FOCUS IMPROVE DELIVER

Annual Report & Accounts

2023

INDUSTRY-LEADING SPECIALISTS IN ENGINEERING AND AGRICULTURE

OUR PURPOSE

We are committed to optimising the value of our assets, capitalising on increasing global demand, and advancing our clean energy initiatives.

"The disposal of our Agricultural Supplies division has enabled Carr's to focus on its Speciality Agriculture and Engineering divisions and made available funding for strategic growth and investment, thereby enabling us to build upon our industry-leading positions in these two higher margin divisions."

David White
Chief Executive Officer

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

2023 HIGHLIGHTS

REVENUE GROWTH DEMONSTRATES RESILIENCE IN CHALLENGING MARKETS

FINANCIAL (CONTINUING OPERATIONS)

The sale of the Group's Agricultural Supplies division completed on 26 October 2022. All commentary and figures in this 2023 Annual Report and Accounts relate solely to continuing operations, except where otherwise stated.

Revenue
+15.3%
£143.2m

Adjusted Operating Profit
-33.2%
£8.0m

Reported Operating Profit
-76.3%
£2.0m

Year end Engineering order book
+47.0%
£59.8m

Adjusted Profit Before Tax
-33.2%
£7.5m

Reported Profit Before Tax
-80.1%
£1.5m

Dividend Per Share
No movement on prior year figure
5.2p

Adjusted Earnings Per Share
-38.0%
6.2p

Basic Earnings Per Share
-93.8%
0.4p

AT A GLANCE

INDUSTRY-LEADING SPECIALISTS

Carr's is an international leader in manufacturing value added products and solutions, with market-leading brands and robust market positions in Agriculture and Engineering, supplying customers around the world. Carr's operates a business model that empowers its operating subsidiaries enabling them to be competitive, agile, and effective in their individual markets whilst setting overall standards and goals.

The sale of the Group's Agricultural Supplies division completed on 26 October 2022. All commentary and figures in this 2023 Annual Report and Accounts relate solely to continuing operations, except where otherwise stated.

The Group is managed in two divisions:

SPECIALITY AGRICULTURE

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

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

Revenue

£92.6m

Adjusted Operating Profit

£5.6m

Reported Operating Profit

£2.3m

Speciality Agriculture Locations

6	3	1
USA	UK	Germany

Agriculture and Energy represent two of the world's most challenging industries in terms of impact on the environment. Carr's delivers products and solutions that enable these sectors to maximise the benefits of their business activities, to address long-standing sustainability issues, and to mitigate adverse environmental impacts.

ENGINEERING

The Engineering division manufactures vessels, precision components and remote handling systems, and provides specialist engineering services, for the nuclear, defence, and oil and gas industries.

- 7 sites across the UK, USA and Europe
- Patented processes and innovative solutions
- Customer-focused delivery
- Industry-leading accreditation and quality assurance
- Global customer base

Revenue
£50.6m

Adjusted Operating Profit
£5.3m

Reported Operating Profit
£3.0m

Engineering Locations

2	4	1
USA	UK	Germany

CHAIR'S STATEMENT

WE INTEND TO FOCUS, IMPROVE, AND DELIVER OPTIMAL SHAREHOLDER VALUE THROUGH EFFECTIVE LEADERSHIP

Review of the year

Since I became Chair in February 2023, I have seen first hand the professionalism, focus and dedication of the teams working hard to achieve the Group's aims. Though I joined at a difficult time, the Company having recently disposed of its Agricultural Supplies division and suffering a delayed audit which had caused its shares to be suspended and a delay in payment of the final dividend, I have a sense of renewed optimism and purpose.

The order book for the Engineering division is at an all-time high – some 47% up on this time last year; and the pipeline of opportunities across our portfolio is inspiring, both in home and in overseas markets. Meanwhile, the Speciality Agriculture businesses, though facing the headwinds of drought impacts in pasture-fed USA markets, alongside the economic downturn particularly impacting UK markets, have strong brands, compelling intellectual property and opportunities to penetrate new markets, to enhance productivity and to move up the value chain. The leadership team to drive the division's dynamism and delivery across these opportunities is coming together at pace.

I have been able to visit our Ayr site, which has established a very successful reach particularly into Scottish markets for Scotmin Nutrition, and our Silloth site. Our customers recognise the quality and value they get from our products and Carr's is proud that so many of these customers see our products as a staple to supporting their agricultural businesses. We are particularly pleased with the progress in manufacturing our bolus, Tracesure™, at our Animax site outside Bury St Edmunds. Automation has been implemented, productivity gains are, therefore, significant, whilst product licensing approval has been won for EU markets. Marketing and technical support is now being rolled out to drive market take-up of this exciting product across the Group's ruminant animal businesses.

I have also had the opportunity to visit the Sellafield nuclear site, and have seen our contributions to the operations in action – specialised fluidics pumps that deal with nuclear slurry, robotic arms to move nuclear materials safely, precision engineered containers to store and transport nuclear waste – allowing me to better understand the breadth and scale of Carr's applications at this location. Similarly, I had the privilege of being invited to see the division's work at BAE's submarine construction site at Barrrow in Furness and, though I cannot be specific about all that we do there, I was extraordinarily impressed. Across at North Shields I saw the contribution the division makes to keeping the country's North Sea assets safe – our high-speed manufacturing site there produces the emergency shut-off devices that deploy in the event that a well head needs to be urgently shut down.

There is much to be proud of across our businesses – not least the Engineering division's acclaimed apprenticeship initiatives, which drive the quality and availability of upcoming talent not just for the Carr's businesses but more widely too. This is local stakeholder engagement of truly impactful meaning. The complexities and diversities of our businesses are as inspiring as they are challenging and we intend to focus, improve, and deliver optimal shareholder value through effective leadership at both operational and Board level and we approach the next chapter with adaptability and unity.

Sale of the Agricultural Supplies division

The year saw the completion of the sale of all of our holdings in the Agricultural Supplies division to co-owners Edward Billington & Son Ltd. 98% of the shareholder votes at a General Meeting of the Company on 19 September 2022 were in favour of the sale, which completed on 26 October 2022, and we received the final payment of consideration in October 2023, bringing the total received by the Company to £29.9m, before the deduction of £0.8m in respect of property rental terms agreed with Billington Group.

FY22 year-end process

As noted in the 2022 Annual Report and Accounts there were significant challenges during the FY22 year-end process that impacted the Carr's team and the external auditor, Grant Thornton UK LLP. We have extensively reviewed our internal and external processes and real progress has been made in FY23.

Dividends

The Board is proposing a final dividend of 2.85 pence per share which, together with the two interim dividends, makes a total dividend of 5.20 pence per share for the full year, the same as the prior year (2022: 5.20 pence).

Subject to approval by shareholders at the Annual General Meeting of the Company to take place in February 2024, the final dividend will be paid on 1 March 2024, to shareholders on the register at close of business on 26 January 2024 and the shares will go ex-dividend on 25 January 2024.

In order to reduce administrative costs and bring the Company in-line with the majority of the stock market, the Board is proposing to move to a twice-yearly dividend payment – an initial interim dividend anticipated to be declared at the time of the Group's interim results, typically in April and payable in June, and then a final dividend anticipated to be declared at the time of the Group's preliminary results, typically in December and payable following approval at the Company's Annual General Meeting.

Strategy

The order book value is an encouraging sign of the Engineering division's success and our attention will remain focused on contracts with key customers, pipeline opportunities and on optimising our production capacity across all locations. Efficiency, sustainability, speed, and resource allocation will remain key considerations as we capitalise on this strong business, and drive profitability.

The agricultural landscape requires specific focus to take advantage of available markets, product applications, opportunities to move up the value chain and to optimise productivity gains. We are operating in a number of mature markets with established competitors, which means maintaining our market share demands astuteness in branding, pricing, innovation and business development.

Our position in the agricultural and the engineering markets aligns with our Environmental, Social, and Governance commitments and enables the Group to seize opportunities in areas like clean energy, global demand for sustainable protein and emissions reduction. These imperatives guide our path forward.

CHAIR'S STATEMENT CONTINUED

Board

During FY23 new Executive and Non-Executive Directors were appointed to the Board, bringing fresh perspectives and insights.

Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors from 1 September 2022. I became Non-Executive Chair on 21 February 2023 and took over from Peter Page who stepped down as Executive Chair and, as announced on 5 August 2022, took the role of Chief Executive Officer. Peter stepped down from the Board and left the Group on 17 November 2023. We thank Peter for his commitment to the Group over his tenure and wish him all the best in his future endeavours.

As announced on 13 November 2023, David White was appointed by the Board as Chief Executive Officer with effect from 17 November 2023 having completed an orderly handover from Peter Page. David joined the Group in January 2023 and became part of the Board on 21 February 2023 as Chief Financial Officer, taking over from Neil Austin who left the Group in February 2023 to take up a new role. David has been succeeded in the role of Chief Financial Officer by Gavin Manson with effect from 13 November 2023. Gavin is not a member of the Board but will attend Board meetings by invitation. Martin Rowland, who was appointed to the Board as Non-Executive Director on 6 March 2023 as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood, was appointed Executive Director of Transformation with effect from 13 November 2023.

We have also recently welcomed Gillian Watson to the Board. Gillian joined as Non-Executive Director on 9 October 2023 and has succeeded John Worby as Senior Independent Director. John retired from the Board on 31 October 2023 after almost nine years of diligent service for which he is warmly thanked. Company Secretary and Legal Director Matthew Ratcliffe left the Group on 22 September 2023 to take up a new role and is succeeded by Justin Richards who joined us on 25 September 2023 as our new Company Secretary and Legal Director.

Further details of Board and Committee membership during FY23 can be found in the Nomination Committee Report on pages 67 to 71 (inclusive).

Stakeholder engagement and statement on Section 172 of the Companies Act 2006

Stakeholder engagement is an important aspect of our business. Section 172 of the Companies Act 2006 requires the Directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. Directors understand the importance of taking into account the views of stakeholders and the impact of the Company's activities on local communities, the environment, including climate change, and the Group's reputation. To find out more about how stakeholders were taken into account in decision-making, please see below and pages 62 to 66 (inclusive) of the Corporate Governance Report which includes our Section 172 statement on page 66.

General Meetings of the Company provide an opportunity to engage with shareholders in person. In FY23 we held a General Meeting in relation to the disposal of the Agricultural Supplies division. On 27 February 2023 we held our Annual General Meeting which was well attended by shareholders, and another General Meeting followed on 2 May 2023 to, amongst other matters, approve the delayed 2022 Annual Report and Accounts. Details of the voting at the February Annual General Meeting and the General Meeting held in May can be found on our website www.carrsgroup-ir.com/content/rns-alerts/corporate_news/020523b.

Aside from these formal meetings, during the past year we have engaged with shareholders on matters such as changes to long term incentive plan performance measures and the Remuneration Policy. We also consulted on executive remuneration following our General Meeting in May. Whilst our Remuneration Report was approved by a majority at the General Meeting, there were several shareholders who voted against approval.

The Chair of the Remuneration Committee conducted an engagement process from which useful feedback was received and our response has been published on our website. For further details see pages 79 and 80. It is important that the Chair and other Directors are accessible to shareholders so we can benefit from the dialogue, challenge and exchange of views. The Board is happy to engage with shareholders at any time on a one-to-one level and proactively engage with shareholders to keep them up to date when appropriate to do so.

During the year, the Non-Executive Directors visited different sites around the Group and met with members of the senior leadership team. Peter Page also spent significant time at the operational sites during the year meeting with employees, customers, and strategic partners. This regular engagement with current and prospective customers ranged from farmers at UK and US trade events and distributors at international trade shows to site visits in the UK, USA and Japan. We also maintain contact with external research and development organisations and educational institutions, ranging from the UK Atomic Energy Authority, agriculture faculties of US and UK universities and local colleges for skills training.

Environmental, Social and Governance

We continue to make good progress to capture our data to identify climate-related risks and opportunities, as well as initiatives at each of our sites to reduce our impact on the environment. The establishment of the Environmental Steering Group, as well as the Green Teams at each of our sites has ensured that environmental and social matters are given focus throughout the organisation. Our governance structure supports this approach and we ensure that responsible policies and practices underpin our business. Further details can be found on pages 25 to 44 (inclusive).

Through our operations in different sectors we positively contribute to global efforts to reduce the impact on the environment. Our involvement in the nuclear industry contributes to the global demand for sustainable power businesses, and our Speciality Agriculture product range complements grass-based systems which play such a crucial role in carbon sequestration.

People

As always, the business depends on the goodwill and commitment of all colleagues. The whole Board is very grateful for everyone's contribution during a year of internal change following the sale of the Agricultural Supplies division, extraordinary challenges in agricultural markets and significant progress on several fronts in the Engineering division.

Outlook

The Group's capacity to address current challenges and to harness the potential of our brands is strong. We understand the importance of resilience, patience, and adaptability in navigating the ebbs and flows of the market. We are committed to optimising the value of our assets, capitalising on increasing global demand, and advancing our clean energy initiatives.

Tim Jones
Chair

20 December 2023

FOCUS, IMPROVE, DELIVER THROUGH SPECIALIST MARKET POSITIONS

ENGINEERING

The Engineering division is well placed to grow earnings with its strong reputation in the nuclear sector, supported by private and public sector commitment to energy security. New opportunities include the emerging nuclear medicine sector and high-value long-term research projects in subatomic particle physics and nuclear fusion technologies.

The Engineering businesses have a strong presence in international markets, particularly the USA, UK, EU, and Japan. Now at £59.8m, the value of confirmed orders has grown by approximately 51% in the past two years, to exceed the current value of annual sales.

The following are important trends in the markets in which the Engineering division operates.

	Nuclear clean-up	Increased focus on energy security	Use of robotics in nuclear environments and medicine	Increased investment in the defence sector
What is happening?	The UK's nuclear clean-up programme, centred on Sellafield, Cumbria, is one of the largest engineering infrastructure projects in Europe. Disposal and storage of nuclear waste is a priority for the nuclear sector worldwide.	With a growing emphasis on energy security and reducing dependence on imported energy, utility companies and governments are investing to extend the operational lifespan of existing nuclear facilities.	Robotics continues to play an increasing role in engineering. Debris removal from inaccessible, high-radiation, high-risk environments requires specialised robotic equipment. In the global nuclear medicine market, specialist robotics are designed to handle small quantities of isotopes in the growing applications of nuclear medicine.	Significant defence initiatives have been announced recently, including confirmation that the first generation of AUKUS nuclear submarines will be built in the UK and Australia. The UK government has confirmed that these will be built by BAE Systems and Rolls-Royce.
What this means for Carr's	Carr's is well placed as part of the Programme and Project Partners arrangement for accredited local businesses, which has already delivered projects for Sellafield. Bendall's Engineering is a founding member of the Cumbria Manufacturing Alliance, a collaborative network of local businesses working together to support Sellafield from the surrounding area, while Carr's MSM continues to supply master slave manipulators on multiple projects.	Our patented MSIP® technology has been globally deployed for over 30 years, maintaining assets by proactively preventing stress cracking or repairing existing cracks in welds in situ, saving operators downtime and considerable cost.	Our established, globally recognised businesses in the UK and Germany continue to develop new products capable of meeting the needs of the nuclear industry across the globe. Production is set to commence next year at Japan's Reprocessing Center Rokkasho, a facility which has already placed orders with Wälischmiller, building on our reputation as a market-leading supplier. Our newer products, like the A150 (a versatile and lightweight solution designed for isotope handling) and the Lirob® (the first fully remote-controlled robot designed for the nuclear medicine sector) underline our commitment to evolve as required to support our customers.	Our experience of work and existing accreditation in the defence sector leaves our UK businesses well positioned to support these critical government-led initiatives.

SPECIALITY AGRICULTURE

The Speciality Agriculture division is expected to recover and grow earnings in the medium term as recent, temporary, but significant adverse events in existing markets of the UK, Ireland, USA, Europe, and New Zealand recede.

Each business has a strong presence in these markets with brands that are recognised and trusted by customers. Growth will be linked to broader trends in ruminant agriculture.

The following are important trends in the markets in which the Speciality Agriculture division operates.

	Growth in pasture and grass-based nutrition	Emissions control	The reduction in antibiotic use	Data management to optimise productivity
What is happening?	Recent years have seen significant increases in energy costs, which, when coupled with high costs of compound feeds, have seen a tightening of margins in intensive, confined cattle management systems. Grass-based nutrition can be a low-input option available for beef, lamb, and dairy operations worldwide, which helps livestock managers maximise returns from their herds.	Livestock agriculture is addressing its carbon footprint, including methane gas emissions, in various ways.	The UN and many other public agencies discourage the use of antibiotics to compensate for poor hygiene or animal management.	Using low-cost grass inputs to optimise productivity in herds, including liveweight gain and carcase quality, as well as reproductive efficiency in calving intervals and lambing percentages, is fundamental to sustainable livestock farming. Data monitoring systems allow farmers to accurately assess performance of inputs and optimise productivity.
What this means for Carr's	Our Speciality Agriculture products complement grass-based systems by providing crucial supplements, minerals and trace elements that ensure a balanced diet to optimise livestock metabolism.	The current ranges of Speciality Agriculture products help to limit emissions by optimising productivity and boosting liveweight gain. Products that reduce exhaled methane offer further opportunities in this area, while our transition to biodegradable tubs in the US will reduce plastics use and emissions associated with reusable containers.	Balanced nutrition programmes are required to ensure healthy livestock and can help manage symptoms of infections. Carr's feed blocks and boluses provide crucial supplements, minerals, and trace elements to ensure a balanced diet.	Feed blocks and boluses are management inputs that can be used to provide a balanced diet for optimal livestock performance.

FOCUS ON VALUE FOR OUR STAKEHOLDERS

Business strategy

Carr's Group operates through two divisions, Speciality Agriculture and Engineering. The Group invests in people and assets to grow businesses in both divisions, with the focus on adding value through innovative products and solutions.

ENGINEERING

What we do

Our Engineering division provides customers predominantly in the nuclear power and defence sectors with specialist fabrication and precision engineering, robotics, and engineering solutions across seven sites in the UK, USA and Europe. This multidisciplined expert division has a strong reputation across the engineering market which is reflected in the strong order book currently in place.

By providing patented processes and innovative solutions alongside highly skilled fabrication techniques our Engineering division has become a go-to for specialist advice and support across the world. The engineering companies are especially well regarded in the growing nuclear market as governments seek to improve energy security and reduce the dependence on fossil fuels. The nuclear market, the defence industry as well as the oil and gas industry, have confidence in our Engineering division due to their industry accreditations and quality assurance awards.

The businesses strive for excellence in all aspects of the products and services they deliver and remain focused on the continual improvement of their design and production capabilities.

How we do it

The fabrication and precision engineering businesses operate through two facilities across the north of England specialising in equipment to be supplied into regulated markets including electro-mechanical machinery, process equipment packages, pressure vessels and special purpose fabrications. We also supply a range of on-site technical services through teams of highly qualified personnel.

With one facility in the UK and one in Germany the global robotics businesses collectively design, manufacture and supply a broad range of complex robotic and remote handling equipment. These highly innovative products are delivered predominantly into nuclear markets and are designed to withstand radioactive and other challenging environments. Through sustained investment in research and development we ensure that our robotics business remains at the forefront of remote handling technology and that our products continue to provide innovative solutions for our global customer base.

From our site in the UK and our sites in the USA, we offer a range of engineering applications and technical services which provide innovative solutions across global nuclear industries. These services include our patent protected Mechanical Stress Improvement Process (MSIP®), Power Fluidics™ technology and a range of decontamination services which are supplied to utilities, OEMs and government contractors worldwide.

Products:

Robotic manipulators and remote handling equipment, life-of-plant extension technologies, radiation protection and decontamination services, design and specialist fabrication, and precision machining.

Key brands:

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

Locations:

The division operates from four sites in the UK, two in the USA and one in Germany.

Customers:

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

Our global markets:

We supply into highly regulated markets including:

Nuclear decommissioning

Nuclear power generation

Nuclear medicine

Defence

Oil and gas

SPECIALITY AGRICULTURE

What we do

Through its production of boluses and feed blocks, the Speciality Agriculture division enables farmers to optimise forage and grass-based nutrition systems, and by doing so, we support their ability to raise healthy animals in an efficient, high welfare environment and in a responsible way. We provide this support by producing nutritional supplements which release the appropriate quantities into the animal at the correct time.

Despite difficult market conditions at the present time, Speciality Agriculture's products create value for all our stakeholders with tried and tested formulas which continue to develop and improve.

We are a market leader with globally respected brands because our products are developed by industry experts and trusted to deliver positive results within the animals. Speciality Agriculture has developed several patented products and unique manufacturing processes which cannot be replicated by our competitors. Every product produced and sent to market by this division is underpinned by expert research to ensure that the products deliver the very best quality and outcome to the customer.

How we do it

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

Our feed blocks are manufactured at a variety of wholly owned and joint-venture facilities located across the UK, Germany and the USA. We manufacture boluses from a wholly owned facility in the UK. These products are supplied through a large distribution network across the UK, Europe, Australasia and North America.

Products:

Feed blocks, minerals and boluses containing trace elements and minerals for livestock.

Key brands:

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

Locations:

Patented products are manufactured from three sites in the UK, six sites in the USA and one site in Germany.

Customers:

Farmers across the UK, Europe, North America and Australasia supplied through an extensive global distribution and support network.

What makes it happen

Talented people

With 660 people employed worldwide we are improving and developing talent and skills across the globe.

Culture and ethics

Our focus on continual improvement which values ethical behaviours to deliver the best results remains strong, and we are committed to ensuring that our businesses remain ethically and sustainably managed.

Expert knowledge

Our businesses possess a globally recognised wealth of specialist knowledge and their focus on delivering innovation and technology underpins our products and solutions.

Global network

We remain committed to deliver quality products and services to our existing customers, as we continue to focus on potential for growth internationally.

Investment

We create and deliver quality and value through continued investment in our existing businesses and people.

Long-term, trusted relationships

We remain focused on our longstanding and trusted relationships which are founded upon the quality of our offering, our organisational culture, and our levels of customer service.

Who we create value for

Employees

Our employees benefit from our training and development offering and enhanced engagement initiatives.

Environment

We are taking steps to minimise our environmental impact and improve our practices to become a net zero organisation by 2050.

Communities

Across the Group we support charitable initiatives and the communities in which we operate.

Partners

We build and maintain close relationships with a range of trusted strategic partners across the UK, the USA and Europe.

Customers

We provide our well-established and expanding customer base with leading product ranges and excellent service levels.

Investors

Our strategy is designed to deliver sustainable growth. During the last five years, we have increased the dividends we pay to investors by 16%.

STRATEGY

Our strategy is built upon our three core pillars:

FOCUS
IMPROVE
DELIVER

The Future – The management team is focussed on improving the performance of the Speciality Agriculture division and optimising the success of the Engineering division. Having divested the Agricultural Supplies division and transitioned all associated activities, the Board is now confident that shareholder value will be created in both divisions, through capitalising on revenue growth opportunities, driving down costs and delivering efficiencies throughout the markets in which we operate.

ENGINEERING

Focus:

The businesses that form the Engineering division have strong reputations in the nuclear, oil and gas and defence sectors built on market-leading capabilities, particularly in robotics, high-specification fabrication and bespoke engineering solutions. Our facilities located in the UK, Germany and the United States have allowed these businesses to develop strong customer relationships across the world.

Improve:

These capabilities provide a strong foundation for the division to deliver growth in both the immediate future and in the long term. Global government support for new nuclear assets remains strong, while decommissioning of existing facilities gathers pace. The International Atomic Energy Authority expects almost half of the 423 nuclear power reactors the world relies on today to enter the decommissioning process by 2050. The services and products our businesses deliver have become superbly positioned as exemplars in support of this activity through strong customer relationships and ongoing business development work.

Deliver:

With an order book of £59.8m at the end of FY23, up almost 50% on the previous year, the Engineering division is already capitalising on the reputation for service and delivery excellence earned over many years. The experienced leadership of the division is supported by strong technical capability and excellent customer relationships, to support a substantial pipeline of opportunities. Delivering on this will rely on optimising our existing production capacities and utilising the strong financial position of the Group to allow businesses to bid for larger contracts which are becoming increasingly common. As the businesses grow, so too does the demand for skilled employees, which makes schemes like our Skills Academy in Carlisle so critical to developing in-house capability to deliver these projects in the medium and long term.

SPECIALITY AGRICULTURE

Focus:

The Speciality Agriculture division supplies nutritional supplements to customers in the UK, Europe, North America and New Zealand. Our market-leading brands are supplied to beef, dairy, sheep, deer and equine customers, produced in facilities across the UK, Germany and the United States.

Improve:

While the current trading environment is challenging, medium and longer-term market dynamics will help to support the increase in sales volumes, through a combination of a recovery and further penetration in existing markets, together with the benefits of enhanced product development, supported by a new, strengthened leadership team. Pasture-based farming remains a key component of global agricultural markets and our products have long-term proven benefits to these management systems, with our feed blocks and boluses both supporting improved performance in grass-based nutrition programmes. Further developing these market-leading products will increase the resilience of the division against future trading conditions.

Deliver:

Our products are category leaders in many of the markets in which we operate. Delivering our existing products cost-effectively, while developing complementary solutions to meet customers' needs will be critical in increasing our share in markets in which we are already well-established. We are making progress in this area, with the automation of our bolus manufacturing site in the UK delivering increased production capacity while removing inefficiencies through that process. Delivering further supply chain and production efficiencies will allow the Speciality Agriculture division to navigate current trading conditions and be well-placed for future growth. A new leadership team bringing relevant external expertise will lead the transformation of the division, enhancing our capabilities, strengthening our brands yet further and ensuring we are able to meet the evolving needs of farmers in all our key markets.

CHIEF EXECUTIVE'S REVIEW

During the financial year ended 2 September 2023 revenues increased 15.3% to £143.2m (FY22: £124.2m). Adjusted operating profit for the Group of £8.0m (FY22: £11.9m) was 33.2% down on the prior year. Adjusted profit before tax reduced by 33.2% to £7.5m (FY22: £11.2m). Adjusted earnings per share for continuing operations decreased by 38.0% to 6.2p (FY22: 10.0p) for the year.

All figures and the commentary set out on the following pages relate solely to continuing operations, except where otherwise stated.

Divisional Review: Engineering

The Engineering division comprises specialist fabrication and precision engineering businesses in the UK, robotics businesses in the UK, Europe and USA, and engineering solutions businesses in the UK and USA.

Revenue performance in the division was ahead of the prior year with a particularly strong H2 performance delivering a 24% increase in adjusted operating profit, following a slower H1.

The order book strengthened during the year, with £59.8m recorded at the year end, significantly ahead of the FY22 year-end position of £40.6m. This improved position will support performance in FY24 and FY25.

Fabrication and precision engineering revenues were up 16% in the period, supported by continued high activity in the nuclear sector, including an £8.4m contract to deliver instrument cabinets and shielding blocks to one of Sellafield's new-build major infrastructure projects, and strong order intake from the oil and gas sector.

Revenues in the robotics business were less than last year, a reflection of temporary lower order intake in this business during prior year, FY22. With a significant uplift in order intake in FY23, this part of the division's order book now stands at record levels, including a £1.5m contract in the emerging nuclear medicine sector and a prestigious £10m contract for the UK's National Nuclear Laboratory, the largest single contract ever signed by Wälischmiller, ensuring a positive outlook for FY24.

Divisional Review: Engineering

	2023	2022	% Change
Revenue (£m)	**50.6**	46.2	+9.6
Adjusted operating profit (£m)	**5.3**	5.4	-1.5
Adjusted operating margin (%)	**10.4**	11.6	-1.2ppts
Forward order book (£m)	**59.8**	40.6	+47.0

Divisional Review: Speciality Agriculture

The Speciality Agriculture division manufactures livestock supplements including branded feed blocks, essential minerals, and precision dose trace element boluses, sold to farmers in the UK, Europe, North America, and New Zealand through a long-established distribution network.

The increase in revenue in the period follows an increase of 21% in average feed block selling prices to pass through substantial raw material cost increases, adversely impacting total volumes by 16% (excluding joint ventures) compared to prior year.

In the UK, costs of the principal ingredient of feed blocks, sugar cane molasses, have increased by 70% over the past three years, which, with increases in other ingredients along with energy and labour, has necessitated a 45% increase in selling prices over the past two years. When combined with 45% increases in other feed costs, a 180% uplift in fertiliser prices and 60% on diesel, livestock customers limited their expenditure, particularly impacting UK sales volumes during a mild autumn in 2022 and winter 2022-23 that supported continued grazing for longer than usual. Feed block volumes sold in the UK were down by 18% on FY22, a situation consistent at all distributors.

In the USA, the year-on-year increase of 24% in the selling price of feed blocks reflected continued high raw material ingredient costs. At the same time, the USA has been severely impacted by three years of drought. In key market areas for feed blocks, ranch-based cow calf herd headcount has reduced by up to 40%, in part reflecting the drought impact, but also occurring as the US beef industry reaches the expected low point of the current production cycle. As a result of all these factors, volumes sold (excluding joint ventures) were 16% down on last year, limiting scope to recover fixed costs in the business.

At the UK animal health business, revenues were down 16% compared to the prior year, related to lower bolus volumes and lower volumes of specialist aquaculture products manufactured under a long-standing contract.

Although current market conditions remain challenging, management maintains a positive longer-term outlook for the Speciality Agriculture division. In the UK and Ireland, farm input prices, particularly for feed and fertiliser, have declined from recent peaks. Farmgate prices for beef and lamb are strong when compared to 10-year historic averages, whereas the outlook for dairy customers is affected by a lower milk price. In the USA, the area affected by drought has reduced from 12 months previously, whilst the cyclical outlook for US beef will slowly improve as herds rebuild over the next five years.

Each of the Speciality Agriculture businesses is founded on respected brands with a track record of quality, innovation and service, that will support sales as markets recover from recent extraordinary conditions.

Divisional Review: Speciality Agriculture

	2023	2022	% Change
Revenue (£m)	**92.6**	78.1	+18.7
Adjusted operating profit (£m)	**5.6**	9.2	-38.5
Adjusted operating margin (%)	**6.1**	11.8	-5.7ppts

Health and Safety

Health and safety continues to be a priority for management teams. Throughout FY23, all sites have been engaged in a process of upgrading and investment to meet the requirements of an internal base level audit, introduced in 2022. This audit ensures that basic safety standards are in place and understood at all locations. A second round of audits has now commenced, aiming for a higher level that relates to developing and establishing habits of instinctively safe behaviour, in terms of both individual attitudes and measured outcomes.

In the past 12 months there were two reportable incidents, compared to nil in the prior year. Whilst the incident rate increased over the year, it is encouraging to note a markedly higher level of near misses and potential risks being reported and addressed at a local level, indicating confidence in reporting issues and resolving them promptly.

Environment

There has been significant progress in engagement in environmental management issues. Every site now has a Green Team, a group of colleagues who meet regularly to bring forward ideas and suggestions for reducing the carbon footprint, reducing waste, increasing participation in local community initiatives and small-scale local investments to reduce consumption and impact.

At Group level, the quality and speed of reporting statutory information has improved, along with the capability to address shareholder and regulatory enquiries relating to environmental matters. In 2024, there will be further progress in this area as Scope 3 reporting develops.

Disposal of Agricultural Supplies division

As the first stage of the Group's review of strategic options, the sale of the Agricultural Supplies division was completed on 26 October 2022, with initial receipt of £24.7m in cash. During FY23, trading continued in the division for a short period, until the completion date, for which the loss after tax was £1.2m. The process to close the completion accounts for the sale was finalised during August 2023 with a further £1.2m of cash received. Deferred consideration of £4.0m was received in October 2023, in line with the sale and purchase agreement. Proceeds included in the prior year loss on fair value measurement before costs to sell include a deduction of £0.8m in respect of property rental terms agreed with Billington Group.

Divisional Outlooks

Speciality Agriculture will continue to manage historically high input costs in 2024, whilst also facing depressed demand for nutritional supplements as customers limit outgoings in challenging market conditions. Longer-term prospects remain attractive, as drought recedes and the beef cycle turns in the USA, whilst in the UK and Europe the businesses will promote the unique attributes of the full range of Carr's products that set them apart from competitors.

Management is confident in the outlook for the Engineering division beyond the current financial year, with confirmed high value contracts continuing into FY24 and FY25, a well-balanced spread of current orders across all the business units in the division, and a stronger market for precision engineering. The pipeline of opportunities and prospects beyond confirmed orders is very encouraging. The division is increasingly focused on the specific opportunities that match its market-leading skills, technical strengths and high-quality manufacturing assets.

David White
Chief Executive Officer

20 December 2023

AN INCREASE IN REVENUE IN A CHALLENGING ECONOMIC ENVIRONMENT

CONTINUING OPERATIONS

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 194 and 195.

Continuing operations

The Agricultural Supplies division was treated as discontinued operations in last year's accounts, with trading disclosed separately and the net assets of the business categorised as held for sale. This year's accounts contain the period of trading from 4 September 2022 to the disposal date of 26 October 2022, as well as finalisation of the proceeds related to the disposal of this business during the year. Full details are included in note 9 to the financial statements. All commentary in this review relates solely to continuing operations, except where otherwise stated.

Discontinued operations

The results of discontinued operations were a loss of £1.2m reflecting losses after tax in the year of £1.2m (2022: profit after tax of £4.0m). The cumulative loss on the measurement to fair value, less costs to sell is £10.3m of which £4.4m is in respect of the non-controlling interest's share of the measurement impairment. Full details can be found in note 9.

During the process to complete the accounting treatment of the disposal of the Agricultural Supplies division, two adjustments have been identified which have resulted in a prior year restatement of the measurement of fair value less costs to sell. The first was an adjustment to the book costs of the assets disposed of, relating to the Group's interest in the joint venture, Bibby Agriculture Ltd, held through the Group's shareholding in Carr's Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023. Of this £2.9m, £1.6m is attributable to the Group and has no impact on cash proceeds received to date or in future.

Subsequent to the publication of the interim statement, a further correction was identified, which was required to reflect property rental terms agreed with the Billington Group as part of the sale process. This increased the loss on measurement of fair value less costs to sell by £1.2m, with £0.8m of this being attributable to the Group. Combined, these corrections increase the loss on measurement of fair value less costs to sell by £4.1m, which included £1.8m in respect of the non-controlling interests share of the measurement impairment.

The results and financial position of the Group's discontinued operations for the year ended 3 September 2022 have been restated to reflect this, with full details set out in note 39 to the financial statements.

The process to close the completion accounts for the sale is finished and the deferred consideration of £4m was paid in October 2023, meaning receipt of gross cash proceeds of £29.9m, in line with expectations. Proceeds included in the prior year loss on fair value measurement before costs to sell include a deduction of £0.8m in respect of property rental terms agreed with Billington Group. Further details for discontinued operations can be found in note 9.

Operating profit

Adjusted Group operating profit of £8.0m is down 33.2% on last year (2022: £11.9m). As a percentage of revenues, the Group's adjusted operating margin is 5.6% (2022: 9.6%). This decrease in operating margin reflects the impact of higher raw material prices in the Speciality Agriculture segment which has driven revenue up with minimal margin improvement. Reported operating profit was £2.0m (2022: £8.2m).

The Group's share of the adjusted post-tax result in its joint ventures was £1.4m, up 71.5% (2022: £0.8m). The Group's share of the adjusted post-tax result in its associate is included within discontinued operations as part of the disposal group.

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

Adjusted* operating profit 2023

Adjusted operating profit	2023 £m	2023 %	2022 £m	2022 %
Speciality Agriculture	**5.6**	**6.1**	9.2	11.8
Engineering	**5.3**	**10.4**	5.4	11.6
Central	**(3.0)**		(2.6)	
Total	**8.0**		11.9	

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

Adjusting items

The Group reported a charge for adjusting items of £6.0m (2022: £3.7m). This year's charge includes impairment of goodwill and intangible assets of £3.8m, amortisation of acquired intangibles of £0.9m, ERP system implementation costs of £0.6m and restructuring costs of £0.6m. Further details are included in note 5.

Impairment of goodwill and Intangibles

During the year end accounting and statutory audit process, the Group conducts impairment reviews of goodwill associated with previous acquisitions. These reviews use projected cash flows for each business, based on current management forecasts, interest rates and associated external market data, in accordance with International Financial Reporting Standards ("IFRS"). Economic conditions at the year end required higher discount rates than at the previous year end.

For FY23, this results in a non-cash impairment charge of £1.7m against goodwill paid for Animax Limited, an animal health business which was acquired in 2018. While action has been taken to improve the performance of the business, the challenging conditions in agriculture mean that the Board believes that the full remaining goodwill in the business should be written off based on the estimated recoverable amount of the cash-generating unit. A further £0.3m of other intangible assets of Animax were also written down. In the Engineering division, the valuation of goodwill acquired on the acquisition of NW Total Engineered Solutions Ltd has been written down by £1.8m as a result of changed discount rates and other non-company specific assumptions, despite the business's prospects improving from last year. As these items do not relate to the underlying trading performance of each business the impairments have been treated as adjusting items (note 5) consistent with prior years.

Finance costs

Net finance costs of £0.4m were lower than the prior year (2022: £0.7m). Interest cover was 4.4 times based on reported profit (17.9 times on an adjusted profit basis) compared to 12.4 times in 2022.

Profit before tax

Adjusted profit before tax at £7.5m was 33.2% below the previous year (2022: £11.2m). Reported profit before taxation was £1.5m (2022: £7.6m).

Taxation

The Group's effective tax charge on adjusted profit from activities after net finance costs and excluding results from joint ventures, which are recorded after tax was 27.5% (2022: 17.9%). The increase is driven by deferred tax, including the impact of unrecognised deferred tax on trading losses.

Earnings per share

The profit attributable to the equity holders of the Company in respect of continuing operations amounted to £0.4m (2022: £6.0m), and basic earnings per share was 0.4p (2022: 6.4p).

Adjusted earnings per share of 6.2p (2022: 10.0p) is calculated by dividing the adjusted profit attributable to equity holders for the year in respect of continuing operations by the weighted average number of shares in issue during the year.

Cash flow and net cash/(debt)

Cash of £2.1m was generated from operating activities for the year, compared to cash generation of £2.9m in the previous year. The working capital outflow in the current year of £4.7m (2022: £8.7m) was driven by a £3.2m increase in receivables, predominantly in the Engineering division. Following the year-end, the Group's net cash position has been supplemented by the receipt of £4.0m of deferred consideration in October 2023, related to the disposal of the Agricultural Supplies division. The main banking facilities were extended in December 2023, and now expire on 20 December 2026. The previously held invoice discounting facility was solely for the Agricultural Supplies division and is no longer in place following the disposal on 26 October 2022.

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 61 deferred members and 214 current pensioners.

The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 2 September 2023 of £5.3m (2022: £6.8m). This is after an actuarial loss of £2.1m (2022: £2.6m) which has been recognised in the Consolidated Statement of Comprehensive Income. Following a review of the Scheme rules the Directors believe there is an unconditional right to a refund of surplus from the defined benefit pension plan in the event there are surplus assets during the lifetime of the plan or when it winds up. The Group and Company have therefore recognised the surplus in full on the balance sheet.

David White
Chief Executive Officer

20 December 2023

KEY PERFORMANCE INDICATORS

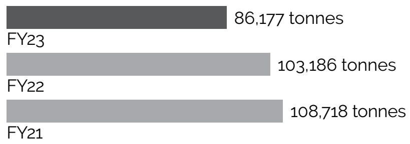
We monitor our growth and health as a business, and our performance against strategy, using the following key performance indicators.

TRADING KPIs

Sales volumes

(Continuing operations)

86,177tns

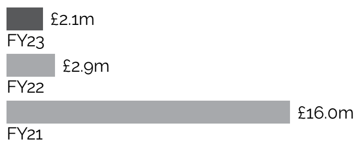


The nature of our businesses, particularly Speciality Agriculture, means that revenue is not, in isolation, an indicator of performance. Speciality Agriculture is a volume-driven business and subject to significant raw material price variations, the majority of which are passed through to selling prices. Increasing raw material prices therefore lead to higher revenues, but not necessarily to increased profit. The revenue growth in the current year is reflective of increased selling prices, complemented by growing revenue in the Engineering division. To monitor sales performance the business reviews feedblock volumes (tonnes sold by wholly-owned businesses).

Operating cash flow

(Continuing operations)

£2.1m



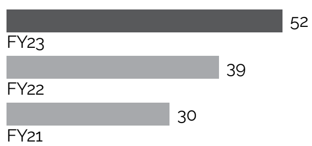
This KPI indicates how much cash is being generated by the Group's continuing operations, before being utilised for capital investment, paying dividends, or repaying borrowings. The lower inflow in FY23 reflects the lower operating profit for the year.

NON-FINANCIAL KPIs

Number of UK apprentices

(Continuing operations)

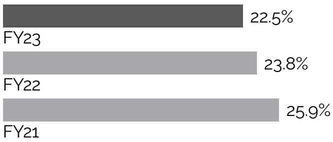
52



We are committed to offering opportunities to young people in all the communities in which we operate and we seek to provide relevant apprenticeships in which they can develop skills that will support their personal growth and provide skilled capacity to the business.

Gross margin
(Continuing operations)

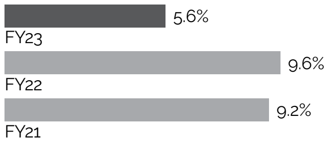
22.5%



The Group's gross margin is impacted by increased revenues, specifically what level of increased raw materials costs can be passed through to selling prices. The extraordinary increase in raw materials in Speciality Agriculture is the predominant factor in the decrease in gross margin in the current year, while an increased level of material content in some of our Engineering contracts is suppressing the margin in that division when compared to last year.

Adjusted Group operating margin
(Continuing operations)

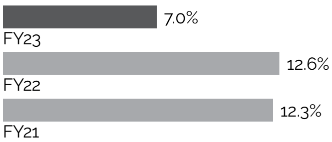
5.6%



The operating margin reflects the gross margin achieved, as well as the distribution costs and administrative expenses required to support our operations. The decrease against last year primarily reflects the reduction in adjusted operating profit before tax, despite increased revenue, in the Speciality Agriculture division.

Return on net assets
(Continuing operations)

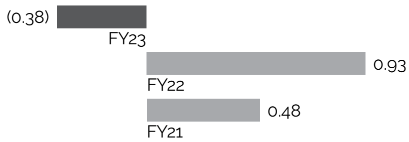
7.0%



This calculation takes adjusted profit before taxation generated over the assets used to deliver that profit. The decrease in the current year reflects the lower adjusted profit before taxation in the year, with net assets (for continuing operations only) remaining relatively flat beyond the improved net debt position year on year.

Net (cash)/debt to adjusted EBITDA
(Continuing operations)

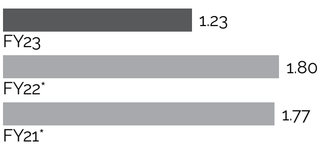
(0.38)



This reflects the ability of the Group to service its debt, with the negative measurement at the end of FY23 reflecting the net cash position of the Group at the balance sheet date.

Reportable Incident rate
(Continuing operations)

1.23

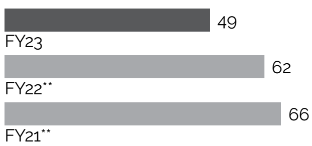


We ensure that information relating to all injuries and potential incidents, no matter how serious, is properly captured and reported to enable us to continually improve the health and safety of our people whilst at work. Two RIDDOR injuries were reported in the year. Although severity of both injuries was low, this has driven the worsening position in FY23.

* Prior year figures have been restated to reflect continuing operations only.

Intensity metric (tCO_2e per £m turnover)
(Continuing operations)

49



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.

** Prior year figures have been restated to reflect the continuing operations the Group controls.

PRINCIPAL RISKS AND UNCERTAINTIES

OUR APPROACH IS TO MINIMISE SIGNIFICANT RISKS THAT MAY IMPACT THE GROUP'S DELIVERY OF ITS STRATEGIC OBJECTIVES.

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 approach to risk management

The Group has in place a structured approach to risk management designed to ensure a systematic and planned approach to identifying, assessing, mitigating, and monitoring risks.

The Board has overall responsibility for the risk management framework. 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.

Identifying risks is a continual process and risk registers are in place at both a Group and individual business level. A risk scoring matrix is in place to ensure that risks are evaluated on a consistent basis across the Group, which considers likelihood of occurrence and impact based on a range of criteria, including profit and reputational damage.

The Board regularly reviews these risks, as well as the associated controls and action plans.

Risk appetite

The Group will always be subject to a variety of risks and uncertainties and the Board believes that it is imperative that the right balance is struck between maintaining a control environment, to manage these risks, and continuing to encourage entrepreneurial behaviours to develop businesses across both operating divisions.

The Board's approach is to minimise significant risks that may impact the Group's delivery of its strategic objectives. While the Executive Directors have sufficient authority to ensure the Group can operate efficiently and effectively, those decisions that could have a material impact on the Group are reviewed as and when required at Board meetings.

Board's assessment of compliance with the risk management framework

The Board regularly carries out an assessment of the principal risks together with any emerging risks. This is supported by the Audit Committee which undertakes an annual review of the risk management system. During the year, the Group risk framework has transitioned from the system previously used to a more collaborative process, designed to provide a complete view of risks, across the Group, on a timelier basis. The Board has reviewed the new process as it has developed during the year and has concluded that risks have been adequately identified and managed.

The Board also considers the internal controls in place across the Group and whether these provide assurance over the Group's risk management framework. During the year, no significant failings or weaknesses in the system of internal control or risk management framework were reported by internal audit activities or during reviews performed by other senior members of the finance function. The Audit Committee's review concluded that key internal controls were appropriate (details contained in the Audit Committee Report on page 76).

Principal risk factors

Our business operates across two distinct sectors and serves a wide variety of industries, making it subject to a wide range of risks and uncertainties. On the following pages we have identified the risks we regard as most significant to the Group as well as steps being taken to mitigate these risks where possible. We acknowledge that we may not be successful in deploying some or all of these mitigating actions. In circumstances where these risks occur or are not successfully mitigated, our cash flow, operating results and reputation could be materially adversely affected.

Following the sale of the Agricultural Supplies division, we re-evaluated our principal risks and uncertainties, taking into account the structure of the continuing Group and the strategy for those businesses. The risks identified on the following pages are those deemed most critical to the Group, with the potential to impact either one or both operating divisions. In most cases, the likely impact and severity of the risks will differ across the divisions, with those deemed material to the Group performance identified in the table following.

▲ ▼ □ **Change in risk (increase/decrease/no change)**

Risk	Description of the risk	What we are doing to manage the risk
Reliance on key customers and customer demand □	The Speciality Agriculture division has reliance on a specific range of products, geographic markets and customers, making it more sensitive to the risk of external factors causing an adverse change in demand and impacting revenue and margins. While the global sales reach of the Engineering division makes it less susceptible to these external factors, it is primarily focussed on delivering to the nuclear and defence sectors.	The Group has strong brands and long-established relationships with key customers to ensure that demands and expectations are met. The Group is continually working on identifying new markets, products, and opportunities to expand the customer base of its businesses in both divisions. The Group operates in diverse worldwide markets which provide resilience against difficulties faced by any single market or economy. The businesses are managed flexibly to react to changing demands in their own sector.
Political and external societal factors ▲	Changes caused by the political environment impact the markets we operate in. Current risks being tracked include farming policies incentivising alternate land use and risks that free trade agreements with non-UK countries present import competitions. The increasing importance of environmental sustainability creates risks around the ingredients of products we sell and/or increased regulation on materials used in manufacture.	We monitor changes to legislative requirements and consider the impact these could have on the markets in which we operate and our product portfolio. Ongoing desire for decarbonisation leads to a greater requirement for biofuels, putting more pressure on molasses supply. To manage this risk we continue to investigate potential substitutes for molasses.
Supply Chain and Operations ▲	The operation of manufacturing plants and engineering facilities involves risks that could cause a temporary or permanent stoppage in production, sufficiently significant to have a material adverse effect on the Group. The Group may be affected by the unavailability of critical raw materials or components through failure to supply, availability or quality of materials, or due to an overreliance on an individual supplier.	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. The Group has mitigants in place to manage risk of supplier dependencies. These include: – strategic long-term relationships with suppliers; – multiple-source suppliers for key ingredients or components; – raw material and forward energy purchasing policies where possible to provide security of supply and costs; and – case monitoring of contract execution to ensure supply is within agreed terms.
Legal, regulatory and reputational □	There is a risk that failures in our quality management system could mean Speciality Agriculture products do not meet legal and regulatory requirements. Engineering projects carry risks associated with potential margin erosion and/or unfavourable contractual terms. The reputation of our Engineering businesses is founded on the quality of their products and services. These are often used in hazardous environments, increasing the potential risk to reputation caused by any product failure.	There is a robust process for product registrations within Speciality Agriculture. Changes in the regulatory environment are monitored and responded to. The Engineering division has a well-established bid review process, including protocol for Board review of major bids. Engineering businesses have robust quality and stakeholder management processes. There has also been investment in training of staff and equipment to recognise any potential problems through the production process, all supported by experienced, qualified personnel embedded within each business.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Change in risk (increase/decrease/no change)

Risk	Description of the risk	What we are doing to manage the risk
Health and safety	Health and safety hazards that could cause harm to customers, employees or the general public.	The health and safety of people in the workplace remains of paramount importance. The Board considers health and safety performance a priority and at each meeting reviews activities and improvements as part of the Group's health and safety strategy. Health and safety practices continue to improve across the Group with the aim of establishing a learning culture in this area. Hazard identification and near miss reporting are actively encouraged, supported by effective incident learning events and communication of outputs. This is supported by regular health and safety audits at all sites and a wider competency programme for all staff, based on accredited training and workplace supervision. The Group also has an occupational health programme in place for all employees.
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. The inability to retain key knowledge and capability as well as 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. Performance Management discipline has been reintroduced to underpin a renewed focus on developing a career with Carr's, including on-boarding plans, development plans for internal, promoted candidates and a fresh approach to talent and succession. The output of this will be available to the Board during FY24. The Group undertakes a range of employee engagement initiatives with a view to maintaining positive workplace cultures and good working environments. Development courses and programmes are in place, and an e-Learning system is available with a suite of modules on offer – some of which are mandatory. We have introduced expiry dates for mandatory courses to keep knowledge fresh and current. Our Engineering businesses in the UK and Germany offer apprenticeship schemes and placements providing practical training alongside further education. The Engineering business in the UK has partnered with a local training provider to grow the skills academy to support future recruitment requirements, both at Carr's and in this sector more generally.
IT and Cyber-Security	The Group, like most organisations, remains susceptible to cyber-attacks with the risk of financial loss and threat to the overall confidentiality of data in systems. The Group relies on information technology and key systems to support the businesses. These systems must be secure, reliable and efficient to support the businesses achieving their objectives.	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 year in response to potential new threats. Major system development projects are subject to appropriate project governance arrangements.

Risk	Description of the risk	What we are doing to manage the risk
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 develop growth opportunities. Changes to the value of currencies can fluctuate widely and could have a significant impact on the 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 CFO, and these are also regularly reported to the Board. The Group's banking facilities have recently been renewed and expire in December 2026. During the year the Group maintained a mix of fixed rate debt, primarily finance leases, and floating rate debt which were used to fund operations and make returns to shareholders. The level of debt and of cash held is monitored and assessed against forecast changes in interest rates and forward guidance from interest rate setting authorities.
Climate Change*	Operating in the agriculture sector, climate change (both physical and transitional) can have an impact on the performance of the Group. Such impact can include the cost of raw materials as well as the sustainability of raw material supplies, farming and manufacturing operations, and customer demand for the Group's products. Regulatory requirements and sustainability targets can also impact demand. 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 short to medium-term societal pressures to transition to green energy and longer-term transitional risk to our product development and growth.	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 (where possible), and invests in the development of products which are tailored to different farming conditions. To address the longer-term transitional risk in the oil and gas sector, we have taken steps to diversify the sectors in which our precision engineering business operates. These steps include employing new business development resources and obtaining appropriate certification to work in the aerospace, defence and nuclear engineering sectors.
Emerging Risks		
Economic	Continuing high inflation is impacting margins as well as reducing the spending power of customers in the agriculture sector. The division's, premium, supplemental products are up against cheaper, less effective products or the option of 'do nothing'.	Our operationally diverse business model and ability to monitor customer trends allows us to identify and adapt to fluctuations in the economy that increase or decrease demand for our products. This means we are able to plan for and cope with recessionary periods in key markets, as well as increases in the general price levels of goods and services.

