one year £'000	2021 One to two years £'000	2021 Two to five years £'000	2020 Total £'000	2020 Within one year £'000	2020 One to two years £'000	2020 Two to five years £'000
Bank loans	**25,167**	**2,785**	**1,551**	**20,831**	26,629	2,808	2,764	21,057
Loans from Group undertakings	**–**	**–**	**–**	**–**	110	110	–	–
Trade and other payables	**1,986**	**1,986**	**–**	**–**	1,117	1,117	–	–
	27,153	**4,771**	**1,551**	**20,831**	27,856	4,035	2,764	21,057

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 28 August 2021, in respect of which all conditions precedent had been met, were as follows:

	2021 Floating rate £'000	2020 Floating rate £'000
Expiring in one year or less	**6,379**	6,883
Expiring within two and five years inclusive	**29,617**	28,200
	35,996	35,083

Undrawn facilities include overdraft facilities of £2.5m (2020: £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, excluding leases, 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 28 August 2021, the Group had net debt of £10.0m (2020: £18.9m). Based on net debt, gearing was 7.4% at the year end (2020: restated 14.3%).

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.

27 Derivatives and other financial instruments continued

The significant unobservable inputs are the projections of future profitability, which have been based on the budget for the year to August 2022, and the discount rate, which has been based on the incremental borrowing rate. At 28 August 2021, all of the remaining contingent consideration payable is included within current liabilities and has therefore not been discounted. In respect of the prior year, a reasonable change in the discount rate applied would not have had a material impact on the balances recognised within non-current liabilities. The range of possible outcomes for the contingent consideration payable would be between £nil and £1,320,000.

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).

	2021 **£'000**	2020 £'000
Fair value at the beginning of the year	**3,422**	7,954
Exchange differences	**(12)**	(184)
Payments made to vendors (including legal costs)	**(1,077)**	(2,513)
Change in fair value	**(1,013)**	(1,835)
Fair value at the end of the year	**1,320**	3,422

The change in fair value has been included as an adjusting item (note 5).

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 £36,000 (2020: £112,000) was recognised in equity during the year on translation of US Dollar denominated loans with a fair value of $1,608,000 (2020: $1,608,000) to Sterling. A foreign exchange pre-tax gain of £201,000 (2020: £58,000) was recognised in equity during the year on translation of Euro denominated loans with a fair value of €5,330,000 (2020: €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:

	2021		2020	
Group	**Fair value £'000**	**Contractual or notional amount £'000**	Fair value £'000	Contractual or notional amount £'000
At the beginning of the year	**3**	**105**	–	–
(Losses)/gains during the year	**(3)**	**(105)**	3	105
At the end of the year – included within current assets	**–**	**–**	3	105

The Company has no forward foreign currency contracts (2020: none).

Fair value has been determined by reference to the value of equivalent forward foreign currency contracts 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 (2020: £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 2020 and updated on an approximate basis to 28 August 2021 by a qualified independent actuary.

Major assumptions:

	2021 **%**	2020 %
Inflation (RPI)	**3.30**	2.90
Inflation (CPI)	**2.60**	2.00
Rate of discount	**1.70**	1.80
Pension in payment increases:		
RPI or 5.0% per annum if less	**3.30**	2.90
RPI or 5.0% per annum if less, minimum 3.0% per annum	**3.30**	3.50

The assumption for CPI has been derived by making an adjustment for the expected long-term gap between RPI and CPI. This has generally been viewed as more credible than fixing the assumption based on the Bank of England CPI inflation target. This may change going forward, especially from 2030, when RPI will be aligned with CPIH.

The assumed RPI/CPI gap as at 28 August 2021 has been adjusted down to 0.7% from 0.9% at 29 August 2020. This broadly reflects retention of a 0.9% p.a. assumed gap before 2030 and 0% p.a. gap thereafter, suitably weighted to reflect the scheme's exposure to CPI liabilities in the period before non-pensioner members' retirement and, given the maturity of the population, is significantly weighted to the period before 2030.

The mortality tables used in the valuation as at 28 August 2021 are 100% of 2019 Vita Curves for males and females with allowance for mortality improvements using CMI_2020 with a 1.25% p.a. underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 28 August 2021:

	At **28 August** **2021**	At 29 August 2020
Males currently age 45	**23.1 years**	23.1 years
Females currently age 45	**25.6 years**	25.3 years
Males currently age 65	**21.8 years**	21.8 years
Females currently age 65	**24.1 years**	23.7 years

28 Retirement benefits continued

No adjustments have been made to mortality assumptions at the year end to reflect the potential effects of COVID-19 as the actual plan experience is not yet available and it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. The mortality experience analysis for the scheme will be carried out in the future as part of the 31 December 2023 funding valuation for the Carr's Group Pension Scheme.