* Further details of climate related risks and opportunities can be found in our TCFD disclosures on pages 38 to 44 (inclusive).

VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a three-year period to August 2026, taking account of the current financial position, future prospects and the principal risks, as detailed on pages 20 to 23 (inclusive).

Following the disposal of the Agricultural Supplies division, the Group's focus is on improving the performance of the business units within the Speciality Agriculture and Engineering divisions. The differing markets and business cycles for these two divisions offers a diverse range of opportunities, which are captured as part of the Group's strategic planning process, led by the Chief Executive. The Board has participated in strategic reviews across both divisions, assessing and challenging proposals and bringing perspective on the external markets and wider economic environment.

The output of this process includes a strategic plan and detailed financial forecasts, both of which consider the three-year period to August 2026. The first year of these plans is the Group's operating budget for the year to 31 August 2024, which is subject to review and re-forecast (if necessary) on a regular basis throughout the financial year.

The Group has been in a net cash position since the disposal of the Agricultural Supplies division, although it has retained bank facilities and leasing arrangements to allow it to fund future plans if required. The bank facilities have a range of maturity and renewal dates, some of which fall within the three-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 Board believes that a period of three years to 31 August 2026 is the most appropriate for the purpose of a viability assessment, based on the visibility provided by the order book and opportunity pipeline in the Engineering division, as well as the predictability that historic herd cycles in the Speciality Agriculture division provide in the near term.

The Group's principal risks are set out on pages 20 to 23 (inclusive). The principal risks table summarises 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 two most important to the assessment of the viability of the Group are:

1. Customer demand and reliance on key customers
2. Supply chain constraints and delays impacting operations

From the detailed modelling undertaken, it was determined that neither of these risks, either in isolation or in aggregation, would compromise the Group's viability.

As part of our Task Force on Climate-related Financial Disclosures ("TCFD") the Group has assessed potential financial impacts from climate change to the business. The TCFD disclosures consider how financial performance may be impacted by climate change including supply chain disruption, inflation in raw material costs and any significant changes in climate-related policy (as well as any associated increase in regulatory costs). None of the physical and transition risks which are considered material to our business would present a risk to viability over the planning period. These risks are detailed on pages 20 to 23 (inclusive) and 38 to 44 (inclusive).

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

The scenarios tested included significant reductions in profitability and associated cash flows associated with the risks highlighted above. These were tested individually and in aggregate, with the results highlighting that the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts. Changes to operations to mitigate these scenarios, and maintain cashflows, can be further supported by reducing capital expenditure and dividend payments to help ensure the Group's viability.

The Group's main banking facilities were renewed in December 2023 and fall due for expiry in December 2026 which is after the end of the viability period under review.

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 2026. 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 128 of the accounts.

RESPONSIBLE AND SUSTAINABLE BUSINESS REPORT

COMMITTED TO BEING A RESPONSIBLE AND SUSTAINABLE BUSINESS

In line with our Group strategy, as a responsible business:

we **FOCUS...**
on key areas which are material to our business and where we can make a positive impact.

we continually seek to **IMPROVE...**
standards in everything that we do.

we **DELIVER...**
through our ability to inspire trust and earn the confidence of our stakeholders.

The key areas which we believe are material to ensuring a sustainable business are:

PEOPLE

Our people are the primary consideration in everything we do

Read more on pages 26 and 27

HEALTH AND SAFETY

Safety culture is key to ensuring that our sites are safe places to work

Read more on pages 28 and 29

RESPONSIBLE POLICIES AND PRACTICES

We have an ethical approach to doing business

Read more on pages 30 and 31

SOCIAL RESPONSIBILITY

We recognise the importance of working within and contributing to local communities

Read more on page 32

GOVERNANCE

Good governance is essential to ensure the Group is operated in a responsible and sustainable manner

Read more on page 33

ENVIRONMENT

We are committed to minimising the negative impact we make on the environment

Read more on pages 34 to 44 (inclusive)

PEOPLE

As at the end of FY23, there were 650 employees across the Group with 420 located in the UK, and 230 overseas. Building and retaining a skilled and motivated workforce is crucial for the Group and we understand the importance of investing in our people and supporting them, ensuring that we have the appropriate skills the Group will need in the future.

Employee engagement

The Group has undergone some significant changes in the past few years and the need for clear communication with employees has been key. Immediately prior to the start of FY23, a Communications Manager was appointed and working closely with HR and operational leadership, have created and implemented an internal communications strategy, reinforcing a commitment to open dialogue and mutual understanding throughout the Group.

Ensuring access to communications has been a priority of this strategy with ongoing efforts to ensure office-based colleagues have access to the Group's intranet – CarrsConnect. It is where key messages are posted, and employee news is shared. During FY23, the intranet platform has been expanded to include news from across the divisions and sites, an interactive health and safety platform, environment updates, facts and figures, a more accessible approach to benefits and advice, events and training schedules, a database of policies and procedures, and a Carr's Week sharing platform (further details can be found on page 32). CarrsConnect is constantly adapting to provide easy access to information for colleagues as we explore more ways to communicate across the businesses.

Across the Group, communication plans are in place to ensure efficient sharing of information on all work levels. Electronic noticeboards were also introduced at sites, ensuring consistent and up-to-date messaging. Additionally, some sites host pre-shift meetings to ensure any new information is communicated to colleagues; management are also present at these meetings.

Communication with colleagues is essential for the Board to empower colleagues and foster inclusivity. Members of the Board have visited various sites during FY23 to meet the teams and view the operations of the Group. Board meetings are also held at operational sites, giving the Board a chance to spend time with colleagues. Various members of the Board have also attended events and training, including former CEO Peter Page showing support for the Carr's apprentices at the end of an Outward-Bound activity course organised for the apprentices. Further information on how the Board has engaged with employees can be found on pages 62 to 66 (inclusive).

Employee well-being

The Employee Assistance Programme was launched in 2021 covering all UK employees with alternative local programmes available for Germany and USA. The programme has continued to support colleagues through FY23 with a range of support for mental health, broader financial issues, legal support, and medical support. Colleagues have access to a 24-hour helpline and an online portal where information, advice and newsletters are published.

Promotion of the Employee Assistance Programme was increased during FY23 to help support colleagues through the various challenges they have faced, including the cost-of-living crisis. This programme provided practical information on reducing costs, and details of external contacts for support and advice. Carr's supported colleagues with the cost of living where need was identified and information on government schemes and external support services and advice articles were also published on the intranet, in emails and on printed news posts displayed on site noticeboards.

Employee development

Carr's is committed to promoting and nurturing a thriving work environment, with an emphasis on internal promotions and recognising the talent within existing teams. This is further supported through flexible working practices that allow colleagues to have a work life balance.

One initiative is the Carr's Engineering Skills Academy, where we actively support home-grown apprentices and their professional development. By investing in the growth of employees and the community at large, we are confident in the Group's ability to achieve sustainable success in the years ahead.

Learning and development continue to be focal points at all levels, for new and existing colleagues. Colleagues are required to complete mandatory training modules upon joining the Group and periodically throughout their career with Carr's. We reviewed and made improvements to the onboarding process for quicker integration, including an interactive booklet available to all colleagues at all times via the intranet and a Microsoft Teams™-based induction process to increase accessibility in a multilocation business. We have also introduced a refreshed performance review system by making the process more concise and efficient. This will be further developed in 2024. Additionally, we undertook a thorough review of mandatory training in FY23 to ensure its relevance to individual

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By investing in the growth of employees and the community at large, we are confident in the Group's ability to achieve sustainable success in the years ahead.”

roles and effectiveness in meeting evolving organisational needs, which led to a more tailored approach for our colleagues.

A range of external professional qualifications were also supported, including a Cambridge University course in Business Sustainability Management. The Group's e-learning capability continues to expand, including a new environment awareness course, and updates have been made in health and safety modules to keep them up to date with current legislation. There are now ten mandatory training modules, which are revisited by colleagues on either a yearly or two-yearly basis.

Employee recruitment and rewards

The Group's approach to colleague rewards is aligned with national standards, and we regularly review the rewards package to ensure they remain competitive. In the UK we have a comprehensive benefit package which includes the Employee Assistance Programme, Cycle Scheme, Tech Scheme, Give-As-You-Earn, Carr's Go Green electronic vehicle scheme and a choice of two pension options. Internationally, there are localised benefits which include coffee and lunch allowance, subsidised gym membership, cycle to work scheme and flexitime.

Recruitment processes for leadership and senior roles throughout the Group are overseen by senior HR leadership. Where possible both internal and external candidates are encouraged to apply for roles in the Group. In certain cases, independent recruitment consultants are brought in. Throughout the year, the senior HR leadership evaluates succession planning for senior management and key personnel, as well as leadership development initiatives and training programmes across the Group.

The Sharesave (SAYE) scheme, available to all qualifying employees, including Executives, offers a valuable opportunity to participate in any success of the Group. This HMRC-approved initiative is based on a three-year savings contract, which allows participants to purchase shares at a discounted price after the specified period. No performance conditions are attached, offering a straightforward path for participants to exercise their options under the SAYE scheme.

Diversity and inclusion

Carr's is committed to fostering a culture of inclusivity and embracing the strength that comes from diverse perspectives, which is reflected in the Group's approach to recruitment and internal rewards and promotions.

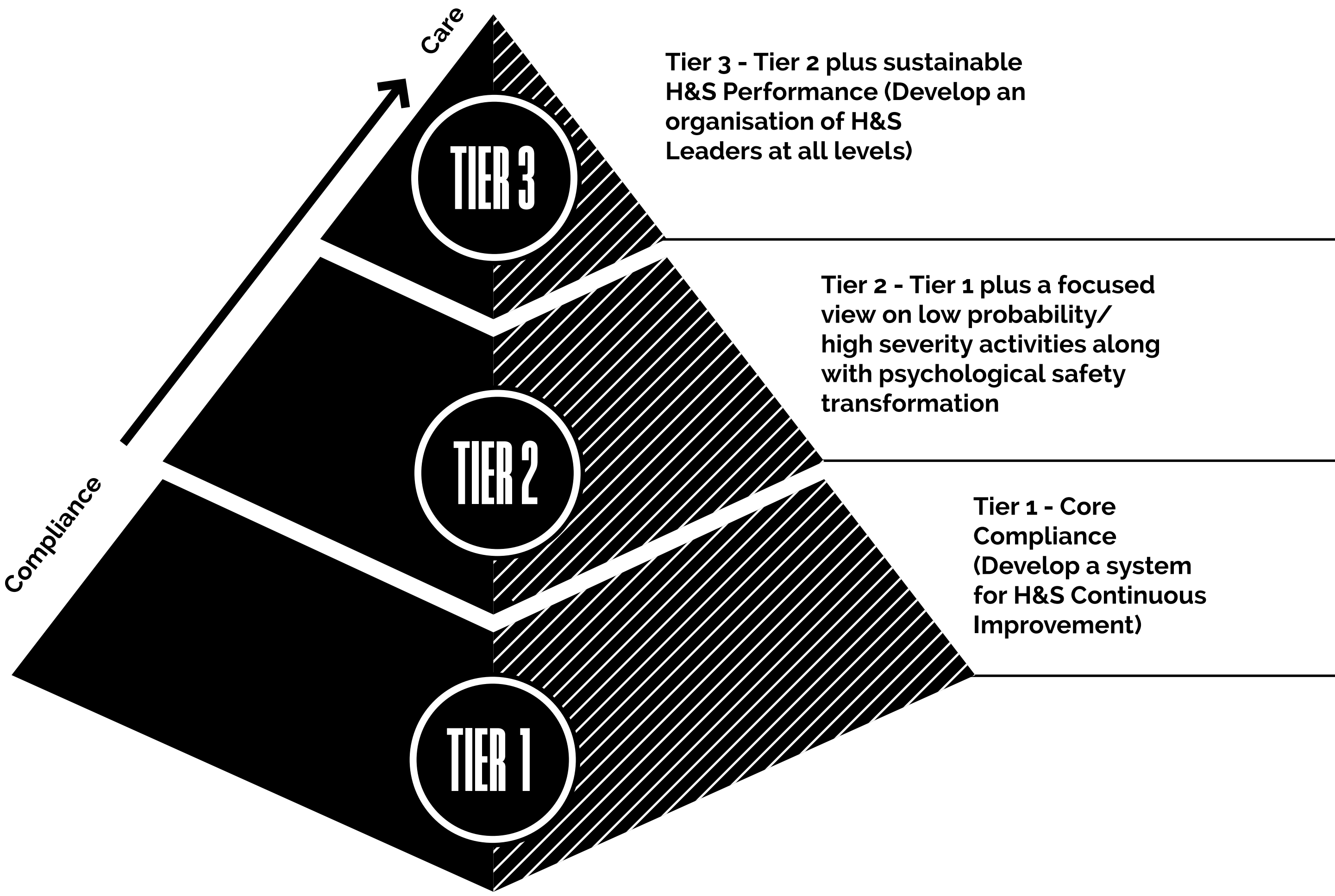
We have clear policies in place to ensure that all decisions relating to employment practices will be objective, free from bias, and based upon the individual needs of the businesses within the Group. The Group's Equal Opportunities Policy encompasses existing colleagues as well as potential colleagues in the recruitment process and our interview and recruitment training aligns with our policies and focuses on ensuring that we select the right person for every role.

There is a Board Diversity Policy which supports the Group's commitment to ensuring diverse representation at Board and Committee level. Details on employee gender diversity can be found on pages 31, 53 and 71 and details on Board diversity and inclusion can be found on page 53 and in the Nomination Committee Report on pages 67 to 71 (inclusive).

We regularly monitor our gender statistics to ensure that they are reflective of the broader engineering and agriculture industries, while remaining mindful that these industries currently contain a predominately male workforce. The Group recognises the benefits of attracting the broadest and most diverse range of candidates for all roles within our businesses, and the benefit such wide-ranging skills, expertise and experiences brings to the Group.

HEALTH AND SAFETY

Health and safety ("H&S") remains a priority for the Carr's businesses. We operate a learning culture to encourage employees and contractors to share ideas and concerns. In FY23, as part of our cultural safety transformation, our H&S audit process was reviewed and a multi-tier approach adopted which would underpin our "compliance to care" approach to H&S.



H&S auditing and continuous improvement

Our approach to H&S is rooted in a consistent focus on human performance. The aim is to improve how the Group anticipates work will be undertaken safely and how the work is actually carried out.

During FY23 we have been focussed on conducting Tier-1 compliance-based assessments across the Group. Through the focus on compliance and continuous improvement we have seen an increase in worker engagement, on average from less than 5% of the workforce to more than 30% with an aim of reaching 80% during Tier 2 phase. Ten planned Tier-1 audits were completed in FY23 across the UK, Germany, and USA operating businesses. In addition, three non-operated joint ventures elected to learn from the Group's approach and embed elements into their improvement plans. We also work with many contractors and suppliers, so they understand Carr's safety requirements.

As the business units now progress to the next Tier of the audit programme, we are focussing on activities which have high potential of death or serious injury, with low probability as well as psychological safety, including establishing safety mindsets and behaviours, safety through leadership, pre-work processes, and furthering our work with third-party contractors and clients.

In addition, safety culture assessments were also completed during FY23 as part of the Group's development of a culture of care. With the support of an external business partner, who are industry-leading experts on safety culture, both the Engineering division and the Speciality Agriculture division were sampled, with two focused consultations and training sessions across the whole present workforce. This has allowed us to understand current perceptions of the level of safety culture, benchmark against other organisations, H&S cultures, understand potential barriers to improvement of the safety culture and develop action plans both tactical and strategic. Ten focused consultations and training sessions are planned for FY24 to further entrench our safety culture.

Health and Safety key metrics

Incidents	FY2023	FY2022	FY2021
Lost Time Incident Rate (LTIR)*100k	**0.61**	0.18	0.26
Total Reportable Incident Rate (TRIR)/million hours	**1.23**	1.8	1.77
All injuries	**56**	47	46
RIDDOR	**2**	4	4
Injury Incident Frequency Rate	**3.44**	1.89	2.03
TRIR*1 million hours (fatalities; days away from work; restricted work; medical treatment beyond first aid, loss of consciousness or a significant injury, illness or disease diagnosed by a doctor or physician).	**4.30**	3.32	4.97

Performance Metric	UOM	Target
Audit action close out	%	100
Hazard Conditions/Acts (2 per worker/annum)	Number	2/worker
Safety Committee Meetings/Events	Number	1
Training	%	100
Leadership Safety Inspections (ASI) completed	Number	4
Incident investigation close out	%	100

* Prior year figures have been restated to reflect the continuing operations only.

H&S training and competence

Carr's is dedicated to preventing incidents by equipping individuals with the necessary skills and maintaining robust safety measures. We expect colleagues to consider two aspects when performing their tasks: the hazards that could potentially cause harm, and the effectiveness of the barriers in place to avoid harm should something go wrong. Mandatory H&S e-learning training continues for all new joiners and we have ongoing safety awareness programmes across our businesses. Each site is developing site-specific training to enable focus on statutory and specialist training for their specific area of operation. One of our operational sites undertakes an annual safety standdown, where production is halted to focus on safety training, education and culture. This gives employees and their management teams time to assess and reflect on incident prevention and working together to improve performance.

H&S performance

We encourage colleagues to improve, enhance individual capabilities, learn from mistakes, errors, and successes, and speak up without being punished. This was underpinned during FY23 with a focus on learning events when investigating incidents. This has created greater interest and encouraged better reporting of potential and minor events, with the number of potential incidents reported in FY23 being more than double the FY22 period. This has also meant a greater opportunity to learn and prevent these events being repeated and leading to more serious incidents.

Whilst there was a significant increase in reporting activity and desire to learn as trust is built, the Group delivered a Reportable Incident Rate/million hours worked of 1.23 (see table above). Two RIDDOR injuries were recorded during FY23 for the continuing Group, but fortunately severity was low. The trends are shown in the table.

RESPONSIBLE BUSINESS POLICIES & PRACTICES

As a Group, we have a long-standing commitment to high standards and professional behaviour. This commitment applies to our Group, but also extends to our suppliers, and our partners. We firmly believe that our continued success is dependent on our ability to inspire trust and earn the confidence of our stakeholders and we align ourselves in the best way possible to achieve this, with responsibility at the forefront of our approach. We have clear standards on what is expected, and we set these expectations out in the policies that guide what we do and how we work with others ensuring ethical business practice. On the next pages are further details on the Group's responsible policies and practices.

Risk management

The Group's policies and training strengthen the risk management framework that is embedded across the businesses. In addition to the corporate risk register governed by the Board, business unit and functional risk registers have been developed across our teams, allowing a wide range of employees to contribute to our risk assessment and assurance processes. Colleagues are encouraged to report all risks. For more details see pages 20 to 23 (inclusive).

Policies

We have a series of well developed policies which guide our everyday operations and set clear standards on what is expected. Employees are introduced to these policies in our induction programme and training modules, and they can access these policies during their employment via our intranet service – CarrsConnect. In addition to our policies, the Code of Ethics, issued to all employees in spring 2022 and updated during FY23 establishes a cohesive, consistent framework for the way we behave and engage with the various stakeholders. For more details on the Code of Ethics, see page opposite.

Training

As part of their induction to the Group, all employees undertake mandatory training modules which are revised and revisited annually. These training modules focus on ensuring that colleagues at all levels of our businesses act safely, professionally, fairly and with integrity. Employees are required to complete mandatory modules which are available to colleagues online. For more details, see pages 26, 27 and 29.

Data security and privacy

Our privacy statement outlines the Group's policy on managing the personal data of all individuals sharing their personal information with us. In the year under review, through continuous monitoring, we identified several attempted cyber-attacks on Group businesses, but no leaks, thefts, or losses of customer data were identified as a result of these attacks. In the same period, no substantiated complaints were received concerning breaches of customer privacy.

Ethics

In 2022 the Group launched its Code of Ethics across all sites globally. The Code of Ethics brings together Group-wide policies and best practice regarding a range of circumstances which could potentially be encountered in the modern workplace.

The Code was launched alongside a programme of training with the aim of exploring the contents of the code and to raise awareness of it within Group. The Group is committed to applying high standards and professional behaviour to every decision it makes at all levels of the organisation, and the Code of Ethics provides us with a framework for continuous improvement in this area. The Code of Ethics was updated in 2023 following the disposal of the Agricultural Supplies division.

Anti-bribery

Carr's operates and encourages a culture of honesty and openness in its businesses. The Group is strongly opposed to unethical behaviours including bribery and other corruption; these behaviours are prevented through a robust framework of controls, including standardised policies and transparent practices, which every employee is made aware of. The Group regularly reviews its policies and practices to ensure that a positive culture within the businesses remains a priority for everyone.

Human rights

Carr's is committed to the sustainable development of its business and to continual improvement in its management of ethical issues, this includes ensuring that its business and 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 to this issue and is aware that the risk of modern slavery appearing in supply chains is ever changing and can increase, particularly as the Group continues to grow. Carr's will not undertake business with any third parties where concerns arise and will accordingly report such circumstances to appropriate authorities.

The Group operates internal policies, supported by training, on the issue of modern slavery which both protect against risks and promote awareness.

The Group's Anti-slavery and Human Trafficking Statement is published online at www.carrsgroup-ir.com/content/corporate/company-policies.

Tax transparency

The Group is committed to tax transparency. Its aim is to comply fully with all tax disclosure, payment, and filing requirements in every country in which it operates and to paying appropriate amounts of tax. The Group's Tax Strategy and Tax Code of Conduct is published online at www.carrsgroup-ir.com/content/corporate/company-policies.

Whistle blowing

In addition to the Group's policies and monitoring procedures, the Group also has an independent whistleblowing service, SeeHearSpeakUp, which is made available to all personnel 24 hours a day, 7 days a week. This enables employees at any of the Group's global locations to report concerns easily, anonymously, and in total confidence. The Group provides training in respect of whistleblowing and how to report any concerns within our employee induction programme.

Conflicts of interest

The Group's policies require the regular declaration of gifts and hospitality by all personnel. Acceptance of gifts and hospitality are subject to strict rules underpinned by the policy, and any matters which could give rise to a conflict of interest must be considered and approved before acceptance can occur.

Charitable giving

The Group has a charitable donations policy, which provides guidance when using Company funds for financial donations. The policy reflects the interests of all stakeholders ensuring an accountable and responsible use of funds whilst aiming to be a reliable partner to charities supporting good causes.

Diversity and equal opportunities

The Company endeavours to continuously improve our working environment to ensure it is free from discrimination, harassment, or victimisation. The Group actively promotes a working environment in which everyone receives fair treatment and equal 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. Further information on diversity and inclusion can be found on pages 27, 53, 71 and in the Nomination Committee Report on pages 67 to 71 (inclusive).

Health and safety

Health and safety is a key priority. It is essential that a safe place to work is provided for our employees and visitors to sites. Mandatory training modules for employees include Manual Handling, Slips Trips and Falls, Working Safely and Workplace Health & Safety. Each site has also developed specific health and safety training particular to their operational areas. More information on health and safety can be found on pages 28 and 29.

“The Group is committed to applying high standards and professional behaviour to every decision it makes at all levels of the organisation.”

SOCIAL RESPONSIBILITY

As a responsible business, collaborating with our local communities is crucial. We work with local communities through a variety of forms, including charitable financial contributions, fundraising, collaborative initiatives, and voluntary efforts.

Local communities

Colleagues in the Group's businesses in the UK and internationally regularly raise money for local, national and international projects and charities through organising food drives, bake sales, and charity walks, and volunteering their time with local community initiatives. The Carr's Engineering Skills Academy, in partnership with Lakes College, is reflective of our dedication to a sustainable future. By nurturing apprenticeships within Carr's Engineering division and extending support to local businesses, apprentices benefit from extensive training, ensuring they are equipped to excel in their careers.

In FY23, Carr's Group continued its funding to Carlisle Youth Zone and to the Cumbria Community Foundation, which it has supported since 2014.

In the USA, Animal Feed Supplement, Inc. donated monies to various local and regional charities, including the Belle Fourche volunteer fire department, South Dakota Future Farmers of America, Parents Who Care, Make-A-Wish Foundation, and the local elementary school.

Carr's Week

In June 2023 the Group launched its inaugural Carr's Week, where the Carr's Group heritage and the remarkable community work and philanthropy of Jonathan Dodgson Carr, founder of Carr's Milling Industries plc (now Carr's Group plc), was honoured. Held in June, this special event marked the beginning of an annual tradition to pay tribute to his commitment to making a positive impact on the community and the environment across the Group. Throughout Carr's Week, a series of activities and initiatives including voluntary work placements were held, with monies raised by colleagues donated towards various community projects and charities. A key highlight of Carr's Week was the recruitment drive for volunteers to join the Chapter One initiative, an early years reading support charity, reflecting our dedication to empowering individuals to engage in meaningful community service activities.

> "Throughout Carr's Week, a series of activities and initiatives including voluntary work placements were held, with monies raised donated towards various community projects and charities."

GOVERNANCE

Good governance is essential in helping to run the Group responsibly. It is about making sure we live up to the high standards we set as a Group – on health and safety, the environment, climate change, and in our relationships with our stakeholders.

We have clear governance structures and divisions of responsibility. The Governance Report on pages 46 to 107 (inclusive) provides further information.

Board

The Board has the highest level of oversight for environmental and social governance and manages this responsibility through the governance structure outlined on pages 50 to 52 (inclusive). Environmental and governance matters, together with health and safety reporting are standing agenda items at all Board meetings and discussions on related topics are agenda items for the Board and Committee meetings at relevant times throughout the financial year. The Board also carries out regular reviews of our corporate risk register and principal risks, including those related to climate change. The Board has completed an assessment of the Group's risks relating to climate change, details of which can be found on pages 20 to 23 (inclusive). The Board regularly receives updates from the Environmental Steering Group (see pages 34 to 44 (inclusive)).

The Board Committees also have delegated responsibility for various aspects of environmental and social matters impacting the Group as detailed on pages 38 and 39, and in the Corporate Governance Report on pages 46 to 107 (inclusive).

Audit Committee

The Audit Committee is responsible for monitoring the Group's compliance with climate change reporting and reviewing the TCFD disclosures and a report which is prepared by the Group's Environment and Sustainability Manager in collaboration with the Environmental Steering Group and Green Teams (see below). The Audit Committee is also responsible for reviewing the Group's internal controls and risk management systems, as well as the Group's corporate risk register, which includes risks related to climate change. Any feedback from the Audit Committee in relation to climate-related risks and TCFD disclosures is discussed with the Group's Environment and Sustainability Manager who in turn reports back to the Environmental Steering Group and the Green Teams.

Remuneration Committee

The Remuneration Committee determines targets and outcomes for performance related pay schemes of the Executive Directors and senior management, which include environmental and sustainability goals. The Committee also has oversight for assessing performance against these targets. For example, environmental performance measures are linked to awards under the Group's Executive Director and senior management long-term incentive plan. See pages 78 to 102 (inclusive) for further details.

Nomination Committee

Annual Board evaluations together with skills assessments ensure that the performance and effectiveness of the Board and its Committees are regularly reviewed, and that the Board and Board Committees possess the right balance of skills and experience to provide oversight for matters including strategy execution, health and safety, the environment and stakeholder engagement. For further information see pages 58 to 60 (inclusive) and 67 to 71 (inclusive).

Environmental Steering Group

The Environmental Steering Group brings together senior colleagues across our businesses to develop and apply best practice throughout the Group. It is chaired by our CEO and reports directly to the Board. The Environmental Steering Group is supported by Green Teams at each of our sites. Further details on the work of the Environmental Steering Group and the Green Teams can be found on pages 34 to 44 (inclusive).

Board engagement with stakeholders

The Board is 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 Corporate Governance Report on pages 62 to 66 (inclusive).

ENVIRONMENT

Our operations in various sectors actively contribute to global environmental conservation efforts. Our involvement in the nuclear industry supports the increasing demand for sustainable energy solutions worldwide, and our specialised agriculture product range complements grass-based systems, which play a crucial role in the important process of carbon sequestration.

Developing our environmental strategy

Sustainability is essential across our businesses, and it is important that our colleagues support our environmental strategy. Our approach to environment and sustainability as a whole is included in the new starter induction process, and where possible, the Environment and Sustainability Manager attends corporate induction sessions to answer any questions colleagues may have. This initiative ensures that each new employee is equipped with the knowledge and values needed to contribute to our environmental goals.

The establishment of the Environmental Steering Group in February 2023 has been an integral part of our environmental strategy. Chaired by our CEO, and reporting directly into the Board, this group acts as a vital link throughout our organisation by monitoring our targets and facilitating the alignment of our business practices with those objectives, based on internal assessments of materiality and prioritisation of topics impacting the business. These include embedding the Environmental Steering Group within the Group's governance structure, the development of an environmental policy statement, introduction of Green Teams at all Carr's Group sites, and environmental awareness training throughout the Group. These objectives are continually reviewed and developed. The Environmental Steering Group meets monthly and assesses the Group's performance by reviewing progress against agreed actions and providing advice to the Board in support of the development of strategy and management of risk. The Environmental Steering Group comprises managing directors, and senior leaders from various departments including HR, Procurement, Health & Safety, Communications, Production, Finance, and representatives from the Green Teams. The Environmental Steering Group is facilitated by the Group Environment and Sustainability Manager, and addresses micro and macro factors that impact the Group and help to develop strategy.

The Environmental Steering Group is supported by Green Teams which have been established at all the Group's operational sites. Our Green Teams are responsible for considering resource efficiencies together with the environmental and social impacts of our business at a local level. They have been crucial in promoting sustainability and advocating and implementing sustainable practices across our businesses. Their dedication and voluntary efforts highlight the Group's collective commitment to environmental stewardship. These teams meet monthly to discuss and implement eco-friendly initiatives, and produce newsletters to keep colleagues informed about the latest developments. Green Team Manager meetings are held on a quarterly basis to collaborate on projects and celebrate success. The individual site Green Teams also inform and update the Environmental Steering Group at the monthly meetings.

Progressing our environmental strategy

There have been some significant milestones across the Group on our sustainability journey during FY23 in particular:

- One of our US subsidiaries, Animal Feed Supplement, Inc. in collaboration with Alltech, an animal health and nutrition specialist company, have established a purchasing agreement for the Bio-tub® container. BioTub® is a container made from a patented blend of ground straw and wood fibres, made to ensure strength and durability. Over time, it will break down, degrade, and disappear, eliminating the need for manual collection. This not only simplifies container management but also reduces field debris associated with plastic and metal alternatives. (Read more at https://www.carrsgroup.com/biotub/)
- At Animax, the Organic Soil Association approved the Tracesure™ sheep and cattle boluses for use by organic farmers certified to the Soil Association standards within the EU until 2023, when it then reverts to the UK only. (Read more at https://www.carrsgroup.com/trace-element-nutrition-dispelling-the-myths/)
- Research conducted at Aberystwyth University has also confirmed that the improved animal performance when Crystalyx™ is fed leads to a significant reduction in methane output per kilogram of liveweight gain of almost 20%. (Read more at https://www.carrsgroup.com/over-20-plus-years-of-research-and-development/)
- Bendalls Engineering won the 2023 "Empowering the Next Generation" award at the British Energy Coast Business Cluster Awards. (Read more at https://www.carrsgroup.com/award-winners-empowering-the-next-generation/)

In addition, Green Teams initiatives implemented at some of our sites have included the adoption of Voltage Optimisation and ESOS (Energy Savings Opportunities Scheme) updates to increase energy efficiency; transitioning to more sustainable, and where possible, biodegradable packaging and increasing the use of reusable plastic pallets to minimise waste.

Training has also been developed during FY23. In addition to environment and sustainability being included in the new starter induction process there has also been increased training on environmental matters such as environmental spill, waste management and tracking of waste. 5S training has also been implemented at two of the Engineering sites, with a view to expanding this across the remaining sites to enhance workplace efficiency and safety.

Our commitment to sustainability and environmental responsibility extends to regular site audits that assess our performance against established environmental standards. These ongoing audits are undertaken internally during site visits by the Group Environment & Sustainability Manager and include areas of audit such as the management systems in place, waste control, emergency spill preparedness, energy and environmental training. External audits are carried out primarily within the Engineering division against the environmental standard ISO14001, the health and safety standard ISO45001 and various other engineering standards along with ISO9001 (quality standard). Both internal and external audits serve as important tools for identifying areas of improvement and maintaining our compliance with environmental regulations.

To assist in capturing data on the progress of our environmental strategy during FY23 we also:

- Introduced a carbon reporting platform which enables us to comprehensively understand and manage our carbon footprint across the entire Group, providing valuable insights into our emissions and allowing us to make informed decisions about carbon reduction strategies.
- Supplied environmental data to the Carbon Disclosure Project ("CDP") which is important for organisations aiming to achieve transparency, accountability, and effective risk management in their environmental practices. This ensures compliance with regulations and helps to build investor confidence. This was the first year of reporting for the Group and demonstrates our commitment to transparent reporting on climate-related matters.
- Introduced a budget control platform for energy which allows the Group to optimise energy costs, fostering responsible energy consumption and a more sustainable future.

Measuring scope 3 emissions

In line with our commitment to reducing our indirect impact on climate change, Carr's are collaborating with World Kinect Energy Services™ in developing a scope 3 indirect measuring function on their supply chain monitoring system. This system will enable us to track emissions across the supply chain, contributing to the Group's overall sustainability goals and is already in place to record scope 1 and 2 emissions, along with direct scope 3 emissions.

Looking forward

FY23 has seen significant progress on the Carr's Group environmental journey. Through strategic initiatives, the dedication of colleagues across the Group, and the implementation of reporting mechanisms, we have further developed and strengthened the Group's strategy and will continue on that path of sustainable improvement. We have a target of 3.4% energy reduction year on year which will result in achieving Net Zero by 2050.

As mentioned above, in 2023 we submitted questionnaires to the CDP. We are already preparing for our second-year submission, which will also include the climate change questionnaire. This ongoing commitment to transparent climate-related reporting reaffirms our dedication to sustainability and accountability.

In FY24 there will be a focus on measuring Scope 3 emissions. This involves evaluating various aspects of our operations, including hotels, air travel, and strategic suppliers. By expanding our attention beyond direct emissions, we aim to address the broader spectrum of our carbon footprint and implement sustainable practices.

The Green Teams will be investigating employee commuting patterns, enabling us to quantify and analyse the associated carbon emissions. Through this initiative, we aim to identify opportunities to reduce the carbon footprint linked to colleague commuting, contributing to our overall sustainability objectives.

We will be continuing to explore options to enhance our packaging practices. This involves a thorough examination of packaging alternatives that can minimise our carbon footprint. By adopting eco-friendly packaging solutions, such as the Biotub® containers, we aim to align our operations with environmentally conscious practices and reduce the environmental impact of our products and services.

We will be undertaking initiatives to improve energy efficiency, as highlighted in our participation in the ESOS reporting. This includes exploring measures such as Voltage Optimisation and KVA analysis to optimise energy usage and reduce our overall energy-related emissions.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Energy[1]

Energy use across the Group in the year totalled 34,734,015 kWh[2]. (2022: 38,077,011 kWh[3]) of which 8,789,192 kWh is attributed to UK operations. Solar panels at our Animax site generated 237,790 kWh of which 39,904 kWh was returned to the grid.

Methodology

The methodology used followed the 2019 HM Government Environmental Reporting Guidelines and GHG Reporting Protocol - Corporate Standard. The 2023 UK Government's Conversion Factors for Company Reporting for all fuels with the exception of electricity use outside of the UK was also used. The 2023 United States Environmental Protection Agency ("EPA") emissions factors have been used for electricity consumed in the USA with respect to regional relevance and 2022 Association of Issuing Bodies ("AIB") emissions factors have been used for electricity used in Germany. We have used an operational approach to define our boundary and scopes.

The primary source for gas and electricity energy for consumption is supplier invoices. Where supplies are not directly billed the consumption, data was provided by the landlord. The primary source of data for all other fuels was delivered quantities. Mileage data was primarily used to calculate transport usage. Where data was unavailable consumption was estimated based on historic mileage data.

The information used to compile the SECR (Streamlined Energy Carbon Reporting) data was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines 2019.

Scope 1 emissions are direct greenhouse gas ("GHG") emissions that occur from sources that are controlled or owned by the Group and include LPG, mains gas, gas oil, and company vehicles. Scope 2 emissions are indirect energy emissions from electricity purchased by the Group. We report 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 truer figure of the Group's impact on the environment.

Scope 3 emissions

As Scope 3 emissions are associated with the operations of the business that are not under our direct control, collecting primary data from all our sites is still underway to ensure that we set an accurate benchmark of our current position. Key to this is understanding and engaging with our supply chain, completing our review of waste disposal, looking at the transport of goods to and from our operations and the production of our raw materials. Business travel is also particularly relevant, given the international nature of our business and the location of our sites in the US and Europe. There are a wide variety of Scope 3 emissions meaning that reporting will take time and be progressed over the coming years. This will enable us to establish our full carbon footprint and impact on our environment under Scopes 1, 2 & 3, that will underpin our journey to net zero by 2050. For further information on our work towards scope 3 emissions, please see page 35.

Throughout FY22 measuring emissions evolved and this increased knowledge provided the Group with an increased understanding of energy usage. During FY23 we have reviewed our energy usage and within the Engineering division moved from a biomass electricity contract to a fully green contract with an alternative supplier. Various initiatives have been taken during FY23 to drive energy efficiency and are detailed on pages 34 and 35 and on pages 38 to 44 (inclusive).

1 Figures for FY23 and FY22 are for electricity, LPG, mains gas, gas oil, and company vehicles.

2 The figures represent Carr's Group plc's operationally controlled sites and do not include other sites such as joint ventures where Carr's Group plc has no operational control.

3 Prior year figures have been restated to exclude the Agricultural Supplies division and sites where Carr's Group plc has no operational control such as joint ventures. Prior year figure (not restated) 46,734,848 kWh.

Scope 1 & 2 emissions

Energy-efficient action

Carr's Group (tCO_2e)[1]	FY23	Reduction/ Increase FY21 baseline	FY22[2]	FY21 baseline[2]
Emissions (tCO_2e)				
Scope 1				
Agriculture UK	848		1,087	896
Agriculture overseas	4,033		4,362	4,977
Engineering UK	206		158	170
Engineering overseas	51		26	5
Head Office	18		18	21
Total Scope 1 (tCO2e)	**5,156**	**15%**	**5,651**	**6,069**
Scope 2				
Agriculture UK	330		356	431
Agriculture overseas	978		1,130	885
Engineering UK	276		293	302
Engineering overseas	308		300	199
Head Office	27		26	30
Total Scope 2 (Location based) (tCO2e)	**1,919**	**-4%**	**2,105**	**1,847**
Agriculture UK[3]	328		37	33
Agriculture overseas	978		782	885
Engineering UK	22		0	0
Engineering overseas	99		141	199
Head Office	0		0	0
Total Scope 2 (Market based) (tCO2e)[4]	**1,428**	**-28%**	**960**	**1,117**
Total renewable energy (on-site generated), kWh	0		0	
Renewable element of emissions (%)	0		1	
Total Scope 1 kWh's	28,013,899		30,460,712	
Total Scope 2 kWh's	6,720,116		7,616,299	
Total Global kWh's	34,734,015		38,077,011	
Total UK kWh's[5]	8,789,192			
Total emissions scope 1 and 2 (tCO2e)	**7,075**	**11%**	**7,756**	**7,916**
Agriculture UK	1,178	11%	1,443	1,327
Agriculture overseas	5,011	15%	5,492	5,862
Engineering UK	482	-2%	451	472
Engineering overseas	360	-76%	326	204
Head Office	45	13%	44	51
Intensity metric (tCO2e per £m turnover)	**49**	**25%**	**62**	**66**
£M Turnover	**143**	**-19%**	**124**	**120**

1 The figures represent Carr's Group plc's operationally controlled sites and do not include other sites such as joint ventures where Carr's Group plc has no operational control. The table has been adjusted in line with the GHG protocol, SECR, TCFD and the data has been externally verified. Customer based emissions have been removed from the table to reflect current reporting requirements, the customer-based emissions originally reported in 2022 are reflected under the market-based emissions section. The table reflects our ongoing commitment to improve reporting. Figures contained in this table have been rounded to the nearest whole number, therefore the sum of the numbers in a row or column may not conform exactly to the total figure given for that row or column.

2 Prior year figures have been restated to exclude the Agricultural Supplies division and sites where Carr's Group plc has no operational control such as joint ventures.

3 Market based emissions: Agriculture UK includes AIB (Association of Issuing Bodies) factors for renewable energy generated and used at the Animax site for 2020/21, 2021/22, and 2022/23. AIB factors are used when procuring electricity from the grid that has no renewables evidence. AIB publishes the Residual Mixes and European Attribute Mixes. These figures represent the part of electricity supply in Europe that is not tracked with guarantees of origin and therefore guaranteeing the accuracy and reliability of the GO (Guarantee of Origin) system.

4 There is no comparative against baseline. Scope 2 (customer based) data for FY21 was not captured at that time.

5 Data for FY22 is also not available as it was not captured at that time.

OUR APPROACH TO CLIMATE CHANGE

Introduction

In this section we set out our climate-related financial disclosures for FY23, in accordance with the Financial Conduct Authority (FCA) Policy Statement 20/17 and listing rule LR 9.8.6R(8). Carr's has made significant progress through FY23 regarding disclosure quality and depth of disclosures, and overarching consistency with the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations.

We fully endorse the objectives outlined by the TCFD. Tackling the repercussions of climate change demands a forward-looking strategy, and we are in the process of integrating TCFD's recommendations into our operational framework and reporting procedures.

We acknowledge the significance of climate change and sustainability to our investors, colleagues, partners, customers, and communities, and we are dedicated to identifying and confronting these challenges. A significant milestone in our strategic journey was reached with the divestment of our Agricultural Supplies division, fundamentally reshaping the Group's profile, and affording us a heightened focus on our core divisions of Speciality Agriculture and Engineering. We have made substantial headway in various initiatives, through establishing protocols for assessing and evaluating climate-related risks and opportunities and implementation of enhanced systems for the accurate collection and dissemination of data. The continuing Group has a materially different footprint to the business before the divestment of Agricultural Supplies. There was a 47.01% reduction in personnel from 1,221 to 647 and a reduction in global operational sites from 57 to 17, 71.93%. In FY22 5,071 tCO^2e were attributed to our supplies division for scope 1 & 2 (this figure is not evidenced under the restated figures in the emissions reporting on page 37). Due to this significant change, re-baselining of our data and reviewing assessments of risks and opportunities was needed. We have made headway in a number of significant areas, details of which are included on the following pages.

A priority for the year ahead is a qualitative scenario analysis. This will build on the ongoing internal assessments upon which the Strategy (a) and Strategy (b) disclosures are currently based (see the following paragraphs Strategy (1) and (2)), and therefore inform our climate risk, physical and transitional, and opportunity reporting. Any scenario analysis will fulfil the TCFD Recommended Approach and will take into account its Disclosure Considerations for Non-Financial Organisations.

Carr's Group is in full support of TCFD reporting and the goal to tackle climate change through improving understanding for investors and other stakeholders regarding both climate risk and opportunities for the Group.

Governance

1. Describe the Board's oversight of climate-related risks and opportunities.

The Board is ultimately responsible for the Group's strategy, risk appetite and risk management, which includes climate-related risks and opportunities. The Board considers risk reports regularly and environmental matters are a standing agenda item at each Board meeting.

Board Committees also oversee climate related matters. The Audit Committee is responsible for monitoring the Group's compliance with climate change reporting and reviewing the TCFD disclosures and a report which is prepared by the Group's Environment and Sustainability Manager in collaboration with the Environmental Steering Group and Green Teams (see pages 34 and 35 and the disclosures set out on pages 38 to 44 (inclusive)). The Audit Committee is also responsible for reviewing the Group's internal controls and risk management systems, as well as the Group's corporate risk register, which includes risks related to climate change.

The Remuneration Committee sets performance-related remuneration targets aligned with strategy, including the achievement of environment and sustainability goals, and assesses performance against these targets. See page 33 and pages 84 and 85 for further details.

The Environmental Steering Group, which members include management from Carr's Group, the Engineering division and the Speciality Agriculture division, the Group's Environment and Sustainability Manager, and the Carr's Group CEO, provides support and guidance to the Board and its Committees. For more details on the Environmental Steering Group, please see pages 34 and 35 and the disclosures set out on pages 38 to 44 (inclusive).

Any changes outlined throughout the year are assessed by the Group's Environment and Sustainability Manager against the risks related to climate change identified in the Group's corporate risk register. These are then shared with the Board via the CEO as and when they arise.

The Board also receives an updated newsletter from the Environmental Steering Group monthly, outlining changes and opportunities realised by the teams and their subsidiaries.

2. Describe management's role in assessing and managing climate-related risks and opportunities.

Responsibility for the Group's framework for assessing climate-related risks and opportunities rests with the Environmental Steering Group which reports to the Board.

The CEO retains ultimate accountability for the execution of the Group's climate-related risk agenda. The CEO chairs the Environmental Steering Group which was established in February 2023, and comprises senior central and subsidiary management from across the Group. The Environmental Steering Group meets monthly and is responsible for evaluating Carr's Group performance by reviewing data and assessing progress concerning established objectives. The Environmental Steering Group also provides regular updates to the Board to support strategy and management of climate-related risk. For more details on the Environmental Steering Group, please see pages 34 and 35 and the disclosures set out on pages 38 to 44 (inclusive).

All sites within the Group maintain their own Green Teams. These teams are responsible for considering the local environmental and societal impacts of our operations and report into the Environmental Steering Group via monthly meeting updates.

The Group's corporate risk register includes risks related to climate change. Climate-related risks are managed by the Group's Environment and Sustainability Manager working closely with the members of the Environmental Steering Group who actively comment and review current risks and opportunities. Details of the Group's key risks can be found on pages 20 to 23 (inclusive).

Strategy

3. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

The sale of the Agricultural Supplies division has allowed us to begin a thorough assessment of risks and opportunities for the Speciality Agriculture and Engineering divisions. These evaluations, spanning short, medium, and long-term perspectives were developed by the Group's Environment and Sustainability Manager, working in collaboration with the Environmental Steering Group and Green Teams. Although well into its development, it is an ever-advancing project that will span into 2024 and beyond.

Generally, risks are considered on the following basis:

- "short-term" (one to three years) goals and objectives of the Group
- "medium-term", being risks with a horizon of between three years and eight years
- "long-term", being risks with a horizon of more than eight years

The time periods noted above are considered appropriate as they align with the Group's planning cycle, which includes detailed financial forecasts and consideration of all risks, including those that are climate-related, which may impact those forecasts. The medium-term horizon is considered appropriate as there is some visibility of potential growth opportunities and risks across both divisions, albeit these are less clear than in the near-term. Thereafter, our view of risk is considered in global, macro-economic terms which provide less certainty than the nearer term views.

The assessments consider potential climate risks, including both physical (acute and chronic) risks such as drought, flooding, and water stress, as well as transitionary risks associated with shifts towards a low-carbon economy. This encompasses factors such as international climate policies, impacts of carbon pricing, and evolving market and technological trends. The analysis assesses how these factors could affect our facilities, stakeholders, customers, and consumers. Our risk and opportunity analysis on climate-related risks, and the potential impacts including financial considerations for the Group, are outlined in the tables which follow. In all instances the risks are associated with our business units and separate climatic risk levels are reviewed internally by the Group Environment and Sustainability Manager.

TCFD DISCLOSURES CONTINUED

Physical Risks

Risk	Severity	Timescale	Risk Description	Potential Impact	Mitigation
Extreme weather events	Medium Acute and Chronic	Short, Medium and Long-Term	Events such as high winds, flood, drought conditions, increased seasonal temperatures and heat stress. Exposure to physical risk varies across regions and the supply chain with differing climatic conditions across the geographies in which we operate.	Supply chain disruptions increased. Downtime – Loss or damage of infrastructure. Production cost increase. Reduced raw material availability. Severe drought can impact cattle numbers in the USA. We have considered our site geographical locations internally and the majority are currently considered low risk with the exceptions of standard extreme weather events seen in South Dakota (US), and Silloth (Cumbria, UK) whereby local road networks are susceptible to flooding during raised sea levels, for example, the site at Silloth is located on or near a dockside with the dock having the facility to be isolated from any tidal surges.	Dual suppliers from different regions. Can supply from different regions. Can store additional product.
Long-term Sustainability	Low – Medium Chronic	Short, Medium and Long-Term	Changes to climate that reduces requirement for products or services.		

Transitional Risk – Technology

Risk	Severity	Timescale	Risk Description	Potential Impact	Mitigation
Increased costs of changing to lower emission technology	Low	Medium – Long-Term	Risk of failing to hit net-zero target due to lack of investment.	Increased emissions. Failure to follow legal compliance. Loss of customer confidence.	Environmental knowledge structure developed. Legal register in place reviewed and monitored regularly. Best Available Technique ("BAT") continually assessed for renewable options.

Transitional Risk – Market

Risk	Severity	Timescale	Risk Description	Potential Impact	Mitigation
Increased costs of raw materials	High	Short	Increased raw material costs and volatility in the marketplace.	Loss of customers. Shortage of ingredient availability. Loss of capital. Lack of confidence in the Group due to failure to transition.	Absorb costs where possible. Dual suppliers available. Continuous monitoring and development. Setting plans to transition in a realistic timeframe to renewables across both business units. Procured green electricity contracts.
Changing agricultural practices	Medium	Short - Medium	Innovative changes in crop and livestock preferences causing increased costs.		
Capital costs	Medium	Short - Medium	Difficulties in accessing capital without increased environmental and societal reporting.		
Engineering development and governmental legislation changes	Low	Short, Medium and Long	Changes in governmental strategy bringing challenges to current engineering direction.		
Energy demand	Medium – High	Short, Medium and Long	Increased costs of energy and cost of transition to a renewable infrastructure.		

Transitional Risk – Policy & Legislation

Risk	Severity	Timescale	Risk Description	Potential Impact	Mitigation
Enhanced obligations for reporting emissions	Medium	Short, Medium and Long	Increased reporting requirements challenges and integration throughout the Group.	Increased costs. Increased resource required to manage obligations. Legal compliance failure.	Team development in place. Succession planning in place. Voluntary environmental teams set up at each site. Sites working to 5S standards to ensure high efficiency standards across climatic conditions and expectations. Offsetting to be reviewed during projects and procuring of energy contracts.
Climate litigation	Low	Short, Medium and Long	Increased risk of climate-related litigation brought by investors, insurers, shareholders, and public interest organisations.		
Emissions offsetting	Medium	Short, Medium and Long	Rising costs of carbon-related offsetting to achieve the 2050 net-zero target.		

Transitional Risk – Reputation

Risk	Severity	Timescale	Risk Description	Potential Impact	Mitigation
Consumer risk	Low	Short - Medium	Slow response to consumer trends causing shift or loss of consumers.	Loss of consumers due to lack of communication. Loss of key talent. Reduced investment.	Communication channels in place ensuring customer confidence. Training and development in place and cross fertilisation of departments allows our key talent to understand the Group and its businesses in their entirety. ESG targets set and measured. See page 44.
Employee risk	Medium	Short, Medium and Long	Breakdown of confidence from employees due to lack of opportunity, training, and communication development.		
Investment risk	Medium	Short, Medium and Long	Risk of loss of investment due to failure to set and achieve ESG targets.		