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

	2021 £'000	2020 £'000
Administrative expenses	18	13
Net interest on the net defined benefit asset	(147)	(139)
Total income	(129)	(126)

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

	2021 £'000	2020 £'000
Within operating profit:		
Administrative expenses	18	13
Within interest:		
Finance income	(147)	(139)
Total income	(129)	(126)

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

	2021 £'000	2020 £'000
Actual gains and losses arising from changes in:		
Financial assumptions	(3,265)	422
Demographic assumptions	314	173
Experience adjustments	(220)	–
Return on assets, excluding interest income	4,376	(453)
Total remeasurement of the net defined benefit asset	1,205	142

Amounts included in the Balance Sheet:

	2021 £'000	2020 £'000
Present value of funded defined benefit obligations	(66,254)	(65,834)
Fair value of scheme assets	75,625	73,871
Surplus in funded scheme	9,371	8,037

28 Retirement benefits continued

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

	2021 £'000	2020 £'000
Benefit obligation at the beginning of the year	**65,834**	68,037
Interest cost	**1,150**	1,199
Net measurement losses/(gains) – financial	**3,265**	(422)
Net measurement gains – demographic	**(314)**	(173)
Net measurement losses – experience	**220**	–
Benefits paid	**(3,901)**	(2,807)
Benefit obligation at the end of the year	**66,254**	65,834

Benefit obligation by participant status:

	2021 £'000	2020 £'000
Vested deferred	**19,602**	22,615
Retirees	**46,652**	43,219
	66,254	65,834

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

	2021 £'000	2020 £'000
Fair value of scheme assets at the beginning of the year	**73,871**	75,806
Interest income on scheme assets	**1,297**	1,338
Return on assets, excluding interest income	**4,376**	(453)
Benefits paid	**(3,901)**	(2,807)
Scheme administrative cost	**(18)**	(13)
Fair value of scheme assets at the end of the year	**75,625**	73,871

Analysis of the scheme assets and actual return:

	Fair value of assets	
	2021 £'000	2020 £'000
Equity instruments	**10,247**	11,563
Property	**2,561**	2,328
Bonds	**57,759**	52,274
Cash	**2,625**	5,360
Other	**2,433**	2,346
	75,625	73,871
Actual return on scheme assets	**5,673**	885

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	**68,572**
	+25 basis points	**64,060**
Price inflation rate	-25 basis points	**64,540**
	+25 basis points	**67,395**
Post-retirement mortality assumption	-1 year age rating	**69,581**
	+1 year age rating	**63,027**

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 14 years (2020: 16 years).

Expected cash flows for the following year:

	£'000
Expected employer contributions	**–**
Expected contributions to reimbursement rights	**–**
Expected total benefit payments by the scheme:	
Year 1	**4,021**
Year 2	**4,146**
Year 3	**4,275**
Year 4	**4,407**
Year 5	**4,544**
Next 5 years	**24,925**

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 2020, being the date of the most recent finalised actuarial valuation, the scheme funding valuation of the Scheme revealed a surplus of £2.3m equating to a funding level of 103%. On a solvency basis the scheme had a deficit of £10.0m, equating to a funding level of 88%. 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 2022 are expected to be £nil. The next full triennial actuarial valuation will be as at 31 December 2023, 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 2024–2028. 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 £1,909,000 (2020: £1,815,000).

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 £5.4m (2020: £3.5m). 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 (2020: £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.

Other pension schemes

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £565,000 (2020: £581,000).

Pension contributions into NEST during the year amounted to £92,000 (2020: £95,000).

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 £16,000 (2020: £31,000).

Other pension-related expenses

During the year the Group incurred expenses associated with pension schemes, including death in service insurance policy premiums, of £142,000 (2020: £148,000).

29 Share capital

	2021		2020	
Group and Company	**Shares**	**£'000**	Shares	£'000
Allotted and fully paid Ordinary Shares of 2.5p each:				
At the beginning of the year	**92,465,833**	**2,312**	91,942,005	2,299
Allotment of shares	**1,254,292**	**31**	523,828	13
At the end of the year	**93,720,125**	**2,343**	92,465,833	2,312

The table above includes no (2020: 41,352) shares held in Treasury.

The consideration received on the allotment of shares during the year was £1,010,438 (2020: £23,688).

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

Since the year end 21,295 shares have been allotted with a nominal value of £532 due to the exercise of share options.

Purchases of the Company's own shares are included as cash flows from financing activities within the Consolidated and Company Statements of Cash Flows. The prior year presentation remains unchanged on the grounds of immateriality.

30 Share-based payments

Group

The Group operates three active share-based payment schemes at 28 August 2021.

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 2018, November 2019 and November 2020 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 2020	Long Term Incentive Plan November 2019	Long Term Incentive Plan December 2018	Share Save Scheme (3-Year Plan 2021)	Share Save Scheme (3-Year Plan 2020)	Share Save Scheme (3-Year Plan 2019)
Grant date	23/11/20	11/11/19	19/12/18	21/12/20	16/12/19	17/12/18
Share price at grant date (weighted average)	£1.25	£1.43	£1.485	£1.275	£1.565	£1.44
Exercise price (weighted average)	£0.00	£0.00	£0.00	£1.02	£1.223	£1.275
Fair value per option at grant	£1.102	£1.277	£1.348	£0.37	£0.46	£0.36
Number of employees at grant	7	8	8	216	157	153
Shares under option at grant	721,437	610,464	579,788	1,176,886	508,407	420,851
Vesting period (years)	3	3	3	3	3	3
Model used for valuation	Market value*	Market value*	Market value*	Black-Scholes	Black-Scholes	Black-Scholes
Expected volatility	–	–	–	41.3%	36.4%	34.8%
Option life (years)	10	10	10	3.65	3.65	3.65
Expected life (years)	6.5	6.5	6.5	3.4	3.4	3.4
Risk-free rate	–	–	–	-0.07%	0.61%	0.81%
Expected dividends expressed as a dividend yield	1.81%	2.33%	2.05%	3.73%	3.04%	2.56%
Expectations of vesting	45%	0%	0%	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 2020 Number '000	Long Term Incentive Plan November 2019 Number '000	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Share Save Scheme (3-Year Plan 2021) Number '000	Share Save Scheme (3-Year Plan 2020) Number '000	Share Save Scheme (3-Year Plan 2019) Number '000
Outstanding:							
At 1 September 2019	–	–	580	612	–	–	378
Granted in the year	–	610	–	–	–	508	–
Forfeited in the year	–	–	–	–	–	(57)	(52)
At 29 August 2020	–	610	580	612	–	451	326
Granted in the year	721	–	–	–	1,177	–	–
Exercised in the year	–	–	–	(310)	–	(1)	(1)
Forfeited in the year	–	(55)	(52)	(302)	(95)	(95)	(62)
At 28 August 2021	**721**	**555**	**528**	**–**	**1,082**	**355**	**263**
Exercisable:							
At 29 August 2020	–	–	–	–	–	–	–
At 28 August 2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average:							
Remaining contractual life (years)	9	8	7	6	3.07	2.07	1.07
Remaining expected life (years)	5.50	4.50	3.50	2.50	2.82	1.82	0.82

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

	2021 £'000	2020 £'000
Deferred Bonus Share Plan 2021	119	–
Deferred Bonus Share Plan 2020	17	–
Deferred Bonus Share Plan 2019	–	(13)
Deferred Bonus Share Plan 2018	(11)	–
Long Term Incentive Plan November 2020	105	–
Long Term Incentive Plan December 2018	–	(175)
Long Term Incentive Plan December 2017	11	(121)
Share Save Scheme (3-Year Plan 2021)	84	–
Share Save Scheme (3-Year Plan 2020)	75	55
Share Save Scheme (3-Year Plan 2019)	23	42
Share Save Scheme (3-Year Plan 2018)	41	75
	464	(137)

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 2020 Number '000	Long Term Incentive Plan November 2019 Number '000	Long Term Incentive Plan December 2018 Number '000	Long Term Incentive Plan December 2017 Number '000	Share Save Scheme (3-Year Plan 2021) Number '000	Share Save Scheme (3-Year Plan 2020) Number '000	Share Save Scheme (3-Year Plan 2019) Number '000
Outstanding:							
At 1 September 2019	–	–	470	486	–	–	58
Granted in the year	–	443	–	–	–	42	–
Forfeited in the year	–	–	–	–	–	–	(23)
At 29 August 2020	–	443	470	486	–	42	35
Granted in the year	588	–	–	–	157	–	–
Exercised in the year	–	–	–	(251)	–	–	–
Forfeited in the year	–	–	(52)	(235)	–	(8)	(18)
At 28 August 2021	**588**	**443**	**418**	**–**	**157**	**34**	**17**
Exercisable:							
At 29 August 2020	–	–	–	–	–	–	–
At 28 August 2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average:							
Remaining contractual life (years)	9	8	7	6	3.07	2.07	1.07
Remaining expected life (years)	5.50	4.50	3.50	2.50	2.82	1.82	0.82