TCFD DISCLOSURES CONTINUED

Opportunities

In the Speciality Agriculture division:

- Create products that adapt to various farming conditions, incorporating alternative ingredients where possible to reduce reliance on imported soya derivatives for feed production.
- Offer customers nutrition solutions that reduce carbon impact. For more information see page 34.

The Engineering division:

- Support low carbon energy sources, particularly in the nuclear sector.
- Remain watchful of the medium and long-term risks in the oil and gas sector. For more information see page 23 (climate change).

Mitigating actions to reduce the risks of climate change to the Group

Extreme Weather Events

- Develop new grazing management systems to maximise gains and decrease the risk of soil damage and pathogen build-up. Improve nutritional management to maximise the utilisation of new and novel feed sources.
- Review current supply chain for resilience and expected short, medium and long-term effects due to extreme weather events. Availability of raw materials versus reusing waste materials within the processes.

Supply Chain

- Understanding the complete supply chain including areas of supplying sites/distance to sites in relation to chronic weather events and supplier understanding of climatic risk including physical and transitional. Using service providers with carbon management plans in place. Understand geographical supply chain in relation to short, medium and long-term effects.
- Develop supplementary protein products within local business areas to reduce import costs and volatility. Develop crop/forage varieties/species for increased thermal/drought tolerance together with new forage varieties to increase water retention in the soil so reducing flood risk during extreme weather events.

Societal and Legislative Changes

- A current, new, and emerging risk area, the pandemic has also added to the risk in this area of talent retention as personnel review current lifestyles. Ensuring a strong strategic platform of social development will bring more stability in the medium and long term. Ensuring operational locations are protected from climatic incidents will provide an ongoing safe and comfortable work area. Legislative changes will add challenges and also opportunities to improve the business model.

Reputation

- The environmental concerns surrounding palm and soy oil derivatives create a substantial opportunity for innovation in the realm of animal feed supplements. The increasing demand for sustainable alternatives in this sector is spurring research and development.

4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Following the sale of our Agricultural Supplies division, we have made significant strides in reducing the carbon footprint of Carr's Group. The assessment of climate-related risk remains low in the short term. Businesses within the Group carefully manage the sourcing of raw materials, prioritising ethical and sustainable origins. Benchmarks are set to accelerate progress towards a 2050 net-zero carbon goal, and the Group is committed to achieving this.

Core business objectives now integrate climate and sustainability targets and are linked to remuneration of senior managers and Executive Directors.

In the first year with the Green Teams on individual sites, the Group has begun to lay the foundation for localised and Group-wide projects, demonstrating notable progress and establishing a strong foothold in our sustainability objectives. For more information see pages 34 and 35 and the disclosures set out on pages 38 to 44 (inclusive).

The Group is currently integrating the progress of localised projects into next year's scenario planning, which includes evaluation of crucial financial metrics within established scenarios, covering a spectrum of physical and transition risks and opportunities.

5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower temperature scenario.

We currently perceive climate-related risk as being of low impact. Comprehensive climate scenario analysis was planned during FY23 but was delayed as a result of the sale of the Agricultural Supplies division and the protracted year-end process. The Group reduced its footprint as a result of the disposal; going from 1,221 colleagues down to 647 and reducing business site locations from 57 down to 17. In FY23 robust internal risk management measures were developed and associated procedural initiatives planned. Further details can be found on pages 38 to 44 (inclusive).

Scenario analysis is a priority for 2024 to provide greater insight into potential impacts of physical climate risks and opportunities for transitioning towards a low-carbon economy. To ensure the rigour and thoroughness of the approach, we will be engaging with external specialists to assist with the execution and verification of the work.

Risk Management

6. Describe the organisation's processes for identifying and assessing climate-related risks;

7. Describe the organisation's processes for managing climate-related risks;

8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The Group utilises a comprehensive risk-assessment methodology that combines both internal expertise and external data sources and includes climate-related risks. Details of the Group's key risks can be found on pages 20 to 23 (inclusive). Active engagement with management teams across the Group's operations allows for valuable insights to be integrated into the Group's corporate risk register with oversight by the Group's Environment and Sustainability Manager. The identified risks undergo evaluation, considering factors such as likelihood, severity, and potential financial implications. Collaborative efforts with management lead to the formulation and endorsement of tailored mitigation strategies. The Group's corporate risk register, which includes those risks related to climate change, undergoes Board-level review to ensure alignment with sustainability goals and the Group strategy. Feedback from the Board is communicated to the Group's Environment and Sustainability Manager and Environmental Steering Group via the CEO, who chairs the Environmental Steering Group. The Audit Committee is responsible for monitoring the Group's compliance with climate change reporting and reviewing the TCFD disclosures. The Audit Committee is also responsible for reviewing the Group's internal controls and risk management systems, as well as the Group's corporate risk register, which includes risks related to climate change.

As the organisation progresses through 2024, there is a commitment to continuous improvement, with enhancements being made to the assessment process to further support its comprehensiveness and robustness. This evolution aims to strengthen the risk management framework and ensure sustainable practices align with the sustainability strategy.

Metrics and Targets

9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.

11. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Group employs a comprehensive approach to monitor climate-related risks and opportunities in alignment with our strategy and risk management process. Our focus primarily revolves around carbon generation within our operations, encompassing both Scope 1 and Scope 2 emissions. To support our monitoring efforts, we integrated an online portal into our systems in late 2022, enhancing our data collection capabilities worldwide. This innovation has granted us access to retrospective data, offering invaluable insights into our historical emissions trends.

Looking ahead, we are committed to refining our methodology for gathering and disclosing Scope 3 emissions, which is essential in evaluating potential risks and opportunities. In 2024, we plan to expand our monitoring framework, with a specific emphasis on incorporating Scope 3 direct emissions into our reporting structure. This is a step towards achieving a more sustainable and environmentally conscious operational footprint.

Green Team and Environmental Steering Group development were used to increase environmental awareness, allowing our climate risks to be monitored and assessed. The development of the Environmental Steering Group and Green Teams target was to ensure future proofing and succession planning ensuring the opportunity to achieve ongoing targets for Carr`s Group. Energy usage and contractual changes allow reductions in reliance on fossil fuels and increasing costs. Detailed information on our Scope 1 and Scope 2 GHG emissions, as well as our approach to Scope 3 GHG emissions, can be found on pages 36 and 37.

Our primary objective is the ambitious goal of achieving net-zero carbon emissions for both Scope 1 and Scope 2 by 2050. This commitment to climate action remains at the forefront of our operational agenda as we refine our strategies within the refocused Group. To achieve this, we have set a target of 3.4% reduction per annum. In the current year, we have achieved a reduction of 8.8%.

In addition to this overarching goal, we have initiated the collection of Scope 3 direct emissions data. The Environmental Steering Group oversees a range of targets designed to support our sustainability efforts. These include the establishment of Green Teams across our entire Group, the implementation of Environmental Training initiatives, the pursuit of zero to landfill practices, the cultivation of knowledge in environmental stewardship, and the transparent reporting of environmental data to external bodies such as the Climate Disclosure Project ("CDP"). Details of our performance against these targets is demonstrated on pages 34, 35 and 37 (inclusive). These multifaceted initiatives demonstrate our dedication to a more sustainable and biodiverse future.

24
Green Team meetings across all facilities

9
Environmental Steering Group meetings

406
colleagues trained in environmental awareness, 62% of the Group's employees

8.8%
reduction in scope 1 & 2 emissions

NON-FINANCIAL & SUSTAINABILITY INFORMATION STATEMENT

In line with Sections 414CA and 414CB of the Companies Act 2006, we have set out below where relevant information we are required to report on can be found.

Reporting Requirement	Group policies and standards	Location in Annual Report
Climate-related Financial Disclosures	Environmental Policy	TCFD Disclosures (see pages 38 to 44 (inclusive)) Viability statement (page 24)
Environmental Matters	Environmental Policy Carr's Group Intranet (CarrsConnect)	Responsible Business Report (see pages 25 to 37 (inclusive)) TCFD Disclosures (see pages 38 to 44 (inclusive))
Employees	Employee Handbook Health & Safety Policy Code of Ethics Speak-up/Whistleblowing Modern Slavery Carr's Group Intranet (CarrsConnect)	Responsible Business Report (see pages 25 to 37 (inclusive))
Social Matters	Charitable Donations Policy Carr's Group Intranet (CarrsConnect)	Responsible Business Report (see pages 25 to 37 (inclusive) Directors' Report (see page 105)
Human Rights	Employee Handbook Modern Slavery Statement and Policy Carr's Group Intranet (CarrsConnect)	Responsible Business Report (see pages 30 to 31 (inclusive))
Anti-Corruption & Anti-Bribery	Anti-bribary Policy Gifts and Entertainment Carr's Group Intranet (CarrsConnect)	Responsible Business Report (see pages 30 to 31 (inclusive))
Policy Implementation and Due Diligence	Employee Handbook Financial and Other Controls Internal Due Diligence/Integration processes Carr's Group Intranet (CarrsConnect)	Strategic Report (see pages 01 to 45 (inclusive))
Business Model	–	Business model (see pages 10 and 11 (inclusive))
Principal Risks	–	Principal Risks and Uncertainties (see pages 20 to 23 (inclusive))
Non-Financial KPIs	Environmental Policy Health & Safety Policy Employee Handbook Carr's Group Intranet (CarrsConnect)	KPIs (see pages 18 and 19)

Strategic Report Approval

The Strategic Report on pages 01 to 45 comprises the Highlights and At a Glance sections, the Chair's Statement, the Market Overview, the Business Model, Strategy, the Chief Executive's Review, the Financial Review, Key Performance Indicators, Principal Risks and Uncertainties, the Viability Statement, the Responsible and Sustainable Business Report (including SECR details on pages 36 and 37), the TCFD Disclosures, and the Non-Financial & Sustainability Information Statement, as well as the s.172 Statement on pages 62 to 66 (inclusive).

The Strategic Report was approved by the Board on 20 December 2023.

By order of the Board

Justin Richards
Company Secretary

20 December 2023

CORPORATE GOVERNANCE REPORT

Tim Jones
Non-Executive Chair

BOARD MEMBERS*

Tim Jones
Non-Executive Chair

David White
Chief Executive Officer

Martin Rowland
Executive Director of Transformation

Ian Wood
Non-Executive Director and Employee Engagement Representative

Shelagh Hancock
Non-Executive Director

Stuart Lorimer
Non-Executive Director

Gillian Watson
Non-Executive Director and Senior Independent Director

*As at the date of this report

CHAIR'S INTRODUCTION

I am pleased to present the Corporate Governance Report for the year ended 2 September 2023 on behalf of the Board.

This report sets out our approach to governance and describes how Carr's Group plc adopts the UK Corporate Governance Code 2018 (the "Code"). In preparation, the Board considered each principle of the Code to review how it is applied and how it relates directly to the Group. Information about the Board and Board Committees and how we engage with our stakeholders can be found on the following pages.

FY23 Overview

This has been a busy year for the Group. There have been changes to the Board and the composition of Committees. We have engaged with shareholders on a number of topics, and have faced the challenges of an audit delay to the completion of the FY22 year-end process.

During periods of change, it is key that the Board remains committed to maintaining good governance. It is central to the integrity, reputation and performance of the Group and we will continue to operate in an open and transparent manner with all of our stakeholders.

Board changes

Changes in the Board composition are detailed in full in the Nomination Committee Report on pages 67 to 71 (inclusive).

My appointment as Non-Executive Chair took effect on 21 February 2023 and, following the Company's General Meeting on 2 May 2023, I took over as Nomination Committee Chair and became a member of the Remuneration Committee. Upon my appointment, Peter Page stepped down as Executive Chair and took the role of Chief Executive Officer. As announced on 13 November 2023, Peter stepped down from the Board and left the Group on 17 November 2023. On behalf of the Board, we thank Peter for his significant contribution and wish him every success.

David White joined the Board as Chief Financial Officer from 21 February 2023, taking over from Neil Austin who left the Group in February 2023 to take up a new role. As announced on 13 November 2023, David White was appointed by the Board as Chief Executive Officer with effect from 17 November 2023. David has been succeeded in the role of Chief Financial Officer by Gavin Manson with effect from 13 November 2023. Gavin is not a member of the Board but will attend Board meetings by invitation.

In line with the Board's Non-Executive Director succession plan, Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors from 1 September 2022. Shelagh and Stuart are also members of each of the Audit, Remuneration and Nomination Committees, with Stuart also acting as Audit Committee Chair, taking over from John Worby following the General Meeting of the Company on 2 May 2023.

John Worby stood down from the Board on 31 October 2023, and leaves with our grateful thanks for all the support and wisdom he has provided during almost nine years at Carr's.

Martin Rowland was appointed as a Non-Executive Director of the Company on 6 March 2023. Martin is appointed as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. Martin was appointed Executive Director of Transformation with effect from 13 November 2023.

We start the new financial year welcoming Gillian Watson to the Board. Gillian joined as Non-Executive Director on 9 October 2023 and is a member of the Nomination, Audit and Remuneration Committees. Gillian has also taken over the role of Senior Independent Director from John Worby.

After seven years at Carr's, Company Secretary and Legal Director, Matthew Ratcliffe left the Group to take up a new role. Matthew has been central to the Group's governance and has provided expert support and guidance to the Board and Board Committees. I am pleased to welcome Justin Richards as our Company Secretary and Legal Director. We thank Matthew and wish him all the very best of luck in his new role.

FY22 year-end process

In November 2022 a delay was announced to the completion of the year end process that had several consequences including a temporary suspension of trading in the Company's Ordinary Shares and the delayed release of the audited results and FY22 Annual Report, along with payment of the final dividend later than usual.

Completion of the disposal of the Agricultural Supplies division

On 26 October 2022, we completed the disposal of all interests in the Agricultural Supplies division through a sale to Edward Billington and Son Limited, the division's joint owner. The disposal has meant that the Board has focussed on the organic growth opportunities for the Speciality Agriculture division and optimising opportunities for the Engineering division through focusing on the unique strengths and qualities of the current businesses.

Employee engagement

Ian Wood continues as the Board's Employee Engagement representative, with responsibility for reporting on employee-related matters to the Board and ensuring that employee interests are properly considered in Board decision-making. Details of employee engagement throughout FY23 can be found on pages 26 and 27 and on pages 62 to 66 (inclusive).

Sustainability

Focus on sustainability has been important during the year. We have a new Environmental Steering Group, chaired by our CEO and reporting into the Board, and newly formed Green Teams at each of our sites, ensuring that sustainability is considered at all levels throughout the Group. Details can be found in the Responsible Business Report and the TCFD Disclosures on pages 25 to 44 (inclusive).

Board evaluation

Board effectiveness reviews take place annually, with every third review being facilitated by an external provider. Internal reviews facilitated by the Company Secretary on behalf of the Chair are carried out in between external reviews.

In August 2023 we undertook an internal effectiveness review. The findings were presented to the Board and were the subject of detailed and constructive discussion. Details of that process and its outcomes are set out in this Corporate Governance Report on pages 58 to 60 (inclusive). An external effectiveness review was completed in 2021, and we intend to externally facilitate next year's Board review.

Tim Jones
Non-Executive Chair

20 December 2023

THE BOARD

Tim Jones
Non-Executive Chair

Tim is an FCA approved person, a member of the Chartered Institute of Securities and Investments and an Associate of the Chartered Insurance Institute.

Term of Office

Tim Jones was appointed to the Board as Non-Executive Chair on 21 February 2023.

External Appointments

Tim served as Non-Executive Chair of Treatt plc between 2012 and January 2023, and remains Chair of Allia Charitable Group, SP-Logistics Holdings Limited, Chair of Allia C&C Impact and ESG Capital and a Non-Executive Director of RCB Bonds plc.

Committee Memberships

- Nomination Committee – Chair
- Remuneration Committee

David White
Chief Executive Officer

David is a Chartered Accountant having qualified in London in 1997 and spent time at Ernst & Young. David joined the Company from Aggreko plc where he held a variety of senior roles, most recently as Finance Director of the Global Products and Technology division.

Term of Office

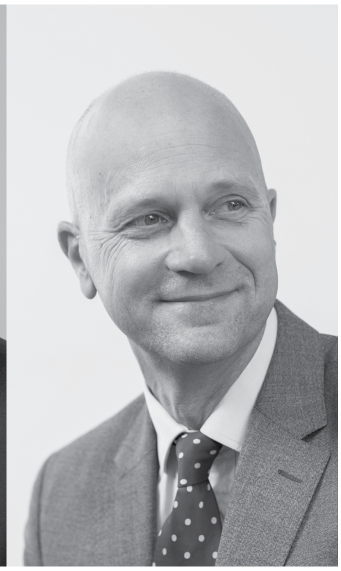
David White was appointed to the Board as an Executive Director in the role of Chief Financial Officer on 21 February 2023, and was appointed as Chief Executive Officer with effect from 17 November 2023.

External Appointments

None.

Committee Memberships

None.



Martin Rowland
Executive Director of Transformation

Martin is a representative of Harwood Capital Management Limited ("Harwood") and was appointed to the Board on 6 March 2023 as a Non-Executive Director pursuant to a relationship agreement between the Company and Harwood. Martin was appointed as Executive Director of Transformation with effect from 13 November 2023. Martin has spent the last 14 years in a variety of investment roles and prior to this held operational and strategic roles in mid and large-scale corporates. He has been a director of companies in an executive and non-executive capacity, helping businesses to scale organically and through acquisition.

Term of Office

Martin was appointed a Non-Executive Director on 6 March 2023, and was appointed as Executive Director of Transformation with effect from 13 November 2023.

External Appointments

Martin is currently Non-Executive Chair of AIM-listed Smoove plc

Committee Memberships

None.

Ian Wood

Non-Executive Director

Employee Engagement Representative

Ian retired as the Commercial Director, International Business Development for Centrica (previously British Gas) in January 2016 having held several 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.

Term of Office

Ian was appointed to the Board in October 2015.

External Appointments

In addition to his work for the Group, Ian is currently a Director of Talkin Energy Ltd and a Non-Executive Director of Cumbria County Holdings Ltd.

Committee Memberships

- Remuneration Committee – Chair
- Audit Committee

Shelagh Hancock

Non-Executive Director

Shelagh brings to this role over 30 years' experience in the food and agricultural supply sectors and, prior to her current role with First Milk, Shelagh held several executive positions across the UK dairy industry, including at Milk Link (formerly Glanbia Foods) and Medina Dairy, having trained as an animal nutritionist.

Term of Office

Shelagh was appointed to the Board as a Non-Executive Director on 1 September 2022.

External Appointments

Shelagh is currently Chief Executive Officer at First Milk, the British farmer-owned dairy co-operative, where she is highly respected for delivering significant growth in member returns since being appointed in 2017.

Committee Memberships

- Remuneration Committee
- Nomination Committee
- Audit Committee

Stuart Lorimer

Non-Executive Director

Stuart is a qualified accountant and began his career at KPMG. Prior to his current role with AG Barr plc, Stuart was with Diageo plc for 22 years in various senior roles working across Europe, the USA and Asia, ultimately as Finance Director for Diageo's Global Supply Operation. Stuart brings strong finance expertise together with a wealth of experience in supply chain operations, logistics and business optimisation.

Term of Office

Stuart was appointed a Non-Executive Director and joined the Board on 1 September 2022.

External Appointments

He is currently Finance Director at AG Barr plc, the FTSE-listed soft drinks brand owner, a role which he has held since 2015.

Committee Memberships

- Audit Committee – Chair
- Remuneration Committee
- Nomination Committee

Gillian Watson

Non-Executive Director

Senior Independent Director

Gillian has more than 30 years' executive and non-executive experience across a range of sectors and geographies. Previously, Gillian's executive career was spent in corporate finance advisory, business strategy and energy.

Term of Office

Gillian was appointed a Non-Executive Director on 9 October 2023.

External Appointments

Gillian is an Independent Non-Executive Director at Vidrala, S.A. and Scottish Friendly Mutual Insurance as well as Non-Executive Chair of Statera Energy, char.gy and DC 25 investment Fund. She is also a Trustee for The Boswell Trust.

Committee Memberships

- Remuneration Committee
- Nomination Committee
- Audit Committee

CORPORATE GOVERNANCE

The Group's corporate governance measures are designed to ensure that good governance is embedded and exercised at all times and at all levels across the Group. A **structured framework,** together with **accountable leadership, internal controls, risk management** and **stakeholder engagement,** enables and ensures good decision-making, which in turn promotes the direction, effectiveness and accountability of the Group.

STRUCTURED FRAMEWORK

THE BOARD

The Board is responsible for promoting the long-term sustainable success of the Group for the benefit of its shareholders and supporting all stakeholders. The Board establishes the Group's purpose and sets its strategic direction, ensuring that they remain aligned with the Group's ethics and culture. The Board consists of Executive Directors together with experienced Non-Executive Directors. Details of the Board members can be found on pages 48 and 49.

BOARD COMMITTEES

The Board Committees ensure that there is independent oversight of the matters within their respective remit and assist the Board in fulfilling its responsibilities. Each Board Committee is chaired by a Non-Executive Director. The Chair of each Committee reports regularly to the Board as to how that Committee has discharged its responsibilities. Written Terms of Reference govern the responsibilities of the Committees, which are reviewed regularly by the relevant Committee and made available on the Group's website (www.carrsgroup-ir.com).

Nomination Committee

The role of the Nomination Committee is to ensure that an appropriate balance of skills, experiences and backgrounds is achieved across the Board, and that the Group is properly prepared for the succession of members of the Board and senior management. Details of the work, responsibilities and governance of the Nomination Committee are set out in the Nomination Committee Report on pages 67 to 71 (inclusive).

Audit Committee

The Audit Committee's key responsibilities are to review the effectiveness of the Company's financial reporting, the performance of the external auditor and the Group's systems of risk management and internal control. Details of the work, responsibilities and governance of the Audit Committee are set out in the Audit Committee Report on pages 72 to 77 (inclusive).

Remuneration Committee

The Remuneration Committee's primary role is to review and set the reward structures for Executive Directors and oversee reward structures for other senior management to ensure that these promote the correct behaviours and are appropriate when considered in conjunction with the levels of pay and benefits offered across the Group. Details of the work, responsibilities and governance of the Remuneration Committee are set out in the Remuneration Committee Report on pages 78 to 102 (inclusive).

EXECUTIVE DIRECTORS

The Executive Directors are responsible for implementing the strategy agreed by the Board and reviewing strategic opportunities and initiatives; ensuring alignment on business priorities, investments and actions; management of the operational divisions and central functions on a day-to-day basis; and the management of matters relating to the Group's workforce.

SUBSIDIARY & JOINT VENTURE BOARDS

The Subsidiary and Joint Venture Operating Boards monitor performance and commercial developments.

These boards include subsidiary management, Executive Directors, leaders of Group functions and, where appropriate, managing directors and executives from joint venture partners. Meetings take place regularly and feedback on business performance and key developments is shared with the Board.

ENVIRONMENTAL STEERING GROUP

The Environmental Steering Group was established in early 2023 and is responsible for developing the Group's framework for assessing climate-related risks and opportunities and assessing the Group's performance by reviewing data, reviewing progress against agreed actions and providing advice to the Board in support of the development of strategy and management of risk. It meets on a quarterly basis, is chaired by the CEO and includes senior management from across the Group. The Environmental Steering Group is supported by Green Teams, which have been established at each site. For further details please see pages 34 and 35.

SENIOR LEADERSHIP

The senior leadership team is responsible for implementing policies, the operational delivery of the Group's strategies and monitoring performance and commercial developments.

The senior leadership team consists of the Executive Directors, senior management, managing directors of individual businesses, and Group functional leaders for Finance, Health & Safety, HR, Legal and IT. Members of the senior leadership team regularly engage with Board members.

ALL EMPLOYEES

Regular meetings are held in each of the Group's businesses, and also in each of the Group's central functions. These meetings are designed to manage and monitor day-to-day operations, improving the speed and efficiency of decision making. Each site also has a Green Team, which is responsible for considering resource efficiencies together with the environmental and social impacts of the Group businesses at a local level.

Ian Wood is the Board's Non-Executive Director for Employee Engagement, providing a link between the Board and the employees of the Group.

ACCOUNTABLE LEADERSHIP

The Board

Details of the Board can be found on pages 48 and 49.

Division of responsibilities

The UK Corporate Governance Code 2018 requires there to be a clear division of responsibilities between the leadership of the Board and the operation of the Group's businesses by the executive leaders[1]. The roles of the Executive Directors, the Chair, the Senior Independent Director and the Non-Executive Directors are reviewed regularly by the Board, most recently in April 2023, with details set out on the Group's website, and referenced below:

1 As noted in the 2022 Annual Report and Accounts, Peter Page acted as Executive Chair on an interim basis for the period from 11 October 2021 to 21 February 2023, during which time in addition to the responsibilities of the Chair set out above, Peter Page took on some of the key responsibilities of the Chief Executive Officer with the Chief Financial Officer taking on the remainder of the key responsibilities. Additional arrangements were put in place, including the delegation of certain of the Chief Financial Officer's responsibilities to senior finance personnel, to ensure that the Group continued to be managed effectively, governance remained robust and to enable the Group's strategy to be delivered during the interim period. On 5 August 2022 it was announced that Peter Page was to be appointed as Chief Executive Officer, but that the interim arrangements would continue with Peter remaining as Executive Chair until the new Non-Executive Chair is in place. Tim Jones joined the Board on 21 February 2023 as Non-Executive Chair and the division of responsibilities was reviewed and updated in April 2023.

NON-EXECUTIVE CHAIR

The Chair leads the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, promoting high standards of corporate governance. Key responsibilities include:

- Chairing the Board, its Nomination Committee, and General Meetings including the AGM.
- Ensuring the Board Committees are properly constituted and effectively chaired.
- Ensuring that appropriate arrangements exist for the delegation of the Board's authority to Executive management and Board Committees.
- Ensuring the effective running of the Board, demonstrating objective judgement and the highest standards of corporate governance, ensuring that sufficient time is afforded for the proper consideration of key matters.
- Promoting openness and debate on the Board.
- Ensuring the timely flow of information to the Board and ensuring members are well-informed to enable constructive discussion and sound decision-making.
- Setting the Board's agenda in conjunction with the CEO and Company Secretary, focusing on strategy, performance, culture, stakeholders and accountability, and ensuring that it takes full account of the important issues facing the Group.
- Ensuring the effective oversight of risk management by the Board.
- Leading the performance evaluation of the Board and each of its members.
- Providing a sounding board for the CEO on key business decisions, challenging proposals where appropriate.
- Promoting the profile and perception of the Group publicly and amongst its stakeholders.
- Ensuring effective communication and engagement with shareholders and other stakeholders on key matters and that members of the Board understand the views of such shareholders and other stakeholders.
- Ensuring the effective oversight of Board membership and succession planning in conjunction with the Nomination Committee, taking into account the skills, experience, knowledge, and diversity of Board members.
- Ensuring, with the support of the CEO and Company Secretary, that effective induction programmes exist for onboarding new Board members.
- Encouraging the continued development of the Directors and the Board as a whole.

CHIEF EXECUTIVE OFFICER

The Chief Executive leads in the development and implementation of strategy and has overall responsibility for the management and performance of the Group and its businesses. Other key responsibilities include:

- Developing and implementing the Group's strategy and commercial objectives.
- Promoting the Group's culture and behaviours and adhering to the highest standards of integrity and governance.
- Managing risk and risk mitigation strategies to safeguard the reputation of the Group and its businesses.
- Effecting the decisions of the Board and its Committees.
- Establishing an annual budget consistent with the agreed strategy.
- Providing input into the Board's agenda.
- Ensuring that dialogue is maintained with the Chair on important issues facing the Group.
- Ensuring open and regular communication and engagement with shareholders and other stakeholders.
- Developing and overseeing the Group's Environmental, Social and Governance work, and sustainability strategy.

SENIOR INDEPENDENT DIRECTOR ("THE SID")

Key responsibilities include:

- Acting as a sounding board for the Chair.
- Serving as an intermediary for other Directors, where necessary.
- Being available to shareholders to deal with concerns which cannot otherwise be resolved through ordinary channels.
- Leading in the performance evaluation of the Chair.
- Ensuring an orderly succession process for the Chair.

NON-EXECUTIVE DIRECTORS (INCLUDING THE CHAIR AND THE SID)

The Non-Executive Directors bring skills, knowledge and experience to the Board. Key responsibilities include:

- Providing independent and constructive challenge to the Executive Directors.
- Helping to develop Group strategy with an independent outlook.
- Devoting time to develop and refresh knowledge and skills, and being well-informed about the Group.
- Serving on Board Committees.
- Satisfying themselves as to the accuracy of the Group's financial results and the effectiveness of controls and systems of risk management.
- Determining appropriate levels of remuneration for Executive Directors.
- Having a key role in succession planning.

The Board is supported by the Company Secretary, who assists the Chair and the rest of the Board to uphold corporate governance standards. The Company Secretary ensures compliance with Board procedures and provides support to the Chair. He advises the Board on corporate governance developments and ensures that the Board receives information in a timely manner. The Company Secretary is able to access appropriate resources, services and advice to support the Directors as required. The Company Secretary also arranges and considers Board effectiveness reviews in conjunction with the Chair, facilitates Directors' induction programmes for new members and assists with ensuring that the Board has appropriate training.

Composition

As at the date of this Annual Report, the Board comprises two Executive Directors[1] and five Non-Executive Directors[2], including the Chair. There is also a Company Secretary to the Board[3]. Biographies of Board members are set out on pages 48 and 49. The appointment and removal of Directors is governed by the Company's Articles of Association and the Companies Act 2006. In accordance with the Corporate Governance Code, all Directors stand for election or re-election annually at the Annual General Meeting of the Company.

1 David White as Chief Executive Officer; and Martin Rowland as Executive Director of Transformation. Peter Page stood down from the Board and left the Group on 17 November 2023.

2 Tim Jones as Non-Executive Chair, Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson. John Worby stood down from the Board on 31 October 2023.

3 Matthew Ratcliffe left the Group on 22 September 2023, and Justin Richards was appointed Company Secretary on 25 September 2023.

Diversity and inclusion

We believe that a truly diverse Board will include and make good use of differences in social and ethnic background, race, gender and other distinctions between Directors, such as cognitive and personal strengths. The Board has in place a Board Diversity Policy which extends to the Board Committees and sets out the Board's diversity objectives. A copy of the Board Diversity Policy can be found on our investor website (www.carrsgroup-ir.com/). Further details on diversity and inclusion can be found on page 27 and in the Nomination Committee Report on pages 67 to 71 (inclusive).

For the financial year ended 2 September 2023, members of the Board and the senior management team were asked to complete a diversity disclosure questionnaire to confirm which of the categories set out in the table below they identify with and to provide data on wider diversity aspects.

In accordance with Listing Rule 9.8.6R(10) below is the numerical diversity data as at 2 September 2023 in the format set out in LR 9 Annex 2.1.

Gender identity

Gender identity	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (senior management team)	Percentage of executive management (senior management team)
Men	7	87.5%	4	9	90%
Women	1	12.5%	0	1	10%
Non-binary	0	0%	0	0	0%
Prefer not to say	0	0%	0	0	0%

Ethnic background

Ethnic background	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (senior management team)	Percentage of executive management (senior management team)
White British or other White (including minority-White groups)	8	100%	4	10	100%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

FCA Listing Rules Targets

During the financial year ended 2 September 2023, less than 40% of the individuals on the Board were women and no senior position (Chair, CEO, CFO, SID) was held by a woman. No member of the Board was from a minority ethnic background. Historically, the geographical location of the Group, together with the industries in which the Group operates have impacted the ability of the Board to attract persons who not only possess the appropriate skills and experience, but also meet diversity targets. The Board has taken positive steps in this regard, with the publication of the Board Diversity Policy applicable to the Board and Committees, which sets out diversity objectives for Executive and Non-Executive Directors, and the continuation of flexible working arrangements where appropriate which support diversity not only at Board level but also across the wider workforce. For details of diversity and inclusion across the wider workforce, see page 27. Since the end of the financial year ended 2 September 2023, positive steps have been taken – 28.57% of the Board as at the date of this report are women, and the role of Senior Independent Director is held by a woman. Details of Board succession planning during FY23 and candidate diversity can be found in the Nomination Committee Report on pages 67 to 71 (inclusive).

CORPORATE GOVERNANCE REPORT CONTINUED

Skills and experiences

The Board recognises the importance of having an appropriate mix of skills, qualities and industry experience in order to deliver the strategic objectives of the Company for the benefit of its shareholders as a whole. The aim is to ensure that the skills and backgrounds collectively represented on the Board reflect the diverse nature of the business environment in which the Group operates. The biographical details of the current Directors, including their relevant experience, are set out on pages 48 and 49. During the year, the Board undertook a review to assess the range of skills, attributes and experience on the Board, to ensure that it remains effective, balanced and suited to the Group's strategic priorities. The outcome of the review has been used to inform Non-Executive Director succession planning and will continue to be considered and revisited as the strategy progresses.

Powers and responsibilities

The powers of the Directors are set out in the Company's Articles of Association. In addition, the Directors have responsibilities and duties under legislation, in particular those arising under s.172 of the Companies Act 2006.

Non-Executive Director independence

The Board reviews the independence of its Non-Executive Directors regularly. Taking into account all circumstances, including those factors set out in the Corporate Governance Code, the Board considers Non-Executive Directors Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson to be independent. Tim Jones joined the Group as Non-Executive Chair on 21 February 2023. The Board considers Tim to be independent. Martin Rowland was appointed as a Non-Executive Director of the Company on 6 March 2023. Martin is appointed as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. As a representative of Harwood, the Board does not consider Martin Rowland to be independent. Martin ceased to be a Non-Executive Director on becoming Executive Director of Transformation on 13 November 2023.

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. Directors are required to declare any interests they or close family members have in any organisations that are not part of the Group, as well as other circumstances which could give rise to a conflict of interest. Registers of related parties and third-party interests are regularly reviewed by the Board. Directors are required to seek clearance from the Chair 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 an individual's appointment. In the financial year ended 2 September 2023, there were no declared conflicts of interest, and there have been no declared conflicts of interest in the period from 2 September 2023 to the date of this Annual Report.

At the outset of every Board and Committee meeting, Directors are required to declare any actual or potential conflicts in relation to matters on the agenda. In respect of discussions relating CEO succession during FY23 and into FY24, where Peter Page and David White were directly interested in the matters discussed, neither Peter Page nor David White voted in connection with matters in which they had an interest. In respect of discussions relating to the CFO succession during the first half of FY23, Board minutes reflect that Neil Austin was directly interested in discussions relating to CFO succession and accordingly note that Neil Austin would not vote in connection with such matters.

In the first half of FY24, in relation to discussions concerning CFO succession, Board minutes reflect that David White was directly interested and accordingly note that David White would not vote in connection with such matters. In addition, in relation to discussions concerning the appointment of an Executive Director of Transformation, Board minutes reflect that Martin Rowland was directly interested and therefore would not vote in connection with such matters.

Director induction and development

Upon joining the Group, each Director completes an induction which ensures each new Director is fully informed and has the necessary support. Once appointed, each Director is provided with information on the Group's corporate governance arrangements, together with key policies and procedures and access to Board and relevant Committee papers. New Director inductions also typically include meeting with the CEO, CFO, Company Secretary and members of the senior management team and visits to several of the Company's operational sites.

The Chair is responsible for ensuring that all Directors receive comprehensive information on a regular basis to enable them to perform their duties properly. Briefings are provided to the Board where necessary on areas including regulatory updates, Listing Rules requirements and updates and Market Abuse Regulations requirements. Information on upcoming legal and regulatory changes is also provided to the Board as and when appropriate.

Support and advice

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 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 at the Company's expense in the financial year ended 2 September 2023.

The Board and the Board Committees are also supported by external advisers on a regular basis in respect of matters such as remuneration, pensions, property, governance and compliance. PricewaterhouseCoopers LLP continued to act as professional advisers to the Remuneration Committee during the year. Further details can be found in the Remuneration Committee Report on pages 78 to 102 (inclusive).

Attendance at meetings

The Board met on seven scheduled occasions during the financial year ended 2 September 2023. Meetings are scheduled around events in the corporate calendar, such as finalisation of the full and half year accounts, year-end and the AGM. 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.

Details of Director attendance at scheduled Board and Board Committee meetings during the year ended 2 September 2023, against the number of scheduled meetings they were eligible to attend, are shown below:

	Board	Nom-Com	Audit Com	Rem-Com
Total no. of scheduled meetings	7	2	5	5
Directors in post during FY23				
Peter Page[1]	7 (out of 7)	2 (out of 2)	N/A	N/A
David White[2]	4 (out of 4)	N/A	N/A	N/A
Neil Austin[3]	3 (out of 3)	N/A	N/A	N/A
Tim Jones[4]	4 (out of 4)	2 (out of 2)	N/A	2 (out of 2)
John Worby	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Ian Wood	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Shelagh Hancock	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Stuart Lorimer	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Martin Rowland[5]	3 (out of 3)	N/A	N/A	N/A

Notes:

- N/A – Not applicable (where a Director is not a member of a Committee).
- Executive Directors may attend Committee meetings (or parts of such meetings) by invitation where required.
- Several unscheduled Board and Audit Committee meetings were held during the financial year ended 2 September 2023 in relation to the delayed announcement of year end results and subsequent suspension of share trading.
- Several unscheduled Board and Nomination Committee meetings were held during the financial year ended 2 September 2023 in relation to Board member changes.
- Several unscheduled Board and Remuneration Committee meetings were held during the financial year ended 2 September 2023 in relation to Board member changes and changes in senior management.
- Gillian Watson joined the Board on 9 October 2023 and was therefore not on the Board during FY23.
- John Worby was a member of the Board throughout FY23 and stood down from the Board on 31 October 2023.

1 Peter Page was a member of the Nomination Committee but stood down as Chair of the Committee on 2 May 2023, and stood down from the Board and left the Group on 17 November 2023.

2 David White joined the Board on 21 February 2023.

3 Neil Austin stood down from the Board on 21 February 2023.

4 Tim Jones joined the Board on 21 February 2023.

5 Martin Rowland joined the Board on 6 March 2023.

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. In advance of all Board meetings the Directors are supplied papers covering the matters to be considered. Members of the senior management team and other third parties may also attend meetings, or parts of meetings, by invitation. Were a Director unable to attend a particular meeting, he/she would receive relevant briefing papers and be given the opportunity to discuss matters with the Chair or other Directors. This did not occur in the financial year ended 2 September 2023.

CORPORATE GOVERNANCE REPORT CONTINUED

Meeting activities

Board agendas are set by the Chair in consultation with the Executive Directors with the assistance of the Company Secretary. Each includes a balance of the Board's principal responsibilities which can be grouped into eight areas as outlined below:

	Role of the Board	Board Activity
Strategy	To set strategic aims and objectives, including those relating to Environmental, Social and Governance considerations.	• Reviewing progress against strategic aims and objectives throughout the year. • Reviewing new business developments and opportunities including potential acquisitions and investments in research and technology. • Refining strategic priorities in line with market developments.
Financial Performance	To assess financial performance, track capital investment and financial planning.	• Monitoring financial performance. • Overseeing preparation and management of the financial statements. • Approving budgets. • Ensuring adequate cash and external finance. • Approving major capital projects, acquisitions or materially significant contracts. • Determining dividend policy. • Determining pensions strategy.
Health & Safety	To approve the Health & Safety strategy, monitor performance and drive a culture of safety and care.	• Focus on performance through Health & Safety metrics and target reports from management at the start of each meeting. • Providing support where appropriate to drive continuous improvement.
Risk	To set the approach to risk management and oversee 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.
Environment	To set sustainability priorities and oversee climate-related risks and opportunities. To ensure decisions are sustainable in the long term and the approach to climate change is addressed through work on strategy, operations and risk.	• Considering environmental and climate-related impacts on the Group and wider stakeholders. • Setting climate-related and sustainability goals and Executive Director and senior management remuneration structures linked to environmental objectives. • Reviewing progress against the Group's sustainability strategy.
People and Culture	To understand employee views and set the cultural tone underpinning a fair workplace and ethical business practice.	• Promoting the Group's culture and behaviours. • Monitoring and assessing feedback from employees and ensuring employee interests are considered. • Succession planning for Board Members and senior management.
Stakeholder Engagement	To ensure that effective engagement with employees, shareholders and other stakeholders is carried out, and feedback considered.	• Approving strategy for stakeholder engagement. • Approval of public announcements. • Considering feedback from investor meetings and roadshows.
Governance	To promote responsible leadership based on transparency.	• 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.

Activities in FY23

In addition to the regular items, during the financial year ended 2 September 2023, specific areas of focus for the Board included:

Area of focus	Progress
Scrutiny of financial control and reporting processes, specifically where accounting judgements are required, including revenue recognition in the Engineering division.	The Audit Committee, on behalf of the Board, has received regular updates on improvements being made to the Group's control environment. Revenue recognition documentation has been refreshed to ensure consistency of application across the Engineering division.
Continued development of the strategy to grow shareholder value.	The first stage of the Group's review of strategic options, the sale of the Agricultural Supplies division, was completed on 26 October 2022 with the process to close the completion accounts finalised during August 2023. The Board is continuing to develop the strategy to increase shareholder value.
Development of the Speciality Agriculture division through organic growth opportunities and carefully targeted acquisitions.	In UK Speciality Agriculture the focus has been to achieve a co-ordinated market presence and to be as effective as possible. Changes in personnel have been made to co-ordinate and consolidate areas of commonality between the Speciality Agriculture businesses such as commercial, finance, HR, operational improvements and sales and marketing to ensure we have the resources and capability to address the current market challenges.
Development of opportunities for growth in the Engineering division through focusing on the unique strengths and qualities of the current businesses to realise their potential.	The Engineering division has had high activity levels during FY23 and has strengthened its order book with a number of significant contract wins.
Onboarding new Board members.	During FY23, three new Board members joined the Board: Tim Jones as Non-Executive Chair, David White as Chief Financial Officer (appointed as Chief Executive Officer from 17 November 2023), and Martin Rowland, as Non-Executive Director (appointed as Executive Director of Transformation on 13 November 2023). New Board members completed an induction, met with other Board members and members of the Senior Leadership Team and completed visits to several of the Group's operational sites.
Stronger emphasis on climate-related risks and opportunities including the establishment of an Environmental Steering Group and supporting activities to ensure it is effective in setting the direction for the Group.	The Environmental Steering Group was established in February 2023, and is chaired by our CEO and includes colleagues from across all our businesses. The Environmental Steering Group is supported by the Green Teams which were launched at the start of FY23. There is a Green Team at each of our sites responsible for considering resource efficiencies together with the environmental and social impacts of our business at a local level. The Environmental Steering Group and the Green Teams publish regular newsletters on the Group's intranet (CarrsConnect), and ESG is a standing agenda item at Board meetings. For further information please see pages 34 and 35.
Implementation of a new ERP system in the US feed blocks business.	Successful activities on the ERP implementation in the US feed blocks business were undertaken during FY23. Work on this project was scaled back to ensure the successful decoupling of the Agricultural Supplies division IT systems. Work will continue into FY24 with implementation expected in June 2024.

FY22 year-end process

In addition to the activities detailed on the previous page, the Board, working alongside the Audit Committee and Chief Financial Officer, also dealt with challenges in finalising the Group's year-end accounting and audit process for FY22. In November 2022 a delay was announced to the completion of the year end process that had several consequences, including a temporary suspension of trading in the Company's ordinary shares, delayed release of the Annual Report and audited results and payment of the final dividend later than usual. The Company, overseen by the Audit Committee, worked closely with its external auditor, Grant Thornton UK LLP ("Grant Thornton") to ensure that the FY22 results were not delayed any longer than necessary.

The Board's focus during that period was to ensure that the Company complied with its legal and regulatory obligations and stakeholders were kept informed. Under the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules, the Company was required to publish its audited FY22 results by 3 January 2023. The Board requested, and the FCA confirmed, that the listing of the Company's ordinary shares of 2.5 pence each (the "Ordinary Shares") be temporarily suspended with effect from 7.30 a.m. on 4 January 2023. During the period of delay, the Company made five announcements via the regulatory news service ("RNS"), and held a number of calls with major shareholders to update on progress. The Company's audited FY22 results were published on 23 March 2023, with the Company's Ordinary Shares being restored four working days later following confirmation from the FCA.

Once the year-end accounting and audit process for FY22 was complete, the Chief Financial Officer undertook a detailed review to understand the shortcomings, and where improvements could be made to ensure that similar issues are not encountered in future years. Areas identified for improvement were agreed with Grant Thornton and included in the audit plan for the FY23 year end. These included an earlier review of revenue recognition in the Engineering division, obtaining specialist input into key judgement areas and remediation of control concerns raised by Grant Thornton during its FY22 audit work. Group resources have also been used to support business unit teams through the year end reporting process.

Focus for FY24

At the date of writing this Annual Report, it is anticipated that the following areas will receive focus by the Board during the year ending 31 August 2024:

- Development of the strategy across both divisions to increase shareholder value
- Embedding new Speciality Agriculture divisional leadership, supporting them to develop commercial opportunities and drive operational efficiencies
- Assessment of opportunities to invest in the Engineering division, to optimise production capacity and maximise growth potential
- Strengthening the role of the Environmental Steering Group in setting the direction of the Group's response to climate-related risks and opportunities
- Driving further improvements in the Group's financial reporting processes to improve performance management and forecast accuracy
- Implementation of ERP system in US feed blocks business

Board evaluation

The Board reflects on its performance and effectiveness annually. In 2023, the Board review was facilitated internally by the Chair with support from the Company Secretary. The 2023 internal review took the form of two questionnaires: one focussed on Board Governance and structure around the Corporate Governance Code 2018, and the other focussed on self-assessment.

The last externally facilitated Board review took place in 2021. In accordance with the principles of the UK Corporate Governance Code, we intend to externally facilitate next year's Board review.

The feedback was the subject of review and discussion by the Board. Overall, there was a positive response to the functioning of the Board and Committees. As there had been a number of changes at Board and Committee level during the year, the evaluation provided a timely and valuable perspective on Board Governance. The recommendations which the Board plan to take forward for FY24 are set out on the following pages. An update will be provided in the Company's 2024 Annual Report and Accounts.

Recommendation	Progress to date	Future plans
Recommendations from internal evaluation during 2023:		
Focus on Group purpose and values.	Focus for FY24	Review of the Group's purpose and values to ensure these are reflective of the strategy and Group.
Stakeholder engagement.	Focus for FY24	More structured engagement programme for the Board with all stakeholder groups together with informal engagement opportunities to be reviewed to enable the Board to be closer to stakeholders.
Ongoing review of Board performance, composition and skills throughout the year.	Focus for FY24	Regular review of skills and experience to ensure the Board is well positioned to continue reviewing strategic options for the Group.
Board focus.	Focus for FY24	Review of Board agenda topics, updates and focus to ensure Board and Committee meetings are effective and continue to have an in-depth understanding of the market in which the businesses operate.

The recommendations agreed following the internal review in 2022 and the 2021 external review were a focus for the Board throughout the year. A summary of the recommendations together with actions taken and future plans are set out below and on the following page:

Recommendation	Progress to date	Future plans
Recommendations from internal evaluation during 2022:		
Develop reporting on targets/ performance objectives.	All business areas submitted a three-year plan during FY23, with senior manager performance objectives and bonuses being linked to the plan and budgets.	Reducing the internal reporting cycle duration through better use of existing systems is a priority. This will support an improvement in forecast accuracy by utilising management information more timeously.
Increase focus on employee engagement.	The Group's intranet (CarrsConnect) has played a key role during FY23 ensuring that colleagues are kept informed. The Board has met with members of the senior leadership team and also undertaken site visits to meet with colleagues across the Group.	Employee engagement will continue to be developed as we explore communication strategies to ensure that our businesses in the UK and internationally are consulted and kept informed. For more information see pages 62 to 66 (inclusive).
Board training.	Board training has been provided throughout the year, from business-specific topics and site visits, to training provided by external providers on specific governance and regulatory matters.	Following on from the FY23 Board Evaluation, a programme of Board training events is being developed to take place throughout the year.

CORPORATE GOVERNANCE REPORT CONTINUED

Recommendation	Progress to date	Future plans
Recommendations from external evaluation during 2021:		
Increase focus on strategy development.	Having taken the first steps in the ongoing process of strategic change for the Group, the Board has continued to develop Group strategy.	The Board will continue to review strategic options including review of market insights and Group competencies.
Determine risk appetite of Board.	Good progress has been made on enterprise risk with a base line framework established to enable risk appetite to be assessed.	Training and guidance on risk for the Group is to be developed to embed a risk culture within the Group. The Audit Committee will continue to monitor risk reporting and the maturing of the risk framework. The Board will assess and review risk appetite against strategic developments.
Reduce level of operational detail.	Board effectiveness review has been undertaken and the results discussed at the Nomination Committee.	Following the Board effectiveness review, the Chair and the Company Secretary are reviewing the Board calendar and agenda, to better align with strategy, performance and governance. The CEO, CFO and senior management will provide input on agreed key business objectives which will ensure focus and support optimisation of the Board's effectiveness.
Embed ESG considerations.	Considerable progress has been made on ESG considerations. The Group's Environmental Steering Group is chaired by the CEO, and Green Teams ensure that environmental and social matters are considered at all levels across all Group businesses. The Board continues to promote high standards of governance.	Details of future sustainability initiatives are set out on pages 34 to 44 (inclusive).

INTERNAL CONTROLS

The organisational structure of the Group has been established to ensure effective implementation and monitoring of the Group's objectives. The Group's processes have been designed to ensure that robust controls are effectively embedded in operational activities. The Board provides oversight of those controls and reviews their effectiveness, together with processes for risk management which are designed to safeguard the assets of the Group. Our systems are designed to manage any risk of failure to achieve business objectives and to provide a reasonable level of assurance against material misstatement or loss. The FY22 report of our external auditor identified a number of process and control concerns, which, given the extended year end close process, impacted the first half of the current financial year. Actions have been taken across the Group to close these concerns or, if required, to mitigate any associated risks identified. The Audit Committee supports the Board in considering the control environment and the report on pages 72 to 77 (inclusive) provides further information.

The Group's financial reporting processes are a critical part of the Group's internal controls framework. Monthly reports are received from all of the Group's subsidiaries and joint ventures. Submitted information is consolidated in the Group's financial reporting system and subject to validation checks by the central Group finance team, before being reviewed by the Chief Financial Officer. Information on performance is presented to the Board on a monthly basis and subject to review at every Board meeting. All monthly reporting is prepared in line with Group accounting policies, which are reviewed annually and are also subject to review by the Group's external auditor, Grant Thornton. 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.

RISK MANAGEMENT

Initial identification of risks, and the actions required to mitigate these, arises through reviews held with managing directors of each business unit. These are subsequently discussed with the Executive Directors to consider the potential implications of these risks and to consider which pose the greatest threat to Group performance. The effectiveness of mitigating actions is also considered and appropriate steps taken.

The Audit Committee reviews the effectiveness of risk management and internal control systems. Reports on risk are delivered to the Board which, together with direct involvement in strategy, investment appraisal and budgeting, enable the Board to report on the overall effectiveness of internal control.

A summary of the risk management framework and key risks to the Group are set out on pages 20 to 23 (inclusive).

COMPLIANCE STATEMENT

The Board confirms that the Company has, throughout the year ended 2 September 2023, applied the principles, both in spirit and in form, and complied with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") in July 2018 (the "Code"), with the exception of provisions 9 and 41 noted below.