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

	2021 £'000	2020 £'000
Deferred Bonus Share Plan 2021	119	–
Deferred Bonus Share Plan 2020	17	–
Deferred Bonus Share Plan 2019	–	(13)
Deferred Bonus Share Plan 2018	(11)	–
Long Term Incentive Plan November 2020	83	–
Long Term Incentive Plan December 2018	–	(133)
Long Term Incentive Plan December 2017	(2)	(80)
Share Save Scheme (3-Year Plan 2021)	13	–
Share Save Scheme (3-Year Plan 2020)	10	12
Share Save Scheme (3-Year Plan 2019)	2	7
Share Save Scheme (3-Year Plan 2018)	9	18
	240	(189)

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

	2021 £'000	2020 £'000
Long Term Incentive Plan November 2020	22	–
Long Term Incentive Plan December 2017	–	53
Share Save Scheme (3-Year Plan 2021)	61	–
Share Save Scheme (3-Year Plan 2020)	70	33
Share Save Scheme (3-Year Plan 2019)	66	49
Share Save Scheme (3-Year Plan 2018)	–	191
Total carrying amount of investments	**219**	326

31 Cash generated from/(used in) continuing operations

	Group 2021 £'000	Group 2020 (restated) £'000	Company 2021 £'000	Company 2020 (restated) £'000
Profit for the year from continuing operations	**9,652**	9,613	**6,261**	6,773
Adjustments for:				
Tax	**2,400**	1,316	**(8)**	(256)
Tax credit in respect of R&D	**(260)**	(250)	**–**	–
Dividends received from subsidiaries	**–**	–	**(8,248)**	(14,016)
Dividends received from associate	**–**	–	**(1,039)**	(588)
Depreciation and impairment of property, plant and equipment	**3,822**	4,567	**33**	40
Depreciation of right-of-use assets	**2,529**	2,462	**105**	96
Depreciation of investment property	**6**	6	**–**	–
Intangible asset amortisation	**1,256**	1,467	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(144)**	265	**–**	–
(Profit)/loss on disposal of right-of-use assets	**–**	(37)	**–**	4
Loss on dissolution of dormant subsidiaries	**–**	–	**–**	5,337
Adjustments to contingent consideration	**(1,013)**	(937)	**–**	–
Net fair value charge/(credit) on share-based payments	**464**	(137)	**240**	(189)
Release of loan provision	**–**	(783)	**–**	–
Other non-cash adjustments	**(600)**	(504)	**637**	1,624
Finance costs:				
Interest income	**(260)**	(313)	**(1,593)**	(1,911)
Interest expense and borrowing costs	**1,292**	1,716	**531**	750
Share of results of associate and joint ventures	**(2,252)**	(2,431)	**–**	–
Impairment of joint venture (Company: impairment of loan receivable)	**2,090**	–	**876**	–
IAS 19 income statement charge (excluding interest):				
Administrative expenses (note 28)	**18**	13	**18**	13
Changes in working capital (excluding the effects of acquisitions):				
(Increase)/decrease in inventories	**(2,679)**	4,811	**–**	–
(Increase)/decrease in receivables	**(10,606)**	3,862	**(471)**	637
Increase/(decrease) in payables	**16,448**	(3,479)	**749**	(834)
Cash generated from/(used in) continuing operations	**22,163**	21,227	**(1,909)**	(2,520)

32 Analysis of net debt and leases

Group	At 30 August 2020 £'000	**Cash flow £'000**	**Other non-cash changes £'000**	**Exchange movements £'000**	**At 28 August 2021 £'000**
Cash and cash equivalents	17,571	**7,034**	**–**	**(296)**	**24,309**
Bank overdrafts	(7,267)	**2,654**	**–**	**–**	**(4,613)**
	10,304	**9,688**	**–**	**(296)**	**19,696**
Loans and other borrowings:					
– Current	(4,153)	**(3,920)**	**1,514**	**59**	**(6,500)**
– Non-current	(25,021)	**900**	**685**	**277**	**(23,159)**
Net debt	(18,870)	**6,668**	**2,199**	**40**	**(9,963)**
Leases:					
– Current	(2,778)	**–**	**(189)**	**–**	**(2,967)**
– Non-current	(11,171)	**3,252**	**(4,556)**	**17**	**(12,458)**
Leases	(13,949)	**3,252**	**(4,745)**	**17**	**(15,425)**

Other non-cash changes in net debt relate to the release of a loan forgiven by the lender, amounts reclassified as leases and the release of deferred borrowing costs to the consolidated income statement. For leases, these relate to new leases entered into during the year.

32 Analysis of net debt and leases continued

Company	At 30 August 2020 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 28 August 2021 £'000
Cash and cash equivalents	7,984	3,116	–	(37)	11,063
Loans and other borrowings:					
– Current	(2,450)	110	–	(1)	(2,341)
– Non-current	(22,947)	900	(60)	201	(21,906)
Net debt	(17,413)	4,126	(60)	163	(13,184)
Leases:					
– Current	(97)	–	(1)	–	(98)
– Non-current	(354)	98	6	–	(250)
Leases	(451)	98	5	–	(348)

Other non-cash changes in net debt relate to the release of deferred borrowing costs to the income statement.

33 Capital commitments

Group	2021 £'000	2020 £'000
Capital expenditure on property, plant and equipment that has been contracted for but has not been provided for in the accounts	1,164	860

The Company has no capital commitments (2020: none).

34 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 28 August 2021 amounted to £2,674,000 (2020: £5,973,000).

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 28 August 2021 was £3,098,000 (2020: £5,635,000).

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 £14,788,000 (2020: £14,314,000) and as at 28 August 2021 £359,000 (2020: £933,000) 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 28 August 2021, the cumulative rent payable over the remaining term of the lease is £728,000 (2020: £932,000).

The Company has entered into a guarantee with the Trustees of the Carrs Billington Agriculture Pension Scheme in respect of the punctual payment of obligations due to the pension scheme by the participating employers of the scheme. The Company's total liability shall not exceed £1,500,000 (2020: £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 (2020: £6.6m).

Certain UK subsidiaries have taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 28 August 2021. The Company will guarantee the debts and liabilities of these subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. Details of the subsidiaries taking audit exemption are included in note 18. The Company has assessed the probability of loss under the guarantee as remote.

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

35 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 and note 6.

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Balances reported in the Balance Sheet				
Amounts owed by businesses controlled by key management personnel (in a trading capacity):				
Trade and other receivables	**379**	104	**–**	–
Trade and other payables	**(1)**	–	**(1)**	–
Transactions reported in the Income Statement				
Revenue	**405**	474	**–**	–
Purchases	**(5)**	–	**(5)**	–

Transactions with subsidiaries

	Company	
	2021 £'000	2020 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Loans	**33,494**	34,735
Other receivables	**458**	219
	33,952	34,954
Amounts owed to subsidiary undertakings:		
Loans	**–**	(110)
Other payables	**(11)**	(2)
	(11)	(112)
Transactions reported in the Income Statement		
Management charges receivable	**3,400**	2,857
Dividends received	**8,248**	14,016
Interest receivable	**1,372**	1,653
Purchases	**(1)**	(1)

35 Related parties continued

Transactions with associate

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Balances reported in the Balance Sheet				
Amounts owed by associate:				
Trade and other receivables	**205**	246	**70**	169
Amounts owed to associate:				
Trade and other payables	**(23,128)**	(19,815)	**–**	–
Transactions reported in the Income Statement				
Revenue	**1,039**	514	**–**	–
Rental income	**20**	20	**–**	–
Management charges receivable	**109**	106	**109**	106
Dividends received	**–**	–	**1,039**	588
Management charges payable	**(171)**	(253)	**–**	–
Purchases	**(120,593)**	(106,072)	**–**	–

Transactions with joint ventures

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**1,062**	1,639	**801**	1,607
Amounts owed to joint ventures:				
Trade and other payables	**(15)**	(5)	**–**	–

Included within Group and Company trade and other receivables is £793,000 (2020: £1,605,000) in respect of loans owed by joint ventures. A provision for impairment of £776,000 (note 22) has been recognised in the year by both the Group and Company against the loan receivable. The amounts included in the table above are net of this provision for impairment.

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Transactions reported in the Income Statement				
Revenue	**895**	417	**–**	–
Management charges receivable	**162**	166	**–**	–
Purchases	**(408)**	(200)	**–**	–

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 is accounted for under IFRS 16 and at the year end the lease liability included in the consolidated balance sheet was £1,047,000 (2020: £1,114,000). Lease payments made in the year were £98,000 (2020: £98,000).

36 Prior year restatement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

36 Prior year restatement continued

Following the publication of this agenda decision the Group and Company has reviewed its accounting policy for the capitalisation of costs incurred in respect of the configuration and customisation of its cloud hosted ERP system which has been implemented recently across several of the Group's businesses. In determining whether a change in accounting policy is required the Group has considered whether the cost of configuration and customisation activities create a resource controlled by the Group that is separate to the software. Control is demonstrated if the entity has the power to obtain future economic benefits and also has the ability to restrict access of others to those benefits.

The Board concluded that the Group did not meet the definition of having control over the asset and that the configuration and customisation costs did not relate to a separately identifiable asset under IAS 38. It has therefore revised its accounting policy to align with the IFRIC guidance. This revision has been accounted for retrospectively resulting in a prior year restatement.