Code Provision 9: Interim arrangements

The interim Executive arrangements first announced on 12 October 2021 included the Chair acting in an Executive capacity, at which time he ceased to be independent. Peter Page stood down as Chair upon the appointment of Tim Jones as the new Non-Executive Chair for the Group, which took effect on 21 February 2023. Peter stood down from the Board and left the Group on 17 November 2023.

Code Provision 41: Workforce engagement on Executive remuneration

The Remuneration Committee evaluates remuneration across the Group such as basic pay increases, bonuses and share awards, when determining remuneration levels for Executive Directors and senior management. Whilst specific feedback on the alignment of Executive remuneration with the broader Group remuneration policy has not been sought, workforce engagement has been ongoing throughout the year.

Further details on the considerations of the Remuneration Committee can be found on pages 78 to 102 (inclusive). Whilst the Group's employee engagement survey in October 2021 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.

STAKEHOLDER ENGAGEMENT AND OUR SECTION 172 RESPONSIBILITIES

We are dedicated to full and proper consideration of the interests and views of our broader stakeholders. We believe that this produces better outcomes and enhances the sustainability of our businesses. Effective engagement enables us to focus on what matters, improve business and operations, and create long-term value for all our stakeholders.

We have a broad range of stakeholders and as a result we adapt our approach to specific stakeholders, which enables increased understanding of their priorities and perspectives. We recognise that full and involved engagement is fundamental to informing Board and Committee discussions and subsequent decision making. We ensure that a regular dialogue is maintained with our stakeholders, that the Board is involved in direct engagement with our stakeholders, and that engagement is built into day-to-day management across the Group. On the following pages, we highlight our key stakeholders and explain why and how we engage with them, and detail outcomes achieved in the year. These disclosures demonstrate our recognition of, and regard for, the matters set out in section 172(1) of the Companies Act 2006.

EMPLOYEES

Why we need their engagement
Our people are vital to the success of our business and remain a primary consideration in everything we do. We focus on inclusivity and strive to ensure that our people remain an active part of our businesses to help us shape the future of the Group. We continually work to create a safe environment where employees have the space and opportunities to develop their skills, potential, and experiences. We want our people to feel properly valued and rewarded for their contributions to the business.

We listened
Engagement during FY23 took place through a variety of methods designed to ensure that our people remain fully engaged with us, for example:

- Regular briefings, announcements, and vlogs available through CarrsConnect and on noticeboards.
- Informal meetings with Directors, utilising our 'open-door' policy.
- Non-Executive Director briefings and site visits designed to better understand the views of our people together with the issues and opportunities for them and their businesses.
- Interactions with the Board's Employee Engagement representative, responsible for reporting on employee-related matters to the Board with the aim of ensuring that employee interests are properly considered in Board decision making.
- Board members, regular updates and meetings with senior managers.

For more information, see from page 26 to 31 (inclusive).

We took action
– Improved Employee communications.
The appointment of a Communications Manager in August 2022 has led to significant upgrades to our intranet, CarrsConnect and communications across the Group. e-notice boards have been introduced at most of our sites, alongside static noticeboards, with colleagues encouraged to share their news stories via CarrsConnect. This ensures that our people remain informed about key developments in an engaging and interactive way.

– Well-being and mutual respect.
We continue to make progress on feedback from previous employee engagement surveys. The focus remains on our commitment to colleague well-being and mutual respect (see pages 26 to 31 (inclusive)).

– Training and development.
We continually offer broad training and development opportunities, as well as internal training delivered throughout the year (see pages 28 to 30). In particular the corporate induction was updated to make it more reflective of the Group and the Code of Ethics was also updated following the disposal of the Agricultural Supplies division. Updated training and development opportunities within the Group have been promoted, and our engineering apprentice training school continues to grow and benefit our home-grown talent.

– Green Teams.
We established Green Teams in every operational site during FY23. The teams meet regularly to discuss and report on issues. Representatives from the different Green Teams hold meetings at regular intervals to ensure all Green Teams are working towards the same goals and targets.

– Access to Board members.
Members of the Board have attended site visits and Board meetings have been held at operational sites whenever possible.

– Executive Director activity.
The CEO and CFO have spent time at various operational sites, including USA and Germany which provided an opportunity for face-to-face meetings. Throughout FY23, Peter Page held regular briefings in person and via Teams to ensure colleagues were kept informed of developments across the Group, including personnel changes and updates on Board recruitment and succession.

CUSTOMERS AND SUPPLIERS

Why we need their engagement
Regular engagement with our customers and suppliers is important to our business and the ongoing development of our business model. It allows us to better understand their needs and priorities and helps shape our strategy. We recognise that customers want to work with businesses who can consistently meet demands, put their interests first, and deliver on promises.

We listened
Engagement with current and potential customers, distributors and suppliers takes the form of:

- Regular and open dialogue between our management teams and with those with whom we do business which helps build long-lasting and trusted relationships.
- Reporting to the Board regularly, both formally through presentations and business plans, and also informally to ensure that customer perspectives are properly understood as part of the Board's decision-making process.
- Attendance at UK and international trade events and shows.
- Site visits to customers and distributors in the UK and internationally.
- A focus on delivering quality and continual improvement of our products and practices when required.

We took action
– Understanding their needs now and in the future.
Understanding our customers helps us to develop our strategy in a way which ensures future growth for the benefit of all our stakeholders. Throughout FY23 we maintained a constant dialogue with our customers and suppliers to understand their developing needs. This engagement on a day-to-day basis has enabled us to add value to our customers' businesses, through contingency planning and risk reduction on the large-scale projects being delivered by our Engineering division, to providing support and expertise to our customers and suppliers across our Speciality Agriculture division (see website https://www.carrsgroup.com/news/).

– Ongoing relationships.
During FY23 we have continued to engage with our customers through our news and social media channels. Further information can be found on our website (https://www.carrsgroup.com/news/)

– Engagement.
Our agricultural brands continue to offer customers access to competitions and promotions to engage with them in a new way and encourage interest in, and dialogue about, our products.

INVESTORS

Why we need their engagement
Performing well for our investors is our priority as investor trust and confidence in the Group is essential. All investors, whether private individuals, employee shareholders or institutional investors, need to be able to trust us to manage their assets and execute the Group's strategy. We recognise that in so doing, we must act ethically, in a sustainable manner, and in accordance with good governance and acting fairly as between members of the Company. Our investors expect open channels of communication about the Group's current and expected performance so that they can properly assess risks and opportunities when making investment decisions.

We listened
We communicate with investors using a variety of different mediums:

- Shareholders have access to the Company's website at www.carrsgroup-ir.com.
- We maintain a regular calendar of announcements and events for investors and host accessible online presentations on the full year and interim results.
- Significant matters relating to trading or development of the Group are disseminated to the market by way of Stock Exchange announcements, and are uploaded to the Company's website.
- The Chair, Non-Executives and Company Secretary regularly engage with investors on governance issues and other matters concerning the Board.
- The Chief Executive Officer and the Chief Financial Officer meet with investors following half year and year end results announcements, and as requested at other times.
- All reports and updates are made available on the Company's website. The Group maintains dialogue with substantial and institutional shareholders and analysts.
- Enquiries from individual shareholders are welcomed and should be addressed through the Company Secretary's office.

We took action
– Proactive investor relations.
In the year, the Chair engaged directly with different shareholders on a number of topics to better understand their views more broadly. In addition to our regular investor engagement, during FY23 we liaised with key investors on a number of specific matters. Further details can be found on pages 79 and 80.

– Engagement with the Board.
We ensure that the Board agenda includes a specific item for the consideration of shareholders views, and we do this with the involvement of the Group's brokers as required.

– Investor website.
During FY23 we took steps to upgrade our digital connectivity with our investors. We have a refreshed website which will provide key information.

– Announcements.
Our stock exchange announcements, press releases and update broadcasts are always publicised internally and externally, so that our investors and colleagues can keep up to date with any changes.

– Meetings.
This financial year involved an Annual General Meeting and two General Meetings which enabled the Board and colleagues to engage with shareholders. In addition to the formal part of the meetings, shareholders also had the opportunity to speak with Board members informally.

PARTNERS

Why we need their engagement
The Group includes several businesses with strategic partners with whom we maintain an active dialogue. We are proud that our partnerships are founded upon mutual trust and strategic alignment to ensure the most beneficial outcome for everyone. Our partners value long-term commitment, open communication, and diligence so that we can effectively pursue jointly developed strategic goals.

We listened
We maintain an active dialogue with our strategic partners through:

- Executive meetings and management team meetings ensuring that the businesses work very closely to understand risk and opportunities, and in the development of business strategy.
- Regular formal and informal meetings with our partners involving both Board members and senior management covering strategic, operational and industry issues.
- Regular reporting to the Board to ensure that it remains fully appraised and informed of matters impacting our partners.

We took action
– We meet and we talk.
These longstanding and trusted relationships are a consequence of our regular engagement and are a foundation for the success of those businesses. On this foundation we build strength and resilience into our business model, to our mutual benefit. Having strong relationships underpinned with mutual respect enables us to work collaboratively and understand our partners' key drivers.

– Input.
The CEO and CFO make every effort to meet with our partners in person. This in-person engagement has been very useful in producing an honest and open dialogue which leads to better relationships and business improvements.

COMMUNITIES

Why we need their engagement
Our operation spans 17 sites with colleagues based in various countries. We recognise the importance and value of working within and contributing to these local communities. Our various community stakeholders have broad interests ranging from the provision of jobs and investment in local economies, to supporting vulnerable people and charitable initiatives in their locality.

We listened
We engage with our local communities by:

- Encouraging active participation in community initiatives.
- Continuing to support a range of selected charitable causes.
- Supporting and developing our own employment and apprenticeship schemes.
- Reporting to the Board on significant community issues and sustainability programmes.

We took action
– Community action.
We recognise that the Group is a big part of the local business community and understand our responsibilities to give back. We do this through supporting and donating to local causes where appropriate. For more information see our Responsible Business Report on page 32.

– More than financial support.
In addition to the financial support, we also provide practical support to local communities. We provide apprenticeship schemes and training opportunities and through our involvement with the Cumbrian Manufacturing Alliance we have contributed to the local community. We are proud that across the Group, our people devote considerable time and resources to good causes and community initiatives including supporting local food banks, local charities and sponsoring local events near to our sites. For more information see our Responsible Business Report on pages 25 to 35 (inclusive).

ENVIRONMENT

Why we need their engagement
We recognise that sustainable business and environmental impact are key areas of focus and integral to the growth of the Group. We are committed to proactively improving the sustainability of our business and minimising our environmental impact.

We listened
- We ensure that we practise responsible behaviours at all times within the Group.
- We are party to raw material sustainability programmes.
- Supporting colleagues making more environmentally friendly choices.
- Encouraging ownership of local initiatives aimed at addressing the environmental and social impacts of our business at local level.
- Reporting to the Board on sustainability programmes.

We took action – Group-wide action.
The Group ensures that environmental considerations feature prominently across the Group. Initiatives such as the Carr's Go Green vehicle scheme, the establishment of Green Teams at our sites, and changes in the way we source and use electricity at our sites all contribute to our sustainability goals. For more information see our Responsible Business Report on pages 34 to 44 (inclusive).

Section 172 Statement

Engagement with stakeholders is an essential element in Board and Committee discussions and decision making and supports the principles of Section 172 of the Companies Act 2006. Section 172 requires directors of a company to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability to maintain a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

At Carr's these factors are carefully considered in the Board's key decisions and strategic discussions. The Board receives regular updates and reports from business areas which include matters concerning our stakeholders. Directors are also provided with details of our strategic progress, financial performance and risk management and matters such as health and safety, ESG and corporate governance are also included. The information received is considered in the Board's discussions, with the Board seeking further information and assurances where appropriate. Board minutes detail the Board decisions and the relevant factors which have been taken into account when reaching those decisions. Maintaining good governance and high standards of conduct is central to the Directors who receive regular training on Directors' duties and obligations under Section 172.

In FY23 we completed the disposal of our Agricultural Supplies division. The sale of the Agricultural Supplies division was a significant step in shaping the Group's future, and one of the most important decisions made by the Board in recent years. Given the magnitude of the decision, stakeholder considerations were firmly at the heart of the process. The internal review process which took place during 2022 considered our various stakeholder groups, details of which can be found on page 44 of the 2022 Annual Report and Accounts. The consequences of the decision to dispose of the Agricultural Supplies division were considered by the Board, which ultimately decided that proceeding with the transaction would achieve growth in shareholder value in the long term. Following the announcement of the proposed sale on 31 August 2022, the Group's shareholders voted in favour of the Board's recommendation at a General Meeting on 19 September 2022, with 98.7% of votes being cast in favour and representing an absolute majority of all shareholders. Following shareholder approval, the sale was ultimately completed on 26 October 2022.

Further details on how the Board discharges its duties under s.172 are set out in pages 62 to 66 (inclusive) and throughout the Strategic Report on pages 01 to 45 (inclusive) and in the Corporate Governance Report on pages 46 to 107 (inclusive). Specific details relating to the matters set out in Section 172(1) (a-f) can be found as follows: (a) the likely consequences of any decisions in the long term (see above details of the sale of the Agricultural Supplies division, and pages 4 to 7 (inclusive), pages 12 and 13, pages 18 and 19, pages 20 to 23 (inclusive), pages 36 to 44 (inclusive) and pages 50 to 61 (inclusive); (b) the interests of the company's employees (see pages 25 to 35 (inclusive) and pages 62 to 66 (inclusive); (c) the need to foster the company's business relationships with suppliers, customers and others (see above on pages 62 to 66 (inclusive); (d) the impact of the company's operations on the community and environment (see page 32 and pages 34 to 44 (inclusive)) and pages 62 to 66 (inclusive); (e) the desirability to maintain a reputation for high standards of business conduct (see pages 25 to 35 (inclusive) and (f) the need to act fairly as between members of the company (see pages 62 to 66 (inclusive)).

NOMINATION COMMITTEE REPORT

Tim Jones
Nomination Committee Chair

NOMINATION COMMITTEE MEMBERS*

Tim Jones (Chair)
Non-Executive Director

Ian Wood
Non-Executive Director

Shelagh Hancock
Non-Executive Director

Stuart Lorimer
Non-Executive Director

Gillian Watson
Non-Executive Director

*As at the date of this report

INTRODUCTION

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

The Committee also evaluates succession planning for the Board and the senior managers to anticipate future vacancies arising due to promotion or retirement along with developments in the Group. In performing its responsibilities, the Committee gives full consideration to the requirements of good governance and to the benefits of diversity (whether cultural, ethnic, gender or otherwise) both within the Board and across the Group's leadership teams.

NOMINATION COMMITTEE REPORT CONTINUED

Committee membership

The Committee currently comprises the Chair, Tim Jones and four independent Non-Executive Directors: Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson. Peter Page chaired the Nomination Committee for part of the year, handing over to Tim Jones following the General Meeting of the Company on 2 May 2023. Peter stood down from the Board on 17 November 2023. John Worby was a member of the Committee throughout FY23 and stood down from the Board on 31 October 2023. Gillian Watson joined the Board on 9 October 2023, also becoming a member of the Committee.

Meetings in the year

The Committee met on two scheduled occasions during the financial year. Details of meetings of the Committee and attendance can be found on page 55. Several unscheduled Nomination Committee meetings were also held during the financial year ended 2 September 2023 in relation to Board changes.

Responsibilities and activities of the Committee

The key areas of activity over the financial year ended 2 September 2023 are shown opposite alongside the key responsibilities of the Committee. In some instances, the activities noted spanned more than one financial year.

Further details of the responsibilities of the Committee can be found in the Nomination Committee's Terms of Reference located at www.carrsgroup.com/corporate-governance/.

Key Responsibilities of the Committee	Activities during the year
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.	• Review of Director skills to assess the range of skills, attributes and experience on the Board, to ensure that it remains effective, balanced and suited to the Group's strategic priorities. • Undertook an internal Board effectiveness review. • General review of the structure, size, composition and diversity of the Board, its Committees and senior management across the Group.
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.	• Non-Executive Chair succession, with Tim Jones being appointed as Non-Executive Chair Designate for the Group. • CEO succession with Peter Page appointed as CEO following the appointment of Tim Jones as Non-Executive Chair. • CFO succession with the appointment of David White announced on 15 December 2022. • Appointment of Martin Rowland to the Board on 6 March 2023. • Non-Executive Director succession planning, with Gillian Watson being appointed to the Board on 9 October 2023, and appointed Senior Independent Director on 31 October 2023. • Senior management succession planning. • Further CEO succession, with David White appointed as CEO with effect from 17 November 2023 following Peter Page stepping down from the Board and leaving the Group. • CFO succession with the appointment of Gavin Manson as a senior manager and CFO with effect from 13 November 2023. • Appointment of Martin Rowland as Executive Director of Transformation with effect from 13 November 2023.
Setting the Group's policy on diversity and inclusion and overseeing its implementation in succession planning across the Group.	• Implementation of the Board's policy on diversity and inclusion through succession planning and recruitment of Board members. • Publication of the Board Diversity Policy on the Group's investor website www.carrsgroup.com/corporate-governance/.
Reviewing the leadership needs of the Group, both Executive and Non-Executive, to ensure the businesses operate effectively in their particular markets.	• Training and development programmes expanded.
Reviewing the Committee's Terms of Reference to ensure it is operating effectively and reflects the Committee's remit and recommend any changes it considers necessary to the Board for approval.	• Review and update the Committee's Terms of Reference – published on the Group's investor website www.carrsgroup.com/corporate-governance/.

Further information on the above activities is set out on the pages which follow.

Board composition

As part of the Group's succession planning and to ensure that the Board had the experience and skills to take the Group forward following the disposal of the Agricultural Supplies division, new Executive and Non-Executive Directors were welcomed to the Board during FY23.

Non-Executive Chair

During the financial year ended 2 September 2023, the Committee undertook a search for a Non-Executive Chair. The search was led by Senior Independent Director John Worby and the recruitment process was supported by recruitment consultants, Warren Partners. Details of the search process were outlined in the Nomination Committee Report in the 2022 Annual Report and Accounts (www.carrsgroup-ir.com/docs/librariesprovider17/archive/annual-interim-reports/2022-annual-report-and-account-xhtml-format.html) and are reproduced here for completeness. The search identified potential candidates based on experience and skills. A pool of 128 was identified, 76 of whom were approached, of which 43 were female. Of the 43 females who were approached, 39 either did not reply to the enquiry or did not pursue the role, principally due to timing of the opportunity. Three candidates were shortlisted, one being female. In November 2022 it was announced that Tim Jones was to be appointed as Non-Executive Chair. Tim joined the Board and become Non-Executive Chair on 21 February 2023. Following the General Meeting of the Company on 2 May 2023, Tim became Nomination Committee Chair taking over from Peter Page, and also became a member of the Remuneration Committee.

Non-Executive Directors

John Worby stood down as Audit Committee Chair following the General Meeting of the Company held on 2 May 2023 and, after nearly nine years at Carr's, retired from the Board on 31 October 2023 following a period of handover and support to new Non-Executive Directors. During his time at Carr's, the Board benefitted greatly from John's wisdom and experience and we wish him all the best for the future.

Following the Annual General Meeting on 21 February 2023, the Nomination Committee commenced a search for an additional Non-Executive Director to join the Group. The recruitment process was led by the Committee supported by Pure Executive. In selecting candidates for the role, a detailed profile matrix was developed that also included the position of Senior Independent Director, a role which had been fulfilled by John Worby. The Committee considered experience of public companies of similar scale to Carr's, sector experience as well as board committee experience. Important skills and characteristics as well as the balance of skills, experience and knowledge present across the Board, the culture of the Group and the benefits of diversity were also considered. 369 people were identified as potential candidates, of which eight were interviewed. The short-list comprised six individuals, all female and one from a diverse ethnic background. Following the Committee's recommendation, Gillian Watson was appointed to the Board on 9 October 2023 as an independent Non-Executive Director. Gillian was also appointed to the Nomination Committee, Audit Committee and Remuneration Committee and has the position of Senior Independent Director following John Worby's retirement from the Board on 31 October 2023.

On 6 March 2023, the Board was joined by Martin Rowland, who was appointed as a Non-Executive Director as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. Martin has brought operational and strategic experience to the Board, as well as insights from executive and non-executive roles. On 13 November 2023, it was announced that Martin would be appointed as Executive Director of Transformation (see page 70).

Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors on 1 September 2022. In May 2023 Stuart was appointed Audit Committee Chair as successor to John Worby. Details of the recruitment process in relation to Shelagh and Stuart which took place during FY22 can be found in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts www.carrsgroup-ir.com/content/financial/reports.

Chief Executive Officer

In August 2022, following an extensive search by the Nomination Committee, Peter Page was asked to take on the Chief Executive Officer ("CEO") role once a new Non-Executive Chair was appointed and in place. Peter had been working in the Group since October 2021 full-time as Executive Chair, following agreement with the incumbent CEO, Hugh Pelham, that he would leave the Group and step down from the Board. Details of the recruitment process for the CEO role which took place during FY22 can be found in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts https://www.carrsgroup-ir.com/content/financial/reports. Peter Page became CEO upon the appointment of Tim Jones as Non-Executive Chair, which took effect on 21 February 2023. As announced in August 2023 and later updated on 13 November 2023, Peter Page stepped down from the Board and left the Group on 17 November 2023. The process to identify a successor to Peter Page was led by Tim Jones as Chair of the Nomination Committee. David White, who had joined the Board as Chief Financial Officer on 21 February 2023 and was considered by the Committee at that time to be a potential successor to the CEO role, was identified as a candidate for CEO. Following discussion and consideration of the scope and size of the Group following the disposal of the Agricultural Supplies division, the strategic plan and the need for an efficient and orderly handover of responsibilities, as well as previous experience in international senior leadership, operations and finance roles, the Nomination Committee recommended David as the new CEO. The recommendation was approved by the Board and as announced on 13 November 2023, David was appointed as CEO with effect from 17 November 2023.

NOMINATION COMMITTEE REPORT CONTINUED

Chief Financial Officer

During the financial year ended 2 September 2023 the Committee undertook a search for a new Chief Financial Officer ("CFO"). David White joined the Group on 3 January 2023 and became CFO in succession to Neil Austin, who stood down as CFO and from the Board on 21 February 2023. Details of the search process were outlined in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts https://www.carrsgroup-ir.com/content/financial/reports and are reproduced here for completeness. The recruitment process was led by the Committee and supported by recruitment consultants, Russell Reynolds. Russell Reynolds searched a large pool of potential candidates aimed at producing a diverse selection. Of a candidate pool of 135, 21 were female. The Committee considered experience and skills, as well as sector experience and culture of the Group. David joined the Board on 21 February 2023 as CFO. On 13 November 2023, it was announced that following the Committee's recommendation, David White would be appointed Chief Executive Officer with effect from 17 November 2023. Following a recruitment process supported by recruitment consultants Eton Bridge, and in accordance with the Committee's Terms of Reference[1], the Committee recommended to the Board the appointment of Gavin Manson as the new CFO taking effect from 13 November 2023. Gavin has not been appointed to the Board but, as the CFO, attends Board meetings by invitation.

Executive Director of Transformation

It was announced on 13 November 2023 that Non-Executive Director Martin Rowland would be appointed Executive Director of Transformation with effect from 13 November 2023. The appointment of an Executive Director of Transformation was led by Nomination Committee Chair, Tim Jones. The Committee considered the role complimentary to the existing Executive Director positions and considered the skills and experience the role would require to effectively implement the Group's strategic plan. The Committee recommended to the Board that, given his experience in operational and strategic positions in mid-size and large corporates as well as his executive and non-executive board experience, Martin Rowland be appointed as Executive Director of Transformation. The recommendation was approved by the Board.

Committee succession

Changes in Committee membership reflect the Company's Non-Executive succession planning. Following the General Meeting of the Company on 2 May 2023, Tim Jones succeeded Peter Page as Nomination Committee Chair and also became a member of the Remuneration Committee, and Stuart Lorimer succeeded John Worby as Audit Committee Chair. In October 2023, Gillian Watson joined the Nomination Committee, the Audit Committee and the Remuneration Committee on 9 October 2023 and John Worby stepped down from the Board and its three Committees on 31 October 2023. Peter Page stepped down from the Board and the Nomination Committee and left the Group on 17 November 2023.

As at the date of this report, Board Committee membership is as following:

Nomination Committee	Audit Committee	Remuneration Committee
Tim Jones (Chair)	Stuart Lorimer (Chair)	Ian Wood (Chair)
Ian Wood	Ian Wood	Shelagh Hancock
Shelagh Hancock	Shelagh Hancock	Stuart Lorimer
Stuart Lorimer	Gillian Watson	Gillian Watson
Gillian Watson		Tim Jones

1 The Committee's Terms of Reference state that the Nomination Committee is required to make recommendations to the Board concerning suitable candidates as successors for existing Directors.

Group succession planning and development

The Group's succession planning 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 Group. Recruitment processes for leadership and senior positions across the Group are managed under the supervision of the Senior HR leadership, 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 and are designed to attract, retain and develop the best talent. Further details of those initiatives are described from pages 26 and 27. During the year, the Senior HR leadership met with the Committee to review succession planning for senior management and key personnel, together with leadership development initiatives and training programmes across the Group.

Diversity and inclusion

As at the date of this report, employee numbers were 660 across five countries. The table below shows the gender breakdown across the Group.

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 is committed to extending diversity throughout 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 increase the attractiveness of the Group to prospective employees and enhance the available talent pool. Details of Board diversity, including the Board Diversity Policy, can be found on pages 53, and details on diversity and inclusion for all employees including senior managers can be found on pages 26 and 27, and page 53.

Director independence

Details relating to Director independence can be found in the Corporate Governance Report on page 54.

Gender breakdown	Total	Male	Female
Group Employees	660	512	148
Senior Managers*	11	10	1
Direct Reports to Senior Managers	63	45	18

* Includes Executive Director with direct reports.

Board evaluation

In August 2023 an internal Board effectiveness review was undertaken. Details of the process and its outcomes are set out in the Corporate Governance Report on pages 58 to 60 (inclusive).

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). The feedback was that the structure of the Committee worked well and was in line with good practice including with respect to the number and roles of the independent Non-Executive Directors.

Director re-election

In accordance with best practice under the Corporate Governance Code, at the forthcoming Annual General Meeting to take place in February 2024, Tim Jones, Ian Wood, Shelagh Hancock, Stuart Lorimer and David White will each stand for re-election to the Board. Martin Rowland and Gillian Watson will each stand for election to the Board.

The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election or election of each Director. Their biographical details on pages 48 and 49 demonstrate the range of experience which each brings to the benefit of the Group.

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

Tim Jones
Nomination Committee Chair

20 December 2023

AUDIT COMMITTEE REPORT

Stuart Lorimer
Audit Committee Chair

AUDIT COMMITTEE MEMBERS*

Stuart Lorimer (Chair)
(Non-Executive Director)

Ian Wood
(Non-Executive Director)

Shelagh Hancock
(Non-Executive Director)

Gillian Watson
(Non-Executive Director)

*As at the date of this report

INTRODUCTION

The Audit Committee focuses on effective governance and financial reporting. It assists the Board in discharging its responsibilities for the integrity of the financial statements and narrative reporting, the effectiveness of internal controls, the identification and management of risks, and the external and internal audit processes.

The report on the pages which follow details the principal activities of the Committee during the year, together with information on its governance.

Committee membership

During the year the Committee comprised four independent Non-Executive Directors: John Worby, Stuart Lorimer, Shelagh Hancock and Ian Wood. John Worby stood down as Chair of the Committee following the General Meeting on 2 May 2023 and was succeeded by Stuart Lorimer, who is a qualified accountant with recent and relevant financial experience (see page 49). Since being appointed as a Non-Executive Director on 9 October 2023, Gillian Watson has joined the Committee and is the Senior Independent Director.

The Committee acts independently of management, and the Board is satisfied the Committee taken as a whole has the appropriate skills, knowledge, experience, and understanding of the Group's undertakings to effectively discharge the Committee's responsibilities.

Meetings in the year

The Committee met on five scheduled occasions during the financial year (details of attendance can be found on page 55) and has an agenda linked to the Group financial calendar. The meetings are attended by the Committee members and, by invitation, the Executive Directors, representatives from the external auditor and other senior finance personnel. During the year, the Committee regularly met privately with the external auditor.

Several additional, previously unscheduled, Board and Audit Committee meetings were held during the financial year ended 2 September 2023 in relation to the delayed announcement of FY22 year-end results and subsequent suspension of share trading.

Responsibilities of the Committee

The primary role of the Committee is to assist the Board in fulfilling its oversight responsibilities. This includes providing effective governance over the integrity of the Group's financial reporting and the effectiveness of its systems of internal control and risk management. These responsibilities drive the main activities of the Committee as noted below. In some instances, the activities noted spanned more than one financial year.

Responsibilities of the Committee	Activities during the year
Financial Reporting	
• Reviewing and monitoring the integrity of the Group's financial statements and related narrative reporting including the appropriateness of the Group's accounting policies. • Considering the process for assessing the Group's prospects and the disclosures made in the Viability Statement in the Annual Report and Accounts.	• Reviewed and challenged key financial reporting judgements and estimates. • Reviewed the Group's going concern and viability statement disclosures. • Reviewed and approved the Alternative Performance Measures used by the Group, including Adjusting Items.
• Where requested by the Board, providing advice on whether the Annual Report and Accounts, 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.	• Reviewed the Group's disclosures in respect of the Task Force on Climate-related Financial Disclosures. • Reviewed the Group's financial statements and narrative to ensure that this is fair, balanced and understandable. • Reviewed the three-year time horizon for the Group's Viability Statement. • Reviewed the Group's budget, forecasts and sensitivity analysis, and concluded that the Group is viable over the three-year time horizon.

AUDIT COMMITTEE REPORT CONTINUED

Responsibilities of the Committee continued

Responsibilities of the Committee	Activities during the year
External audit	
• Reviewing and monitoring the scope and effectiveness of the external audit, taking into consideration relevant professional and regulatory requirements. • Considering the independence and objectivity of the external auditor, and the Group's policy on the engagement of the external auditor to supply non-audit services.	• Reviewed the audit strategy and plan. • Agreed the terms of engagement and remuneration of the external auditor. • Reviewed the Group's policy for non-audit work and monitored the independence of the external auditor. • Discussed and agreed on external auditor recommendations to improve year end reporting and audit process following difficulties experienced in the FY22 year-end close process. • Discussed with the external auditor those issues requiring judgement and estimation, including significant debate on the accounting treatment related to the disposal of the Agricultural Supplies division.
Internal control and risk management	
• Reviewing the effectiveness of the Group's internal financial controls, and other systems of internal control and risk management.	• Reviewed the Group's internal controls and risk management systems, as well as the Group Risk Register. • Discussed the risk from cyber attacks and challenged adequacy of preventative measures in place. • Considered key areas of risk identified by the external auditor, including management override of controls and revenue recognition on contracts in the Engineering division. • Assessed progress made in addressing control concerns raised by the external auditor during FY22 in those subsidiaries affected. • Considered and agreed re-prioritising of ERP implementation to enable decoupling of Agricultural Supplies IT systems.
Internal audit	
• Reviewing the scope and effectiveness of the internal audit function.	• Reviewed and challenged the work of the Group's internal auditor. • Reviewed the internal audit work plan for the year and the effectiveness of the internal audit function. • Agreed terms of reference and supplier selection for outsourcing the internal audit function in the coming year.
Whistle blowing and anti-bribery	
• Review of the Group's whistleblowing and anti-bribery policies and arrangements.	• Reviewed the Group's whistleblowing policy. • Reviewed the Group's anti-bribery policy. • Reviewed on behalf of the Board any whistleblowing or similar reports together with their resolution.

Members of the Committee were also involved in the selection process for the incoming Chief Financial Officer (David White) who became a member of the Board on 21 February 2023. Details of this process are contained in the Nomination Committee Report on page 70. The Committee reviews its Terms of Reference regularly and makes recommendations to the Board for any appropriate changes (the Committee's Terms of Reference can be found on the Group's website at www.carrsgroup.com/corporate-governance/). The most recent update to the Terms of Reference was made following the October 2023 Committee meeting. The Committee regularly reports to the Board on how it discharges its responsibilities.

Details on specific work undertaken during the year are set out below:

Review of key judgements and estimates

An important responsibility of the Committee is to review and agree significant estimates and judgements made by management. To satisfy this responsibility, the Committee reviewed detailed written reports from the Chief Financial Officer and the external auditor at its meetings, to review the half-year and year end results. 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:

- **Revenue recognition in relation to Engineering:** ISA (UK) 240 presumes a risk of revenue misstatement due to improper recognition. The key risk to revenue recognition is judged to be in relation to the recognition of revenue and profit on engineering contracts, the completion or final agreement of which extend beyond the year end. To assess the risk to the Group, the Committee reviewed reports from management and the external auditor on the application of revenue recognition policies by management to major contracts not completed or finalised at the year end. The Committee reviewed whether the change in approach to revenue recognition, related to the identification of specific performance obligations on Mechanical Stress Improvement Projects ("MSIP"), made during the prior year had been consistently applied across all new contracts won during the current year. The issues which had been raised in the prior year, including the separation of performance obligations and consideration on enforceable rights to payment were also considered by the Committee. In relation to FY23, judgement was made regarding variable consideration on a single contract, on which work was completed but goods were not delivered. In light of a financial settlement with this customer, the Committee accepted management's recommendations to recognise revenue to the value of that settlement. No material adjustments have been deemed necessary during the FY23 year-end close process.
- **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 in light of historical performance and market trends. The Committee also reviewed the assumptions underlying the discount rates used in the evaluation. The Committee concurred with management's view that goodwill of £1.7m held in Animax Limited required impairment in full, together with an impairment of £0.3m against Animax's other intangible assets, and goodwill held in NW Total Engineered Solutions Ltd required a partial impairment of £1.8m but that no further goodwill impairment was required across the Group. Details of the goodwill impairment review are contained in note 12.
- **Defined benefit pension scheme:** The Committee considered valuations of the scheme's investments, and the key actuarial assumptions used to value the scheme obligations. The assumptions made were reviewed against market data in conjunction with independent actuarial specialists to assess their appropriateness, and the disclosures on the sensitivity of the obligations to changes in such assumptions were reviewed. The Committee was satisfied that the scheme's assets were appropriately valued, that the assumptions adopted in relation to the scheme's liabilities were appropriate, and that disclosures made in relation to the scheme were appropriate.
- **Disposal of the Agricultural Supplies division:** The Committee reviewed the accounting treatment related to the sale of the Agricultural Supplies business and agreed with management's assessment that the measurement to fair value less costs to sell of this division was misstated in the prior year financial statements. Two specific errors were identified. Firstly, the prior year loss recognised had been calculated on the difference between estimated proceeds receivable and net assets of the two businesses where the direct shareholding was being sold. This has been corrected to also include the Group's interest in the joint venture, Bibby Agriculture Ltd, indirectly held by the Company through its ownership of Carr's Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023, meaning a restatement of H1 FY23 comparatives will be required in the next interim statement. Secondly, new information was identified during the second half of FY23 which requires a correction to FY22 to reflect property rental terms agreed with the Billington Group as part of the sale negotiations. This increased the loss on measurement of fair value less costs to sell by £1.2m. The combined impact of these is an increase in the loss on measurement to fair value less costs to sell of £4.1m, £2.4m of which is attributable to the Group, with the remainder being the non-controlling interest's share in the measurement impairment. Details of the prior year restatements are contained in note 39 to the Accounts. The Committee also agreed that a correction to the expected proceeds from the disposal was required, to accurately reflect the final completion accounts produced during the current financial year.

Going concern and viability statement

The Committee reviewed management's reports regarding the going concern assumption and the Viability Statement disclosures. Specific focus was given to the assumptions used in cash flow forecasts, given historic forecasting accuracy, while the sensitised scenario analyses and analysis of financing headroom were also scrutinised. The Committee also reviewed reports from the external auditor in relation to the appropriateness of the period of viability considered by management and the risks and scenarios applied. Considering all available information, including ongoing inflationary pressures, divisional trading sensitivities and challenging the assumptions adopted by management, the Committee was satisfied that the going concern assumption remained appropriate, and that disclosures in the Annual Report in relation to going concern and the Viability Statement were appropriate.

TCFD Disclosures

The Committee reviewed the TCFD disclosures and a report prepared by the Group's Environment and Sustainability Manager which considered the accuracy of reported Scope 1 and Scope 2 emissions. The Committee was satisfied with the reasonableness of the disclosures and acknowledged that, while the TCFD disclosures were an improvement on the prior year, further work to enhance these is underway. The quality of these disclosures will also benefit from the significant activities that are ongoing in this area.

AUDIT COMMITTEE REPORT CONTINUED

Fair, balanced and understandable

The Committee, further to the Board's request, reviewed the Annual Report, and provided advice to the Board in relation to whether the Annual Report, taken as a whole, is considered fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. To make this assessment, the Committee reviewed a report prepared by the Chief Financial Officer outlining key matters and circumstances affecting the Group. The Committee was satisfied that such matters were adequately referenced or reflected within the Annual Report.

Internal control and risk management

During the year the Committee monitored the effectiveness of the Group's internal control and risk management systems. Specifically, the Committee considered whether concerns raised by the external auditor during the FY22 year-end process had been addressed and any issues raised had been satisfactorily closed. The Committee also reviewed the FY23 report prepared by the external auditor to assess whether improvements in the control environment had been made.

The Committee reported to the Board that it was satisfied with the overall effectiveness of the Group's internal control and risk management systems.

External audit

The reappointment of Grant Thornton as the Group's external auditor was recommended by the Board and approved by shareholders at the General Meeting held on 2 May 2023.

The Audit Committee assessed the expertise and independence of Grant Thornton during the year, as well as consideration of the terms of engagement and remuneration. Grant Thornton's audit partner is Michael Frankish, and this is his second year in that role.

The Committee reviewed Grant Thornton's detailed audit plan presented by it in June 2023 as well as an updated audit plan and progress report presented in October 2023, with the aim of a timelier audit completion than in the prior year. The prolonged prior year end process meant that no formal assessment, by questionnaire, of the effectiveness of the external auditor was completed. Its performance was assessed by the Committee, with the decision made to recommend the reappointment of Grant Thornton as auditor for the financial year to 2 September 2023.

External auditor independence

The Committee regularly reviews the objectivity and independence of the external auditor. The external auditor confirms compliance with its own internal policies and procedures designed to ensure that it complies with UK regulatory and professional standards, including ethical standards, and to ensure that its objectivity is not compromised.

The Committee also annually reviews the Group'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 auditor's independence or objectivity. The policy imposes guidance on the areas of work that the external auditor may be asked to undertake and those assignments where the external auditor should not be involved. The policy can be viewed on the Group's website www.carrsgroup-ir.com.

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 over £25,000 in aggregate. During the year, no non-audit services were provided to the Group by Grant Thornton.

The Committee considers Grant Thornton to remain independent and recommended to the Board that Grant Thornton be reappointed as the Group's external auditor.

Internal audit

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

At the beginning of the financial year, the Committee was presented with an internal audit plan, which had been devised from assessments of the Group's operations and risk framework. As a result of the concerns raised by the external auditor and from internal control reviews, this plan was amended to focus on business-specific risks identified by senior management. Financial reviews were performed by the Head of Internal Audit, as well as other senior members of the Group finance team, to ensure control concerns had been addressed and to maintain consistency of reporting processes.

On an annual basis, the Committee also reviews and approves the Group's internal audit charter which describes the role and mandate of the internal audit function.

The Committee keeps the performance and effectiveness of the internal audit function under review, assessing the capacity, experience and expertise within the internal audit function against the existing and emerging risks in the Group. While the Committee was satisfied that the internal audit function operated effectively, it agrees with the recommendation from management that outsourcing internal audit services will provide more comprehensive coverage of identified risks. A provider has been identified, and engaged, and a plan of activities agreed with the Committee. This plan will be regularly reviewed to respond to any emerging risks or challenges.

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). Feedback from the evaluation confirmed that the Committee continues to operate effectively and fulfil its responsibilities.

Stuart Lorimer will be available at the forthcoming Annual General Meeting to be held in February 2024 to respond to any shareholder questions that might be raised on the Committee's activities.

Stuart Lorimer

Stuart Lorimer
Audit Committee Chair

20 December 2023

Ian Wood
Remuneration Committee Chair

REMUNERATION COMMITTEE MEMBERS*

Ian Wood (Chair)
Non-Executive Director

Shelagh Hancock
Non-Executive Director

Stuart Lorimer
Non-Executive Director

Gillian Watson
Non-Executive Director

Tim Jones
Non-Executive Director

*As at the date of this report

INTRODUCTION

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

1. This Annual Statement, which highlights some of the key considerations for the Committee during the year and forms part of the Annual Report on Remuneration.

2. The Annual Report on Remuneration. The Report sets out how the Directors' Remuneration Policy was applied in FY23; provides details of the remuneration received by Directors relating to the financial year ended 2 September 2023; and outlines how the policy will be applied during FY24. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming Annual General Meeting to take place in February 2024.

3. The Directors' Remuneration Policy. The Directors' Remuneration Policy sets out the Policy for the Executive Directors, the Chair and Non-Executive Directors. The Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024. A copy of the policy can be found on pages 93 to 101 (inclusive). Changes to the previous policy, which was approved by shareholders at the Annual General Meeting on 12 January 2021, are summarised in the Notice of Annual General Meeting.

Note: Certain figures contained in the Committee's report have been rounded to the nearest whole number or nearest decimal place. Therefore the sum of the numbers in a row or column may not conform exactly to the total figure give for that row or column.

1. ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Performance and remuneration in FY23

Performance outcomes are reflected in the remuneration received by Executive Directors, based on financial and non-financial targets. The financial and non-financial targets set by the Committee, together with the resulting remuneration payable to the Executive Directors, are detailed in the Remuneration Committee's Report which follows.

As described in the Strategic Report, adjusted profit before tax for the full Group was £7.5m, 33.2% below the prior year (2022: £11.2m). Adjusted earnings per share decreased from 10.0p in 2022 to 6.2p.

Full year performance fell short of the original budget set by the Board with the result that no annual bonus relating to financial targets was payable to the Executive Directors. Notwithstanding this financial performance, good progress was made towards achieving non-financial targets (see pages 84 and 85 for details) and in positioning the business well for future growth. Non-financial targets were achieved, in part, during the year. It was determined that an annual bonus would be payable to David White (see pages 84 and 85). It was agreed that no bonus relating to FY23 non-financial targets would be paid to Peter Page. Peter stood down from the Board and left the Group on 17 November 2023. No bonus relating to FY23 was payable to Neil Austin who stood down from the Board and left the Group on 21 February 2023.

The performance period of the 2020 Long Term Incentive Plan ("LTIP") awards ended at the end of FY22 but, because average adjusted EPS growth was below the threshold set by the Committee upon granting the awards, no long-term awards vested.

The Committee is satisfied that the Remuneration Policy operated as intended in the financial year ended 2 September 2023, and that remuneration outcomes for Executive Directors aligned with Group strategy and shareholders' interests.

Full details of the remuneration targets set by the Committee, together with performance against those targets and the remuneration outcomes for FY23, are contained within the Annual Report on Remuneration which follows from page 81.

Key matters considered in FY23

Remuneration Policy

During the year, the Committee undertook a review of its existing Directors' Remuneration Policy. The proposed policy, which will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024, includes certain changes designed to ensure that it remains in line with corporate governance best practice and ensures that the Committee have sufficient flexibility to align remuneration with strategy. The Group's current Policy was approved at the Annual General Meeting which took place on 12 January 2021, with the support of 99.7% of proxy votes. The current policy can be found on pages 67 to 73 (inclusive) of the 2022 Annual Report and Accounts which is available to view online at www.carrsgroup-ir.com/content/financial/reports. Details of the proposed policy can be found at pages 93 to 101 (inclusive) of this report.

General Meeting on 2 May 2023

At the General Meeting which took place on 2 May 2023, whilst the resolution to approve the Group's Remuneration Report was approved by the requisite majority, 23.3% of shareholder votes were cast against. The Remuneration Committee Chair subsequently undertook an engagement exercise with shareholders to discuss this voting outcome. Our eight largest shareholders, representing just over 50% of the shares on our shareholder register were contacted. This dialogue was not limited to discussion on the relevant vote, with feedback also being invited on the proposed Remuneration Policy which is being put to shareholders at the Annual General Meeting to take place in February 2024.

The feedback received regarding the forthcoming Remuneration Policy, largely focused on shareholders seeking confirmation that the proposed Remuneration Policy fully aligned Executive remuneration with the agreed strategy of the Company. The Committee has reflected on this, and is confident that the proposals support the strategy going forward, noting the increased flexibility on performance conditions under the new Policy. The perspectives of our major shareholders are valued and we welcome input into the Committee's deliberations. We would like to thank shareholders for engaging with us over this matter.

Review of performance measures under the Long-Term Incentive Plan ("LTIP")

On 26 October 2022, the Group completed the disposal of its interests in the Agricultural Supplies division following approval at a General Meeting on 19 September 2022. The Board considered the disposal to significantly enhance the Group's prospects and ability to deliver the Group's strategy of achieving growth in shareholder value.

REMUNERATION COMMITTEE REPORT CONTINUED

Following the disposal, the Remuneration Committee undertook a review of the Group's long-term incentive arrangements for Executive Directors, with support from advisers at PricewaterhouseCoopers LLP to ensure that these remain closely aligned with Group strategy.

In prior years, long-term incentive awards were made subject to a single adjusted Earnings Per Share performance measure. Following its review, the Committee considered that the introduction of a second performance measure, based upon Total Shareholder Return ("TSR"), would more closely align long-term incentives with shareholders' interests and Group strategy. The Committee proposed to make 25% of long-term incentive awards subject to stretching targets based upon TSR (with the balance remaining subject to growth in adjusted EPS). Given the scale of the Group and the nature of its operations, it was considered appropriate to measure TSR relative to the performance of the FTSE Small Cap index (excluding investment trusts), ensuring that performance targets remain stretching.

The Remuneration Committee Chair sought the views of certain major shareholders and, following responses from the shareholders consulted, the Committee implemented the above change in performance measures under the LTIP for Executive Directors.

New LTIP and renewal of DBSP

During the financial year ended 2 September 2023, the Committee approved a new long-term incentive plan and renewal of the deferred bonus share plan. As described on page 66 of the 2022 Annual Report and Accounts which is available to view online at www.carrsgroup-ir.com/content/financial/reports, the Committee reviewed the Group's discretionary share plans during FY22. The Committee considered the Carr's Milling Industries Long-Term Incentive Plan 2013 ("2013 LTIP"), noting that awards under the 2013 LTIP could be made for up to ten years from the date of its approval, meaning that a replacement plan was required to enable long-term incentive awards to continue to be made.

The Committee thought it to be appropriate to replace the 2013 LTIP with a scheme designed on similar terms to those existing (updated where required). The Committee also decided to review and update the Carr's Group plc 2018 Deferred Bonus Share Plan ("2018 DBSP") at the same time and seek shareholder approval in relation to the two new updated plans. The plans were approved at the Remuneration Committee Meeting on 6 December 2022 and approved by shareholders at the Annual General Meeting on 27 February 2023.

CEO arrangements FY22/FY23

As previously reported in the 2022 Annual Report and Accounts, Peter Page had been acting as Executive Chair from 11 October 2021 until the appointment of a permanent CEO. In August 2022, following an extensive search by the Nomination Committee, it was announced that Peter Page would be appointed as the new CEO for the Group. New permanent executive remuneration arrangements were considered by the Committee and agreed with Peter Page details of which can be found in the Company's 2022 Annual Report and Accounts.

Board changes FY23/FY24

On 13 November 2023, changes to the Board were announced. Peter Page stepped down from the Board and left the Group on 17 November 2023, with David White who had been Chief Financial Officer appointed CEO. Martin Rowland, who was appointed to the Board as Non-Executive Director in March 2023, was appointed Executive Director of Transformation with effect from 13 November 2023. Gavin Manson also joined the Group as Chief Financial Officer, a non-Board position with effect from 13 November 2023.

Details of Peter Page's remuneration on departure which was agreed by the Committee can be found on page 88. The Committee, having consulted with external advisers PricewaterhouseCoopers LLP ("PwC") agreed the remuneration arrangements for David White as the new CEO, which other than a change in salary, extension of notice period and the introduction of a car allowance, the terms of David's existing service contract remain the same.

The Committee also consulted PwC, as well as law firm Ashurst LLP in relation to the remuneration arrangements for Martin Rowland as he moved from a Non-Executive Director to an Executive Director. Details of the remuneration arrangements for David White and Martin Rowland can be found on the pages which follow. In accordance with the Committee Terms of Reference, the Committee also considered the remuneration arrangements for Gavin Manson as CFO. As the role is not a Board position, the details of the terms of Gavin's appointment are not included in this report.

Remuneration in FY24

For FY24, the maximum annual bonus for the Executive Directors will remain 100% of salary, with 25% of any amount awarded being deferred for two years in the form of shares. The weighting between financial and non-financial targets will be linked to the specific role and duties of each Executive Director, with performance targets under each element also reflecting specific roles. Further details can be found on pages 91 and 92. Inflationary salary increases of 5% were awarded effective from 1 September 2023, which is consistent with the broader UK workforce.

I hope that shareholders are able to support the Remuneration Committee's Report and revised Remuneration Policy at the forthcoming Annual General Meeting of the Company.

Ian Wood
Remuneration Committee Chair

20 December 2023

2. ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report outlines the key considerations of the Committee during the year and sets out a summary of how the Directors' Remuneration Policy was applied for the financial year ended 2 September 2023.

REMUNERATION COMMITTEE

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 Director remuneration. The Committee also has delegated responsibility for setting remuneration for the Company's Chair and Executive Directors and senior management, including the Company Secretary, in accordance with the principles and provisions of the UK Corporate Governance Code (published July 2018) (the "Code").

Committee membership

During the financial year ended 2 September 2023, the Remuneration Committee comprised four independent Non-Executive Directors together with Tim Jones, who joined the Committee following the General Meeting of the Company held on 2 May 2023. The Committee members as at the date of this report are detailed on page 70. John Worby stood down from the Board on 31 October 2023, and Gillian Watson joined the Board on 9 October 2023, also becoming a member of the Committee.

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 Chair and the Executive Directors determine the remuneration of the other Non-Executive Directors.

Meetings in the year

The Committee met on five scheduled occasions during the financial year. Details of attendance can be found on page 55. Several unscheduled Remuneration Committee meetings were also held during the financial year ended 2 September 2023 in relation to Board changes.

Responsibilities and activities of the Committee

The key areas of activity over the financial year ended 2 September 2023 are shown below alongside the key responsibilities of the Committee. In some instances, the activities noted spanned more than one financial year.

Key responsibilities of the Committee	Activities during the year
Determining the Directors' Remuneration Policy to ensure that it aligns with Group culture and strategy and market practice and to ensure that the Group rewards fairly and responsibly.	• This year the Remuneration Committee has undertaken a full review of the Remuneration Policy considering developments in Group strategy and emerging best practice, supported by advisers at PricewaterhouseCoopers LLP. Further to its review, the Committee has developed a new Directors' Remuneration Policy which will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024.
Determining the broad policy on Executive remuneration, and setting remuneration for the Chair, Executive Directors and senior management.	• Reviewing levels of basic pay and remuneration structures for Executive Directors, the Chair and senior management. • Determining new terms of appointment and remuneration arrangements for Peter Page as CEO. • Determining remuneration arrangements for Tim Jones as incoming Non-Executive Chair. • Determining remuneration arrangements for David White as incoming CFO. • Determining remuneration arrangements for Martin Rowland as incoming Non-Executive Director. • Determining exit arrangements for Neil Austin as outgoing CFO. • Determining remuneration arrangements for Gillian Watson as incoming Non-Executive Director. • Determining exit arrangements for Peter Page as outgoing CEO. • Determining remuneration arrangements for David White as incoming CEO. • Determining remuneration arrangements for Martin Rowland as Executive Director of Transformation. • Determining remuneration arrangements for incoming CFO, Gavin Manson as successor to an existing director.