The Group identified £2,894,000 of capitalised costs incurred by the parent Company and its subsidiaries in the years up to and including 29 August 2020 that should be expensed with a further £667,000 in its associate's balance sheet, of which the Group recognises 49%. During the current year, costs of £1,356,000 incurred by the parent Company and its subsidiaries have been expensed. The associate incurred costs of £1,297,000 during the current year, of which the Group recognises 49%, which have been expensed and recognised through the Group's share of post-tax results of associate.

The affected financial statement line items for the Group are as follows.

	29 August 2020 (previously reported) £'000	Restatement £'000	29 August 2020 (restated) £'000
Income Statement			
Administrative expenses	(21,535)	(1,366)	(22,901)
Adjusted share of results of associate	1,191	-	1,191
Reported share of results of associate	1,191	(202)	989
Adjusted operating profit	16,247	46	16,293
Reported operating profit	13,840	(1,568)	12,272
Adjusted profit before taxation	14,904	46	14,950
Reported profit before taxation	12,497	(1,568)	10,929
Taxation	(1,575)	259	(1,316)
Adjusted profit for the year	12,690	37	12,727
Reported profit for the year	10,922	(1,309)	9,613
Basic EPS (pence)	10.3	(1.2)	9.1
Diluted EPS (pence)	10.2	(1.2)	9.0
Adjusted EPS (pence)	11.9	0.1	12.0
Balance Sheet			
Other intangible assets	9,171	(2,806)	6,365
Investment in associate	14,307	(265)	14,042
Total non-current assets	127,473	(3,071)	124,402
Current tax assets	1,535	533	2,068
Total current assets	119,870	533	120,403
Total assets	247,343	(2,538)	244,805
Net assets	134,169	(2,538)	131,631
Retained earnings	101,202	(2,295)	98,907
Total shareholders' equity	117,126	(2,295)	114,831
Non-controlling interests	17,043	(243)	16,800
Total equity	134,169	(2,538)	131,631
Cash Flow Statement			
Cash generated from continuing operations	22,639	(1,412)	21,227
Net cash generated from operating activities	18,060	(1,412)	16,648
Purchase of intangible assets	(1,459)	1,412	(47)
Net cash used in investing activities	(8,905)	1,412	(7,493)

Notes to the Financial Statements
continued

36 Prior year restatement continued

The affected financial statement line items for the parent Company are as follows.

	29 August 2020 (previously reported) £'000	Restatement £'000	29 August 2020 (restated) £'000
Balance Sheet			
Other intangible assets	334	(334)	-
Total non-current assets	76,766	(334)	76,432
Current tax assets	1,954	63	2,017
Total current assets	12,555	63	12,618
Total assets	89,321	(271)	89,050
Net assets	60,448	(271)	60,177
Retained earnings	48,180	(271)	47,909
Total shareholders' equity	60,448	(271)	60,177
Total equity	60,448	(271)	60,177

In accordance with IAS 1, a third balance sheet has been presented below to show the impact to the opening balance sheet for the prior year. The Group identified £1,481,000 of costs previously capitalised as at 1 September 2019 in respect of the cloud hosted ERP system that should be expensed and £41,000 of amortisation to be reversed. In addition the Group's investment in associate has been restated to reflect the Group's share of costs of £159,000 capitalised by the associate as at 1 September 2019 that should be expensed.

The opening balance sheet of the prior year has been restated to correct for these. Balances at 1 September 2019 are those disclosed after the application of IFRS 16 'Leases' which was adjusted prospectively on adoption. The affected financial statement line items are as follows.

Group	1 September 2019 (previously reported) £'000	Restatement £'000	1 September 2019 (restated) £'000
Balance Sheet			
Other intangible assets	9,318	(1,440)	7,878
Investment in associate	13,392	(63)	13,329
Total non-current assets	127,110	(1,503)	125,607
Total assets	267,068	(1,503)	265,565
Current tax liabilities	(1,010)	274	(736)
Total current liabilities	(90,177)	274	(89,903)
Total liabilities	(137,520)	274	(137,246)
Net assets	129,548	(1,229)	128,319
Retained earnings	93,933	(1,184)	92,749
Total shareholders' equity	113,319	(1,184)	112,135
Non-controlling interests	16,229	(45)	16,184
Total equity	129,548	(1,229)	128,319

Company	1 September 2019 (previously reported) £'000	Restatement £'000	1 September 2019 (restated) £'000
Balance Sheet			
Other intangible assets	376	(376)	-
Total non-current assets	52,323	(376)	51,947
Current tax assets	840	71	911
Total current assets	43,803	71	43,874
Total assets	96,126	(305)	95,821
Net assets	57,346	(305)	57,041
Retained earnings	44,189	(305)	43,884
Total shareholders' equity	57,346	(305)	57,041
Total equity	57,346	(305)	57,041

Five-Year Statement

Continuing operations Revenue and results	(Restated)[1,2] 2017 £'000	(Restated)[2] 2018 £'000	(Restated)[2] 2019 £'000	(Restated)[2] 2020 £'000	2021 £'000
Revenue	346,224	403,192	403,905	395,630	**417,254**
Operating profit	10,573	16,194	16,020	12,272	**13,024**
Analysed as:					
Adjusted operating profit	12,091	17,464	18,971	16,293	**17,585**
Adjusting items	(1,518)	(1,270)	(2,951)	(4,021)	**(4,561)**
Operating profit	10,573	16,194	16,020	12,272	**13,024**
Finance income	176	358	463	313	**260**
Finance costs	(864)	(1,261)	(1,349)	(1,656)	**(1,232)**
Profit before taxation	9,885	15,291	15,134	10,929	**12,052**
Analysed as:					
Adjusted profit before taxation	11,403	16,561	18,085	14,950	**16,613**
Adjusting items	(1,518)	(1,270)	(2,951)	(4,021)	**(4,561)**
Profit before taxation	9,885	15,291	15,134	10,929	**12,052**
Taxation	(1,685)	(1,815)	(2,473)	(1,316)	**(2,400)**
Profit for the year	8,200	13,476	12,661	9,613	**9,652**
Analysed as:					
Adjusted profit for the year	9,608	14,646	15,025	12,727	**14,675**
Adjusting items	(1,408)	(1,170)	(2,364)	(3,114)	**(5,023)**
Profit for the year	8,200	13,476	12,661	9,613	**9,652**
Ratios (continuing operations)					
Operating margin (excluding adjusting items)[1]	3.5%	4.3%	4.7%	4.1%	**4.2%**
Return on net assets (excluding adjusting items)	10.8%	13.7%	14.1%	11.4%	**12.3%**
Earnings per share – basic	7.6p	12.8p	12.1p	9.1p	**8.3p**
– adjusted	8.9p	13.9p	14.6p	12.0p	**13.2p**
Dividends per ordinary share	4.0p	4.5p	4.75p	4.75p	**5.0p**

1 Restated for the reclassification to operating profit of the share of post-tax results of the associate and joint ventures.
2 Restated for the change in accounting policy for configuration and customisation costs incurred in implementing Software-as-a-Service (Saas).

Five-Year Statement
continued

Net assets employed	(Restated)[1,2] 2017 £'000	(Restated)[2] 2018 £'000	(Restated)[2,3] 2019 £'000	(Restated)[2] 2020 £'000	**2021 £'000**
Non-current assets					
Goodwill	24,293	24,272	32,877	32,041	**31,560**
Other intangible assets	2,149	1,895	7,878	6,365	**5,151**
Property, plant and equipment	37,149	38,484	37,325	38,259	**36,198**
Right-of-use assets	–	–	16,086	14,856	**16,777**
Investment property	176	170	164	158	**152**
Investments	18,106	21,207	23,076	24,666	**23,822**
Contract assets	–	–	–	–	**312**
Financial assets					
– Non-current receivables	444	21	22	20	**20**
Retirement benefit asset	5,209	10,146	7,769	8,037	**9,371**
Deferred tax assets	–	–	410	–	**–**
	87,526	96,195	125,607	124,402	**123,363**
Current assets					
Inventories	37,023	42,371	46,270	40,961	**43,226**
Contract assets	–	–	9,466	8,114	**7,202**
Trade and other receivables	59,723	67,516	55,573	51,686	**61,735**
Current tax assets	319	181	–	2,068	**2,669**
Financial assets					
– Derivative financial instruments	13	26	–	3	**–**
– Cash and cash equivalents	23,887	24,632	28,649	17,571	**24,309**
	120,965	134,726	139,958	120,403	**139,141**
Total assets	208,491	230,921	265,565	244,805	**262,504**
Current liabilities					
Financial liabilities					
– Borrowings	(17,060)	(34,994)	(22,673)	(11,420)	**(11,113)**
– Leases	–	–	(2,801)	(2,778)	**(2,967)**
– Derivative financial instruments	(18)	–	–	–	**–**
Contract liabilities	–	–	(1,269)	(1,061)	**(2,447)**
Trade and other payables	(56,181)	(64,290)	(62,424)	(55,522)	**(69,526)**
Current tax liabilities	(673)	(175)	(736)	(33)	**(42)**
	(73,932)	(99,459)	(89,903)	(70,814)	**(86,095)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(20,966)	(4,997)	(26,846)	(25,021)	**(23,159)**
– Leases	–	–	(12,777)	(11,171)	**(12,458)**
Deferred tax liabilities	(4,010)	(3,981)	(4,721)	(4,783)	**(5,503)**
Other non-current liabilities	(3,755)	(1,784)	(2,999)	(1,385)	**(55)**
	(28,731)	(10,762)	(47,343)	(42,360)	**(41,175)**
Total liabilities	(102,663)	(110,221)	(137,246)	(113,174)	**(127,270)**
Net assets	105,828	120,700	128,319	131,631	**135,234**

1 Restated for the finalisation of the fair value acquisition accounting for NuVision Engineering, Inc.
2 Restated for the change in accounting policy for configuration and customisation costs incurred in implementing Software-as-a-Service (Saas).
3 Restated for the adoption of IFRS 16 'Leases'.