REMUNERATION COMMITTEE REPORT CONTINUED

Key responsibilities of the Committee	Activities during the year
Determining targets and outcomes for performance-related pay schemes of the Executive Directors and senior management.	• Developing and agreeing performance-related targets (both financial and non-financial) for Executive Directors and oversight of targets and performance for senior management in line with strategy. Determining outcomes against previously agreed targets for Executive Directors and senior management.
Reviewing the design of any share incentive plans for approval by the Board and/or shareholders.	• Approving new and updated discretionary share plans for the Group on 6 December 2022, as put to shareholders and approved at the AGM on 27 February 2023. • Reviewing LTIP performance measures for Executive Directors. • Reviewing the senior management incentive plan under the LTIP*
Reviewing remuneration trends, employment conditions and policies across the Group.	• Overseeing wider workforce remuneration in the context of fairness and wider economic factors. • Considering pay and benefits structures across the Group (including gender pay gap reporting and CEO pay ratios).
Engaging with stakeholders on matters within its remit.	• Engaging with shareholders on: – New Remuneration Policy – LTIP performance measures – 2022 Remuneration Report
Arranging for periodic reviews of its own performance and its Terms of Reference to ensure it is operating at maximum effectiveness.	• Considering outcomes from the Board's review of the Committee's effectiveness. • Review and update the Committee's Terms of Reference – published on the Group's investor website https://www.carrsgroup-ir.com/. • Considering the Code and developing remuneration trends, and their impacts on the activities of the Committee and the Remuneration Policy.

* When reviewing the incentive structure for senior management, the Committee considers and ensures that any ESG risk is not raised by inadvertently motivating irresponsible behaviour.

Further details of the responsibilities of the Committee can be found in the Remuneration Committee's Terms of Reference located at https://www.carrsgroup.com/corporate-governance/.

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

FY23 Remuneration (audited information)

In this section we summarise the pay packages awarded to our Executive Directors and Non-Executive Directors for performance in FY23 versus FY22. 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		Total remuneration	
£'000	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22	**FY23**	FY22
Executive Directors																
Peter Page[1]	**368***	297	**–**	–	**–**	–	**368**	297	**–**	–	**–**	–	**–**	–	**368**	297
David White[2]	**142**	–	**1**	–	**10**	–	**153**	–	**22**	–	**–**	–	**22**	–	**175**	–
Neil Austin[3]	**136***	256	**1**	2	**2**	10	**139**	268	**–**	108	**–**	–	**–**	108	**139**	376
Non-Executive Directors[4]																
Peter Page[1]	**–**	15	**–**	–	**–**	–	**–**	15	**–**	–	**–**	–	**–**	–	**–**	15
John Worby	**43**	41	**–**	–	**–**	–	**43**	41	**–**	–	**–**	–	**–**	–	**43**	41
Ian Wood	**43**	41	**–**	–	**–**	–	**43**	41	**–**	–	**–**	–	**–**	–	**43**	41
Shelagh Hancock	**43**	–	**–**	–	**–**	–	**43**	–	**–**	–	**–**	–	**–**	–	**43**	–
Stuart Lorimer	**43**	–	**–**	–	**–**	–	**43**	–	**–**	–	**–**	–	**–**	–	**43**	–
Tim Jones[5]	**50**	–	**–**	–	**–**	–	**50**	–	**–**	–	**–**	–	**–**	–	**50**	–
Martin Rowland[6]	**21**	–	**–**	–	**–**	–	**21**	–	**–**	–	**–**	–	**–**	–	**21**	–

* Salary for FY23 includes cash in lieu of pension contribution.

1 Figures for FY22 reflect services as Non-Executive Chair until 11 October 2021 and services as Executive Chair under interim arrangements from 11 October 2021. Figures for FY23 reflect services as Chief Executive Officer from 1 September 2023.

2 Figures for FY23 are reflective of eight months' service in FY23. The value in the table above in relation to the FY23 bonus includes 25% deferred in line with the Group's Remuneration Policy.

3 Figures for FY23 are reflective of six months' service in FY23. The value in the table above in relation to the FY22 bonus includes 25% deferred in line with the Group's Remuneration Policy.

4 Gillian Watson joined the Board on 9 October 2023 and is therefore not included in the table above.

5 Figures for FY23 are reflective of six months' service in FY23.

6 Figures for FY23 are reflective of six months' service in FY23.

REMUNERATION COMMITTEE REPORT CONTINUED

2023 Annual bonus pay-out

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

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, other than where prevented due to commercial sensitivities. For the year ended 2 September 2023, the PBT targets were set in accordance with the table below.

Measure	Threshold	Target	Maximum
Adjusted PBT	10,368	10,913	11,458
Bonus (% of base salary)	0	40	80

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 performance below FY22 outturn adjusted PBT for the continuing Group (£11.2m).

For the year ended 2 September 2023, adjusted profit before tax for the Group was £7.5m. As this performance was below the threshold target, no bonus was payable to the Executive Directors in connection with the Group's financial targets.

Non-financial targets

Non-financial targets, which accounted for 20% of the bonus in the year, are assessed independently of financial performance. Details of certain key non-financial targets set by the Committee together with the performance against those targets are provided in the table below.

CFO targets FY23 (David White)

David White joined the Board as Chief Financial Officer from 21 February 2023. The following targets were set by the Committee and performance measured against the targets set.

Performance Measure	Target	Attainment	Commentary
Establish Task-Force on Climate Related Financial Disclosures ("TCFD") reporting	• Complete climate scenario analysis "in 2023" to be undertaken with external expertise by 31 August 2023. • Identify climate-related risks to be included in Group Risk Register and support action plans developed to mitigate these. • Establish methodology for reporting Scope 3 emissions by 31 August 2023.	45%	• Climate-related risks have been reviewed, updated and included in the Group risk register. The associated action plans are being developed across the business.
Successfully complete CBAL transition activities during current financial year	• Transfer and discontinue provision of IT services to Billington Group by 30 September 2023. • Complete transfer of CBAL defined benefit pension scheme information and support by 31 August 2023. • Transfer of all finance-related activities including completion accounts, taxation and statutory reporting by 31 August 2023.	90%	• Critical IT services, including the separation of the previously shared ERP system have been handed over to the Billington Group, while support on other matters has been transferred, subject to both businesses providing support to each other through the FY23 year-end process.

Performance Measure	Target	Attainment	Commentary
Improve the financial accounting environment	• Deliver a clean audit in accordance with listed company reporting requirements (at latest). • Closure of FY22 audit findings and control concerns raised by Grant Thornton by 31 July 2023. • Roll out updated accounting manual throughout the Group by 31 July 2023. • Assess effectiveness of financial controls by 31 August 2023 and create improvement plan by 31 October 2023.	90%	• Annual Report and Accounts will be published before the end of December 2023, with the Annual General Meeting scheduled for early 2024. • Many of the control concerns raised in last year's audit have been closed, with a small number remaining open but being managed by the businesses impacted.

Following the year-end, the Committee considered outcomes against the non-financial targets. The table on the previous page and above summarises the Committee's assessment of performance against the targets together with the resulting bonus assessed as payable for David White as the only eligible Executive Director.

Overall, the Committee determined that it would award a bonus attributable to non-financial targets equal to 75% of the available opportunity (being 15% of the total available bonus).

The total annual bonus payable to David White was therefore 15% of salary or £22,000[1]. In accordance with the Directors' Remuneration Policy, 25% of the bonus payable will be deferred in the form of shares for two years.

As noted on the previous page, no bonus was payable in connection with the financial targets.

In addition to the financial and non-financial performance indicators, the Committee retains full discretion when assessing performance outcomes to consider other factors, which may include environmental, social and governance considerations, in order to avoid formulaic outcomes where these would not be appropriate. In relation to the bonus awarded to David White for FY23, no discretions were applied. Other than the specific targets noted above, there were no other relevant ESG matters to be taken into account by the Committee when determining performance outcomes.

CEO targets FY23 (Peter Page)

Due to the performance of the Group falling short of the original budget for FY23, no annual bonus was payable relating to financial targets. It was agreed that Peter Page would not receive a bonus for FY23, therefore non-financial targets set for Peter Page as CEO were not assessed. Peter Page stood down from the Board and left the Group on 17 November 2023.

CFO targets FY23 (Neil Austin)

In August 2022, former CFO Neil Austin indicated his intention to leave Carr's Group to take up a new role. Neil Austin left the Group on 21 February 2023. Accordingly, he was not eligible for a bonus in FY23.

1 Reflective of 8 months service in FY23.

REMUNERATION COMMITTEE REPORT CONTINUED

Long Term Incentive Plan determinations

The awards made to Executive Directors in 2020 were subject to average annual adjusted EPS growth targets over the three-year period ending on 2 September 2023 and from a base adjusted EPS of 11.9p. Details of the awards are in the table below:

Date of issue:	23 November 2020	**Base EPS (p):**	11.9p
Participant:	Neil Austin*	**Number of Ordinary Shares subject to the award:**	200,800
Assessment Criteria:		**Target**	**Vesting**
	Threshold	3% average annual growth	25%
	Maximum	10% average annual growth	100%
	An award will vest on a straight-line basis once the minimum threshold of 3% average annual growth is achieved.		

Calculation of award:			
	Year	**EPS**	**Growth**
	2020	11.9	
	2021	13.2	+10.9%
	2022	13.7 (rebased to 10.0 – continuing operations only)	+3.8%
	2023	6.4 (continuing operations only)	-36%
	Average:		-5.9%
	Award:		0

* Neil Austin stood down from the Board and left the Group on 21 February 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Neil in recognition of his role in the completion of the sale of the Agricultural Supplies division during the performance periods of the LTIP awards and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure). In relation to the award granted in FY21, no award vested (see above). In relation to the award granted in FY22, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served. No LTIP award was granted to Neil in FY23.

The average EPS growth over the three-year period from the base adjusted EPS was below the threshold target and, accordingly, none of the shares under the long-term awards made to Executive Directors in 2020 vested. No part of the vesting was linked to share price appreciation and no discretion was applied by the Committee. The Committee always takes into consideration matters impacting performance of shares in the Company which are not as a consequence of the operations of the Group (windfall gains) however no circumstances existed in the three-year performance period ended 2 September 2023. Therefore no part of the vesting was linked to share price appreciation and no discretion was applied by the Committee.

Total pension entitlements (audited)

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

Executive Directors in post during FY23	Normal retirement age	Total contributions to DC-type pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Peter Page[1]	67	–	14
David White[2]	67	10	–
Neil Austin[3]	67	2	5

1 Peter Page stepped down from the Board and left the Group on 17 November 2023.

2 David White joined the Group on 3 January 2023 and became Chief Financial Officer on 21 February 2023.

3 Neil Austin stepped down from the Board and left the Group on 21 February 2023.

Each Executive Director has the right to participate in the Carr's Group defined contribution pension plan or to elect to be paid some or all of their contribution in cash. During the year, pension contributions and/or cash allowances in the year were 4% of salary for existing Executive Directors. This reflects a change made from January 2021 to align with the majority of the Group's UK workforce.

Long Term Incentive Plan awards granted during the year (audited)

Long-term awards were made to the Executive Directors during FY23 in line with the Directors' Remuneration Policy as follows:

	Number of shares	Basis on which the award was made[1]	Face value of the award (£'000)	Threshold vesting	End of performance period
Peter Page	438,347	150%[2]	530,400	25%	August 2025
David White	182,573	100%[3]	220,000	25%	August 2025

1 Awarded 4 May 2023 using a share price of £1.21.

2 The Committee granted an LTIP award of 150% to Peter Page as incoming CEO. Awards exceeding 100% of base salary can be made only in exceptional circumstances. The Committee considered that the disposal of the Agricultural Supplies division in October 2022, and the development of Group strategy to deliver growth in shareholder value focusing on the Speciality Agriculture and Engineering divisions, were significant events creating exceptional circumstances and justifying an increased level of share-based incentivisation for Peter Page on this occasion to align more closely with shareholder interests. Peter stepped down from the Board and left the Group on 17 November 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.

3 The Committee granted an LTIP award of 100% to David White as incoming CFO.

The Committee regularly reviews the performance measures it adopts in relation to incentivise long-term incentives. In prior years, long-term incentive awards have been made subject to a single adjusted Earnings Per Share performance measure. In March 2023 the Committee undertook a review of the Group's long-term incentive arrangements for Executive Directors, with support from advisers at PricewaterhouseCoopers LLP to ensure that these remain closely aligned with Group strategy. Further details of the review can be found on pages 79 and 80.

Following its review, and after consultation with certain major shareholders, the Committee considered that the introduction of a second performance measure based upon Total Shareholder Return would more closely align long-term incentives with shareholder interests and Group strategy. Vesting of the options is therefore subject to performance targets based upon the Company's adjusted Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") over a three-year performance period covering the financial years 2022/23, 2023/24 and 2024/25 ("Performance Period") as follows:

Adjusted EPS (75% weighting)

	Threshold	Maximum
Target	5% average annual growth in adjusted EPS	14% average annual growth in adjusted EPS
Vesting	25%	100%

TSR (25% weighting)

	Threshold	Maximum
Target	7% compound annual growth in TSR	16% compound annual growth in TSR
Vesting	25%	100%

An award will vest on a straight-line basis once the Threshold target is achieved (25% vesting), up to achievement of the maximum target (100% vesting). For performance exceeding the maximum target, award vesting will be 100%. The Committee retains overall discretion when determining vesting based on the assessment of performance.

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 approved scheme open to all staff permanently employed in a UK Group company at the eligibility date. Options under the plan are granted at a 20% discount to market value. Executive Directors' participation is included in the option table later in this report.

Payments to past Directors (audited)

Neil Austin stood down from the Board on 21 February 2023. Payments made to Neil Austin during FY23 were:

	Salary (£000)	Cash in lieu of pension contribution (£000)	Bonus (£000)	Total (£000)
Neil Austin	131	5	108*	244**

* The bonus paid to Neil Austin during FY23 related to the prior year. The value in the table above includes 25% deferred in line with the Group's Remuneration Policy.

** Payments do not include pension contributions nor benefits (see page 83 for details).

REMUNERATION COMMITTEE REPORT CONTINUED

Payments to past Directors (audited) continued

Peter Page stood down from the Board and left the Group on 17 November 2023.

Payments made to Peter Page during FY23 are detailed on page 83. No other payments to past Directors have been made during FY23.

Payments made to Peter Page during FY24 are detailed in the table below:

	Salary (£000)	Cash in lieu of pension contribution (£000)	Bonus (£000)	Total (£000)
Peter Page	99*	3	–	103

* Figure includes unused holiday entitlement.

Payments for loss of office (audited)

No payments for loss of office have been made to Directors during the during the financial year ended 2 September 2023.

In relation to the Financial year ending 31 August 2024, Peter Page stood down from the Board and left the Group on 17 November 2023, receiving contractually entitled payments of £353,600 in lieu of notice and a sum of £18,004 as payment for loss of benefits over his notice period. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.

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. The Company has a share dealing policy and a share dealing code. The requirements of such policy and code were met in respect of the shares detailed 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[1]
Executive Directors[2]						
David White	27,000	N/A	182,573	15,384	N/A	25.59%
Martin Rowland[3]	0	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors[4]						
Tim Jones	148,206	N/A	N/A	N/A	N/A	N/A
Ian Wood	50,000	N/A	N/A	N/A	N/A	N/A
Shelagh Hancock	0	N/A	N/A	N/A	N/A	N/A
Stuart Lorimer	4,000	N/A	N/A	N/A	N/A	N/A
Gillian Watson[5]	0	N/A	N/A	N/A	N/A	N/A

1 Based upon salary as at 2 September 2023 and the average share price over the three months of the year ended 2 September 2023.

2 Neil Austin stood down from the Board on 21 February 2023. Peter Page stood down from the Board and left the Group on 17 November 2023.

3 Martin Rowland joined the Board on 6 March 2023 as a Non-Executive Director and became Executive Director of Transformation on 13 November 2023 and has no interest in any Ordinary Shares in the capital of the Company. At the date of this report, Harwood Capital Management Limited (of whom Martin Rowland is a representative), holds an interest in 13.82% of the Company's share capital.

4 John Worby stood down from the Board on 31 October 2023.

5 Gillian Watson was appointed to the Board on 9 October 2023.

Performance shares (audited information)

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

Current Executive Directors (as at the date of this report)

	FY21 award	FY22 award	FY23 award
David White	N/A	N/A	182,573
Martin Rowland	N/A	N/A	N/A

Former Executive Directors (prior three financial years)

	FY21 award	FY22 award	FY23 award
Peter Page	N/A	N/A	438,347[1]
Neil Austin	200,800[2]	169,550[2]	N/A
Tim Davies	N/A	N/A	N/A
Hugh Pelham	N/A[3]	N/A	N/A

1 Peter Page stood down from the Board and left the Group on 17 November 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.

2 Neil Austin stood down from the Board and left the Group on 21 February 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Neil in recognition of his role in the completion of the sale of the Agricultural Supplies division during the performance periods of the LTIP awards and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure). In relation to the award granted in FY21, no award vested (see above). In relation to the award granted in FY22, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served. No LTIP award was granted to Neil in FY23.

3 It was determined that the award to Hugh Pelham made in FY21 would lapse without vesting upon him standing down from the Board on 11 October 2021.

Assessing pay and performance

The table below summarises 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.

	FY14 Tim Davies	FY15 Tim Davies	FY16 Tim Davies	FY17 Tim Davies	FY18 Tim Davies	FY19 Tim Davies	FY20 Tim Davies	FY21 Tim Davies	FY21 Hugh Pelham[1]	FY22 Hugh Pelham[2]	FY22 Peter Page[3]	FY23 Peter Page[4]
Single figure of total remuneration (£'000)	559	911	531	308	861	764	508	259	244	210	312	368
Annual variable element (actual award versus maximum opportunity)	100%	100%	55%	0%	100%	60.41%	15%	100%	0%	N/A	0%	0%
Long-term incentive (vesting versus maximum opportunity)	N/A	100%	37.45%	0%	100%	100%	51.64%	N/A	0%	N/A	0%	0%

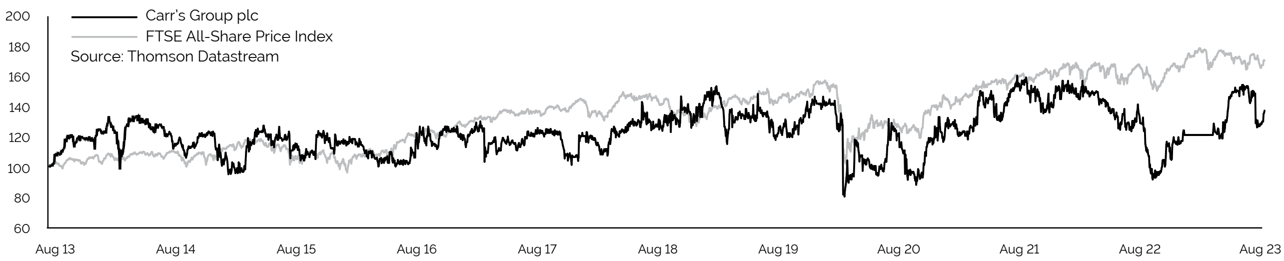
1 Reflective of an eight-month period. In relation to FY21, it was determined that the award relating to 272,324 shares under the Long-Term Incentive Plan would lapse without vesting upon Hugh Pelham standing down from the Board on 11 October 2021.

2 Reflective of remuneration to 11 October 2021, including £170,000 paid in lieu of notice. In relation to FY22, no award under the Long-Term Incentive Plan was made to Hugh Pelham in the period to 11 October 2021.

3 Reflective of services as Non-Executive Chair until 11 October 2021 and services as Executive Chair under interim arrangements from 11 October 2021.

4 Reflective of services as Chief Executive Officer from 1 September 2022.

Ten-year historical TSR performance



REMUNERATION COMMITTEE REPORT CONTINUED

Change in Directors' remuneration

The table below shows the percentage change in the Directors' remuneration between FY22 and FY23 compared to the other employees.

	Base pay/fees	Benefits	Annual bonus
Current Directors (in post as at the date of this report)			
David White[1]	-14%	0%	-100%
Tim Jones[2]	3%	N/A	N/A
Ian Wood[3]	4%	N/A	N/A
Shelagh Hancock[3]	4%	N/A	N/A
Stuart Lorimer[3]	4%	N/A	N/A
Martin Rowland[4]	4%	N/A	N/A
Former Directors			
Peter Page[5]	4%	N/A	N/A
Neil Austin[6]	4%	0%	-100%
John Worby[7]	4%	N/A	N/A
Other UK employees	6%	0%	-9%

1 When compared to CFO pay FY22. David joined the Board on 21 February 2023 (figures are on an annualised basis).
2 When compared to Chair pay FY22. Tim Jones joined the Board on 21 February 2023 (figures are on an annualised basis).
3 When compared to NED pay FY22.
4 When compared to NED pay FY22. Martin Rowland joined the Board on 6 March 2023 (figures are on an annualised basis).
5 When compared to CEO pay FY22. Peter Page stood down from the Board on 17 November 2023.
6 When compared to CFO pay FY22. Neil Austin stood down from the Board on 21 February 2023 (figures are on an annualised basis).
7 When compared to NED pay FY22. John Worby stood down from the Board on 31 October 2023.

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 and senior management, including HR, 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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Total pay (£'000)	**368**	340[1]	**23**	22	**32**	29	**43**	38
Pay ratio			**16**	15	**11**	12	**9**	9

1 Annualised figure based upon Peter Page's fees as Executive Director.

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 2 September 2023.

Gender pay gap

The Group's gender pay gap reporting information was as follows for the snapshot period ending 5th April 2023, 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 25 and 27, the Corporate Governance Report on page 53 and the Nomination Committee Report on pages 67 to 71 (inclusive).

Difference between men and women

	Mean			Median		
	2023	2022	2021	**2023**	2022	2021
Hourly pay	**14%**	25%	28%	**17%**	22%	25%
Bonus	**22%**	72%	73%	**87%**	0%	90%

Proportion of people awarded a bonus

	2023	2022	2021
Male	**22%**	36%	40%
Female	**30%**	41%	36%

Percentage of men/women in each pay quartile

	Lowest			Q2			Q3			Highest		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Men	**67%**	59%	54%	**72%**	51%	63%	**83%**	84%	83%	**82%**	84%	84%
Women	**33%**	41%	46%	**28%**	49%	37%	**17%**	16%	17%	**18%**	16%	16%

Relative spend on pay

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

	2023 £'000	2022 £'000	% change
Employee costs* (excluding share-based payments)	**37,777**	33,641	12.3%
Dividends paid to shareholders	**4,889**	4,687	4.3%

* Continuing operations only.

External appointments

The Executive Directors did not receive any remuneration from the Group in respect of any external appointments in FY23.

Implementation of the policy in FY24

Salaries/Fees

Inflationary increases of 5% were awarded effective 1 September 2023, which is consistent with the broader UK workforce.

Executive Director Salaries

With effect from 17 November 2023, David White became CEO. On 13 November 2023, Martin Rowland became Executive Director of Transformation. Salaries per annum for each are:

David White (CEO): £306,000 plus £12,000 car allowance[1]

Martin Rowland (Executive Director of Transformation): £250,000 plus £12,000 car allowance[2]

For FY24 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. The weighting between financial and non-financial targets will be linked to the specific role and duties of each Executive Director, with performance targets under each element also reflecting specific roles.

60% of David White's annual bonus will be based upon adjusted PBT for the Group only and will not have any divisional splits. The remaining 40% of annual bonus will be linked to non-financial targets. All annual bonus targets will vest at 0%, and vesting for target performance is 50% of maximum. Due to commercial sensitivity, targets will be disclosed retrospectively in next year's report.

1 Subject to a pro-rata adjustment for the period as CEO from 17 November 2023. As CFO, David White's salary was £231,000 per annum (subject to a pro-rata adjustment for the period 1 September 2023 to 17 November 2023).

2 Subject to a pro-rata adjustment for the period as Executive Director of Transformation commencing 13 November 2023. As a Non-Executive Director, Martin Rowland's salary was £44,796 per annum (subject to a pro-rata adjustment for the period 1 September 2023 to 12 November 2023).

REMUNERATION COMMITTEE REPORT CONTINUED

Implementation of the policy in FY24 continued

Martin Rowland's annual bonus will be entirely based on financial metrics linked to executing the transformation strategy. Martin Rowland has been appointed as the Executive Director of Transformation with specific goals spanning two financial years. The intention is to evaluate performance across his full tenure and accordingly pay a bonus which reflects the period of working. The bonus earned will not exceed 100% of the salary accrued over the 12 month fixed contractual term.

Long-Term Incentive Plan

The Committee intends to grant an LTIP award of 100% to David White as CEO. LTIP awards are made subject to stretching performance targets and currently use (a) adjusted EPS (75% weighting) with threshold vesting (25% of awards) being achieved where average growth in adjusted EPS is at least 5% over the performance period, and maximum vesting (100% of awards) being achieved where average growth is at least 14%; and (b) TSR (25% weighting) with threshold vesting (25% of awards) being achieved where compound growth in TSR is at least 7% over the performance period, and maximum vesting (100% of awards) being achieved where compound growth is at least 16%.

Given Martin Rowland's role is for a contractual term of 12 months commencing 13 November 2023, the Committee does not intend to grant an LTIP to him during the year.

Non-Executive Director fees

Gillian Watson joined the Board on 9 October 2023 as a Non-Executive Director and Senior Independent Director and will be paid a single fee of £44,796 per annum (gross).

Fees to Non-Executive Directors for FY24 will be as follows:

Position	Fees per annum (£)
Chair	99,750
Non-Executive Director (including Committee Chairs and the SID)	44,796

External advisers

During the year, external adviser PricewaterhouseCoopers LLP ("PwC") was engaged to advise the Committee on remuneration issues, most notably in connection with the Remuneration Policy, the preparation of the Directors' Remuneration Report, reviewing the senior management incentive plan and in connection with the review of the LTIP performance measures for Executive Directors. PwC is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. Total fees incurred for the services provided amounted to £47,000 (exclusive of VAT). PwC provides other services to the Company, in relation to accounting services. 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.

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). Feedback indicated that the structure of the Committee worked well and was in line with good practice, including with respect to the number and roles of the independent Non-Executive Directors and that the procedure for developing policy on Executive remuneration and determining Director and senior management remuneration was transparent.

By order of the Board

Ian Wood

Ian Wood
Remuneration Committee Chair

20 December 2023

3. 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. This new policy builds upon the previous policy, with minor amendments made to ensure that the Committee has sufficient flexibility to align remuneration with our evolving strategy. Furthermore, changes have been made to increase transparency and align our approach to corporate governance best practice, such as greater clarity on our leaver provisions.

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

The new policy will be put to shareholders for consideration and approval at the forthcoming Annual General Meeting of the Company to take place in February 2024.

Role of the Committee

The primary role of the Committee is to make recommendations to the Board of the Group's policy for Executive Remuneration. The Committee also has delegated responsibility for determining the remuneration and benefits of the Chair, Executive Directors and senior management including the Company Secretary. Further details can be found on pages 81 and 82.

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

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration Policy table

Element	Purpose and link to strategy	Policy and approach	Maximum 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 not exceed 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 marketplace.	Benefits provided include permanent health insurance, private medical insurance and life assurance. Relocation benefits may also be provided in the case of recruitment of a new Executive Director. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy. The Company may reimburse any reasonable business-related expenses incurred in connection with their role (including tax thereon if these are determined to be taxable benefits).	Market rate determines value. There is no prescribed maximum level but the Remuneration Committee monitors the overall cost of benefits to ensure that it remains appropriate.

Element	Purpose and link to strategy	Policy and approach	Maximum opportunity
Annual bonus	Designed to reward delivery of key strategic priorities during the year.	Bonus levels and appropriateness of performance measures and weighting are reviewed annually to ensure they continue to support our strategy. Bonuses are capped at 100% of base salary. At least 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, with at least half linked to stretching financial metrics. Noting commercial sensitivity, performance targets will typically be disclosed retrospectively each year. The threshold level of bonus vesting under each measure is 0%, and vesting for target performance is 50% of maximum. 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.	Maximum of 100% of base salary.
Save As You Earn ("SAYE")	To encourage employee involvement and encourage greater shareholder alignment.	An HMRC approved SAYE scheme is available to eligible staff, including Executive Directors.	The schemes are subject to the limits set by HMRC from time to time.
Long Term Incentive Plan ("LTIP")	To motivate and incentivise delivery of sustained performance over the longer term, and to support and encourage greater shareholder alignment.	Annual awards of performance shares which normally vest after three years subject to performance conditions. Award levels and performance conditions required for vesting are reviewed annually to ensure they continue to support the Group's strategy. 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 27 February 2023, 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 upon an EPS growth measure and Total Shareholder Return ("TSR"), although the Committee reserves the right to amend performance measures where considered appropriate in line with strategy. 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.	Maximum of 100% of base salary for annual awards. Exceptional awards can be made of up to 200% of base salary.

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Purpose and link to strategy	Policy and approach	Maximum opportunity
Shareholding guidelines	To provide alignment with shareholder interests.	Executive Directors are required to build up a shareholding equivalent to 200% of base salary over a five-year period.	N/A
Post-cessation shareholding	To provide alignment with shareholder interests in the long term.	Executive Directors are required to retain all shares acquired on vesting under the Company's LTIP, up to a value equal to 200% of their basic salary, for a period of two years following the cessation of their employment with the Company for any reason. This requirement will apply to all shares which vest after the Policy takes effect, regardless of when awards were made under the Company's LTIP.	N/A
NON-EXECUTIVE DIRECTORS			
Non-Executive Director fees	To attract and retain a high-calibre Chair and Non-Executive Directors by offering market competitive fee levels.	Remuneration reflects: • the time commitment and responsibility of their roles; • consideration of increases made elsewhere in the Group; • 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 Chair. The Chair's remuneration is reviewed annually by the Remuneration Committee. Remuneration comprises a single base fee for services to the Company. Non-Executive Directors, other than the Chair, may receive additional fees in relation to carrying out additional duties such as acting as the Senior Independent Director or chairing a Board Committee. The Chair and the Non-Executive Directors are entitled to reimbursement of reasonable expenses. They may also receive reasonable 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.	Levels of fee are reviewed annually with any increases normally aligning with general increases for the broader employee population of the Group.

Remuneration Committee discretions

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

- the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy table);
- the determination of vesting based on the assessment of performance;
- the determination of a 'good leaver' and, where relevant, the extent of vesting in the case of the share-based plans;
- whether or not to make payment of a bonus to a leaver, taking into account all circumstances, and whether or to pro-rate such an award;
- 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 the plans can still fulfil their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

Malus and clawback

In line with UK corporate governance best practice, a malus and clawback mechanism applies as follows:

- Annual bonus – cash awards: malus will apply up to the bonus payment and clawback will apply for a period of two years after the bonus payment.
- Annual bonus – deferred share awards: clawback will apply during the period of two years following the payment of the cash bonus to which the deferred share award relates.
- LTIP awards: malus will apply during the vesting period and clawback will apply for a period of two years post vesting.

The malus and clawback provisions may be applied 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.

Performance measures and targets

Our Group strategy and business objectives are the primary consideration when we are selecting performance measures for incentive plans. The annual bonus is based on performance against a stretching combination of financial and non-financial measures. Adjusted profit before tax reflects the Group's strategic objective to increase profit. In addition, Executive Directors are assessed on strategic objectives as agreed by the Committee at the beginning of the year. The LTIP is assessed against growth in adjusted earnings per share as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success and is visible to shareholders; as well as total shareholder return ("TSR") in order to focus management on delivering shareholder returns, noting that a number of our shareholders prefer absolute TSR rather than relative in order to increase visibility and ensure direct alignment with the shareholder experience.

Targets within incentive plans that are related to internal financial measures, such as profit, are typically determined based on the Group's 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. When existing employees are promoted to the Board, the Policy will apply from the point where they are appointed to the Board and not retrospectively. In addition, any existing awards will be honoured and form part of ongoing remuneration arrangements.

REMUNERATION COMMITTEE REPORT CONTINUED

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. For avoidance of doubt, any buy-out awards are not subject to a formal maximum.

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 appointee 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 Chair 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

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.

Policy on payment on loss of office

When determining any loss of office payment for a departing Executive Director, the Committee will always seek to minimise the cost to the Group, while complying with contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate their loss when determining the amount of compensation. When terminating an Executive Director's contract, the Group has the right to make 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. The Committee's Policy is described below and will be implemented taking into account the contractual entitlements, the specific circumstances for the departure and the interests of shareholders.

Pay element	Good leaver	Other leaver
Base pay, pension, benefits	Up to 12 months' normally payable monthly and subject to mitigation. May be required to work during notice period.	Up to 12 months' normally payable, subject to mitigation. The Committee has the discretion to terminate contracts without notice and without further compensation (except for sums earned to the date of termination for certain events such as gross misconduct).
Annual bonus – cash	There will be no automatic entitlement to a bonus if an Executive Director has ceased employment or is under notice. The Committee may, at its discretion, pay a bonus. This would normally be prorated in respect of the proportion of the financial year worked but in circumstances it considers it appropriate, the Committee may use discretion to not prorate. Use of discretion will be explained in full to shareholders. Such payment could be payable in cash and not subject to deferral. Payment would usually be made on the normal payment date, although the Committee has discretion to accelerate payment on a case-by-case basis in its discretion, for example on change of control of the Group or death of an Executive Director.	Awards lapse on cessation of employment.
Annual bonus – deferred into shares	Unvested awards will usually vest in full upon cessation, unless the Committee determines otherwise.	Unvested awards lapse on the termination date.
LTIP Awards	Outstanding awards will vest at the original vesting date to the extent that the performance condition has been satisfied and 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 ceased to be employed by the Group, unless the Committee determines otherwise in its absolute discretion. Holding periods will apply, unless the Committee determines otherwise.	Awards lapse on termination date.
All-employee share plans	Treatment of awards under any all-employee share plan including the SAYE plan would be in line with HMRC rules.	
Buy-out awards	Treatment of the buy-out award would be in line with the terms of the buy-out award agreed.	

Definition of a good leaver

The Committee has ultimate discretion on whether an employee is considered to be a good leaver. 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. If employment ceases because of any of the following circumstances, the Executive Director would normally be treated as a 'good leaver':

- death;
- ill-health;
- injury;
- disability;
- redundancy; and
- retirement with the consent of the Committee.

In the event of: (i) a takeover of the Company; (ii) a scheme of arrangement (not being an internal corporate reorganisation); (iii) a winding-up of the Company; or (iv) (at the discretion of the Committee) a demerger, Executive Directors are entitled to up to 12 months' base salary, pension and benefits. Unvested bonus and LTIP Awards shall vest immediately and on the same basis as described above in the case of a 'good leaver'. Alternatively, on the occurrence of a takeover or a scheme of arrangement, the Committee may specify that bonus and/or LTIP Awards shall not vest on the occurrence of such event and instead participants shall be required to 'roll-over' their awards into equivalent new awards over shares in a new holding company. Bonus and LTIP Awards will be automatically 'rolled-over' on the occurrence of an internal reorganisation.

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

Statement of consideration of shareholder views

The Committee engaged with shareholders during 2023 as part of the Remuneration Policy development process and welcomes continued dialogue with the Company's shareholders. Proposed changes to the policy were communicated to major shareholders prior to its formation, and all feedback taken into consideration. Please see pages 79 and 80 for details of the consultation with shareholders. Advice was also taken on best practice from appropriately qualified remuneration advisers PricewaterhouseCoopers LLP. The views offered to the Committee have been taken into account in the policy.

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 the approach adopted 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.

Alignment with Provision 40 of the UK Corporate Governance Code

As part of its review of the Policy, the Committee has considered the factors set out in provision 40 of the Code. In the Committee's view, the Policy addresses those factors as set out below:

Provision 40	How the Policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce and link to strategy	The Committee has clearly outlined the performance conditions relating to the annual bonus and long-term incentive plans, which are linked to our strategy and shareholder interests. We have set out the maximum potential value of the elements of remuneration, and the areas in which discretion can be applied throughout the Policy. The Policy is in line with UK corporate governance best practice, and so aims to be well understood by participants, shareholders and the wider workforce.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	The Policy is designed to be simple, easily understood and communicated. The remuneration structure uses market-standard incentive structures. The performance conditions for variable elements are clearly communicated to, and understood by, participants, as well as being aligned with the Group's strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	A significant portion of the Executive Directors' total remuneration opportunity is weighted to the longer term, and delivered in shares via the long-term incentive plan and the deferred bonus mechanism. Furthermore, a shareholding requirement is in place (both in-employment and post-cessation). These features ensure robust shareholder alignment and discourage unnecessary risk taking. The Committee retains discretion to override formulaic outcomes for incentive plans. Malus and clawback provisions are in place, which mitigate behavioural risks by enabling payments to be reduced or reclaimed in specific circumstances. No Executive Director is present when their own remuneration is under discussion.

Provision 40	How the Policy aligns
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy	The Policy sets out the maximum potential value for each element of remuneration. Potential outcomes are easily quantifiable and are set out in the scenario charts.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	The Committee has set out to balance appropriately remuneration between fixed and variable pay. The annual bonus and long-term incentive plan are designed to reward the successful implementation of the Company's strategy and are aligned with long-term value creation for shareholders via stretching targets linked to strong corporate performance and shareholder return. The Committee will have discretion to override formulaic outcomes to ensure that remuneration appropriately reflects overall performance.
Alignment to culture Incentive schemes should drive behaviours consistent with the company's purpose, values and strategy	The incentive plans are measured against key performance measures aligned to our culture and strategy. The emphasis on shareholding is a core part of our culture throughout the Group via our SAYE plan. The Committee takes into account fairness and the wider workforce when determining Executive Director remuneration outcomes.

FY23 Directors

Dates of service contracts and appointment to the Board for all Directors in post during FY23 are given below:

	Date of service contract/letter of appointment/ renewal of appointment	Date of first appointment to the Board	Date stood/standing down
Executive Directors			
Peter Page*	4 August 2022	1 November 2019	17 November 2023
David White**	14 December 2022 (as amended on 14 November 2023 (CEO appointment))	21 February 2023	
Neil Austin	1 January 2013	1 May 2013	21 February 2023
Martin Rowland***	13 November 2023	6 March 2023	
Non-Executive Directors			
Tim Jones	31 August 2023	21 February 2023	
John Worby	22 August 2023	1 April 2015	31 October 2023
Ian Wood	22 August 2023	1 October 2015	
Shelagh Hancock	22 August 2023	1 September 2022	
Stuart Lorimer	22 August 2023	1 September 2022	
Martin Rowland***	22 August 2023	6 March 2023	12 November 2023
Gillian Watson	3 October 2023	9 October 2023	
Peter Page*	20 September 2021 (as amended on 3 December 2021)	1 November 2019	21 February 2023

* Reflecting Executive Chair appointment under interim arrangements from 11 October 2021 and appointment as CEO in August 2022 (CEO appointment taking effect on the appointment of a Non-Executive Chair).

** Reflecting appointment as CFO and appointment as CEO.

*** Reflecting appointment as Non-Executive Director and as Executive Director of Transformation.

REMUNERATION COMMITTEE REPORT CONTINUED

Estimates of total future potential remuneration from FY23 pay packages

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in FY23. Potential outcomes based on different scenarios are provided for each Executive Director.

The assumptions underlying each scenario are described below.

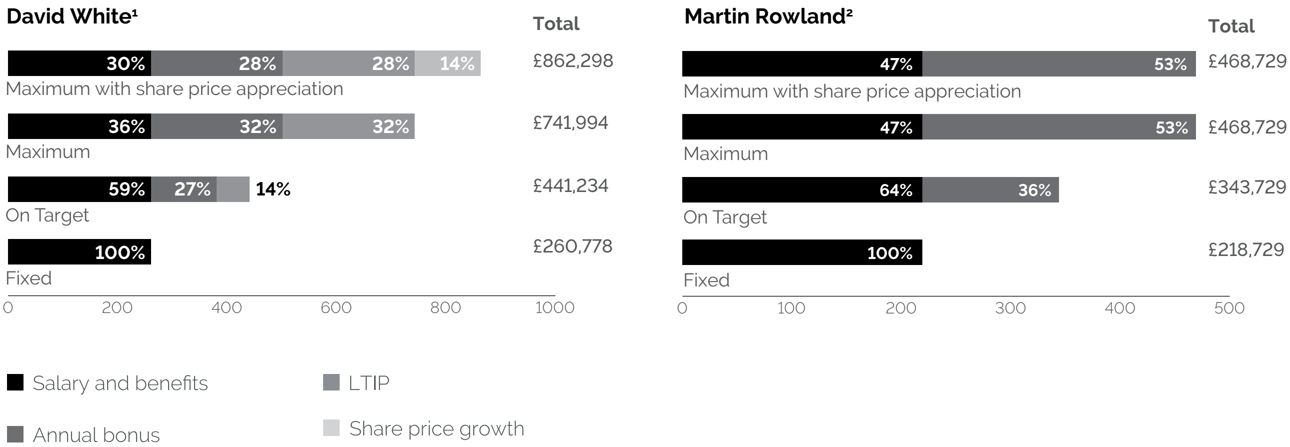
Fixed	Consists of base salary, pension and other benefits. Save as otherwise stated, base salaries are as at 1 September 2023. Benefits are valued using the figures in the total remuneration for the FY23 table, adjusted for any new benefits or benefits that will not be provided during FY24. Pensions are valued by applying the appropriate percentage to the base salary.
On target	Based on what a Director would receive if performance was in line with plan, and the threshold level was achieved under the LTIP.
Maximum	Assumes that the full stretch target for the LTIP 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.

	Base £'000	Benefits £'000	Pension £'000	Total £'000
David White*	241	11	10	261
Martin Rowland**	200	11	8	219

* Chief Executive Officer from 17 November 2023. Reflecting the total remuneration in respect of the financial year comprising basic salary, pension and other benefits for the period from 17 November 2023.

** Executive Director of Transformation commencing on 13 November 2023. Reflecting the total remuneration in respect of the financial year comprising basic salary, pension and other benefits for the period commencing on 13 November 2023.

Remuneration estimates based upon outcomes



1 Reflecting appointment as Chief Executive Officer from 17 November 2023.

2 Reflecting appointment as Executive Director of Transformation on 13 November 2023.

DIRECTORS' REPORT

INTRODUCTION

The Directors present their report and the audited accounts for the Group for the financial year ended 2 September 2023. The Corporate Governance Report, which can be found on pages 46 to 102 (inclusive), and details of the Board on pages 48 and 49 also form part of this Directors' Report.

Corporate Governance Statement

The Corporate Governance Statement, prepared in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, comprises the following sections of the Annual Report: the 'Strategic Report'; the 'Corporate Governance Report'; the 'Audit Committee Report'; the 'Nomination Committee Report'; the 'Remuneration Committee Report'; together with this Directors' Report. As permitted by legislation, some of the matters required to be included in the Directors' Report have been included in the Strategic Report by cross-reference, including details of the Group's financial risk management objectives and policies, business review, future prospects, stakeholder engagement, Section 172 Statement and environmental policy. The 2018 UK Corporate Governance Code is available from the Financial Reporting Council's website (www.frc.org.uk).

OPERATIONS AND PERFORMANCE

Activities and business overview

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's Main Market. Its registered office is at Old Croft, Stanwix, Carlisle, CA3 9BA. Details of subsidiary companies and joint ventures can be found at note 18 and note 19 of the Financial Statements and on page 197. The principal activities and business overview of the Group are set out within the Strategic Report on pages 02 to 47 (inclusive).

Results and dividends

A review of the results can be found on pages 16 and 17.

The Group profit from continuing operations before taxation was £1.5m (2022 continuing operations: £7.6m). After taxation charge of £1.1m (2022 continuing operations: £1.5m), the profit for the year from continuing operations is £0.4m (2022 continuing operations restated: £6.0m).

	2023	2022
Aggregate interim dividends	**2.35p**	2.35p
Final dividend per share proposed	**2.85p**	2.85p

Subject to approval at the forthcoming Annual General Meeting of the Company, the final dividend will be paid on 1 March 2024 to members on the register at the close of business on 26 January 2024. Shares will become ex-dividend on 25 January 2024

Post balance sheet events

In December 2023, prior to the signing of the financial statements, the Group renewed its main banking facility with Clydesdale Bank plc (trading as Virgin Money). Please see note 38 for details.

SHARES AND SHARE CAPITAL

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 30 to the financial statements.

At the Annual General Meeting held on 27 February 2023, the Directors received authority from the shareholders to:

- Allot shares – this gave Directors the authority to allot shares thus maintaining flexibility in respect of the Company's financing arrangements. The nominal value of Ordinary Shares which the Directors could allot in the period up to the next Annual General Meeting to be held in February 2024, is limited to £775,677.63 which represented approximately 33% of the nominal value of the issued share capital on 31 January 2023. 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 February 2024.
- 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 allows 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 £117,526.90, which represented approximately 5% of the Company's issued share capital on 31 January 2023; and
  - in connection with acquisitions or other capital development, up to a further aggregate nominal amount of £117,526.90, which represented approximately 5% of the Company's issued share capital on 31 January 2023.

DIRECTORS' REPORT CONTINUED

This authority will expire at the end of the Annual General Meeting expected to be held in February 2024.

- 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 9,402,153 Ordinary Shares which represented approximately 10% of the Company's issued share capital on 31 January 2023. The price to be paid for any share could not be less than £0.025, being the nominal value of a share, and could 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 were purchased.

  The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertake 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. The Directors would consider holding any of the Company's own shares that it purchased pursuant to this authority as treasury shares. This authority will expire at the end of the Annual General Meeting to be held in February 2024.

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 forthcoming Annual General Meeting 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 their payment. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

Directors' shareholdings

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 under the Company's share option plans (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 78 to 102), are as follows:

Directors in office as at the date of this report

		At 2 September 2023 Ordinary Shares	At 3 September 2022 Ordinary Shares
David White	Chief Executive Officer	**27,000**	0
Martin Rowland	Executive Director of Transformation	**0**	0
Tim Jones	Chair	**148,206**	0
Ian Wood	Non-Executive Director	**50,000**	30,000
Shelagh Hancock	Non-Executive Director	**0**	0
Stuart Lorimer	Non-Executive Director	**4,000**	0
Gillian Watson	Non-Executive Director	**0**	0

All the above interests are beneficial. There have been no other changes to the above interests in the period from 2 September 2023 to the date of this report. At the date of this report, Harwood Capital Management Limited (of whom Martin Rowland is a representative), holds an interest in 13.82% of the Company's share capital.

Directors in office at end of FY23

		At 2 September 2023 Ordinary Shares	At 3 September 2022 Ordinary Shares
Peter Page	Chief Executive Officer	**153,722**	124,500
John Worby	Non-Executive Director	**32,500**	32,500

Major shareholders

The Company has been informed that the following interests in the 94,150,362 Ordinary Shares of the Company, as required by the Companies Act 2006.

Latest available data prior to the date of this Annual Report and Accounts

Shareholder	30-Nov-23	% Issued Ordinary Share Capital
Mr Robert Heygate (UK)	13,025,120	13.84
Harwood Capital (London)	13,000,000	13.82
Fidelity Investments (Boston)	9,486,168	10.08
Jupiter Asset Mgt (London)	4,750,000	5.05
Interactive Investor (Manchester)	3,490,408	3.71
Hargreaves Lansdown Asset Mgt (Bristol)	3,336,015	3.55
Charles Stanley (London)	2,788,147	2.96
Wesleyan Assurance Society (Birmingham (UK))	2,552,936	2.71
Artemis Investment Mgt (London)	2,306,432	2.45
Mr Thomas W G Charlton (Regional (England))	1,980,000	2.10
TOTAL	**56,715,226**	**60.28**

Latest available data prior to end of FY23

Shareholder	31-Aug-23	% Issued Ordinary Share Capital
Mr Robert Heygate (UK)	13,025,120	13.83
Harwood Capital (London)	9,900,000	10.52
Fidelity Investments (Boston)	9,410,847	10.00
Jupiter Asset Mgt (London)	4,750,000	5.05
Interactive Investor (Manchester)	3,521,282	3.74
Hargreaves Lansdown Asset Mgt (Bristol)	3,365,276	3.57
Gresham House (London)	2,983,000	3.17
Charles Stanley (London)	2,810,452	2.99
Wesleyan Assurance Society (Birmingham (UK))	2,552,936	2.71
Artemis Investment Mgt (London)	2,306,432	2.45
TOTAL	**54,625,345**	**58.02**

CORPORATE GOVERNANCE

Annual General Meeting

The Annual General Meeting of the Company will be held in February 2024 at The Halston Hotel Carlisle, 20-34 Warwick Road, Carlisle CA1 1AB.

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles of Association. Changes to the Articles must be approved by shareholders passing a special resolution at a General Meeting.

Directors

Details of the Directors of the Company as at the date of this report are shown on pages 48 and 49, and details of Directors who were in post during FY23 can be found on in the Nomination Committee Report on pages 67 to 71 (inclusive). Details relating to Director re-election, Directors' powers and Directors' conflicts of interest can be found in the Corporate Governance Report on page 54.

Directors' and officers' liability insurance

The Group maintains Directors' and Officers' liability insurance, which is reviewed annually.

Significant agreements

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, 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 occurring solely because of a change of control.

Political and charitable donations

During the year ended 2 September 2023 the Group contributed £50,496 (2022: £22,750) in the UK for charitable purposes. Further details have been included within the Responsible Business Report on page 32. There were no political donations during the financial year (2022: £nil). For details of work with local communities, please see page 32, and pages 62-66 (inclusive).

DIRECTORS' REPORT CONTINUED

ADDITIONAL INFORMATION

Employee share schemes

Awards under employee share schemes do not confer any shareholder rights, such as the right to vote the shares or to receive any dividend, until a participant has received the shares after vesting or exercise (as applicable).

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 on pages 25 to 37 (inclusive).

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.

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 the Group's 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 29 of the financial statements.

Environment

The Company's report on sustainability and the environment, including its carbon footprint, and approach to GHG as well as climate related risk and governance processes can be found on pages 33 to 44 (inclusive).

External auditor

A resolution to reappoint Grant Thornton UK LLP as external auditor will be proposed at the forthcoming Annual General Meeting of the Company to be held in February 2024.

More information about the external audit can be found on pages 72 to 77 (inclusive) of the Audit Committee Report.

Other information incorporated by reference

Other information relevant to this Directors' Report, and which is incorporated by reference, including:

Subject matter		Page(s)
Financial risk management	Principal Risks and Uncertainties Corporate Governance Report Audit Committee Report	20 to 23 46 to 107 72 to 77
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Notes to the Financial Statements (Derivatives and other financial instruments) (note 28)	170 to 174
Going concern	Principal Accounting Policies	128 to 136
Important events since the financial year end	Notes to the Financial Statements (Post balance sheet events) (note 38)	190
Likely future developments in the business	Strategic Report	02 to 44
Research and development	Strategic Report	02 to 44
Employment of disabled persons	Responsible Business Report Non-Financial & Sustainability Information Statement	26 to 27 43
Stakeholder engagement	Corporate Governance Report s.172 Statement	46 to 66 62 to 66
SECR energy and carbon reporting	Responsible Business Report	36 to 37
Board diversity	Nomination Committee Report Corporate Governance Report	67 to 71 46 to 66

The information required to be disclosed by Listing Rule 9.8.4R can be located as set out below:

Listing Rule 9.8.4R Information Required		Page
(1)	Interest capitalised	N/A
(2)	Publication of unaudited financial information	N/A*
(3)	N/A	N/A
(4)	Details of Long Term Incentive Schemes	N/A
(5-6)	Waiver of Director emoluments	N/A
(7-8)	Non-pre-emption issues of equity for cash	N/A
(9)	Parent participation in a placing by a listed subsidiary	N/A
(10)	Significant contracts involving a Director or shareholder	188 to 189 (note 37)
(11)	Provision of services by a controlling shareholder	N/A
(12-13)	Dividend waivers	104
(14)	Agreements with a controlling shareholder	N/A

* For information on the disposal of the Agricultural Supplies division please see note 9 to the financial statements.

DIRECTORS' REPORT CONTINUED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international 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 and Directors' Report include 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.

By order of the Board

Justin Richards
Company Secretary

20 December 2023

INDEPENDENT AUDITOR'S REPORT

to the members of Carr's Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Carr's Group plc (the "parent Company") and its subsidiaries (the "Group") for the period from 4 September 2022 to 2 September 2023, which comprise the Consolidated Income Statement, Consolidated Statement 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

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 2 September 2023 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the key audit matters section of our report.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

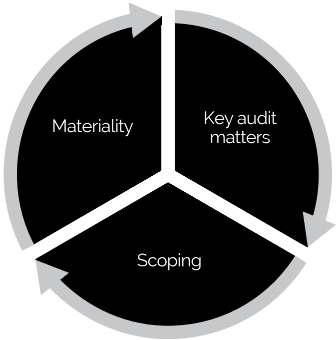
In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £739k, which represents 0.5% of the Group's revenues from continuing operations.

Parent Company: £443k, which represents 0.5% of the parent Company's net assets.

Key audit matters were identified as:

- Revenue recognition in components in the Engineering division where revenue is recognised over time (long-term contracts) (same as previous period);
- Carrying value of goodwill (same as previous period);
- Going concern (same as previous period); and
- Loss for the year from discontinued operations (new).

Our auditor's report for the period ended 3 September 2022 included one key audit matter that has not been reported as a key audit matter in our current period's report. This relates to implementation of a new IT system and sufficiency of reconciliation procedures within the component Carrs Billington Agriculture (Sales) Ltd; this entity is part of the discontinued operations that were disposed of during the period, and thus the risk has been addressed within this new key audit matter relating to loss for the year from discontinued operations.

The Group engagement team performed an audit of the parent Company financial statements, full-scope audit procedures on the financial information of two components and specified procedures on two components.

Component auditors performed full-scope audit procedures on the financial information of two components and specified audit procedures on a further three components.

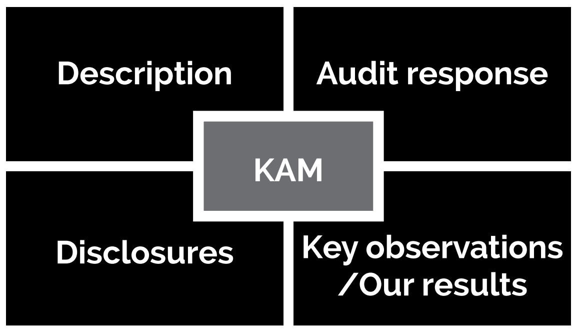
The Group engagement team performed analytical procedures on the financial information of the remaining 17 components.

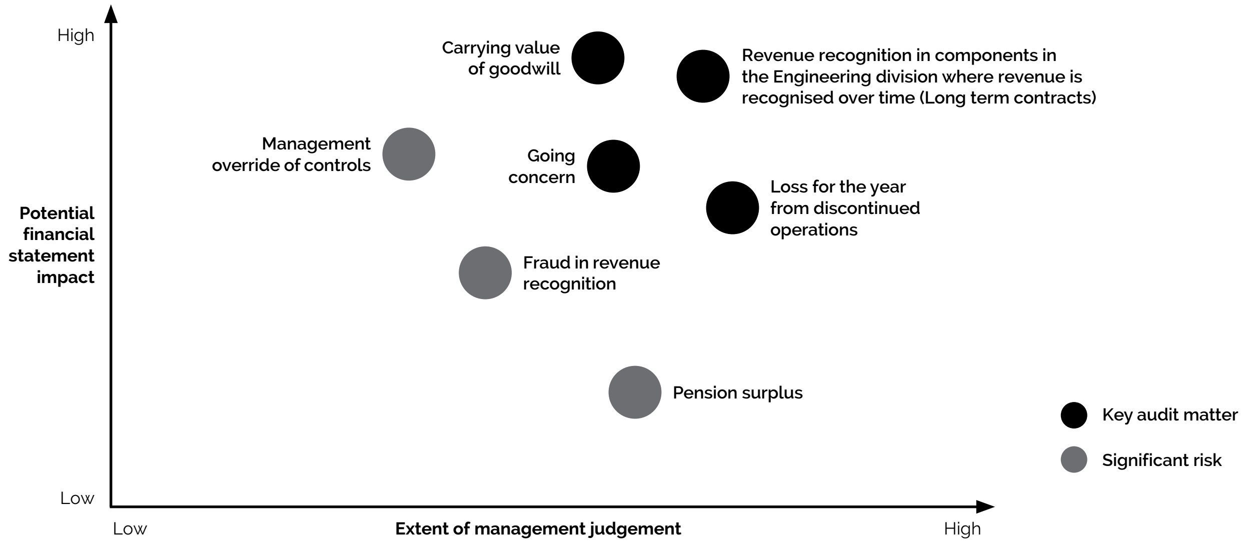
Key changes in the scope of the audit from the prior year is disposal of the Agricultural Supplies division which removed seven components from the overall Group, two of which the Group auditors performed full-scope audits on in the prior period.

Key audit matters

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

In the graph on the next page, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.





Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition in components in the Engineering division where revenue is recognised over time (long-term contracts) We identified revenue recognition in components in the Engineering division (NW Total Engineered Solutions Ltd., NuVision Engineering, Inc., Wälischmiller Engineering GmbH and Carr's Engineering Ltd – Bendalls) where revenue is recognised over time (long-term contracts) as one of the most significant assessed risks of material misstatement due to fraud and error. Such revenue totalled £29,050k in the period. We pinpointed the significant risk to contracts which exhibited certain qualitative and quantitative risk criteria. For a significant portion of contracts within the Group's Engineering division, revenue is recognised based on stage of completion measured in reference to either costs incurred as a proportion of total costs ("input method") or delivery towards complete satisfaction of performance obligations with reference to certified or valued contract works ("output method"). Measured stage of completion is therefore based on either actual costs incurred to date over estimated costs to complete or on units delivered/produced against performance obligations. The estimation process is inherently complex and significant management judgement is required.	In responding to the key audit matter, we performed the following audit procedures: • obtained an understanding of and evaluated the design and implementation of relevant controls over the revenue cycle; • assessed the revenue recognition accounting policy for compliance with accounting standards, including appropriateness and disclosure within the financial statements; • obtained and inspected contract documents and challenged the identification of performance obligations, contract clauses and assessing whether the method of revenue recognition is in accordance with IFRS 15 'Revenue from contracts with customers'; • confirmed contract terms directly with customers for a sample of contracts; • recalculated the revenue recognition on a sample of contracts based on either percentage completion in relation to estimated costs to complete or through progress towards satisfaction of performance obligations and compared to amounts recorded by the Group; • made inquiries of project managers to obtain an understanding of the performance of the contract throughout the period and at period end; • obtained and assessed management's forecast estimated costs to completion and challenged the Group's estimates in respect of costs to complete via agreement to third-party certifications, confirmations and other external 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; • sensitised the estimated costs to complete to determine how sensitive management's forecasts are to changes in inputs, by applying sensitivities for inflation and labour cost increases; • obtained post-period end updates from project managers to understand subsequent performance of projects and assessed whether the updated costs to complete forecasts indicate completeness of estimated costs to complete at the period end; • assessed the Group's historical forecasting accuracy by comparing prior estimated costs to complete to actual costs incurred and actual margin achieved when the contracts were completed during the current period; and • assessed the adequacy of disclosures of the key judgments and estimates involved in long-term contract accounting.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Principal accounting policies, Revenue recognition; and Note 3, Revenue • Audit Committee Report: Revenue recognition in relation to Engineering as set out on page 75	**Our results** Based on our audit work we did not identify any material misstatements in revenue recognition in components in the Engineering division where revenue is recognised over time (long-term contracts).
Carrying value of goodwill We identified the carrying value of goodwill as one of the most significant assessed risks of material misstatement due to error. We pinpointed the significant risk to the carrying value of goodwill in the following Cash Generating Units ("CGUs"), which relate to the valuation and allocation assertion (pre-impairment carrying value): • NuVision Engineering, Inc. £8,654k; • Wälischmiller Engineering GmbH £4,009k; • NW Total Engineered Solutions Ltd £6,234k; and • Animax £1,742k. Under International Accounting Standard (IAS) 36 'Impairment of Assets', management are required to perform an annual assessment of whether there is any indication that an asset may be impaired and to perform an annual assessment of whether the Group's goodwill within a CGU is impaired. The process for assessing whether impairment of goodwill exists under IAS 36 is complex. Management prepared an impairment model to assess the value in use. Calculating value in use, through forecasting cash flows relating to each individual CGU, and the determination of CGUs, appropriate discount rates and other assumptions to be applied can be highly judgemental and subject to management bias or error. The selection of certain inputs into the cash flow forecasts can also significantly impact the results of the impairment assessment.	In responding to the key audit matter, we performed the following audit procedures: • obtained an understanding of and evaluated the design and implementation of relevant controls relating to the impairment model; • obtained management's Board-approved assessment over carrying value and value in use, understood and challenged sensitivities performed; • assessed the mathematical accuracy of the impairment model and methodology applied by management for consistency with the requirements of IAS 36, including the associated sensitivities performed; • tested the accuracy of management's forecasting through a comparison of current period budget to actual data; • assessed the appropriateness of management's assumptions and sensitivities relating to the calculations of the value in use of CGUs and estimated future cash flows, including growth rates and discount rates used to assess the level of headroom; • used our internal valuation specialists to inform our challenge of management, that the assumptions used within the calculation of weighted average cost of capital are reasonable; and • assessed the accuracy and sufficiency of financial statements disclosures with respect to the carrying value of Group goodwill.
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Principal accounting policies, Goodwill; and Note 12, Goodwill and other intangible assets • Audit Committee Report: Potential goodwill impairment as set out on page 75	**Our results** Our audit testing and challenge of management resulted in revision of their forecasts and the following impairment charges recognised: • NW Total Engineered Solutions Ltd £1,824k. • Animax £2,019k: (£1,742k recorded against goodwill and £277k against other intangibles). Based on our audit work, we are satisfied that the assumptions used in management's revised impairment model were appropriate and we did not identify any material misstatements in the carrying value of goodwill. We consider the disclosures with respect to the carrying value of the Group's goodwill to be in accordance with IAS 36.

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. In our evaluation, we considered the inherent risks associated with the Group's business model including the effects arising from macro-economic uncertainties such as the unprecedented increases in energy prices, interest rates and inflation. The Group will be impacted going forward and these unprecedented levels of uncertainty could adversely impact the future trading performance of the Group, leading to increased judgement in respect of the forward-looking assessment. In undertaking their assessment of going concern for the Group, management considered the impact of increasing energy costs, interest rates and inflation in their forecast future performance of the Group, compliance with covenants and anticipated cash flows. As a result, there is significant judgement applied in developing forecasted revenue and profits for the Group.	In responding to the key audit matter, we performed the following audit procedures: • obtained an understanding of relevant controls relating to the assessment of the going concern model; • assessed the reasonableness of the inputs and assumptions used in the model; • obtained and assessed management's paper and assessment of going concern, including forecasts covering the period up to December 2024 and tested the mathematical accuracy of the forecasts, as approved by the Board; • tested the accuracy of management's forecasting through a comparison of budget to actual data; • assessed the forecasts prepared to ensure consistency with other areas of the audit such as forecasts used in management's impairment review of goodwill; • used industry data and other external information such as forecasted interest rates to challenge the reasonableness of management's assumptions regarding future costs and revenue, built into the forecast cashflow; • corroborated the existence of the Group's loan facilities and relevant covenant requirements to loan agreements for the period covered by management's forecasts; • assessed scenario sensitivities and reverse stress tests performed by management, and determined if they are plausible; • performed our own scenario sensitivities over and above the sensitivities of management and considered the available headroom and compliance with covenants; • tested the adequacy of the supporting evidence for cash flow forecasts, and considered the headroom available to the Group; • assessed the appropriateness of assumptions regarding mitigating actions to reduce costs or manage cashflows in downside scenarios; and • assessed the adequacy of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Principal accounting policies, Going concern • Audit Committee Report: Going concern and viability statement as set out on page 75	**Our results** We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Loss for the year from discontinued operations We identified the Loss for the year from discontinued operations as one of the most significant assessed risks of material misstatement due to error. The disposal of the Agricultural Supplies division on 26 October 2022 was a significant transaction for the Group, giving rise to a net profit on disposal after disposal costs of £3k (with trading results for the period of £1,160k loss). In order to calculate the profit on disposal, the net assets at the date of disposal have been determined, which included the consideration of judgments and estimates in respect of key areas such as provisions and pensions. We therefore identified the profit on sale of discontinued operations as a significant risk, specifically in relation to cut off. This represents a significant risk because the disposal is material and unusual in nature.	In responding to the key audit matter, we performed the following audit procedures: • obtained an understanding of the procedures adopted by management to ensure appropriate cut-off in preparing the balance sheet at the disposal date for the calculation of the gain on disposal; • performed procedures over the two months' trading activity and closing balances; • assessed whether there should be any significant changes in key assumptions and estimates at the date of disposal, compared to those as at 3 September 2022, in recognising revenue and judgements in respect of provisions for liabilities; • reperformed the calculation of the gain on disposal to gain assurance over the arithmetical accuracy; • confirmed the key terms and conditions to the disposal and associated agreements, and considered how these are reflected by management in accordance with accounting standards; • tested the value of consideration recorded on the disposal by confirming cash received to bank utilising open banking; • confirmed the net assets disposed of, including goodwill, are correctly removed and any provisions required on disposal are correctly accounted for; • tested the accuracy and completeness of the prior period errors by reperforming the calculations, agreeing the terms of the rental agreements to signed agreements, and obtaining direct confirmation from the purchaser of the final position; • tested disposal costs on a sample basis to supporting documentation; and • assessed whether disclosures made in the financial statements relating to the gain on sale of discontinued operations are appropriate.
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Principal accounting policies, Goodwill; and Note 9, Discontinued operations and non-current assets held for sale • Audit Committee Report: Disposal of the Agricultural Supplies division as set out on page 75	**Our results** We have concluded that the gain of £3k recognised from discontinued operations is appropriate and that the disclosures made is in accordance with IFRS 5.

We did not identify any key audit matters relating to the audit of the financial statements of the parent Company only.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

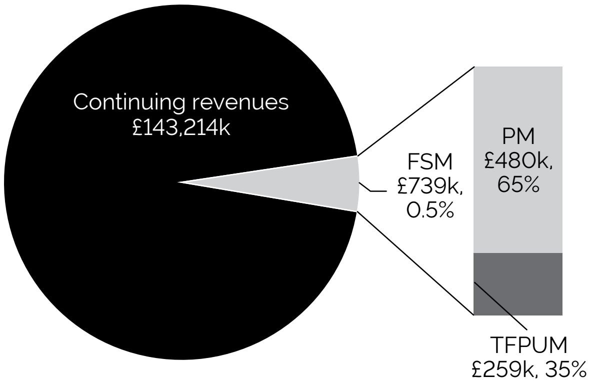
Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£739k, which represents 0.5% of the Group's revenues from continuing operations.	£443k, which is 0.5% of the parent Company's net assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: Revenue is determined to be the most appropriate benchmark due to its importance in both external financial reporting and internal management reporting. The Group engagement team compared the determined amount against the range of materialities that would have been calculated had different benchmarks (adjusted operating profit and adjusted PBT) been used, recognising that a number of measures are relevant to the users of the financial statements. Materiality for the current year is lower than the level that we determined for the period ended 3 September 2022 to reflect the reduced size of the Group following the disposal of the Agricultural Supplies division.	In determining materiality, we made the following significant judgement: Net assets is considered the most appropriate benchmark for the parent Company because the principal activity is that of a holding company that does not trade. Materiality for the current year is lower than the level that we determined for the period ended 3 September 2022.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£480k, which is 65% of financial statement materiality.	£288k, which is 65% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • our performance materiality remained at the same percentage level as determined in the previous period as we considered: – the number and magnitude of unadjusted misstatements to the Group's financial statements in prior period; – the nature and impact of significant control deficiencies identified in the prior period; • our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Group.	In determining performance materiality we considered: • the number and magnitude of unadjusted misstatements to the parent Company's financial statements in prior period; • the nature and impact of significant control deficiencies identified in the prior period; and • our risk assessment procedures did not identify any significant changes in business objectives and strategy of the parent.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • related party transactions; and • Directors' remuneration.	We determined a lower level of specific materiality for the following areas: • related party transactions; and • Directors' remuneration.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£37k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£22k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT CONTINUED

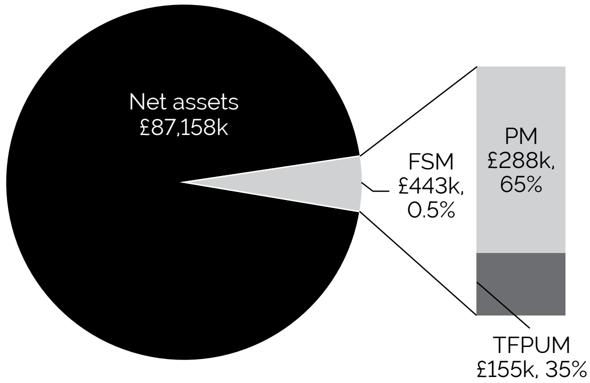
to the members of Carr's Group plc

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent Company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent Company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level;
- the Group engagement team noted that due to the historical acquisitive nature of the Group, there are many components, spread primarily across the UK, USA and Germany, with different finance teams and control processes in place;
- the Group underwent a disposal of the Agricultural Supplies division during the year, leading to a significantly smaller Group, with existing components now contributing larger percentages of the key benchmarks we consider; revenue, profit before tax and net assets; and
- in establishing the overall approach to the Group audit, we determined the type of work that needed to be performed on the components by us, as the Group engagement team, or component auditors which included other engagement teams within Grant Thornton UK LLP and engagement teams from member firms of the Grant Thornton International network.

Identifying significant components

The Group's components vary in size and nature of operations. The Group engagement team identified certain components as significant based on a variety of both qualitative and quantitative factors. The quantitative factors used in determining significance were based on a combination of the Group's continuing revenues, total assets and Group profit before taxation. The qualitative factors used in determining significance were whether any components were likely to include significant risks of material misstatement due to their specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

For those components which were scoped as significant, full-scope audit procedures were performed based on component materiality.

Significant components identified were Carrs Agriculture Ltd, Animal Feed Supplement, Inc., Wälischmiller Engineering GmbH, NuVision Engineering, Inc., and the parent Company. Significant components Wälischmiller Engineering GmbH and NuVision Engineering, Inc. were audited by component auditors based on instructions issued by the Group engagement team. The parent Company, Carrs Agriculture Ltd and Animal Feed Supplement, Inc. were audited by the Group engagement team.

Furthermore, there were five components which were not deemed to be significant, on which specified procedures were performed either by the Group engagement team (for two such components) or by component auditors (for three such components).

For the remaining 17 components, analytical procedures were performed by the Group engagement team at Group level commensurate with their significance to the Group's results and financial position.

Where components within the Engineering division were not scoped as significant, we performed target procedures particularly over revenue from contracts to address the key audit matter 'Revenue recognition in components in the Engineering division where revenue is recognised over time (long-term contracts)' included above.

Key changes in the scope of the audit from the prior year is the disposal of the Agricultural Supplies division which removed 7 components from the overall Group, two of which the Group auditors performed full-scope audits on in the prior period. We also performed procedures on the loss from discontinued operations, further detail is set out in the key audit matter above.

Performance of our audit

In order to gain sufficient appropriate audit evidence to address the risks described above, an audit of financial information was carried out at each individually significant reporting component: audits for Group reporting purposes were carried out at five significant components located in the following countries: United Kingdom (two components), USA (two components) and Germany (one component). In addition, specified audit procedures for Group reporting purposes were performed at a further five components.

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

Audit approach	No. of components	% coverage total assets	% coverage continuing revenue	% coverage profit before tax
Full-scope audit	5*	61%	63%	92%
Specified audit procedures	5**	13%	22%	0%
Analytical procedures	17	26%	15%	8%

* Of components where full-scope audits were performed, two were performed by component auditors, the remaining three were performed by the Group audit team.

** Of components where specified audit procedures were performed, three were performed by component auditors, two were performed by the Group audit team.

Communications with component auditors

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. This involved issuing instructions to component auditors and having regular communication throughout the audit.

During the planning stages of the Group audit, the Group engagement team sent detailed instructions to the component auditors that detailed the scope of the work, component materiality and planned audit approach on significant risk areas. The Group engagement team also held planning meetings with component auditors to discuss these instructions and provide direction to the component auditor.

During the fieldwork stage, the Group engagement team was in communication with the component auditors and performed detailed reviews of a selection of working papers that cover the significant risks at Group level as well as working papers to ensure that the Group engagement team have sufficient appropriate audit evidence to support the Group opinion.

During the completion stage, the Group engagement team was in communication with the component auditors to enquire of any subsequent events.

Changes in approach from previous period

Following the disposal of the Agricultural Supplies division, the following components, Carrs Billington Agriculture (Sales) Ltd and Carrs Billington Agriculture (Operations) Ltd have been removed from the full-scope audit owing to them no longer being components of the Group.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information about the Company's Corporate Governance Code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- a corporate governance statement has not been prepared by the parent Company.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 24;
- the Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 24;
- the Directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities set out on page 24;
- the Directors' statement on fair, balanced and understandable set out on page 108;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 20;
- the section of the Annual Report that describes the review of the effectiveness of risk management and internal control systems set out on pages 60 and 61; and
- the section describing the work of the Audit Committee set out on page 73.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 108, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent Company and the Group and the industry in which they operate. We determined that the most significant laws and regulations are: UK-adopted international accounting standards, the UK Corporate Governance Code and tax legislation in the jurisdictions in which the Group operates, including the application of local and overseas sales taxes;
- We enquired of management, the finance team, legal counsel and the Board of Directors about the Group and parent Company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inquired of management, the finance team, legal counsel and the Board whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated our inquiries through our review of Board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the parent Company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgements made by management in significant accounting estimates;
  - identifying and testing journal entries, in particular any journals with unusual characteristics, and increasing our testing in areas of higher risk as identified during our audit;
  - engaging with our internal tax specialists to address the risk of non-compliance with taxation legislation;
  - designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; performing additional procedures over information provided by the entity during the course of our audit; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the Group engagement team included consideration of the Group engagement team's knowledge of the industry in which the Group operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Carr's Group plc

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the parent Company's and Group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the applicable statutory provisions;
  - the rules and interpretative guidance issued by the Financial Conduct Authority;
  - the parent Company's and Group's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported; and
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to risk of material misstatement of the Group financial statements. No such matters were identified by the component auditors.

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

Other matters which we are required to address

We were appointed by the Audit Committee on 27 February 2023 to audit the financial statements for the period from 4 September 2022 to 2 September 2023. Our total uninterrupted period of engagement is two years, covering the periods ended 3 September 2022 and 2 September 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Manchester
20 December 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 2 September 2023

	Notes	2023 £'000	2022 (restated)[2] £'000
Continuing operations			
Revenue	2,3	**143,214**	124,240
Cost of sales		**(110,924)**	(94,632)
Gross profit		**32,290**	29,608
Other operating income		**–**	1,731
Distribution costs		**(7,507)**	(5,338)
Administrative expenses		**(24,273)**	(18,609)
Share of post-tax results of joint ventures		**1,441**	840
Adjusted[1] operating profit	2	**7,950**	11,906
Adjusting items	5	**(5,999)**	(3,674)
Operating profit	2,4	**1,951**	8,232
Finance income	7	**876**	351
Finance costs	7	**(1,320)**	(1,017)
Adjusted[1] profit before taxation	2	**7,506**	11,240
Adjusting items	5	**(5,999)**	(3,674)
Profit before taxation	2	**1,507**	7,566
Taxation	8	**(1,111)**	(1,524)
Adjusted[1] profit for the year from continuing operations		**5,836**	9,374
Adjusting items	5	**(5,440)**	(3,332)
Profit for the year from continuing operations		**396**	6,042
Discontinued operations			
Loss for the year from discontinued operations (including held for sale)	9	**(1,157)**	(6,335)
Loss for the year		**(761)**	(293)
(Loss)/profit attributable to:			
Equity shareholders		**(226)**	2,710
Non-controlling interests[3]		**(535)**	(3,003)
		(761)	(293)
Earnings per ordinary share (pence)			
Basic			
Profit from continuing operations	11	**0.4**	6.4
Loss from discontinued operations	11	**(0.7)**	(3.5)
	11	**(0.3)**	2.9
Diluted			
Profit from continuing operations	11	**0.4**	6.4
Loss from discontinued operations	11	**(0.7)**	(3.5)
	11	**(0.3)**	2.9

1 Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 5. An alternative performance measures glossary can be found on pages 194 to 195.

2 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

3 Non-controlling interests relate to businesses included in the disposal group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 2 September 2023

	Note	2023 £'000	2022 (restated)[2] £'000
Loss for the year		**(761)**	(293)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation (losses)/gains arising on translation of overseas subsidiaries		**(3,141)**	4,288
Net investment hedges		**–**	60
Taxation charge on net investment hedges		**–**	(11)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on retirement benefit asset:			
– Group	29	**(2,058)**	(2,576)
– Share of associate (included within disposal group)		**(717)**	(287)
Taxation credit on actuarial losses on retirement benefit asset:			
– Group	20	**515**	644
– Share of associate (included within disposal group)		**179**	72
Other comprehensive (expense)/income for the year, net of tax		**(5,222)**	2,190
Total comprehensive (expense)/income for the year		**(5,983)**	1,897
Total comprehensive (expense)/income attributable to:			
Equity shareholders		**(5,448)**	4,900
Non-controlling interests[1]		**(535)**	(3,003)
		(5,983)	1,897
Total comprehensive (expense)/income attributable to:			
Continuing operations		**(4,288)**	8,447
Discontinued operations		**(1,695)**	(6,550)
		(5,983)	1,897

1 Non-controlling interests relate to businesses included in the disposal group.

2 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 2 September 2023
(Company Number 00098221)

		Group		Company	
	Notes	**2023 £'000**	2022 (restated)[1] £'000	**2023 £'000**	2022 £'000
Assets					
Non-current assets					
Goodwill	12	**19,161**	23,609	**–**	–
Other intangible assets	12	**3,318**	4,635	**–**	–
Property, plant and equipment	13	**29,950**	33,204	**86**	88
Right-of-use assets	14	**7,323**	8,223	**281**	336
Investment property	15	**2,640**	74	**–**	–
Investment in subsidiary undertakings	16,19	**–**	–	**34,757**	34,143
Interest in joint ventures	16,18	**6,101**	6,065	**172**	172
Other investments	16	**27**	32	**–**	–
Contract assets	22	**–**	316	**–**	–
Financial assets					
– Non-current receivables	23	**21**	23	**32,797**	34,208
Retirement benefit asset	29	**5,316**	6,828	**5,316**	6,828
Deferred tax asset	20	**26**	213	**–**	–
		73,883	83,222	**73,409**	75,775
Current assets					
Inventories	21	**26,613**	26,990	**–**	–
Contract assets	22	**7,915**	7,564	**–**	–
Trade and other receivables	23	**24,592**	19,015	**8,966**	3,128
Current tax assets	24	**3,895**	3,866	**2,702**	2,550
Financial assets					
– Cash and cash equivalents	25	**23,123**	22,515	**13,443**	12,726
Assets included in disposal group classified as held for sale	9	**–**	144,389	**–**	582
		86,138	224,339	**25,111**	18,986
Total assets		**160,021**	307,561	**98,520**	94,761

1 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

CONSOLIDATED AND COMPANY BALANCE SHEETS CONTINUED

As at 2 September 2023
(Company Number 00098221)

		Group		Company	
	Notes	**2023 £'000**	2022 (restated)[1] £'000	**2023 £'000**	2022 £'000
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	27	**(13,714)**	(12,734)	**(2,125)**	(1,413)
– Leases	14	**(1,264)**	(1,416)	**(126)**	(113)
– Derivative financial instruments	28	**(4)**	(62)	**–**	–
Contract liabilities	22	**(5,194)**	(2,426)	**–**	–
Trade and other payables	26	**(16,556)**	(21,000)	**(3,392)**	(4,193)
Current tax liabilities		**(131)**	(711)	**–**	(119)
Liabilities included in disposal group classified as held for sale	9	**–**	(101,566)	**–**	–
		(36,863)	(139,915)	**(5,643)**	(5,838)
Non-current liabilities					
Financial liabilities					
– Borrowings	27	**(5,206)**	(23,805)	**(4,697)**	(22,757)
– Leases	14	**(5,559)**	(6,128)	**(167)**	(231)
Deferred tax liabilities	20	**(4,447)**	(5,048)	**(855)**	(1,181)
Other non-current liabilities	26	**(71)**	(336)	**–**	–
		(15,283)	(35,317)	**(5,719)**	(24,169)
Total liabilities		**(52,146)**	(175,232)	**(11,362)**	(30,007)
Net assets		**107,875**	132,329	**87,158**	64,754
Shareholders' equity					
Share capital	30	**2,354**	2,350	**2,354**	2,350
Share premium		**10,664**	10,500	**10,664**	10,500
Other reserves		**3,581**	6,988	**264**	608
Retained earnings:					
At the beginning of the year		**98,295**	102,295	**51,296**	49,877
(Loss)/profit attributable to equity shareholders		**(226)**	2,710	**28,972**	7,987
Other changes in retained earnings		**(6,793)**	(6,710)	**(6,392)**	(6,568)
		91,276	98,295	**73,876**	51,296
Total shareholders' equity		**107,875**	118,133	**87,158**	64,754
Non-controlling interests		**–**	14,196	**–**	–
Total equity		**107,875**	132,329	**87,158**	64,754

1 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

The financial statements set out on pages 121 to 191 were approved by the Board on 20 December 2023 and signed on its behalf by:

Tim Jones **David White**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 2 September 2023

	Share Capital £'000	Share Premium £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Non-controlling Interests £'000	Total Equity £'000
At 29 August 2021	2,343	10,155	480	1,931	195	102,295	117,399	17,152	134,551
Profit/(loss) for the year (restated)[1]	–	–	–	–	–	2,710	2,710	(3,003)	(293)
Other comprehensive income/(expense)	–	–	–	4,337	–	(2,147)	2,190	–	2,190
Total comprehensive income/(expense) (restated)[1]	–	–	–	4,337	–	563	4,900	(3,003)	1,897
Dividends paid	–	–	–	–	–	(4,687)	(4,687)	–	(4,687)
Equity-settled share-based payment transactions	–	–	199	–	–	–	199	50	249
Excess deferred taxation on share-based payments	–	–	–	–	–	(30)	(30)	(3)	(33)
Allotment of shares	7	345	–	–	–	–	352	–	352
Transfer	–	–	(151)	–	(3)	154	–	–	–
At 3 September 2022 (restated)[1]	2,350	10,500	528	6,268	192	98,295	118,133	14,196	132,329
As previously reported at 3 September 2022	**2,350**	**10,500**	**528**	**6,268**	**192**	**100,657**	**120,495**	**15,976**	**136,471**
Prior year adjustment[1]	**–**	**–**	**–**	**–**	**–**	**(2,362)**	**(2,362)**	**(1,780)**	**(4,142)**
At 4 September 2022 (restated)[1]	**2,350**	**10,500**	**528**	**6,268**	**192**	**98,295**	**118,133**	**14,196**	**132,329**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(226)**	**(226)**	**(535)**	**(761)**
Other comprehensive expense	**–**	**–**	**–**	**(3,141)**	**–**	**(2,081)**	**(5,222)**	**–**	**(5,222)**
Total comprehensive expense	**–**	**–**	**–**	**(3,141)**	**–**	**(2,307)**	**(5,448)**	**(535)**	**(5,983)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(4,889)**	**(4,889)**	**–**	**(4,889)**
Equity-settled share-based payment transactions	**–**	**–**	**(85)**	**–**	**–**	**–**	**(85)**	**(7)**	**(92)**
Excess deferred taxation on share-based payments	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**–**	**(4)**
Allotment of shares	**4**	**164**	**–**	**–**	**–**	**–**	**168**	**–**	**168**
Sale of disposal group	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,654)**	**(13,654)**
Transfer	**–**	**–**	**(179)**	**–**	**(2)**	**181**	**–**	**–**	**–**
At 2 September 2023	**2,354**	**10,664**	**264**	**3,127**	**190**	**91,276**	**107,875**	**–**	**107,875**

1 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

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 £179,000 (2022: £151,000) was transferred from the equity compensation reserve to retained earnings in respect of options vested 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 2 September 2023

	Share Capital £'000	Share Premium £'000	Equity Compensation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 29 August 2021	2,343	10,155	536	49,877	62,911
Profit for the year	–	–	–	7,987	7,987
Other comprehensive expense	–	–	–	(1,932)	(1,932)
Total comprehensive income	–	–	–	6,055	6,055
Dividends paid	–	–	–	(4,687)	(4,687)
Equity-settled share-based payment transactions	–	–	146	–	146
Excess deferred taxation on share-based payments	–	–	–	(23)	(23)
Allotment of shares	7	345	–	–	352
Transfer	–	–	(74)	74	–
At 3 September 2022	2,350	10,500	608	51,296	64,754
At 4 September 2022	**2,350**	**10,500**	**608**	**51,296**	**64,754**
Profit for the year	**–**	**–**	**–**	**28,972**	**28,972**
Other comprehensive expense	**–**	**–**	**–**	**(1,543)**	**(1,543)**
Total comprehensive income	**–**	**–**	**–**	**27,429**	**27,429**
Dividends paid	**–**	**–**	**–**	**(4,889)**	**(4,889)**
Equity-settled share-based payment transactions	**–**	**–**	**(300)**	**–**	**(300)**
Excess deferred taxation on share-based payments	**–**	**–**	**–**	**(4)**	**(4)**
Allotment of shares	**4**	**164**	**–**	**–**	**168**
Transfer	**–**	**–**	**(44)**	**44**	**–**
At 2 September 2023	**2,354**	**10,664**	**264**	**73,876**	**87,158**

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 £44,000 (2022: £74,000) was transferred from the equity compensation reserve to retained earnings and £207,000 (2022: £103,000) was transferred from the equity compensation reserve to investment in subsidiaries in respect of options vested in the year.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 2 September 2023

		Group		Company	
	Notes	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Cash flows from operating activities					
Cash generated from/(used in) continuing operations	33	**3,155**	4,473	**(6,868)**	(3,685)
Interest received		**564**	179	**1,991**	1,548
Interest paid		**(1,320)**	(986)	**(474)**	(486)
Tax (paid)/received		**(278)**	(805)	**522**	(58)
Net cash generated from/(used in) operating activities in continuing operations		**2,121**	2,861	**(4,829)**	(2,681)
Net cash used in operating activities in discontinued operations		**(3,040)**	(6,901)	**–**	–
Net cash used in operating activities		**(919)**	(4,040)	**(4,829)**	(2,681)
Cash flows from investing activities					
Sale of disposal group (net of cash disposed and costs to sell)		**25,619**	–	**25,046**	–
Acquisition of subsidiaries (net of cash acquired)		**–**	(426)	**–**	–
Dividends received from subsidiaries		**–**	–	**3,957**	6,195
New loans to subsidiaries		**–**	–	**(3,675)**	(941)
Repayment of loans to subsidiaries		**–**	–	**2,176**	2,165
Investment in subsidiaries		**–**	–	**–**	(1,020)
Dividends received from joint ventures		**1,390**	2,250	**481**	1,656
Purchase of intangible assets		**(193)**	(342)	**–**	–
Proceeds from sale of property, plant and equipment		**48**	31	**–**	–
Purchase of property, plant and equipment		**(3,194)**	(3,696)	**(28)**	(30)
Proceeds from sale of investment property		**–**	149	**–**	–
Net cash generated from/(used in) investing activities in continuing operations		**23,670**	(2,034)	**27,957**	8,025
Net cash used in investing activities in discontinued operations		**(487)**	(2,749)	**–**	–
Net cash generated from/(used in) investing activities		**23,183**	(4,783)	**27,957**	8,025
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	30	**167**	352	**167**	352
New financing and drawdowns on RCF		**5,574**	10,051	**4,741**	9,963
Repayment of RCF drawdowns		**(21,741)**	(8,000)	**(21,741)**	(8,000)
Lease principal repayments		**(1,545)**	(1,550)	**(123)**	(105)
Repayment of borrowings		**(4,263)**	(2,840)	**(2,400)**	(2,400)
Receipt of loans from subsidiaries		**–**	–	**2,500**	1,125
Repayment of loans from subsidiaries		**–**	–	**(600)**	–
Dividends paid to shareholders	10	**(4,889)**	(4,687)	**(4,889)**	(4,687)
Net cash used in financing activities in continuing operations		**(26,697)**	(6,674)	**(22,345)**	(3,752)
Net cash (used in)/generated from financing activities in discontinued operations		**(9,599)**	20,324	**–**	–
Net cash (used in)/generated from financing activities		**(36,296)**	13,650	**(22,345)**	(3,752)
Effects of exchange rate changes		**(54)**	332	**(66)**	71
Net (decrease)/increase in cash and cash equivalents		**(14,086)**	5,159	**717**	1,663
Cash and cash equivalents at beginning of the year		**24,855**	19,696	**12,726**	11,063
Cash and cash equivalents at end of the year	25	**10,769**	24,855	**13,443**	12,726

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The consolidated and Company financial statements are prepared on a going concern basis in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards.

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.

The Group has recognised prior year restatements in relation to discontinued operations. Further details of these restatements can be found in note 39.

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

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

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

Going concern

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

The Directors have reviewed the Group's operational forecasts and projections for the three years to 31 August 2026 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 the period to 20 December 2024 ("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 December 2026.

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 covering the period to 20 December 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 two principal risks highlighted in the Viability Statement on page 24. 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 to testing these severe but plausible downside scenarios, reverse stress testing was also applied to the sensitised forecasts, to understand what level of downside scenario the Group would not be able to withstand. The scenarios which created going concern uncertainty were deemed extreme and implausible.

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 complies with its financial bank covenants, operates within its renewed bank facilities, and meets 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 until 20 December 2024 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.

An investor controls an investee when it is exposed, or has rights, 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.

Basis of consolidation continued

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying value and fair value less costs to sell and are not depreciated or amortised. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In both the current and prior year the net results of the Carr's Billington Agricultural business are presented as discontinued operations in the consolidated income statement, with restated comparatives. In the current year the net assets of the Group are in respect of continuing operations only, having disposed of the Carr's Billington Agricultural business on 26 October 2022. At the prior year end the assets and liabilities associated with this business are presented separately in the consolidated balance sheet as assets and liabilities included in disposal group classified as held for sale. Further details of the disposal in the year and assets and liabilities held for sale at the prior year end can be found in note 9.

Employee share trust

IFRS 10 requires that the Group consolidates 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 division and Agricultural Supplies (now classified as discontinued operations) division 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.

PRINCIPAL ACCOUNTING POLICIES CONTINUED

Revenue recognition continued

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 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.

Variable consideration arises where revenue is recognised on a time and materials basis, as is the case under certain of the Group's contracts, although not the majority. Revenue is estimated using the most likely amount method and is recognised as the time and materials are billed onto the customer. Where contracts include this arrangement invoices are raised monthly to the customer. As a practical expedient, where the Group has the right to invoice a customer based on performance to date, such as in the case where they are invoiced based on time and materials, the Group will recognise revenue on that basis.

The Group does not expect to have any material 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.

Where the Group acts in the capacity of agent rather than principal under a contract, revenue is recognised when the commission has been earned from the vendor.

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.

Retirement benefit asset/obligation continued

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 2 September 2023 and 3 September 2022, the consolidated and Company balance sheet recognises the full surplus on the Carr's Group defined benefit pension scheme. The Company does not intend to recover the surplus through a refund.

Carr's Billington Agriculture Pension Scheme

One of the Group's subsidiaries, Carrs Billington Agriculture (Sales) Ltd, which was disposed of on 26 October 2022, is a participating employer in the Carr's Billington Agriculture Pension Scheme, which is a multi-employer defined benefit pension scheme. Note 29 provides further information on this scheme and how it has been accounted for in the consolidated accounts up to the date of disposal.

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

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 and Engineering. The previously reported operating segment of Agricultural Supplies has been disposed of in the year and is disclosed as a discontinued operation in the segmental reporting.

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. Further details of items that management consider fall into this category are 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.

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.

PRINCIPAL ACCOUNTING POLICIES CONTINUED

Goodwill continued

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 cannot subsequently be reversed.

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

Other intangible assets

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

Customer relationships	1 – 10 years
Brands	6 – 25 years
Know-how	15 years
Proprietary technology	5 – 13 years
Development costs	5 – 15 years
Patents and trademarks	contractual life
Contract backlog	3 years
Software	3 – 10 years

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, which are repayable on demand. Although bank overdrafts are presented elsewhere in borrowings within current liabilities in the consolidated and Company balance sheets, they are considered to be cash and cash equivalents as they are part of a Group banking facility where bank balances in credit and overdrawn balances have a legal right of offset. They are therefore used to manage the Group's cash position on a net basis.

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.

PRINCIPAL ACCOUNTING POLICIES CONTINUED

Leases continued

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.

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

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, other than trade receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are measured initially at the IFRS 15 transaction price.

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 has previously hedged its international assets and, in the prior year, 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 was recognised directly in equity. The gain or loss on any ineffective portion of the hedge was recognised immediately in the consolidated income statement. The Group applied IAS 39 for the purposes of hedge accounting as permitted by IFRS 9.

New standards and interpretations

From 4 September 2022 the following became effective and were adopted by the Group and Company:

- Annual improvements to IFRS Standards 2018-2020 (effective 1 January 2022)
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use (effective 1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective 1 January 2022)

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

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

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendments to IAS 12 – International tax reform - pillar two model rules (effective 1 January 2023)
- IFRS 17 – Insurance Contracts, as amended in December 2021 (effective 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective 1 January 2024)
- Amendments to IAS 1 – Non-current Liabilities with Covenants (effective 1 January 2024)
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (effective 1 January 2024)

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

PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 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 29 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 2 September 2023 is £5.3m (2022: £6.8m). More information on the pension scheme is given in note 29.

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.

Impairment to goodwill of £3.6m was identified in the current year (2022: £4.2m). The carrying value of goodwill at 2 September 2023 is £19.2m (2022: £23.6m). Additionally an impairment of £0.3m (2022: £nil) has been recognised against the carrying value of other intangible assets. Further details of cash-generating units and stress testing performed on the carrying values can be found in note 12.

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 and when estimating variable consideration.

Year end balances affected by these estimates are contract assets which include the estimates above to determine the value of the goods and services transferred to customers at the year end for which the Group is due consideration, and contract liabilities which include estimates over the amounts of consideration received from customers that are in excess of the value of the work performed at the year end date. It is reasonably possible that the unconditional right to consideration receivable in the next financial year may materially differ to that assumed in the contract assets and liabilities included in the consolidated balance sheet. The Group has controls in place to review and monitor the estimates used to ensure they are appropriate. Disclosures relating to revenue recognition can be found in note 3 and further details on contract assets and liabilities at the year end can be found in note 22.

NOTES TO THE FINANCIAL STATEMENTS

1 The Company has taken advantage of the exemption, under section 408 of the Companies Act 2006, from presenting its own income statement of comprehensive income and related notes. Total comprehensive income for the year dealt with in the accounts of the Company was £27,429,000 (2022: £6,055,000) of which £28,972,000 (2022: £7,987,000) relates to profit after tax for the year.

2 Segmental information

The chief operating decision maker ("CODM") has been identified as the Executive Directors. Management has identified the operating segments based on internal financial information reviewed by the CODM. The CODM considers the business from a product/services perspective. Operating segments of continuing operations have been identified as Speciality Agriculture and Engineering. The previously reported operating segment of Agricultural Supplies was classified as a disposal group at the prior year end, with subsequent disposal on 26 October 2022, and is therefore disclosed as a discontinued operation in the segmental reporting tables below. 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 been restated in respect of discontinued operations. Further details of the prior year restatements can be found in note 39.

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

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, and oil and gas industries. Products include manipulators, robotics, specialist fabrication and precision machining.

Discontinued operations 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.

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 2 September 2023 is as follows:

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000	Discontinued operations £'000
Total segment revenue	93,960	50,609	–	144,569	53,212
Inter-segment revenue	(1,320)	(35)	–	(1,355)	(1)
Revenue from external customers	92,640	50,574	–	143,214	53,211
Adjusted[1] EBITDA[2]	6,117	7,678	(2,850)	10,945	(1,821)
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,916)	(2,394)	(126)	(4,436)	–
Share of post-tax results of associate and joint ventures	1,441	–	–	1,441	466
Adjusted[1] operating profit/(loss)	5,642	5,284	(2,976)	7,950	(1,355)
Adjusting items (note 5)	(3,315)	(2,283)	(401)	(5,999)	3
Operating profit/(loss)	2,327	3,001	(3,377)	1,951	(1,352)
Finance income				876	–
Finance costs				(1,320)	(186)
Adjusted[1] profit/(loss) before taxation				7,506	(1,541)
Adjusting items (note 5)				(5,999)	3
Profit/(loss) before taxation				1,507	(1,538)
Taxation of discontinued operations					381
Loss for the year from discontinued operations (note 9)					(1,157)

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segmental information continued

Assets and liabilities

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000
Gross assets	**53,490**	**77,190**	**29,341**	**160,021**
Gross liabilities	**(13,702)**	**(29,393)**	**(9,051)**	**(52,146)**
Intangible asset additions (note 12)	**2**	**187**	**–**	**189**
Property, plant and equipment additions (note 13)	**2,218**	**906**	**28**	**3,152**
Right-of-use asset additions (note 14)	**184**	**303**	**72**	**559**

The segmental information for the year ended 3 September 2022 is as follows. Prior year disclosures have been restated in respect of discontinued operations. Further details of the prior year restatements of discontinued operations can be found in note 39.

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000	Discontinued operations (restated) £'000
Total segment revenue	84,321	46,347	–	130,668	343,844
Inter-segment revenue	(6,244)	(184)	–	(6,428)	(6)
Revenue from external customers	78,077	46,163	–	124,240	343,838
Adjusted[1] EBITDA[2]	9,869	7,693	(2,487)	15,075	7,586
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,532)	(2,326)	(151)	(4,009)	(2,693)
Share of post-tax results of associate (adjusted[1]) and joint ventures	840	–	–	840	2,016
Adjusted[1] operating profit/(loss)	9,177	5,367	(2,638)	11,906	6,909
Adjusting items (note 5)	131	(3,351)	(454)	(3,674)	(11,877)
Operating profit/(loss)	9,308	2,016	(3,092)	8,232	(4,968)
Finance income				351	–
Finance costs				(1,017)	(756)
Adjusted[1] profit before taxation				11,240	6,153
Adjusting items (note 5)				(3,674)	(11,877)
Profit/(loss) before taxation				7,566	(5,724)
Taxation of discontinued operations					(611)
Loss for the year from discontinued operations (note 9)					(6,335)

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

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000	Discontinued operations (restated) £'000	Total Group (restated) £'000
Gross assets	58,972	79,821	24,379	163,172	144,389	307,561
Gross liabilities	(15,739)	(28,383)	(29,544)	(73,666)	(101,566)	(175,232)
Intangible asset additions (note 12)	5	337	–	342	–	342
Property, plant and equipment additions (note 13)	2,303	1,436	29	3,768	1,910	5,678
Right-of-use asset additions (note 14)	116	733	109	958	1,770	2,728

2 Segmental information continued

Goodwill and other intangible assets impairment

During the year the Group recognised an impairment of goodwill of £1.7m in respect of the Speciality Agriculture reportable segment and £1.8m in respect of the Engineering reportable segment. In addition, an impairment of £0.3m was recognised against other intangible assets in respect of the Speciality Agriculture reportable segment. Further details can be found in note 12. In the prior year the Group recognised an impairment of goodwill of £4.2m in respect of the Engineering reportable segment.

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:

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
UK	**60,298**	**53,211**	52,325	343,828
USA	**67,328**	**–**	56,098	–
Germany	**9,664**	**–**	9,511	–
Republic of Ireland	**4,162**	**–**	4,359	–
New Zealand	**1,762**	**–**	1,946	–
Other	**–**	**–**	1	–
	143,214	**53,211**	124,240	343,838

Non-current assets

	2023						2022					
	UK £'000	**USA £'000**	**Germany £'000**	**Republic of Ireland £'000**	**New Zealand £'000**	**Total £'000**	UK £'000	USA £'000	Germany £'000	Republic of Ireland £'000	New Zealand £'000	Total £'000
Goodwill	**6,478**	**8,674**	**4,009**	**–**	**–**	**19,161**	10,044	9,516	4,049	–	–	23,609
Other intangible assets	**1,870**	**703**	**745**	**–**	**–**	**3,318**	2,958	888	789	–	–	4,635
Property, plant and equipment	**12,520**	**10,230**	**7,155**	**–**	**45**	**29,950**	14,253	11,302	7,613	–	36	33,204
Right-of-use assets	**6,476**	**241**	**580**	**26**	**–**	**7,323**	7,447	326	407	43	–	8,223
Investment property	**2,640**	**–**	**–**	**–**	**–**	**2,640**	74	–	–	–	–	74
Interest in joint ventures	**53**	**3,851**	**2,197**	**–**	**–**	**6,101**	97	4,160	1,808	–	–	6,065
Other investments	**5**	**22**	**–**	**–**	**–**	**27**	6	26	–	–	–	32
Contract assets	**–**	**–**	**–**	**–**	**–**	**–**	316	–	–	–	–	316
Non-current receivables	**–**	**21**	**–**	**–**	**–**	**21**	–	23	–	–	–	23
	30,042	**23,742**	**14,686**	**26**	**45**	**68,541**	35,195	26,241	14,666	43	36	76,181

Major customers

Included within Group revenue from continuing operations is £16.7m (2022: £17.2m) in respect of a customer in the Speciality Agriculture segment. This revenue accounts for more than 10% of the continuing Group revenue in both years presented.

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.

	2023		2022	
Timing of revenue recognition	**Continuing operations £'000**	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
Over time	**29,050**	**–**	28,919	–
At a point in time	**114,164**	**53,211**	95,321	343,838
	143,214	**53,211**	124,240	343,838

Transaction price allocated to the remaining performance obligations

As at 2 September 2023:

	2024 £'000	**2025 £'000**	**2026 onwards £'000**	**Total £'000**
Total transaction price allocated to the remaining performance obligations	**43,711**	**11,523**	**4,520**	**59,754**

As at 3 September 2022:

	2023 £'000	2024 £'000	2025 onwards £'000	Total £'000
Total transaction price allocated to the remaining performance obligations	31,528	5,758	3,356	40,642

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.

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 from the customer. It also excludes secured orders at the year end where the Group acts in the capacity of agent rather than principal under the contract.