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 are also used in assessing performance under the Group's incentive plans. Therefore the Directors believe that these APMs provide stakeholders with additional useful information on the Group's performance.

Alternative performance measure	Definition and comments
EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and before share of post-tax results of the associate and joint ventures. 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 EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets, before 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 profit for the year	Profit after taxation after adding back items regarded by the Directors as adjusting items. This measure is reconciled to statutory profit after taxation in the income statement. 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 as per the balance sheet. 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

	2021 £'000	2020 £'000	Change
Reported and underlying revenue	**417,254**	395,630	+5.5%

Free cash flow

	2021 £'000	2020 (Restated) £'000	Change
Cash generated from operating activities per the consolidated statement of cash flows	**18,897**	16,648	+13.5%
Maintenance capital expenditure	**(1,628)**	(3,960)	
Free cash flow	**17,269**	12,688	+36.1%

Gross margin

	2021 £'000	2020 £'000	Change
Reported revenue	**417,254**	395,630	+5.5%
Reported gross profit	**52,080**	52,249	
Gross profit as a percentage of revenue	**12.5%**	13.2%	

Adjusted Group operating margin

	2021 £'000	2020 (restated) £'000	Change
Reported operating profit	**13,024**	12,272	+6.1%
Adjusting items (note 5)	**4,561**	4,021	
Adjusted operating profit	**17,585**	16,293	+7.9%
Reported revenue	**417,254**	395,630	
Adjusted operating profit as a percentage of reported revenue	**4.2%**	4.1%	

Return on net assets

	2021 £'000	2020 (restated) £'000	Change
Reported profit before taxation	**12,052**	10,929	+10.3%
Adjusting items (note 5)	**4,561**	4,021	
Adjusted profit before taxation	**16,613**	14,950	+11.1%
Net assets per the consolidated balance sheet	**135,234**	131,631	
Adjusted profit before taxation as a percentage of net assets	**12.3%**	11.4%	

Ratio of net debt to EBITDA

	2021 £'000	2020 £'000	Change
Adjusted EBITDA (note 2)	**20,922**	20,771	+0.7%
Net debt (note 32)	**9,963**	18,870	
Ratio of net debt to adjusted EBITDA	**0.48**	0.91	

Directory of Operations

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

AGRICULTURAL SUPPLIES

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

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

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

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

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

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

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

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

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

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

Carr's Billington Agriculture Brock
Brockholes Way, Claughton on Brock, Preston
PR3 0PZ
Tel: 01995 643 200

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SPECIALITY 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

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

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

ENGINEERING

Bendalls Engineering
Brunthill Road, Kingstown Industrial Estate, Carlisle
CA3 0EH
Tel: 01228 815 350

Carr's 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

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

* joint venture company
** associate company

Dormant Subsidiaries

Company Name	Registered and Located	Ownership
Carr's Group Corporate Trustee Ltd	England and Wales	100%
Chirton Engineering Ltd	England and Wales	100%
Clinimax Ltd	England and Wales	100%
Conegar S.A.	Uruguay	100%
Horse and Pet Warehouse Ltd	Scotland	51%[1]
Paul Chuter Agricultural Services Ltd	England and Wales	51%[1]
Pearson Farm Supplies Ltd	England and Wales	51%[1]
Phoenix Feeds Ltd	England and Wales	51%[1]

1 100% owned by Carrs Billington Agriculture (Sales) Ltd which is a 51% subsidiary of Carr's Group plc.

Companies registered in England and Wales have a registered office of Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA with the exception of Clinimax Ltd which has a registered office of Shepherds Grove West, Stanton, Bury St Edmunds, Suffolk IP31 2AR. Horse and Pet Warehouse Ltd has a registered office of 1a Whitfield Drive, Heathfield Ind. Est., Ayr KA8 9RX. Conegar S.A. has a registered office of Juncal 1305, Piso 18, Montevideo, Uruguay.

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
Virgin Money
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 plc
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 Group
10th Floor,
Central Square,
29 Wellington Street,
Leeds
LS1 4DL

Notes

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Carr's Group plc
Old Croft
Stanwix
Carlisle CA3 9BA
United Kingdom