4 Operating profit

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
Group operating profit is stated after (crediting)/charging:				
Amortisation of grants	**(5)**	**–**	(32)	–
Profit on disposal of property, plant and equipment	**(23)**	**–**	(17)	(9)
Loss/(profit) on disposal of right-of-use leases	**4**	**–**	(5)	(15)
Profit on disposal of investment property	**–**	**–**	(76)	–
Depreciation of property, plant and equipment	**3,023**	**–**	2,778	1,067
Depreciation of right-of-use assets	**1,308**	**–**	1,276	1,632
Depreciation of owned investment property	**67**	**–**	5	–
Amortisation of intangible assets	**1,004**	**–**	988	18
Goodwill and other intangible assets impairment	**3,843**	**–**	4,219	–
Foreign exchange losses/(gains)	**252**	**–**	(171)	–
Derivative financial instruments (gains)/losses	**(58)**	**–**	60	–
Research and development expense	**695**	**–**	6,783	1,461
Auditors' remuneration:				
Audit services (Company £19,000; 2022: £17,830)	**100**	**–**	91	–
Audit services – additional fees from previous auditors for 2021	**–**	**–**	85	35
The auditing of accounts of subsidiaries of the Company pursuant to legislation (including overseas)	**658**	**200**	710	480
Total audit services	**758**	**200**	886	515
Reporting accountant services	**–**	**–**	–	355
Total non-audit services	**–**	**–**	–	355
Included within Group operating profit is the following in respect of investment property leased to, and occupied by, external parties:				
Rental income	**(365)**	**–**	(42)	–
Operating expenses/(income)	**371**	**–**	(35)	–
	6	**–**	(77)	–

The amounts presented for research and development expense in the prior year included significant additional spend identified following an exercise undertaken in the prior year to determine qualifying spend for UK tax purposes.

The auditors' remuneration in the prior year includes a £120,000 additional fee raised in the prior year by the Group's previous auditors, KPMG, in respect of the audit of the year ended 28 August 2021.

In the prior year reporting accountant services of £355,000 in respect of discontinued operations relate to services associated with the disposal of the Carr's Billington Agricultural business.

Rental income and operating expenses from investment properties in the current year includes rental income from properties leased to the Carr's Billington Agricultural business following its disposal on 26 October 2022.

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.

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations (restated) £'000
Amortisation of acquired intangible assets (i)	**947**	**–**	940	–
Adjustments to contingent consideration (ii)	**–**	**–**	(1,320)	–
Restructuring/closure costs (iii)	**607**	**–**	–	–
Strategic review costs (iv)	**–**	**–**	455	–
Acquisition-related costs (v)	**–**	**–**	–	20
Gain on acquisition of Afgritech (vi)	**–**	**–**	(733)	–
(Profit)/loss on fair value measurement less costs to sell (vii)	**–**	**(3)**	–	10,518
Cloud configuration and customisation costs – Group (viii)	**602**	**–**	113	974
Cloud configuration and customisation costs – share of associate (viii)	**–**	**–**	–	365
Goodwill and other intangible assets impairment (ix)	**3,843**	**–**	4,219	–
Included in profit before taxation	**5,999**	**(3)**	3,674	11,877
Taxation effect of the above adjusting items	**(559)**	**–**	(342)	(186)
Included in profit/(loss) for the year	**5,440**	**(3)**	3,332	11,691

(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 arose from the revaluation of contingent consideration in respect of acquisitions to fair value at the prior year end.

(iii) Restructuring/closure costs include redundancy costs.

(iv) Strategic review costs include external adviser fees incurred in the development of the Group's strategy.

(v) Acquisition-related costs relate to legal fees incurred in respect of an aborted acquisition.

(vi) In the prior year the Group acquired the remaining 50% shareholding in Afgritech Ltd and the financial position and performance of the business, together with that of its 100% owned subsidiary Afgritech LLC, was fully consolidated from the date of acquisition. The Group's joint venture interest was effectively disposed of at this acquisition date with a gain of £197,000, being the difference between the carrying value and the fair value of the joint venture interest, recognised. Also included in the amount in the table above are foreign exchange gains of £559,000 that were recycled from the foreign exchange reserve to the income statement on disposal, acquisition-related costs of £27,000 and negative goodwill of £4,000 (note 32).

(vii) The Group disposed of its interest in the Carr's Billington Agricultural business on 26 October 2022. The (profit)/loss on fair value measurement less costs to sell in this year arises from the structure of the sale and offsets the retained earnings from discontinued operations between 3 September 2022 and completion date.

At the prior year end the carrying value of the assets and liabilities included in the disposal group classified as held for sale exceeded the fair value less costs to sell. As a result the net assets of the disposal group were reduced to the fair value less costs to sell resulting in a loss of £10,518,000 (restated) being recognised. This included a loss attributable to the non-controlling interests of £4,383,000 (restated) together with costs to sell of £175,000 recognised within the accounts of Carrs Billington Agriculture (Sales) Ltd. Further details of the prior year restatements can be found in note 39.

(viii) Costs relating to material spend 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.

(ix) Impairment of goodwill and other intangible assets in respect of the Animax Ltd cash-generating unit and impairment of goodwill in respect of the NW Total Engineered Solutions Ltd cash-generating unit. Further details of the impairment charges can be found in note 12. In the prior year the impairment of goodwill was in respect of the Chirton profit centre and Wälischmiller Engineering GmbH cash-generating units.

6 Staff costs

The tables below include Executive and Non-Executive Directors.

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
Wages and salaries	**32,491**	**2,527**	28,737	15,286
Social security costs	**3,470**	**266**	3,253	1,708
Pension costs	**1,816**	**168**	1,651	1,123
Staff costs before share-based payments	**37,777**	**2,961**	33,641	18,117
Share-based payments	**(78)**	**(14)**	148	101
	37,699	**2,947**	33,789	18,218

Included within pension costs is a charge of £166,000 (2022: £126,000) in respect of the defined benefit pension scheme.

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

	2023		2022	
	Continuing operations Number	**Discontinued operations Number**	Continuing operations Number	Discontinued operations Number
Sales, office and management	**238**	**441**	233	411
Manufacture and distribution	**418**	**112**	417	111
	656	**553**	650	522

The average monthly number of employees for discontinued operations in the current year is for the period up to disposal on 26 October 2022.

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

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

	2023 £'000	2022 £'000
Aggregate Directors' remuneration[1]	**913**	1,035
Aggregate social security costs	**114**	145
Aggregate pension contributions[2]	**12**	1
Aggregate amount of gains on exercise of share options[3]	**–**	35
	1,039	1,216

1 Salary (after salary sacrifice of pension), fees, bonuses, pay in lieu of pension, pay in lieu of notice 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 (2022: one).

Further details of the Directors' emoluments, pension benefits and share options are given in the Remuneration Committee Report on pages 78 to 102 (inclusive).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 Finance income and finance costs

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
Finance income				
Bank interest	**552**	**–**	176	–
Net interest on the net defined benefit retirement asset (note 29)	**312**	**–**	159	–
Other interest	**12**	**–**	16	–
Total finance income	**876**	**–**	351	–
Finance costs				
Interest payable on bank overdrafts	**(549)**	**–**	(183)	–
Interest payable on bank loans and other borrowings	**(515)**	**(129)**	(569)	(420)
Interest payable on leases	**(223)**	**(32)**	(240)	(243)
Other interest	**(33)**	**(25)**	(25)	(93)
Total finance costs	**(1,320)**	**(186)**	(1,017)	(756)

8 Taxation

(a) Analysis of the charge/(credit) in the year

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations £'000
Current tax:				
UK corporation tax				
Current year	**–**	**(343)**	119	316
Adjustment in respect of prior years	**(42)**	**58**	164	51
Foreign tax				
Current year	**784**	**–**	1,607	–
Adjustment in respect of prior years	**(331)**	**–**	(1)	–
Group current tax	**411**	**(285)**	1,889	367
Deferred tax:				
Origination and reversal of timing differences				
Current year	**228**	**(57)**	10	224
Adjustment in respect of prior years	**472**	**(39)**	(375)	20
Group deferred tax (note 20)	**700**	**(96)**	(365)	244
Tax charge/(credit) for the year	**1,111**	**(381)**	1,524	611

Deferred tax recognised in equity is disclosed in note 20.

8 Taxation continued

(b) Factors affecting tax charge/(credit) for the year

The tax assessed for the year from continuing operations is higher (2022: higher) than the rate of corporation tax in the UK of 21.5% (2022: 19%). The differences are explained below:

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued operations (restated) £'000
Profit/(loss) before taxation	**1,507**	**(1,538)**	7,566	(5,724)
Tax at 21.5% (2022: 19%)	**324**	**(331)**	1,438	(1,088)
Effects of:				
Tax effect of share of results of associate and joint ventures	**(310)**	**(100)**	(160)	(314)
Tax effect of expenses that are not allowable in determining taxable profit	**1,114**	**56**	1,213	2,033
Tax effect of non-taxable income	**(407)**	**(11)**	(1,183)	(143)
Effects of different tax rates of foreign subsidiaries	**7**	**–**	149	–
Effects of deferred tax rates	**(20)**	**(14)**	68	52
Unrecognised deferred tax on losses	**304**	**–**	99	–
Withholding taxes suffered	**–**	**–**	112	–
Adjustment in respect of prior years	**99**	**19**	(212)	71
Total tax charge/(credit) for the year	**1,111**	**(381)**	1,524	611

The tax effect of expenses that are not allowable in determining taxable profit includes share-based payments, depreciation of non-qualifying assets, disregarded foreign exchange net loss movements, other expenses disallowable for UK corporation tax, goodwill impairment (notes 5 and 12) and, in respect of discontinued operations in the prior year, it includes the loss recognised on the measurement to fair value less costs to sell of the disposal group (notes 5 and 9).

The tax effect of non-taxable income includes adjustments to contingent consideration (note 5), the effect of income within the patent box regime, disregarded foreign exchange net gain movements, adjustments to profit before taxation for research and development expenditure credits in respect of prior years, and the 30% benefit of the super deduction for capital allowances.

9 Discontinued operations and non-current assets held for sale

On 31 August 2022, the Group entered into a conditional agreement to dispose of its interests in the Carr's Billington Agricultural business to Edward Billington & Son Limited. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the assets and liabilities related to the business were classified as a disposal group held for sale at 3 September 2022. The sale was conditional on approval by the Group's shareholders which was given at a General Meeting held on 19 September 2022. The disposal completed on 26 October 2022.

On completion, the Company received £24.7m initial cash proceeds (before costs to sell) following certain working capital adjustments since the announcement on 31 August 2022. Following the finalisation of the completion accounts mechanism the Company has received a further £1.2m cash proceeds. On 26 October 2023 the Company received £4.0m of deferred consideration.

Total cash consideration was £29.9m, of which £4.0m was received post year end 2023. The proceeds included in the calculation of loss on the measurement to fair value less costs to sell have been reduced by £0.8m to reflect rent free periods on properties leased by the Group to the Billington group post-disposal. This has been reflected in the prior year adjustment (note 39) within total comprehensive income attributable to equity shareholders in respect of property rental terms. Costs of disposal of £0.3m have been deducted from disposal proceeds in the current year. The net assets of the disposal group at the date of disposal were £42.4m, including £(0.6)m cash and cash equivalents. Included in other comprehensive income in the year is £0.5m (2022: £0.2m) of actuarial losses net of tax in respect of the disposal group. The net assets of the disposal group at 3 September 2022, when they were classified as held for sale, reflected consolidation adjustments of £1.3m.

The tables below show the results of the discontinued operations and the profit/(loss) recognised on the remeasurement to fair value less costs to sell, together with the classes of assets and liabilities comprising the operations held for sale in the Group balance sheet as at 3 September 2022.

	2023 £'000	2022 (restated) £'000
Revenue	**53,211**	343,838
Expenses	**(55,218)**	(340,870)
	(2,007)	2,968
Share of post-tax results of associate	**378**	1,165
Share of post-tax results of joint venture	**88**	486
(Loss)/profit before taxation of discontinued operations	**(1,541)**	4,619
Taxation (note 8)	**381**	(611)
(Loss)/profit after taxation of discontinued operations	**(1,160)**	4,008
Pre-taxation gain/(loss) recognised on the measurement to fair value less costs to sell	**3**	(10,343)
Taxation	**–**	–
After taxation gain/(loss) recognised on the measurement to fair value less costs to sell	**3**	(10,343)
Loss for the year from discontinued operations	**(1,157)**	(6,335)

In the prior year the pre-taxation loss recognised on the measurement to fair value less costs to sell included £4,383,000 (restated) in respect of the non-controlling interest's share of the measurement impairment.

The prior year loss recognised on the measurement to fair value less costs to sell had previously been determined based on the difference between estimated proceeds receivable and net assets of the two businesses where the direct shareholding was being sold. This has been corrected, by a prior year restatement, to also include the Group's interest in the joint venture, Bibby Agriculture Ltd, indirectly held by the Company through its ownership of Carrs Billington Agriculture (Sales) Ltd. A further correction has been made to reflect property rental terms agreed with the Billington Group as part of the sale process. Further details of these restatements can be found in note 39.

9 Discontinued operations and non-current assets held for sale continued

The net assets relating to the disposal group that were classified as held for sale at 3 September 2022 in the Group and Company balance sheets are shown below:

	Group (restated) £'000	Company £'000
Assets of the disposal group		
Goodwill	5,285	–
Property, plant and equipment	8,539	–
Right-of-use assets	8,267	–
Investment in subsidiary undertakings	–	337
Investment in associate	15,218	245
Interest in joint ventures	2,870	–
Other investments	45	–
Deferred tax asset	177	–
Inventories	34,442	–
Trade and other receivables	65,946	–
Current tax assets	101	–
Cash and cash equivalents	12,074	–
Loss on fair value measurement before costs to sell	(8,575)	–
Total assets	144,389	582
Liabilities of the disposal group		
Borrowings	(24,415)	–
Leases	(8,196)	–
Trade and other payables	(68,955)	–
Total liabilities	(101,566)	–
Net assets	42,823	582

Costs to sell of £1,768,000 were incurred by the parent Company in the prior year and were therefore excluded from the loss on fair value measurement shown above. The loss on fair value measurement before costs to sell included £4,383,000 (restated) in respect of the non-controlling interest's share of the measurement impairment.

The Company classified its investment in Ordinary Shares of Carr's Billington Agriculture (Sales) Limited and Carr's Billington Agriculture (Operations) Limited as assets held for sale.

10 Dividends

Equity	**2023 £'000**	2022 £'000
Second interim paid for the year ended 3 September 2022 of 1.175p per 2.5p share (2021: 1.175p)	**1,104**	1,100
Final dividend for the year ended 3 September 2022 of 2.85p per 2.5p share (2021: 2.65p)	**2,680**	2,483
First interim paid for the year ended 2 September 2023 of 1.175p per 2.5p share (2022: £1.175p)	**1,105**	1,104
	4,889	4,687

Since the year end an interim dividend of £1,105,740 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 2 September 2023 to be considered by shareholders at the Annual General Meeting is £2,683,285 being 2.85p per share, making a total for the year of 5.2p (2022: 5.2p). Shares held in treasury do not carry entitlement to a dividend. The financial statements do not reflect this proposed final dividend as payable.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 Earnings per ordinary share

Earnings per share are calculated by reference to a weighted average of 94,058,319 shares (2022: 93,873,465) 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:

	2023		2022 (restated)[1]	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Continuing operations				
Earnings per share – basic	**396**	**0.4**	6,042	6.4
Adjusting items:				
Amortisation of acquired intangible assets	**947**	**1.0**	940	1.0
Adjustments to contingent consideration	**–**	**–**	(1,320)	(1.4)
Restructuring/closure costs	**607**	**0.6**	–	–
Strategic review costs	**–**	**–**	455	0.5
Gain on acquisition of Afgritech	**–**	**–**	(733)	(0.8)
Cloud configuration and customisation costs – Group	**602**	**0.6**	113	0.1
Goodwill and other intangible assets impairment	**3,843**	**4.1**	4,219	4.5
Taxation effect of the above	**(559)**	**(0.5)**	(342)	(0.3)
Earnings per share – adjusted	**5,836**	**6.2**	9,374	10.0
Discontinued operations				
Earnings per share – basic	**(622)**	**(0.7)**	(3,332)	(3.5)
Adjusting items:				
Acquisition-related costs	**–**	**–**	20	–
(Profit)/loss on fair value measurement less costs to sell	**(3)**	**–**	10,518	11.2
Cloud configuration and customisation costs – Group	**–**	**–**	974	1.0
Cloud configuration and customisation costs – share of associate	**–**	**–**	365	0.4
Taxation effect of the above	**–**	**–**	(186)	(0.2)
Non-controlling interest in the above	**–**	**–**	(4,865)	(5.2)
Earnings per share – adjusted	**(625)**	**(0.7)**	3,494	3.7
Total (basic)	**(226)**	**(0.3)**	2,710	2.9
Total (adjusted)	**5,211**	**5.5**	12,868	13.7

1 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

11 Earnings per ordinary share continued

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 31.

	2023			2022 (restated)[1]		
	Earnings £'000	**Weighted average number of shares**	**Earnings per share pence**	Earnings £'000	Weighted average number of shares	Earnings per share pence
Continuing operations						
Earnings per share	**396**	**94,058,319**	**0.4**	6,042	93,873,465	6.4
Effect of dilutive securities:						
Share Save Scheme	**–**	**669,321**	**–**	–	933,331	–
Long Term Incentive Plan	**–**	**45,643**	**–**	–	326,866	–
Diluted earnings per share	**396**	**94,773,283**	**0.4**	6,042	95,133,662	6.4
Discontinued operations						
Earnings per share	**(622)**	**94,058,319**	**(0.7)**	(3,332)	93,873,465	(3.5)
Effect of dilutive securities:						
Share Save Scheme	**–**	**669,321**	**–**	–	933,331	–
Long Term Incentive Plan	**–**	**45,643**	**–**	–	326,866	–
Diluted earnings per share	**(622)**	**94,773,283**	**(0.7)**	(3,332)	95,133,662	(3.5)
Total (diluted)	**(226)**	**94,773,283**	**(0.3)**	2,710	95,133,662	2.9

	2023			2022		
	Adjusted earnings £'000	**Weighted average number of shares**	**Earnings per share pence**	Adjusted earnings £'000	Weighted average number of shares	Earnings per share pence
Continuing operations						
Diluted adjusted earnings per share	**5,836**	**94,773,283**	**6.2**	9,374	95,133,662	9.9
Discontinued operations						
Diluted adjusted earnings per share	**(625)**	**94,773,283**	**(0.7)**	3,494	95,133,662	3.7
Total (diluted adjusted)	**5,211**	**94,773,283**	**5.5**	12,868	95,133,662	13.6

1 See note 39 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 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 29 August 2021	34,101	3,392	2,716	2,928	222	837	44,196
Exchange differences	1,553	–	16	260	42	7	1,878
Additions	–	–	334	5	–	3	342
Transferred to assets held for sale	(5,610)	(156)	(143)	–	–	–	(5,909)
At 3 September 2022	**30,044**	**3,236**	**2,923**	**3,193**	**264**	**847**	**40,507**
Exchange differences	**(901)**	**–**	**(15)**	**(147)**	**(23)**	**(9)**	**(1,095)**
Additions	**–**	**–**	**164**	**2**	**–**	**23**	**189**
Transferred to contract assets	**–**	**–**	**(145)**	**–**	**–**	**–**	**(145)**
At 2 September 2023	**29,143**	**3,236**	**2,927**	**3,048**	**241**	**861**	**39,456**
Accumulated amortisation and impairment							
At 29 August 2021	2,541	1,410	1,466	1,095	222	751	7,485
Exchange differences	–	–	6	121	42	8	177
Charge for the year	–	295	456	235	–	20	1,006
Impairment	4,219	–	–	–	–	–	4,219
Transferred to assets held for sale	(325)	(156)	(143)	–	–	–	(624)
At 3 September 2022	**6,435**	**1,549**	**1,785**	**1,451**	**264**	**779**	**12,263**
Exchange differences	**(19)**	**–**	**(5)**	**(77)**	**(23)**	**(9)**	**(133)**
Charge for the year	**–**	**295**	**440**	**242**	**–**	**27**	**1,004**
Impairment	**3,566**	**–**	**–**	**277**	**–**	**–**	**3,843**
At 2 September 2023	**9,982**	**1,844**	**2,220**	**1,893**	**241**	**797**	**16,977**
Net book amount							
At 28 August 2021	31,560	1,982	1,250	1,833	–	86	36,711
At 3 September 2022	23,609	1,687	1,138	1,742	–	68	28,244
At 2 September 2023	**19,161**	**1,392**	**707**	**1,155**	**–**	**64**	**22,479**

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:

	2023 £'000	2022 £'000
Carrs Agriculture Ltd – UK feed blocks	**2,068**	2,068
Animal Feed Supplement, Inc.	**20**	22
Wälischmiller Engineering GmbH	**4,009**	4,049
NuVision Engineering, Inc.	**8,654**	9,494
Animax Ltd	**–**	1,742
NW Total Engineered Solutions Ltd	**4,410**	6,234
	19,161	23,609

12 Goodwill and other intangible assets continued

Goodwill arising on the acquisition of overseas subsidiaries has been retranslated at the balance sheet date. Goodwill in respect of Carrs Billington Agriculture (Sales) Ltd was transferred at 3 September 2022 to assets included in disposal group classified as held for sale (note 9).

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 performance information for the year to August 2024 and forecast information for the four years to August 2028 based on medium-term business plans. Assumptions for long-term growth and pre-tax discount rates used to discount the forecast cash flows for each specific cash-generating unit in both the current year and the prior year can be found in the tables on the following page for significant cash-generating units. These assumptions range between 1.0% – 2.0% (2022: 0% – 3.3%) for long-term growth and pre-tax discount rates are in the range 14.14% – 15.59% (2022: 11.76% – 14.34%).

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.

Other than for the cash-generating units noted below, significant headroom exists 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.

The performance of the Animax Ltd cash-generating unit has been below Board expectations in the year, and, in addition, a key contract within the business is coming to its end and will not be renewed. While action has been taken to improve the performance of the business, the challenging conditions in agriculture mean that the Board believes that the full remaining goodwill of £1.7m in the business should be written off, together with £0.3m against the carrying value of other intangible assets, based on the estimated recoverable amount of the cash-generating unit, which is below the carrying value of the assets. Given the recognition of a full impairment against goodwill, and to gain comfort that no further impairment was required in addition to the £0.3m to other non-current assets, sensitivity analysis over the pre-tax discount rate and short-term growth rate of earnings was performed. If the pre-tax discount rate increased by 1 percentage point ("pp") and, independently a reduction of 5pp was applied to short-term annual growth in earnings before interest and tax, the carrying value would exceed the estimated recoverable amount of the cash-generating unit by a further £0.4m and £nil respectively, indicating a potential further impairment to other non-current assets.

For NW Total Engineered Solutions Ltd cash-generating unit, the estimated recoverable amount of the cash-generating unit was below the carrying value of assets by £1.8m and goodwill has been impaired by this value. The Directors have concluded that the long-term prospects of the business are sufficient to hold the remaining goodwill of £4.4m. As the goodwill carrying value has not been fully impaired, additional sensitivity analysis over the pre-tax discount rate and short-term growth rate of earnings was performed. If the pre-tax discount rate increased by 1pp there would be an additional impairment of £0.7m and, independently, if the short-term annual growth in earnings before interest and tax was reduced by 5pp there would be an additional impairment of £0.1m.

For both the NuVision Engineering, Inc. and Wälischmiller Engineering GmbH cash-generating units, the estimated recoverable amount of the cash-generating units exceeded their carrying value by £0.5m and £0.2m respectively and therefore the Directors concluded that no impairment was required to either cash-generating unit; however the calculations are sensitive to changes in key assumptions such as reasonably possible changes to the pre-tax discount rate and long-term growth rate. If the pre-tax discount rate assumption was increased from 14.44% to 14.99% for NuVision Engineering, Inc. and from 14.66% to 14.81% for Wälischmiller Engineering GmbH the recoverable amount for the cash-generating units would be reduced to a level equal to their carrying value. If this higher pre-tax discount rate assumption was combined with a 1pp 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 £0.5m for NuVision Engineering, Inc. and £0.8m for Wälischmiller Engineering GmbH. Additionally, if a reduction of 5pp was independently applied to short-term annual growth in earnings before interest and tax, this would lead to an impairment charge of £0.1m and £0.2m respectively for the cash-generating units.

In all instances above, the short-term annual growth in earnings before interest and tax is the annual forecast growth over a three-year period. The sensitivity of a 5pp reduction has been applied to each year's growth rate and the sensitised earnings have been included in the impairment model to determine the effect on headroom.

In the prior year an impairment was recognised against the carrying value of the goodwill in the Chirton profit centre (£2.5m) and Wälischmiller Engineering GmbH (£1.7m) cash-generating units. In both cases the estimated recoverable amount of the cash-generating units was below the carrying value of the assets. Details of headroom and sensitivity testing performed in the current year on the remaining goodwill in the Wälischmiller Engineering GmbH cash-generating unit are shown above.

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 (2022: none).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 Goodwill and other intangible assets continued

Significant cash-generating units

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

The change in long-term growth rates considered in the current year when compared to those used in the prior year reflects expected growth rates in the developed economies in which our businesses operate. This generally results in a lower long-term growth rate in the engineering sector and an increase in rates used in the agriculture cash-generating units.

Year ended 2 September 2023	Headroom £m	Annual 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.	**0.5**	**10.2**	**14.44**	**14.99**	**2.0**	**1.3**	**(4.5)**
NW Total Engineered Solutions Ltd	**–**	**23.9**	**15.59**	**N/A[4]**	**2.0**	**N/A[4]**	**N/A[4]**
Wälischmiller Engineering GmbH	**0.3**	**34.5**	**14.66**	**14.81**	**2.0**	**1.8**	**(1.1)**
Carrs Agriculture Ltd – UK feed blocks	**14.1**	**4.8**	**14.94**	**26.09**	**2.0**	**(16.9)**	**(48.4)**
Animax Ltd	**–**	**–**	**14.14**	**N/A[5]**	**1.0**	**N/A[5]**	**N/A[5]**

1 Earnings before interest and tax. Annual growth in EBIT is calculated as the compounded annual growth rate over a period of three years commencing from the year ended 2 September 2023. For the Animax Ltd cash-generating unit this calculation excludes the initial loss-making periods.

2 Rate required to eliminate headroom.

3 Percentage reduction required to cash flows to eliminate headroom.

4 For the NW Total Engineered Solutions Ltd CGU this sensitivity is not applicable because an impairment charge has already been recognised against this CGU. Further details of sensitivities applied including potential further impairment can be found on page 151.

5 For the Animax Ltd CGU this sensitivity is not applicable because an impairment charge has already been recognised against this CGU. Further details of sensitivities applied including potential further impairment can be found on page 151.

The table below shows the key assumptions and inputs that were used in the impairment testing for goodwill undertaken at the prior year end. This table is presented for information purposes only and does not reflect current year assumptions or inputs.

Year ended 3 September 2022	Headroom £m	Annual growth in EBIT[6] %	Pre-tax discount rate %	Pre-tax discount rate (sensitised)[7] %	Long-term growth rate %	Long-term growth rate (sensitised)[7] %	Cash flows (sensitised)[8] %
Cash-generating unit							
NuVision Engineering, Inc.	8.0	(1.7)	11.89	17.53	3.3	(4.5)	(37.0)
NW Total Engineered Solutions Ltd	5.9	63.2	12.35	17.98	3.1	(4.4)	(33.8)
Wälischmiller Engineering GmbH	–	9.8	14.34	N/A[9]	2.9	N/A[9]	N/A[9]
Carr's Engineering Ltd – Chirton profit centre	–	62.7	13.33	N/A[9]	0.0	N/A[9]	N/A[9]
Carrs Agriculture Ltd – UK feed blocks	13.0	(6.1)	12.24	19.71	0.2	(11.4)	(35.7)
Animax Ltd	2.3	45.5	11.76	15.70	0.2	(5.8)	(23.8)

6 Earnings before interest and tax. Annual growth in EBIT was calculated as the compounded annual growth rate over a period of three years commencing from the year ended 3 September 2022. For the NW Total Engineered Solutions Ltd cash-generating unit this calculation excluded the initial loss-making period.

7 Rate required to eliminate headroom.

8 Percentage reduction required to cash flows to eliminate headroom.

9 For the Wälischmiller Engineering GmbH CGU and the Chirton profit centre CGU this sensitivity is not applicable because an impairment charge has already been recognised against these CGUs.

13 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 29 August 2021	34,730	39,315	1,388	75,433	274
Exchange differences	1,245	2,361	82	3,688	–
Subsidiaries acquired	304	1,002	–	1,306	–
Additions	424	2,555	2,699	5,678	30
Transfers to right-of-use assets	–	(99)	–	(99)	–
Transfers from right-of-use assets	–	1,312	–	1,312	–
Transfers from inventories	–	109	–	109	–
Disposals	(1)	(610)	–	(611)	–
Reclassifications	264	407	(671)	–	–
Transferred to assets held for sale	(7,164)	(10,384)	(1,253)	(18,801)	–
At 3 September 2022	**29,802**	**35,968**	**2,245**	**68,015**	**304**
Exchange differences	**(775)**	**(1,471)**	**(96)**	**(2,342)**	**–**
Additions	**876**	**1,633**	**643**	**3,152**	**28**
Transfers to investment property	**(4,080)**	**–**	**–**	**(4,080)**	**–**
Transfers from right-of-use assets	**–**	**524**	**–**	**524**	**–**
Disposals	**(1)**	**(308)**	**–**	**(309)**	**–**
Reclassifications	**144**	**1,707**	**(1,294)**	**557**	**–**
At 2 September 2023	**25,966**	**38,053**	**1,498**	**65,517**	**332**
Accumulated depreciation and impairment					
At 29 August 2021	10,172	29,063	–	39,235	189
Exchange differences	409	1,728	–	2,137	–
Charge for the year	1,073	2,772	–	3,845	27
Transfers to right-of-use assets	–	(5)	–	(5)	–
Transfers from right-of-use assets	–	402	–	402	–
Disposals	–	(541)	–	(541)	–
Transferred to assets held for sale	(2,017)	(8,245)	–	(10,262)	–
At 3 September 2022	**9,637**	**25,174**	**–**	**34,811**	**216**
Exchange differences	**(261)**	**(1,057)**	**–**	**(1,318)**	**–**
Charge for the year	**878**	**2,145**	**–**	**3,023**	**30**
Transfers to investment property	**(1,447)**	**–**	**–**	**(1,447)**	**–**
Transfers from right-of-use assets	**–**	**111**	**–**	**111**	**–**
Disposals	**(1)**	**(169)**	**–**	**(170)**	**–**
Reclassifications	**–**	**557**	**–**	**557**	**–**
At 2 September 2023	**8,806**	**26,761**	**–**	**35,567**	**246**
Net book amount					
At 28 August 2021	24,558	10,252	1,388	36,198	85
At 3 September 2022	20,165	10,794	2,245	33,204	88
At 2 September 2023	**17,160**	**11,292**	**1,498**	**29,950**	**86**

Transfers to investment property relate to properties leased by companies in the continuing Group to Carrs Billington Agriculture (Sales) Ltd which have been reclassified as investment properties when the company was sold on 26 October 2022.

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

13 Property, plant and equipment continued

Freehold land amounting to £1.4m (2022 continuing operations: £2.3m) has not been depreciated.

Depreciation is recognised within the consolidated income statement as shown below:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cost of sales	**2,180**	1,913	**–**	–
Distribution costs	**–**	3	**–**	–
Administrative expenses	**843**	862	**30**	27
Discontinued operations	**–**	1,067	**–**	–
	3,023	3,845	**30**	27

14 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
Lease assets	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Plant, equipment and vehicles £'000
Cost				
At 29 August 2021	10,452	11,644	22,096	478
Exchange differences	189	7	196	–
Additions	315	2,413	2,728	109
Modifications	911	2	913	–
Transfers to property, plant and equipment	–	(1,312)	(1,312)	–
Transfers from property, plant and equipment	–	99	99	–
Disposals	(304)	(167)	(471)	(11)
Transferred to assets held for sale	(4,701)	(7,929)	(12,630)	–
At 3 September 2022	**6,862**	**4,757**	**11,619**	**576**
Exchange differences	**(106)**	**(9)**	**(115)**	**–**
Additions	**–**	**559**	**559**	**72**
Modifications	**294**	**1**	**295**	**–**
Transfers to property, plant and equipment	**–**	**(524)**	**(524)**	**–**
Disposals	**(157)**	**(203)**	**(360)**	**(38)**
At 2 September 2023	**6,893**	**4,581**	**11,474**	**610**
Accumulated depreciation				
At 29 August 2021	2,157	3,162	5,319	132
Exchange differences	125	5	130	–
Charge for the year	1,192	1,716	2,908	114
Transfers to property, plant and equipment	–	(402)	(402)	–
Transfers from property, plant and equipment	–	5	5	–
Disposals	(113)	(88)	(201)	(6)
Transferred to assets held for sale	(1,222)	(3,141)	(4,363)	–
At 3 September 2022	**2,139**	**1,257**	**3,396**	**240**
Exchange differences	**(91)**	**(4)**	**(95)**	**–**
Charge for the year	**703**	**605**	**1,308**	**127**
Transfers to property, plant and equipment	**–**	**(111)**	**(111)**	**–**
Disposals	**(149)**	**(198)**	**(347)**	**(38)**
At 2 September 2023	**2,602**	**1,549**	**4,151**	**329**
Net book amount				
At 28 August 2021	8,295	8,482	16,777	346
At 3 September 2022	4,723	3,500	8,223	336
At 2 September 2023	**4,291**	**3,032**	**7,323**	**281**

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

14 Right-of-use assets and lease liabilities continued

	Group		Company	
Lease liabilities	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Current liabilities	**1,264**	1,416	**126**	113
Non-current liabilities	**5,559**	6,128	**167**	231
	6,823	7,544	**293**	344

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

	Group		Company	
Lease liabilities	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Less than one year	**1,446**	1,611	**139**	120
One to two years	**1,344**	1,230	**126**	112
Two to three years	**848**	1,117	**29**	111
Three to four years	**577**	720	**7**	12
Four to five years	**509**	515	**–**	–
More than five years	**4,235**	4,636	**–**	–
	8,959	9,829	**301**	355

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

	Continuing Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Depreciation	**1,308**	1,276	**127**	114
Loss/(profit) on disposal	**4**	(5)	**–**	(3)
Interest expense	**223**	240	**8**	8
	1,535	1,511	**135**	119

Amounts in respect of short-term leases and low-value assets are immaterial and have therefore not been included in the table above. 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 continuing Group cash outflow for leases was £1,768,000 (2022: continuing Group £1,790,000). The total Company cash outflow for leases was £131,000 (2022: £113,000).

15 Investment property

Group	Total £'000
Cost	
At 29 August 2021	299
Disposals	(144)
At 3 September 2022	**155**
Transfers from property, plant and equipment	**4,080**
At 2 September 2023	**4,235**
Accumulated depreciation	
At 29 August 2021	147
Charge for the year	5
Disposals	(71)
At 3 September 2022	**81**
Charge for the year	**67**
Transfers from property, plant and equipment	**1,447**
At 2 September 2023	**1,595**
Net book amount	
At 28 August 2021	152
At 3 September 2022	74
At 2 September 2023	**2,640**

Transfers from property, plant and equipment of £4,080,000 (cost) and £1,447,000 (accumulated depreciation) relate to properties leased by companies in the continuing Group to Carrs Billington Agriculture (Sales) Ltd which have been reclassified as investment properties when the company was sold on 26 October 2022.

The fair value of investment properties at 2 September 2023 is £5,645,000 (2022: £250,000). The fair value of properties transferred from property, plant and equipment during the year is £4,795,000 which were valued by independent professionally qualified valuers in April 2022 and June 2022. Existing investment properties were valued by independent professionally qualified valuers in either 2022 or 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 (2022: none).

Details of income and expenses included within Group operating profit in respect of investment property can be found in note 4.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 Investments

Group	Associate £'000	Joint ventures £'000	Other investments £'000	Total £'000
Cost				
At 29 August 2021	14,268	10,796	81	25,145
Exchange difference	–	758	5	763
Share of post-tax result – continuing operations	–	840	–	840
Share of post-tax result – discontinued operations	1,165	486	–	1,651
Share of (losses)/gains recognised within other comprehensive income	(215)	153	–	(62)
Dividend paid by joint ventures	–	(2,854)	–	(2,854)
Disposals	–	(1,244)	–	(1,244)
Transferred to assets held for sale	(15,218)	(2,870)	(45)	(18,133)
At 3 September 2022	**–**	**6,065**	**41**	**6,106**
Exchange difference	**–**	**(498)**	**(3)**	**(501)**
Share of post-tax result – continuing operations	**–**	**1,441**	**–**	**1,441**
Dividend paid by joint ventures	**–**	**(907)**	**–**	**(907)**
Disposals	**–**	**–**	**(2)**	**(2)**
At 2 September 2023	**–**	**6,101**	**36**	**6,137**
Accumulated provision for impairment				
At 29 August 2021	–	1,314	9	1,323
Transfer of impairment to loan receivables due from joint ventures	–	(70)	–	(70)
Disposals	–	(1,244)	–	(1,244)
At 3 September 2022 and at 2 September 2023	**–**	**–**	**9**	**9**
Net book amount				
At 28 August 2021	14,268	9,482	72	23,822
At 3 September 2022	–	6,065	32	6,097
At 2 September 2023	**–**	**6,101**	**27**	**6,128**

Other investments comprise shares in several private limited companies.

In the prior year the Group acquired the remaining 50% interest in Afgritech Ltd (note 32) and the financial position and performance of the business together with its 100% owned subsidiary Afgritech LLC was fully consolidated from the date of acquisition. The Group's joint venture interest was effectively disposed of at this acquisition date with an exceptional gain of £197,000, being the difference between the carrying value and fair value of the joint venture interest, recognised. This gain was included as an adjusting item (note 5) together with foreign exchange gains of £559,000 that were recycled from the foreign exchange reserve to the income statement on disposal, acquisition-related costs of £27,000 and negative goodwill of £4,000.

In the prior year £70,000 was transferred from the provision for impairment to the provision for impairment against the loan receivable from Afgritech Ltd prior to acquisition of the remaining 50% shareholding.

16 Investments continued

Company	Shares in subsidiaries £'000	Associate £'000	Joint ventures £'000	Total £'000
Cost				
At 29 August 2021	36,454	245	272	36,971
Subsidiary acquired	1,020	–	–	1,020
Recapitalisation	–	–	1,674	1,674
Transfer from joint venture to subsidiary	1,774	–	(1,774)	–
Transferred to assets held for sale	(337)	(245)	–	(582)
Share-based payment charge in respect of employees of subsidiary undertakings	101	–	–	101
At 3 September 2022	**39,012**	**–**	**172**	**39,184**
Capital contribution	**817**	**–**	**–**	**817**
Share-based payment credit in respect of employees of subsidiary undertakings	**(203)**	**–**	**–**	**(203)**
At 2 September 2023	**39,626**	**–**	**172**	**39,798**
Accumulated provision for impairment				
At 29 August 2021	3,993	–	100	4,093
Transfer from loan receivables on recapitalisation	–	–	776	776
Transfer from joint venture to subsidiary	876	–	(876)	–
At 3 September 2022 and at 2 September 2023	**4,869**	**–**	**–**	**4,869**
Net book amount				
At 28 August 2021	32,461	245	172	32,878
At 3 September 2022	34,143	–	172	34,315
At 2 September 2023	**34,757**	**–**	**172**	**34,929**

The capital contribution in the year relates to the difference between the face value of an interest free loan provided to a subsidiary and the amount initially recognised in accordance with IFRS 9.

In the prior year the subsidiary acquired of £1,020,000 was the cash paid to acquire the remaining 50% shareholding in Afgritech Ltd (note 32) and the recapitalisation of £1,674,000 was the capitalisation of the loan receivable due from Afgritech Ltd prior to the acquisition of the additional 50% shareholding. The provision for impairment of £776,000 against the loan receivable due from Afgritech Ltd was transferred to investments on recapitalisation.

Amounts transferred to assets held for sale in the prior year was the Company's cost of investment in Carrs Billington Agriculture (Sales) Ltd and Carrs Billington Agriculture (Operations) Ltd.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Investment in associate

The associated undertaking Carrs Billington Agriculture (Operations) Ltd was disposed of on 26 October 2022. Prior to this date the investment in associate was:

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 was held directly by the Company. The registered office of Carrs Billington Agriculture (Operations) Ltd is Cunard Building, Water Street, Liverpool L3 1EL.

The Group did not have the ability to control the financial and operating policies of the associate. The Group had a 49% shareholding and a 33% representation on the Board of Directors of Carrs Billington Agriculture (Operations) Ltd prior to disposal on 26 October 2022.

The associate is accounted for using the equity method.

At the prior year end Carrs Billington Agriculture (Operations) Ltd had capital commitments of £2,100,000 and no contingent liabilities.

At the prior year end the investment in associate was included within assets of disposal group held for sale (note 9). The Group's share of its post-tax results are included within profit for the year from discontinued operations (note 9). The aggregate amounts relating to the associate, of which the Group recognises 49%, are:

	2023 £'000	2022 £'000
Total assets	–	57,893
Total liabilities	–	(26,836)
Revenues	**23,869**	167,177
Profit after tax	**772**	2,378

18 Interest in joint ventures

The joint ventures at 2 September 2023 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
Gold-Bar Feed Supplements LLC	50	USA[2]	USA	Manufacture of animal feed blocks
ACC Feed Supplement LLC	50	USA[3]	USA	Manufacture of animal feed blocks
Silloth Storage Company Ltd	50	England[4]	UK	Storage of molasses

1 Registered Office address: Industrieweg 110, 48155 Munster, Germany.

2 Registered Office address: 783 Eagle Boulevard, Shelbyville, Tennessee 37160, USA.

3 Registered Office address: 5101 Harbor Drive, Sioux City, Iowa 51111, USA.

4 Registered Office address: 5c Business Park, 1 Concorde Drive, Clevedon, Bristol BS21 6UH.

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. Animal Feed Supplement, Inc. directly holds the interest in Gold-Bar Feed Supplements LLC and ACC Feed Supplement LLC. Carrs Agriculture Ltd directly holds the interest in Silloth Storage Company Ltd.

The joint venture Bibby Agriculture Ltd was disposed of on 26 October 2022 and is therefore not included in the table above. Its principal activity was that of the sale of agricultural products. The 50% equity shareholding was held directly by Carrs Billington Agriculture (Sales) Ltd, which was also disposed of on 26 October 2022. Bibby Agriculture Ltd is incorporated in England and its registered office address is 16 Montgomery Way, Rosehill Industrial Estate, Carlisle, Cumbria CA1 2UY. At the prior year end the investment in Bibby Agriculture Ltd was included within assets of disposal group held for sale (note 9). The Group's share of its post-tax results are included within profit for the year from discontinued operations (note 9).

Joint ventures are accounted for using the equity method.

18 Interest in joint ventures continued

At the year end the joint ventures had capital commitments of £252,000 (2022: £107,000). No contingent liabilities exist within the joint ventures.

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

	2023 £'000	2022 £'000
Non-current assets (2022: including £705k classified as held for sale)	**4,607**	5,826
Current assets (2022: including £4,181k classified as held for sale)	**4,372**	8,164
Current liabilities (2022: including £(1,990)k classified as held for sale)	**(2,756)**	(5,046)
Non-current liabilities (2022: including £(26)k classified as held for sale)	**(139)**	(26)
Income	**32,319**	46,640
Expenses	**(30,494)**	(45,052)
Net finance cost	**(107)**	(53)

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.

19 Investment in subsidiary undertakings

Name	Company registration number[9]	Ordinary Shares held %	Country of incorporation	Country of operation	Activity
Carrs Agriculture Ltd[9]	00480342	100	England[1]	UK	Manufacture of animal feed/mineral blocks and ingredients of animal feed
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
Carr's Supplements (ROI) Ltd		100	Ireland[7]	Ireland	Distributor of animal feed blocks and health products
Afgritech Ltd[9]	05259304	100	England[1]	UK	Holding company
Afgritech LLC		100	USA[8]	USA	Producers of ingredients of animal feed
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: 123 Burnett Street, Ashburton, 7700, 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: Trinity House, Charleston Road, Ranelagh, Dublin 6, Ireland.
8 Registered Office address: 810 Waterman Drive, Watertown, New York 13601, USA.
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 2 September 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 Investment in subsidiary undertakings continued

Dormant subsidiaries are listed on page 197 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 Afgritech Ltd holds 100% of the investment in Afgritech LLC.

The subsidiary company Carrs Billington Agriculture (Sales) Ltd was disposed of on 26 October 2022 and is therefore not included in the table above. The parent Company held 51% of the ordinary shares in the company and its principal activity was that of an agricultural retailer. The company is incorporated in England and its registered office address is 16 Montgomery Way, Rosehill Industrial Estate, Carlisle, Cumbria CA1 2UY. At the prior year end the assets and liabilities of Carrs Billington Agriculture (Sales) Ltd were included within net assets of disposal group held for sale (note 9). Results are included within profit for the year from discontinued operations (note 9).

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	**2023 £'000**	2022 £'000
Non-current assets	**–**	24,145
Current assets	**–**	113,687
Non-current liabilities	**–**	(8,008)
Current liabilities	**–**	(95,621)
Net assets	**–**	34,203
Net assets attributable to non-controlling interest	**–**	16,759

Income statement and statement of comprehensive income	**2023 £'000**	2022 £'000
Revenue	**54,270**	343,844
(Loss)/profit after tax	**(1,180)**	2,330
(Loss)/profit after tax allocated to non-controlling interest	**(578)**	1,142

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

Statement of cash flows	**2023 £'000**	2022 £'000
Cash flows from operating activities	**(2,492)**	(7,323)
Cash flows from investment activities	**(487)**	(1,845)
Cash flows from financing activities	**(9,669)**	19,436
Net (decrease)/increase in cash and cash equivalents	**(12,648)**	10,268

During the year dividends of £nil (2022: £nil) were paid to the non-controlling interest.

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	2023 £'000	2022 £'000
Accelerated tax depreciation	**(3,266)**	(3,676)
Employee benefits	**(1,329)**	(1,707)
Other	**174**	548
Net deferred tax	**(4,421)**	(4,835)
Included in:		
Deferred tax assets	**26**	213
Deferred tax liabilities	**(4,447)**	(5,048)
Net deferred tax	**(4,421)**	(4,835)

Deferred tax net liabilities are expected to reverse after more than one year from the balance sheet date. Tax of £41,968 (2022: £63,542) in respect of tax losses has not been recognised as a deferred tax asset in the Group balance sheet.

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 year

	At 4 September 2022 £'000	Exchange differences £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	Recognised in equity £'000	Included in discontinued operations £'000	At 2 September 2023 £'000
Accelerated tax depreciation	(3,676)	**80**	**330**	**–**	**–**	**–**	**(3,266)**
Employee benefits	(1,707)	**–**	**(137)**	**515**	**–**	**–**	**(1,329)**
Other	548	**(70)**	**(893)**	**341**	**(4)**	**252**	**174**
	(4,835)	**10**	**(700)**	**856**	**(4)**	**252**	**(4,421)**

Amounts recognised in equity comprise deferred tax related to share-based payments.

Movement in deferred tax during the prior year

	At 29 August 2021 £'000	Exchange differences £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	Recognised in equity £'000	Transferred to disposal group £'000	At 3 September 2022 £'000
Accelerated tax depreciation	(3,201)	(146)	(563)	–	–	234	(3,676)
Employee benefits	(2,343)	–	(8)	644	–	–	(1,707)
Other	223	77	692	–	(33)	(411)	548
	(5,321)	(69)	121	644	(33)	(177)	(4,835)

Company	2023 £'000	2022 £'000
Accelerated tax depreciation	**17**	20
Employee benefits	**(1,329)**	(1,707)
Other	**457**	506
Net deferred tax	**(855)**	(1,181)
Included in:		
Deferred tax liabilities	**(855)**	(1,181)

Other deferred tax assets and liabilities includes deferred tax on short-term timing differences, leases and trading losses.
The Company has no unrecognised tax losses (2022: none).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 Deferred tax assets and liabilities continued

Movement in deferred tax during the year

	At 4 September 2022 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	Recognised in equity £'000	**At 2 September 2023 £'000**
Accelerated tax depreciation	20	**(3)**	**–**	**–**	**17**
Employee benefits	(1,707)	**(137)**	**515**	**–**	**(1,329)**
Other	506	**(45)**	**–**	**(4)**	**457**
	(1,181)	**(185)**	**515**	**(4)**	**(855)**

Amounts recognised in equity comprise deferred tax related to share-based payments.

Movement in deferred tax during the prior year

	At 29 August 2021 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	Recognised in equity £'000	At 3 September 2022 £'000
Accelerated tax depreciation	28	(8)	–	–	20
Employee benefits	(2,343)	(8)	644	–	(1,707)
Other	114	415	–	(23)	506
	(2,201)	399	644	(23)	(1,181)

21 Inventories

Group	**2023 £'000**	2022 £'000
Raw materials and consumables	**16,664**	15,352
Work in progress	**2,055**	3,074
Finished goods and goods for resale	**7,894**	8,564
	26,613	26,990

Inventories are stated after a provision for impairment of £646,000 (2022: £833,000). The amount recognised as an expense in the year in respect of the write-down of inventories is £321,000 (2022 continuing operations: £294,000). The amount recognised as a credit in the year in respect of reversals of write-downs of inventories is £427,000 (2022 continuing operations: £117,000) and the amount utilised in the year was £80,000 (2022 continuing operations: £49,000).

The cost of inventories recognised as an expense and included in cost of sales is £110,399,000 (2022 continuing operations: £94,392,000).

The Company has no inventories (2022: none).

22 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	2023 £'000	2022 £'000
At the beginning of the year	**7,880**	7,514
Exchange differences	**(138)**	227
Transfers from contract assets recognised at the beginning of the year to receivables	**(6,335)**	(6,358)
Increase related to services provided in the year	**6,508**	6,497
At the end of the year	**7,915**	7,880
Included within:		
Current assets	**7,915**	7,564
Non-current assets	**–**	316
	7,915	7,880

Contract liabilities	2023 £'000	2022 £'000
At the beginning of the year	**2,426**	3,312
Exchange differences	**(95)**	215
Revenue recognised against contract liabilities at the beginning of the year	**(2,372)**	(2,889)
Increase due to cash received, excluding any amounts recognised as revenue during the year	**5,235**	1,788
At the end of the year	**5,194**	2,426

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 (2022: none).

Contact liabilities at the end of the current year are significantly higher than at the prior year end. The Engineering division has seen a significant uplift in order uptake during the year, including a £1.5m contract in the emerging nuclear medicine sector and a £10m contract for the UK's National Nuclear Laboratory, the largest single contract signed by Wälischmiller Engineering GmbH. As a result of the significant increase in orders, and work commencing on those orders, customer advances received in the year have also increased as the contracts move through their life cycle and satisfy milestone targets.

23 Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current:				
Trade receivables	**17,385**	14,397	**895**	–
Less: provision for impairment of trade receivables	**(290)**	(817)	**–**	–
Trade receivables – net	**17,095**	13,580	**895**	–
Amounts owed by Group undertakings (note 37)	**–**	–	**3,320**	1,336
Amounts owed by other related parties (note 37)	**15**	194	**2**	51
Other taxes and social security receivable	**741**	1,071	**–**	481
Other receivables	**4,538**	2,708	**4,355**	863
Prepayments	**2,203**	1,462	**394**	397
	24,592	19,015	**8,966**	3,128
Non-current:				
Amounts owed by Group undertakings (note 37)	**–**	–	**32,797**	34,208
Other receivables	**21**	23	**–**	–
	21	23	**32,797**	34,208

Other receivables for both the Group and the parent Company includes £4.0m deferred consideration in respect of the disposal of the Carr's Billington Agricultural business, which was deferred until the first anniversary of the disposal date.

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, for continuing operations, a charge of £114,000 (2022: a credit of £136,000) has been recognised within administrative expenses in the consolidated income statement and £630,000 (2022: £21,000) has been utilised in respect of the movement in provision for impairment of trade receivables.

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

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%. There is one non-interest bearing loan with a face value of £7.4m which is recognised at fair value based on a market rate of interest. These interest-bearing and non-interest bearing amounts are unsecured and have remaining terms of 1.3 – 1.5 years.

	2023		2022	
Group	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
The ageing of trade receivables is as follows:				
Not past due	**13,249**	**(57)**	11,799	(9)
Past due 1 – 30 days	**2,065**	**–**	839	–
Past due 31 – 60 days	**677**	**–**	390	(13)
Past due 61 – 90 days	**324**	**(15)**	185	(12)
Past due 91 – 120 days	**522**	**(8)**	146	(26)
Past 121 days	**548**	**(210)**	1,038	(757)
	17,385	**(290)**	14,397	(817)

23 Trade and other receivables continued

Company	2023 Gross £'000	2023 Impairment £'000	2022 Gross £'000	2022 Impairment £'000
The ageing of trade receivables is as follows:				
Not past due	**317**	**–**	–	–
Past due 1 – 30 days	**67**	**–**	–	–
Past due 31 – 60 days	**52**	**–**	–	–
Past due 61 – 90 days	**75**	**–**	–	–
Past due 91 – 120 days	**384**	**–**	–	–
	895	**–**	–	–

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 (2022: none).

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
The carrying value of trade receivables is denominated in the following currencies:				
Sterling	**12,329**	7,857	**895**	–
US Dollar	**2,303**	2,556	**–**	–
Euro	**1,669**	2,369	**–**	–
New Zealand Dollar	**794**	798	**–**	–
	17,095	13,580	**895**	–

24 Current tax assets

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Corporation tax recoverable	**3,895**	3,866	**2,063**	2,550
Group taxation relief	**–**	–	**639**	–
	3,895	3,866	**2,702**	2,550

25 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cash and cash equivalents per the balance sheet	**23,123**	22,515	**13,443**	12,726
Cash and cash equivalents of disposal group classified as assets held for sale (note 9)	**–**	12,074	**–**	–
Bank overdrafts (note 27)	**(12,354)**	(9,734)	**–**	–
Cash and cash equivalents per the statement of cash flows	**10,769**	24,855	**13,443**	12,726

26 Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current:				
Trade payables	**8,232**	10,886	**588**	778
Amounts owed to Group undertakings (note 37)	**–**	–	**809**	393
Amounts owed to other related parties (note 37)	**44**	105	**–**	–
Other taxes and social security payable	**2,036**	1,019	**877**	538
Other payables	**1,090**	1,393	**170**	47
Accruals	**4,802**	7,592	**948**	2,437
Deferred income	**352**	5	**–**	–
	16,556	21,000	**3,392**	4,193
Non-current:				
Other payables	**–**	313	**–**	–
Deferred income	**71**	23	**–**	–
	71	336	**–**	–

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

Deferred income includes deferred rental income of £400,000 (current: £347,000; non-current: £53,000) which was agreed with the Billington Group as part of the sale process of the Carr's Billington Agricultural business. It also includes government grants as follows:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
At the beginning of the year	**28**	60	**–**	–
Amortisation in the year	**(5)**	(32)	**–**	–
At the end of the year	**23**	28	**–**	–
Included within:				
Current liabilities	**5**	5	**–**	–
Non-current liabilities	**18**	23	**–**	–
	23	28	**–**	–

27 Borrowings

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current:				
Bank overdrafts	**12,354**	9,734	**–**	–
Bank loans and other borrowings	**1,360**	3,000	**–**	1,153
Loans from Group undertakings (note 37)	**–**	–	**2,125**	260
	13,714	12,734	**2,125**	1,413
Non-current:				
Bank loans	**5,206**	23,805	**4,697**	22,757
	5,206	23,805	**4,697**	22,757
Borrowings are repayable as follows:				
On demand or within one year	**13,714**	12,734	**2,125**	1,413
In the second year	**5,206**	1,704	**4,697**	1,154
In the third to fifth years inclusive	**–**	22,101	**–**	21,603
	18,920	36,539	**6,822**	24,170

Group and Company borrowings are shown in the balance sheet net of arrangement fees of £44,000 (2022: £100,000) of which £nil (2022: £60,000) is deducted from current liabilities and £44,000 (2022: £52,000) is deducted from non-current liabilities.

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
The net borrowings are:				
Borrowings as above	**18,920**	36,539	**6,822**	24,170
Cash and cash equivalents	**(23,123)**	(22,515)	**(13,443)**	(12,726)
Net (cash)/borrowings	**(4,203)**	14,024	**(6,621)**	11,444

The Company, together with certain subsidiaries, acts as guarantor on the bank loans.

Interest-bearing loans from Group undertakings within current borrowings carry interest at 4.50%.

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 £4.7m (2022: £21.6m) which, following the extension of the facility as noted below, is repayable in December 2026. At the year end the Group had £21.9m of undrawn revolving credit facilities (2022 continuing operations: £5.0m).

Subsequent to the year end, and before the date of signing these financial statements, the Group extended its main borrowing facility with its bankers. Further details of this post balance sheet event can be found in note 38.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises when future commercial transactions, or recognised assets or liabilities, are denominated in a currency that is not the entity's functional currency.

The table below discloses balances across the Group that are denominated in a currency other than that entity's functional currency. Inter-company balances have been excluded from the table.

	2023					2022				
Group	Sterling £'000	US Dollar £'000	Euro £'000	NZ Dollar £'000	Total £'000	Sterling £'000	US Dollar £'000	Euro £'000	NZ Dollar £'000	Total £'000
Assets										
Current trade and other receivables	**33**	**1**	**20**	**–**	**54**	30	57	87	–	174
Cash and cash equivalents	**601**	**1,110**	**798**	**3**	**2,512**	584	445	554	3	1,586
	634	**1,111**	**818**	**3**	**2,566**	614	502	641	3	1,760
Liabilities										
Current derivatives	**–**	**4**	**–**	**–**	**4**	–	62	–	–	62
Current trade and other payables	**1**	**(11)**	**55**	**17**	**62**	–	–	21	9	30
Non-current borrowings	**–**	**–**	**–**	**–**	**–**	–	–	4,609	–	4,609
	1	**(7)**	**55**	**17**	**66**	–	62	4,630	9	4,701

The table below discloses balances in the Company's balance sheet that are denominated in a currency other than the Company's functional currency.

	2023			2022		
Company	US Dollar £'000	Euro £'000	Total £'000	US Dollar £'000	Euro £'000	Total £'000
Assets						
Non-current receivables	**15,776**	**6,009**	**21,785**	17,308	5,708	23,016
Current trade and other receivables	**1,160**	**9**	**1,169**	736	–	736
Cash and cash equivalents	**740**	**535**	**1,275**	374	234	608
	17,676	**6,553**	**24,229**	18,418	5,942	24,360
Liabilities						
Current borrowings	**237**	**1,889**	**2,126**	260	–	260
Non-current borrowings	**–**	**–**	**–**	–	4,609	4,609
	237	**1,889**	**2,126**	260	4,609	4,869

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 is excluded as it is not a financial liability.

28 Derivatives and other financial instruments continued

Sensitivity analysis

The impact of a 10% weakening or strengthening in Sterling against balances across the Group that are denominated in a currency other than that entity's functional currency is shown in the table below.

	2023		2022	
	10% weakening £'000	10% strengthening £'000	10% weakening £'000	10% strengthening £'000
Impact on profit after taxation	(211)	178	218	(221)
Impact on total equity	(211)	178	218	(221)

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.

	2023		2022	
Group borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank overdrafts	6.98	12,354	3.55	9,734
Bank loans and other borrowings	6.56	6,566	3.12	26,805
		18,920		36,539
Fixed rate		834		1,265
Floating rate		18,086		35,274
		18,920		36,539

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

Bank overdrafts	US prime rate + 1.0% margin; US prime rate + 0.25% margin; Bank of England base rate + 1.7% margin
Bank loans and other borrowings	Bank of England base rate + 1.67%; Wall Street Journal prime rate – 1%

	2023		2022	
Company borrowings	Weighted average effective interest rate %	£'000	Weighted average effective interest rate %	£'000
Bank loans	6.92	4,697	3.25	23,910
Loans from Group undertakings	4.00	2,125	–	260
		6,822		24,170
Floating rate		6,585		23,910
Interest free		237		260
		6,822		24,170

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

Bank loans	Bank of England base rate + 1.67%

28 Derivatives and other financial instruments continued

Sensitivity analysis

The impact of a 1% decrease or increase in interest rates during the year is shown in the table below.

	2023		2022	
	1% decrease £'000	**1% increase £'000**	1% decrease £'000	1% increase £'000
Impact on profit after taxation	**124**	**(124)**	228	(228)
Impact on total equity	**124**	**(124)**	228	(228)

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 Group monitors daily cash balances and forecasts, together with net debt, to ensure adequate headroom exists under its committed facilities.

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.

	2023				2022			
Group	**Total £'000**	**Within one year £'000**	**One to two years £'000**	**Two to five years £'000**	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank overdrafts	**12,354**	**12,354**	**–**	**–**	9,734	9,734	–	–
Bank loans and other borrowings	**7,070**	**1,719**	**5,351**	**–**	28,655	3,825	2,477	22,353
Derivatives	**4**	**4**	**–**	**–**	62	62	–	–
Trade and other payables	**14,168**	**14,168**	**–**	**–**	19,976	19,976	–	–
Other non-current liabilities	**–**	**–**	**–**	**–**	313	–	313	–
	33,596	**28,245**	**5,351**	**–**	58,740	33,597	2,790	22,353

	2023				2022			
Company	**Total £'000**	**Within one year £'000**	**One to two years £'000**	**Two to five years £'000**	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000
Bank loans	**5,179**	**328**	**4,851**	**–**	25,710	1,956	1,913	21,841
Loans from Group undertakings	**2,125**	**2,125**	**–**	**–**	260	260	–	–
Trade and other payables	**2,515**	**2,515**	**–**	**–**	3,655	3,655	–	–
	9,819	**4,968**	**4,851**	**–**	29,625	5,871	1,913	21,841

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 14.

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 has also been excluded as it does not give rise to a contractual obligation to pay cash.

28 Derivatives and other financial instruments continued

Borrowing facilities

The Group has various undrawn facilities. The undrawn facilities available at 2 September 2023, in respect of which all conditions precedent had been met, were as follows:

	2023 Floating rate £'000	2022 Floating rate £'000
Expiring in one year or less	**6,993**	20,720
Expiring within two and five years inclusive	**20,259**	5,391
	27,252	26,111

Included in the table above for facilities expiring in one year or less is £nil (2022: £13,051,000) in respect of discontinued operations and included within facilities expiring within two and five years inclusive is £nil (2022: £2,000,000) in respect of discontinued operations.

Undrawn facilities include overdraft facilities of £2.5m (2022: £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 2 September 2023, the Group had net cash of £4.2m (2022: net debt of £14.0m). Gearing was 15.7% at the prior year end based on net debt (note 34) and excluding net assets within the disposal group.

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. During the prior year all of the fair value recognised at the year ended 28 August 2021 (£1,320,000) was released to the income statement and was included in note 5 as an adjusting item.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 Derivatives and other financial instruments continued

Derivative financial instruments

Hedge of net investment in foreign subsidiaries

In the prior year the Group hedged foreign denominated loans against its investment in foreign subsidiaries. A foreign exchange pre-tax gain of £101,000 was recognised in equity in the prior year on translation of US Dollar denominated loans with a carrying value of $1,608,000 to Sterling and a foreign exchange pre-tax loss of £41,000 was recognised in equity in the prior year on translation of Euro denominated loans with a carrying value of €5,330,000 to Sterling. The Group's net investment hedge was fully effective in the prior year and therefore no gain or loss was 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:

	2023		2022	
Group	**Fair value £'000**	**Contractual or notional amount £'000**	Fair value £'000	Contractual or notional amount £'000
At the beginning of the year	**(62)**	**(557)**	–	–
Exchange differences	**–**	**50**	(2)	–
Gains/(losses) during the year	**58**	**304**	(60)	(557)
At the end of the year – included within current liabilities	**(4)**	**(203)**	(62)	(557)

The Company has no forward foreign currency contracts (2022: 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

29 Retirement benefits

The Group participates in the Carr's Group Pension Scheme which is a defined benefit pension scheme. Prior to the disposal, on 26 October 2022, of the Carr's Billington Agricultural business it also participated in the Carrs Billington Agriculture Pension Scheme, a defined benefit 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. Following the disposal of the Carr's Billington Agricultural business the Company made a contribution of £0.4m into the defined benefit section of the scheme (2022: £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 2 September 2023 by a qualified independent actuary.

29 Retirement benefits continued

Major assumptions:

	2023 %	2022 %
Inflation (RPI)	**3.30**	3.50
Inflation (CPI)	**2.80**	2.80
Rate of discount	**5.50**	4.50
Pension in payment increases:		
RPI or 5.0% per annum if less	**3.00**	3.20
RPI or 5.0% per annum if less, minimum 3.0% per annum	**3.70**	3.80

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 2 September 2023 is 0.5% (2022: 0.7%). 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 2 September 2023 are 100% of 2019 Vita Curves for males and females with allowance for mortality improvements using CMI_2021 with a 1.25% p.a. underpin. The mortality assumptions adopted imply the following life expectancies at age 65 as at 2 September 2023:

	At 2 September 2023	At 3 September 2022
Males currently age 45	**23.3 years**	23.2 years
Females currently age 45	**25.7 years**	25.6 years
Males currently age 65	**21.9 years**	21.9 years
Females currently age 65	**24.3 years**	24.2 years

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 Retirement benefits continued

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

	2023 £'000	2022 £'000
Administrative expenses	**166**	126
Net interest on the net defined benefit asset	**(312)**	(159)
Total income	**(146)**	(33)

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

	2023 £'000	2022 £'000
Within operating profit:		
Administrative expenses	**166**	126
Within interest:		
Finance income	**(312)**	(159)
Total income	**(146)**	(33)

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

	2023 £'000	2022 £'000
Actual gains and losses arising from changes in:		
Financial assumptions	**5,440**	18,433
Demographic assumptions	**–**	(467)
Experience adjustments	**(760)**	(2,120)
Return on assets, excluding interest income	**(6,738)**	(18,422)
Total remeasurement of the net defined benefit asset	**(2,058)**	(2,576)

Amounts included in the Balance Sheet:

	2023 £'000	2022 £'000
Present value of funded defined benefit obligations	**(42,505)**	(48,578)
Fair value of scheme assets	**47,821**	55,406
Surplus in funded scheme	**5,316**	6,828

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

	2023 £'000	2022 £'000
Benefit obligation at the beginning of the year	**48,578**	66,254
Interest cost	**2,120**	1,101
Net measurement gains – financial	**(5,440)**	(18,433)
Net measurement losses – demographic	**–**	467
Net measurement losses – experience	**760**	2,120
Benefits paid	**(3,513)**	(2,931)
Benefit obligation at the end of the year	**42,505**	48,578

29 Retirement benefits continued

Benefit obligation by participant status:

	2023 £'000	2022 £'000
Vested deferred	**10,088**	12,450
Retirees	**32,417**	36,128
	42,505	48,578

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

	2023 £'000	2022 £'000
Fair value of scheme assets at the beginning of the year	**55,406**	75,625
Interest income on scheme assets	**2,432**	1,260
Employer contributions	**400**	–
Return on assets, excluding interest income	**(6,738)**	(18,422)
Benefits paid	**(3,513)**	(2,931)
Scheme administrative cost	**(166)**	(126)
Fair value of scheme assets at the end of the year	**47,821**	55,406

Analysis of the scheme assets and actual return:

	Fair value of assets	
	2023 £'000	2022 £'000
Equity instruments	**3,262**	5,723
Property	**–**	3,109
Bonds	**39,944**	43,578
Cash	**3,315**	1,014
Other	**1,300**	1,982
	47,821	55,406
Actual return on scheme assets	**(4,306)**	(17,162)

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. Prior to the sale of the property assets on 31 August 2023 they were 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

29 Retirement benefits continued

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	-50 basis points	**44,858**
	+50 basis points	**40,331**
Price inflation rate	-25 basis points	**41,555**
	+25 basis points	**43,491**
Post-retirement mortality assumption	-1 year age rating	**44,133**
	+1 year age rating	**40,898**

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 11 years (2022: 12 years).

Expected cash flows for the following year:

	£'000
Expected employer contributions	**–**
Expected contributions to reimbursement rights	**–**
Expected total benefit payments by the scheme:	
Year 1	**3,619**
Year 2	**3,728**
Year 3	**3,841**
Year 4	**3,957**
Year 5	**4,076**
Next 5 years	**22,303**

29 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 2024 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 assets, up to the date of their disposal on 31 August 2023, 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 ("RSS")

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 for continuing operations was £1,021,000 (2022 continuing operations: £901,000).

Carrs Billington Agriculture Pension Scheme

Carrs Billington Agriculture (Sales) Ltd, a subsidiary of the Group until its disposal on 26 October 2022, 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. The Group has recognised, at the date of disposal of the Carr's Billington Agricultural business, a surplus of £4.2m, calculated in accordance with IAS 19 (2022: £5.6m).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 Retirement benefits continued

Carrs Billington Agriculture Pension Scheme 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'. For the purposes of estimating an allocation of these orphan liabilities over the current participating employers, they have been split in the same proportion as their calculated share of non-orphan liabilities. At the last finalised actuarial valuation, the buy-out deficit was £5.3m and the Group's estimated liability on the wind-up of the scheme was £2.6m. In the actual event of a wind-up of the scheme the Trustees, with assistance from the actuary and legal counsel, would need to determine how the orphan liabilities should be allocated.

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. As the Group has disposed of its shareholding in the Carr's Billington Agricultural business it will not be paying any contributions to the scheme in the next reporting period (2022: £nil). Previously the deficit repair contributions have been funded solely by the sponsoring employer. The last finalised triennial valuation of the scheme as at 31 December 2021 showed that the scheme had a surplus of £4.1m on a technical provisions basis. As the scheme is in surplus, a recovery plan is not required. The sponsoring employer will meet the cost of administrative expenses up to an allowance of £100k per annum.

The Group's level of participation in the scheme was estimated at 48.5%, which was based on its estimated share of the total buy-out liabilities. The Group had 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 recognised 49% of the surplus calculated on an IAS 19 accounting basis. At the prior year end the investment in associate was included within assets of a disposal group held for sale (note 9).

Other pension schemes

The pension expense in respect of defined contribution pension arrangements in foreign subsidiaries during the year was £579,000 (2022: £551,000).

Pension contributions into NEST during the year amounted to £35,000 (2022 continuing operations: £36,000).

Other pension-related expenses

During the year the Group's continuing operations incurred expenses associated with pension schemes, including death-in-service insurance policy premiums, of £15,000 (2022 continuing operations: £37,000).

30 Share capital

	2023		2022	
Group and Company	**Shares**	**£'000**	Shares	£'000
Allotted and fully paid Ordinary Shares of 2.5p each:				
At the beginning of the year	**93,999,596**	**2,350**	93,720,125	2,343
Allotment of shares	**150,766**	**4**	279,471	7
At the end of the year	**94,150,362**	**2,354**	93,999,596	2,350

The table above includes no (2022: nil) shares held in Treasury.

The consideration received on the allotment of shares during the year was £167,283 (2022: £352,071).

For details of share-based payment schemes see note 31.

31 Share-based payments

Group

The Group operates three active share-based payment schemes at 2 September 2023.

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.

Previously, under the Long Term Incentive Plan ("LTIP"), shares will be awarded to eligible individuals subject to an earnings per share ("EPS") target measured against average annual increases over a three-year period. For the awards granted in November 2020 and December 2021 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.

LTIP awards granted to Executive Directors in May 2023 are subject to an adjusted earnings per share ("EPS") target measured against average annual increase over a three-year performance period (75% weighting) and total shareholder return ("TSR") over a three-year performance period (25% weighting). The average annual growth of adjusted EPS must exceed 5.0% for 25% of the weighted awards to vest and 100% vest at 14%. The compound annual growth in TSR must exceed 7% for 25% of the weighted awards to vest and 100% vest at 16%. LTIP awards granted in August 2023 to eligible senior management are subject to non-market related performance measures with awards being at the discretion of the Remuneration Committee.

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 (Executive Directors) May 2023		Long Term Incentive Plan December 2021	Long Term Incentive Plan November 2020	Share Save Scheme (3-Year Plan 2023)	Share Save Scheme (3-Year Plan 2022)	Share Save Scheme (3-Year Plan 2021)
	EPS weighting	TSR weighting					
Grant date	04/05/23		10/12/21	23/11/20	03/07/23	06/06/22	21/12/20
Share price at grant date (weighted average)	£1.21		£1.51	£1.25	£1.47	£1.355	£1.275
Exercise price (weighted average)	£0.00		£0.00	£0.00	£1.17	£1.15	£1.02
Fair value per option at grant	£0.87	£0.36	£1.368	£1.102	£0.51	£0.38	£0.37
Number of employees at grant	2		10	7	72	150	216
Shares under option at grant	620,920		529,766	721,437	292,723	492,231	1,176,886
Vesting period (years)	3		3	3	3	3	3
Model used for valuation	Market value*	Monte Carlo	Market value*	Market value*	Black-Scholes	Black-Scholes	Black-Scholes
Expected volatility	–	34.3%	–	–	39.7%	40.0%	41.3%
Option life (years)	10		10	10	3.55	3.55	3.65
Expected life (years)	6.5		6.5	6.5	3.3	3.3	3.4
Risk-free rate	–	3.8%	–	–	5.1%	1.78%	-0.07%
Expected dividends expressed as a dividend yield	3.1%	4.2%	3.6%	6.0%	3.50%	3.80%	3.73%
Expectations of vesting	0%	95%	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 fair value of the LTIP granted to eligible senior management in August 2023 is calculated with reference to the market value of the shares under award.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31 Share-based payments continued

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.

Number of options (LTIP and Share Save)

	Long Term Incentive Plan May/August 2023 Number '000	Long Term Incentive Plan December 2021 Number '000	Long Term Incentive Plan November 2020 Number '000	Long Term Incentive Plan November 2019 Number '000	Share Save Scheme (3-Year Plan 2023) Number '000	Share Save Scheme (3-Year Plan 2022) Number '000	Share Save Scheme (3-Year Plan 2021) Number '000	Share Save Scheme (3-Year Plan 2020) Number '000
Outstanding:								
At 29 August 2021	–	–	721	555	–	–	1,082	355
Granted in the year	–	530	–	–	–	492	–	–
Exercised in the year	–	–	–	–	–	–	(5)	(10)
Forfeited in the year	–	(28)	(272)	–	–	(9)	(160)	(62)
At 3 September 2022	**–**	**502**	**449**	**555**	**–**	**483**	**917**	**283**
Granted in the year	**737**	**–**	**–**	**–**	**293**	**–**	**–**	**–**
Exercised in the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(116)**
Forfeited in the year	**(343)**	**(247)**	**(182)**	**(555)**	**–**	**(263)**	**(541)**	**(152)**
At 2 September 2023	**394**	**255**	**267**	**–**	**293**	**220**	**376**	**15**
Exercisable:								
At 3 September 2022	–	–	–	–	–	–	–	–
At 2 September 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15**
Weighted average (years):								
Remaining contractual life	**9.7/9.9**	**8**	**7**	**6**	**3.38**	**2.3**	**1.07**	**0.07**
Remaining expected life	**6.2/6.4**	**4.50**	**3.50**	**2.50**	**3.13**	**2.05**	**0.82**	**–**

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

	2023 £'000	2022 £'000
Deferred Bonus Share Plan 2022	**1**	26
Deferred Bonus Share Plan 2021	**–**	(44)
Long Term Incentive Plan May/August 2023	**14**	–
Long Term Incentive Plan December 2021	**(120)**	120
Long Term Incentive Plan November 2020	**(79)**	(27)
Share Save Scheme (3-Year Plan 2023)	**4**	–
Share Save Scheme (3-Year Plan 2022)	**32**	10
Share Save Scheme (3-Year Plan 2021)	**46**	114
Share Save Scheme (3-Year Plan 2020)	**10**	37
Share Save Scheme (3-Year Plan 2019)	**–**	13
	(92)	249

31 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 May/August 2023 Number '000	Long Term Incentive Plan December 2021 Number '000	Long Term Incentive Plan November 2020 Number '000	Long Term Incentive Plan November 2019 Number '000	Share Save Scheme (3-Year Plan 2023) Number '000	Share Save Scheme (3-Year Plan 2022) Number '000	Share Save Scheme (3-Year Plan 2021) Number '000	Share Save Scheme (3-Year Plan 2020) Number '000
Outstanding:								
At 29 August 2021	–	–	588	443	–	–	157	34
Granted in the year	–	326	–	–	–	31	–	–
Exercised in the year	–	–	–	–	–	–	–	–
Forfeited in the year	–	(28)	(272)	–	–	–	(17)	–
At 3 September 2022	**–**	**298**	**316**	**443**	**–**	**31**	**140**	**34**
Granted in the year	**570**	**–**	**–**	**–**	**87**	**–**	**–**	**–**
Exercised in the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**
Forfeited in the year	**(343)**	**(187)**	**(117)**	**(443)**	**–**	**(10)**	**(29)**	**(3)**
At 2 September 2023	**227**	**111**	**199**	**–**	**87**	**21**	**111**	**–**
Exercisable:								
At 3 September 2022	–	–	–	–	–	–	–	–
At 2 September 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average (years):								
Remaining contractual life	**9.7/9.9**	**8**	**7**	**6**	**3.38**	**2.3**	**1.07**	**0.07**
Remaining expected life	**6.2/6.4**	**4.50**	**3.50**	**2.50**	**3.13**	**2.05**	**0.82**	**–**

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

	2023 £'000	2022 £'000
Deferred Bonus Share Plan 2022	**1**	26
Deferred Bonus Share Plan 2021	**–**	(44)
Long Term Incentive Plan May/August 2023	**8**	–
Long Term Incentive Plan December 2021	**(68)**	68
Long Term Incentive Plan November 2020	**(53)**	(30)
Share Save Scheme (3-Year Plan 2023)	**1**	–
Share Save Scheme (3-Year Plan 2022)	**3**	1
Share Save Scheme (3-Year Plan 2021)	**10**	19
Share Save Scheme (3-Year Plan 2020)	**2**	3
Share Save Scheme (3-Year Plan 2019)	**–**	2
	(96)	45

31 Share-based payments continued

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

	2023 £'000	2022 £'000
Long Term Incentive Plan August 2023	6	–
Long Term Incentive Plan December 2021	–	52
Long Term Incentive Plan November 2020	–	25
Share Save Scheme (3-Year Plan 2023)	3	–
Share Save Scheme (3-Year Plan 2022)	28	9
Share Save Scheme (3-Year Plan 2021)	80	138
Share Save Scheme (3-Year Plan 2020)	–	96
Total carrying amount of investments	117	320

32 Prior year acquisition

There were no acquisitions during the current year. To provide users of these financial statements with an understanding of the effect of the prior year acquisition to the income statement and balance sheet the following disclosures are presented, all of which relate to the year ended 3 September 2022.

Afgritech Ltd

On 6 June 2022 Carr's Group plc acquired the remaining 50% of Afgritech Ltd taking its interest from 50% to 100%. Afgritech Ltd is a holding company with a 100% owned subsidiary Afgritech LLC. Afgritech LLC is a manufacturer of an animal feed ingredient. Cash consideration paid was £1.0m.

The following amounts were recognised within the consolidated income statement for the year ended 3 September 2022 in respect of the acquisition made in that year:

	Total £'000
Revenue	2,349
Profit before taxation	133

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

Total acquisition-related costs amounted to £27,000, which were recognised within administrative expenses in the consolidated income statement for the year ended 3 September 2023 and were included in the gain on acquisition of Afgritech within adjusting items (note 5).

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

	Fair value £'000
Property, plant and equipment	1,306
Inventories	441
Receivables	817
Cash at bank	594
Payables	(814)
Bank loans	(331)
Taxation	35
Net assets acquired	2,048
Fair value of existing interest held in joint venture	(1,024)
Negative goodwill	(4)
	1,020
Satisfied by:	
Cash consideration	1,020

32 Prior year acquisition continued

Pro forma full-year information (year ended 3 September 2022)

IFRS 3 (revised) requires disclosure of information as to the impact on the financial statements if the acquisition had occurred at the beginning of the accounting year.

The pro forma summary below presents the Group as if the acquisition had been acquired on 29 August 2021.

The pro forma amounts include the results of the acquisition and the interest expense on the increase in net debt as a result of the acquisition. The pro forma amounts do not include any possible synergies from the acquisition. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results.

Continuing operations - year ended 3 September 2022	£'000
Revenue	132,884
Profit before taxation	7,027

33 Cash generated from/(used in) continuing operations

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Profit for the year from continuing operations	**396**	6,042	**28,972**	7,987
Adjustments for:				
Tax	**1,111**	1,524	**(504)**	(144)
Tax credit in respect of R&D	**(695)**	(1,553)	**–**	–
Dividends received from subsidiaries	**–**	–	**(3,958)**	(7,090)
Dividends received from joint ventures	**–**	–	**–**	(2,250)
Depreciation of property, plant and equipment	**3,023**	2,778	**30**	27
Depreciation of right-of-use assets	**1,308**	1,276	**127**	114
Depreciation of investment property	**67**	5	**–**	–
Intangible asset amortisation	**1,004**	988	**–**	–
Goodwill and other intangible assets impairment	**3,843**	4,219	**–**	–
Profit on disposal of property, plant and equipment	**(23)**	(17)	**–**	–
Loss/(profit) on disposal of right-of-use assets	**4**	(5)	**–**	(3)
Profit on disposal of investment property	**–**	(76)	**–**	–
Gain on acquisition of Afgritech	**–**	(764)	**–**	–
Gain on disposal of subsidiary and associate	**–**	–	**(28,638)**	–
Adjustments to contingent consideration	**–**	(1,320)	**–**	–
Net fair value (credit)/charge on share-based payments	**(78)**	148	**(96)**	45
Other non-cash adjustments	**(894)**	(119)	**1,777**	(2,818)
Finance costs:				
Interest income	**(876)**	(351)	**(2,840)**	(1,723)
Interest expense and borrowing costs	**1,376**	1,077	**530**	580
Share of results of joint ventures	**(1,441)**	(840)	**–**	–
IAS 19 income statement credit in respect of employer contributions	**(400)**	–	**(400)**	–
IAS 19 income statement charge (excluding interest):				
Administrative expenses (note 29)	**166**	126	**166**	126
Changes in working capital (excluding the effects of acquisitions):				
Increase in inventories	**(481)**	(6,153)	**–**	–
Increase in receivables	**(3,173)**	(218)	**(1,289)**	(297)
(Decrease)/increase in payables	**(1,082)**	(2,294)	**(745)**	1,761
Cash generated from/(used in) continuing operations	**3,155**	4,473	**(6,868)**	(3,685)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

34 Analysis of net cash/(debt) and leases

Group	At 4 September 2022 £'000	**Cash flow £'000**	**Other non-cash changes £'000**	**Exchange movements £'000**	**At 2 September 2023 £'000**
Cash and cash equivalents	22,515	**662**	**–**	**(54)**	**23,123**
Bank overdrafts	(9,734)	**(2,620)**	**–**	**–**	**(12,354)**
	12,781	**(1,958)**	**–**	**(54)**	**10,769**
Loans and other borrowings:					
– Current	(3,000)	**1,698**	**(48)**	**(10)**	**(1,360)**
– Non-current	(23,805)	**18,732**	**(8)**	**(125)**	**(5,206)**
Net (debt)/cash	(14,024)	**18,472**	**(56)**	**(189)**	**4,203**
Leases:					
– Current	(1,416)	**–**	**152**	**–**	**(1,264)**
– Non-current	(6,128)	**1,545**	**(1,006)**	**30**	**(5,559)**
Leases	(7,544)	**1,545**	**(854)**	**30**	**(6,823)**
Net (debt)/cash and leases	(21,568)	**20,017**	**(910)**	**(159)**	**(2,620)**

Group	At 29 August 2021 £'000	Cash flow £'000	Other non-cash changes £'000	Acquired with subsidiaries £'000	Exchange movements £'000	Transferred to liabilities of disposal group £'000	At 3 September 2022 £'000
Cash and cash equivalents	24,309	9,354	–	594	332	(12,074)	22,515
Bank overdrafts	(4,613)	(5,121)	–	–	–	–	(9,734)
	19,696	4,233	–	594	332	(12,074)	12,781
Loans and other borrowings:							
– Current	(6,500)	(20,849)	77	(117)	(26)	24,415	(3,000)
– Non-current	(23,159)	(322)	(48)	(214)	(62)	–	(23,805)
Net debt	(9,963)	(16,938)	29	263	244	12,341	(14,024)
Leases:							
– Current	(2,967)	–	(181)	–	–	1,732	(1,416)
– Non-current	(12,458)	3,186	(3,212)	–	(108)	6,464	(6,128)
Leases	(15,425)	3,186	(3,393)	–	(108)	8,196	(7,544)
Net debt and leases	(25,388)	(13,752)	(3,364)	263	136	20,537	(21,568)

Company	At 4 September 2022 £'000	**Cash flow £'000**	**Other non-cash changes £'000**	**Exchange movements £'000**	**At 2 September 2023 £'000**
Cash and cash equivalents	12,726	**783**	**–**	**(66)**	**13,443**
Loans and other borrowings:					
– Current	(1,413)	**(700)**	**(48)**	**36**	**(2,125)**
– Non-current	(22,757)	**18,200**	**(8)**	**(132)**	**(4,697)**
Net (debt)/cash	(11,444)	**18,283**	**(56)**	**(162)**	**6,621**
Leases:					
– Current	(113)	**–**	**(13)**	**–**	**(126)**
– Non-current	(231)	**123**	**(59)**	**–**	**(167)**
Leases	(344)	**123**	**(72)**	**–**	**(293)**
Net (debt)/cash and leases	(11,788)	**18,406**	**(128)**	**(162)**	**6,328**

34 Analysis of net cash/(debt) and leases continued

Company	At 29 August 2021 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 3 September 2022 £'000
Cash and cash equivalents	11,063	1,592	–	71	12,726
Loans and other borrowings:					
– Current	(2,341)	75	853	–	(1,413)
– Non-current	(21,906)	(763)	(48)	(40)	(22,757)
Net debt	(13,184)	904	805	31	(11,444)
Leases:					
– Current	(98)	–	(15)	–	(113)
– Non-current	(250)	105	(86)	–	(231)
Leases	(348)	105	(101)	–	(344)
Net debt and leases	(13,532)	1,009	704	31	(11,788)

Other non-cash changes in net cash/(debt) for both the Group and Company relate to the release of deferred borrowing costs to the income statement. For leases, these relate to new leases entered into during the year net of liabilities extinguished on exit of leases. In respect of the Company, the prior year amounts also include the settlement of a loan from a subsidiary with a non-cash dividend from the subsidiary.

The table below shows a reconciliation of cash flows shown in the tables above to the consolidated and Company statements of cash flows.

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Net (decrease)/increase in cash and cash equivalents per cash flow statement (2023 Group excludes £12,074k discontinued operations)	**(2,012)**	5,159	**717**	1,663
Cash acquired with subsidiaries	**–**	(594)	**–**	–
Effects of exchange rate differences	**54**	(332)	**66**	(71)
Cash flows from cash and cash equivalents less bank overdrafts in tables above	**(1,958)**	4,233	**783**	1,592
New financing and drawdowns on RCF	**(5,574)**	(10,051)	**(4,741)**	(9,963)
Repayment of RCF drawdowns	**21,741**	8,000	**21,741**	8,000
Lease principal repayments	**1,545**	1,550	**123**	105
Repayment of borrowings	**4,263**	2,840	**2,400**	2,400
Receipt of loans from subsidiaries	**–**	–	**(2,500)**	(1,125)
Repayment of loans from subsidiaries	**–**	–	**600**	–
Cash from financing activities in discontinued operations (2022 only)	**–**	(20,324)	**–**	–
Cash flows from net debt/cash and leases per tables above	**20,017**	(13,752)	**18,406**	1,009

35 Capital commitments

Group	**2023 £'000**	2022 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts:		
Property, plant and equipment	**1,636**	521
Right-of-use assets	**–**	301
	1,636	822

The Company has no capital commitments (2022: none).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

36 Financial guarantees and contingent liabilities

The Company, together with certain subsidiary undertakings, has entered into a guarantee with Clydesdale Bank PLC (trading as Virgin Money) in respect of the Group loans, overdraft, asset finance and guarantee facilities with that bank, which at 2 September 2023 amounted to £9,552,000 (2022: £8,474,000).

Certain subsidiary undertakings utilise guarantee facilities with financial institutions which include their own bankers. These financial institutions in the normal course of business enter into certain specific guarantees with some of the subsidiaries' customers. All these guarantees allow the financial institutions to have recourse to the subsidiaries if a guarantee is enforced. The total outstanding of such guarantees at 2 September 2023 was £5,717,000 (2022: £2,963,000).

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 £46,389,000 (2022: £33,447,000) and as at 2 September 2023 £21,840,000 (2022: £17,766,000) 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 2 September 2023, the cumulative rent payable over the remaining term of the lease is £316,000 (2022: £520,000).

Certain UK subsidiaries have taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 2 September 2023. 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 19. 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.

37 Related parties

Group and Company

Identity of related parties

The Group has a related party relationship with its subsidiaries, associate, up to the date of its disposal, 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.

Other than remuneration, there are no transactions between the continuing Group and the Directors. At both the current year end and prior year end there are no balances receivable or payable with Directors.

Transactions with subsidiaries

	Company	
	2023 £'000	2022 £'000
Balances reported in the Balance Sheet		
Amounts owed by subsidiary undertakings:		
Non-current loans receivable	**32,797**	34,208
Other receivables	**3,320**	1,336
	36,117	35,544
Amounts owed to subsidiary undertakings:		
Current loans payable	**(2,125)**	(260)
Other payables	**(809)**	(393)
	(2,934)	(653)
Transactions reported in the Income Statement		
Management charges receivable	**2,708**	2,824
Dividends receivable	**3,957**	7,090
Interest receivable	**2,067**	1,428

Non-current loans receivable includes one non-interest bearing loan with a face value of £7.4m which is recognised at fair value based on a market rate of interest. Included within other receivables is £1,865,000 (2022: £848,000) in respect of loans owed by subsidiary undertakings.

37 Related parties continued

Transactions with associate

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Balances reported in the Balance Sheet				
Amounts owed by associate:				
Trade and other receivables	**–**	94	**–**	41
Assets included in disposal group classified as held for sale	**–**	922	**–**	–
	–	1,016	**–**	41
Amounts owed to associate:				
Trade and other payables	**–**	(67)	**–**	–
Liabilities included in disposal group classified as held for sale	**–**	(33,486)	**–**	–
	–	(33,553)	**–**	–
Transactions reported in the Income Statement (continuing operations)				
Revenue	**37**	604	**–**	–
Rental income	**3**	20	**–**	–
Management charges receivable	**18**	110	**18**	110

Amounts presented for transactions reported in the income statement are in respect of continuing operations only. Transactions between Carrs Billington Agriculture (Sales) Ltd and the associate are excluded as they are both within the disposal group.

Transactions with joint ventures

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Balances reported in the Balance Sheet				
Amounts owed by joint ventures:				
Trade and other receivables	**15**	100	**2**	10
Assets included in disposal group classified as held for sale	**–**	6	**–**	–
	15	106	**2**	10
Amounts owed to joint ventures:				
Trade and other payables	**(44)**	(38)	**–**	–
Liabilities included in disposal group classified as held for sale	**–**	(20)	**–**	–
	(44)	(58)	**–**	–
Transactions reported in the Income Statement (continuing operations)				
Revenue	**337**	208	**–**	–
Management charges receivable	**67**	94	**–**	–
Dividends receivable	**–**	–	**–**	2,250
Purchases	**(465)**	(804)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

37 Related parties continued

Amounts presented for transactions reported in the income statement are in respect of continuing operations only. Transactions between Carrs Billington Agriculture (Sales) Ltd and Bibby Agriculture Ltd are excluded as they are both within the disposal group.

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 were employed by NW Total Engineered Solutions Ltd until 31 March 2022. This lease is accounted for under IFRS 16 and at the year end the lease liability included in the consolidated balance sheet was £908,000 (2022: £979,000). Lease payments made in the year were £98,000 (2022: £98,000).

38 Post balance sheet event

In December 2023, prior to the signing of these financial statements, the Group extended its main banking facility with Clydesdale Bank plc (Trading as Virgin Money) to 20 December 2026. Other than the extended termination date all other borrowing terms remain unchanged.

39 Prior year restatements

During the process to complete the accounting treatment of the disposal of the Agricultural Supplies division, two adjustments have been identified which have resulted in a prior year restatement of the measurement of fair value less costs to sell. The first was an adjustment to the book costs of the assets disposed of relating to the Group's interest in the joint venture, Bibby Agriculture Ltd, held through the Group's shareholding in Carrs Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023. Of this £2.9m, £1.6m is attributable to the Group and has no impact on cash proceeds received to date or in future.

Subsequent to the publication of the interim statement, a further correction was identified, which was required to reflect property rental terms agreed with the Billington group as part of the sale process. This increased the loss on measurement of fair value less costs to sell by £1.2m, with £0.8m of this being attributable to the Group. Combined, these corrections increase the loss on measurement of fair value less costs to sell by £4.1m, which includes £1.8m in respect of the non-controlling interest's share of the measurement impairment.

The results and financial position of the Group's discontinued operations for the year ended 3 September 2022 have been restated to reflect this.

This restatement of the prior year has resulted in shareholders' equity at 3 September 2022 being reduced by £2.4m and increases the loss for the period from discontinued operations (£4.1m) in the year to 3 September 2022.

The prior year restatements to discontinued operations are reflected in note 9.

The affected financial statement line items are as follows:

	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Income Statement				
Loss for the year from discontinued operations (including held for sale)	(2,193)	(2,944)	(1,198)	(6,335)
Profit/(loss) for the year	3,849	(2,944)	(1,198)	(293)
Profit attributable to:				
Equity shareholders	5,072	(1,553)	(809)	2,710
Non-controlling interests	(1,223)	(1,391)	(389)	(3,003)
Basic EPS (pence):				
Loss from discontinued operations	(1.0)	(1.6)	(0.9)	(3.5)
Diluted EPS (pence):				
Loss from discontinued operations	(1.0)	(1.6)	(0.9)	(3.5)

39 Prior year restatements continued

	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Statement of Comprehensive Income				
Profit/(loss) for the year	3,849	(2,944)	(1,198)	(293)
Total comprehensive (expense)/income for the year	6,039	(2,944)	(1,198)	1,897
Total comprehensive income attributable to:				
Equity shareholders	7,262	(1,553)	(809)	4,900
Non-controlling interests	(1,223)	(1,391)	(389)	(3,003)
Total comprehensive income attributable to:				
Discontinued operations	(2,408)	(2,944)	(1,198)	(6,550)

	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Balance Sheet				
Assets included in disposal group classified as held for sale	148,531	(2,944)	(1,198)	144,389
Total current assets	228,481	(2,944)	(1,198)	224,339
Total assets	311,703	(2,944)	(1,198)	307,561
Net assets	136,471	(2,944)	(1,198)	132,329
Retained earnings	100,657	(1,553)	(809)	98,295
Total shareholders' equity	120,495	(1,553)	(809)	118,133
Non-controlling interests	15,976	(1,391)	(389)	14,196
Total equity	136,471	(2,944)	(1,198)	132,329

As there is no impact to the opening balance sheet for the prior year a third balance sheet has not been presented.

FIVE-YEAR STATEMENT

Continuing operations Revenue and results	(Restated)[1,2] 2019 £'000	(Restated)[1,2] 2020 £'000	(Restated)[2] 2021 £'000	(Restated)[3] 2022 £'000	**2023** **£'000**
Revenue	107,607	113,493	120,319	124,240	**143,214**
Operating profit	10,801	7,160	8,200	8,232	**1,951**
Analysed as:					
Adjusted operating profit	13,152	9,794	11,077	11,906	**7,950**
Adjusting items	(2,351)	(2,634)	(2,877)	(3,674)	**(5,999)**
Operating profit	10,801	7,160	8,200	8,232	**1,951**
Finance income	463	311	260	351	**876**
Finance costs	(841)	(1,184)	(925)	(1,017)	**(1,320)**
Profit before taxation	10,423	6,287	7,535	7,566	**1,507**
Analysed as:					
Adjusted profit before taxation	12,774	8,921	10,412	11,240	**7,506**
Adjusting items	(2,351)	(2,634)	(2,877)	(3,674)	**(5,999)**
Profit before taxation	10,423	6,287	7,535	7,566	**1,507**
Taxation	(1,767)	(581)	(1,788)	(1,524)	**(1,111)**
Profit for the year from continuing operations	8,656	5,706	5,747	6,042	**396**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	3,994	3,299	3,849	(6,335)	**(1,157)**
Profit/(loss) for the year	12,650	9,005	9,596	(293)	**(761)**
Earnings per share – basic (continuing operations)	9.4p	6.2p	6.2p	6.4p	**0.4p**
Earnings per share – adjusted (continuing operations)	11.4p	8.3p	10.1p	10.0p	**6.2p**
Dividends per ordinary share	4.75p	4.75p	5.0p	5.2p	**5.2p**

Revenue and results included in the table above have been restated to reflect the separate disclosure of continuing operations and discontinued operations following the disposal of the Carr's Billington Agricultural businesses.

1 Restated for the change in accounting policy for configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS").

2 Restated in relation to the recognition of revenue from customer contracts within the Engineering division.

3 Restated in relation to discontinued operations (note 39).

FIVE-YEAR STATEMENT CONTINUED

Net assets employed	(Restated)[1,2,3] 2019 £'000	(Restated)[1,3] 2020 £'000	(Restated)[3] 2021 £'000	(Restated)[4] 2022 £'000	**2023 £'000**
Non-current assets					
Goodwill	32,877	32,041	31,560	23,609	**19,161**
Other intangible assets	7,878	6,365	5,151	4,635	**3,318**
Property, plant and equipment	37,325	38,259	36,198	33,204	**29,950**
Right-of-use assets	16,086	14,856	16,777	8,223	**7,323**
Investment property	164	158	152	74	**2,640**
Investments	23,076	24,666	23,822	6,097	**6,128**
Contract assets	–	–	312	316	**–**
Financial assets					
– Non-current receivables	22	20	20	23	**21**
Retirement benefit asset	7,769	8,037	9,371	6,828	**5,316**
Deferred tax assets	410	–	182	213	**26**
	125,607	124,402	123,545	83,222	**73,883**
Current assets					
Inventories	46,270	42,197	43,226	26,990	**26,613**
Contract assets	9,466	7,416	7,202	7,564	**7,915**
Trade and other receivables	55,573	51,686	61,735	19,015	**24,592**
Current tax assets	–	2,068	2,669	3,866	**3,895**
Financial assets					
– Derivative financial instruments	–	3	–	–	**–**
– Cash and cash equivalents	28,649	17,571	24,309	22,515	**23,123**
Assets included in disposal group classified as held for sale	–	–	–	144,389	**–**
	139,958	120,941	139,141	224,339	**86,138**
Total assets	265,565	245,343	262,686	307,561	**160,021**
Current liabilities					
Financial liabilities					
– Borrowings	(22,673)	(11,420)	(11,113)	(12,734)	**(13,714)**
– Leases	(2,801)	(2,778)	(2,967)	(1,416)	**(1,264)**
– Derivative financial instruments	–	–	–	(62)	**(4)**
Contract liabilities	(1,334)	(3,297)	(3,312)	(2,426)	**(5,194)**
Trade and other payables	(62,424)	(55,522)	(69,526)	(21,000)	**(16,556)**
Current tax liabilities	(736)	(33)	(42)	(711)	**(131)**
Liabilities included in disposal group classified as held for sale	–	–	–	(101,566)	**–**
	(89,968)	(73,050)	(86,960)	(139,915)	**(36,863)**
Non-current liabilities					
Financial liabilities					
– Borrowings	(26,846)	(25,021)	(23,159)	(23,805)	**(5,206)**
– Leases	(12,777)	(11,171)	(12,458)	(6,128)	**(5,559)**
Deferred tax liabilities	(4,707)	(4,377)	(5,503)	(5,048)	**(4,447)**
Other non-current liabilities	(2,999)	(1,385)	(55)	(336)	**(71)**
	(47,329)	(41,954)	(41,175)	(35,317)	**(15,283)**
Total liabilities	(137,297)	(115,004)	(128,135)	(175,232)	**(52,146)**
Net assets	128,268	130,339	134,551	132,329	**107,875**

1 Restated for the change in accounting policy for configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS").

2 Restated for the adoption of IFRS 16 'Leases'.

3 Restated in relation to the recognition of revenue from customer contracts within the Engineering division.

4 Restated in relation to discontinued operations (note 39).

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 11.
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 11.
Net cash/(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 cash/(debt) is shown in note 34.
Operating cash flow	Cash generated from operating activities. This measure is shown on the face of the consolidated statement of cash flows and is shown below. Operating cash flow demonstrates how much cash is available for the Group to utilise for 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 production costs as well as 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 cash/(debt) to EBITDA	The ratio of net cash/(debt) to EBITDA is a measurement of leverage and reflects the Group's ability to service its debt. The calculation of net cash/(debt) to EBITDA is shown below.

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

Operating cash flow

	Continuing operations		
	2023 £'000	2022 £'000	Change
Cash generated from operating activities per the consolidated statement of cash flows	**2,121**	2,861	-25.9%

Gross margin

	Continuing operations		
	2023 £'000	2022 £'000	Change
Reported revenue	**143,214**	124,240	+15.3%
Reported gross profit	**32,290**	29,608	
Gross profit as a percentage of revenue	**22.5%**	23.8%	

Adjusted Group operating margin

	Continuing operations		
	2023 £'000	2022 £'000	Change
Reported operating profit	**1,951**	8,232	-76.3%
Adjusting items (note 5)	**5,999**	3,674	
Adjusted operating profit	**7,950**	11,906	-33.2%
Reported revenue	**143,214**	124,240	
Adjusted operating profit as a percentage of reported revenue	**5.6%**	9.6%	

Return on net assets

	2023 £'000	2022 (restated) £'000
Reported profit before taxation (continuing operations only)	**1,507**	7,566
Adjusting items (continuing operations only) (note 5)	**5,999**	3,674
Adjusted profit before taxation (continuing operations only)	**7,506**	11,240
Net assets per the consolidated balance sheet	**107,875**	132,329
Net assets of disposal group classified as held for sale (note 9)	**–**	(42,823)
Adjusted net assets (continuing operations only)	**107,875**	89,506
Adjusted profit before taxation as a percentage of adjusted net assets	**7.0%**	12.6%

Ratio of net cash/(debt) to EBITDA

	2023 £'000	2022 £'000
Adjusted EBITDA (continuing operations only) (note 2)	**10,945**	15,075
Net cash/(debt) (note 34)	**4,203**	(14,024)
Ratio of net cash/(debt) to adjusted EBITDA	**(0.38)**	0.93

DIRECTORY OF OPERATIONS

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Wälischmiller Engineering GmbH
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Markdorf, Germany
Tel: 0049 7544 95140

* joint venture company

DORMANT SUBSIDIARIES AT 2 SEPTEMBER 2023

Company Name	Registered and Located	Ownership
Carr's Group Corporate Trustee Ltd	England and Wales[1]	100%
Chirton Engineering Ltd	England and Wales[1]	100%
Conegar S.A.	Uruguay[2]	100%
Animax NZ Ltd	New Zealand[3]	100%

1 Registered Office address: Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA.
2 Registered Office address: Juncal 1305, Piso 18, Montevideo, Uruguay.
3 Registered Office address: RSM New Zealand (Auckland), Level 2, 62 Highbrook Drive, East Tamaki, Auckland 2013, New Zealand.

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