Carr's Group plc

Half Year Report

2014/15

Carr's
Group plc

Carr's Group plc is focussed on the principal activities of Agriculture, Food, and Engineering.

The Group's Agriculture business comprises retailing of farm machinery/supplies, and animal feed manufacture in the UK, USA, and Germany.

Carr's principal Food business is flour milling based in three UK locations.

Engineering comprises Carrs MSM, Bendalls, Chirton Engineering, and R Hind in the UK and Wälischmiller in Southern Germany.

Since the period end we announced our intention to change the Company name from Carr's Milling Industries PLC to Carr's Group plc, which the Board believes is a better descriptor of the Group's diverse international business. The new name was put to the shareholders at a General Meeting on 31 March and the resolution was passed. Consequently on 8 April 2015, the Company changed its name to Carr's Group plc, with a new London Stock Exchange TIDM (ticker) of "CARR" taking effect on 9 April 2015.

www.carrsgroup.com

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Interim Management Report

Introduction
The Group has delivered another record first half performance. This result clearly demonstrates the overall strength of the Group, with its international footprint and diversity of operations.

In Agriculture, our extensive product offering, coupled with international activity, has delivered a positive performance for the period, offsetting the challenges faced by a decline in UK farm incomes related to the fall in the farmgate milk price.

Engineering has seen signs of recovery in the UK nuclear sector during the period, which is expected to be beneficial in the medium term. Trading for the division is in line with expectations despite the continuing geopolitical changes in certain markets.

Food profitability continues to grow in line with expectations, building on last year's step change in performance.

Encouragingly, the second half of the year has started well, building on the momentum from the first half, and the Board remains confident of meeting its expectations for the full year.

Business review
During the 26 weeks ended 28 February 2015 the Group delivered an excellent set of results. Profit before tax increased by 5.4% to £10.6m (2014: £10.1m) on revenues of £208.6m (2014: £214.7m).

Group operating margins increased to 4.6% (2014: 4.3%), with Group operating profit of £9.6m (2014: £9.3m). The Group's share of profit after tax from associate and joint venture companies was £1.6m (2014: £1.5m).

Basic earnings per share increased by 9.0% from 7.8p to 8.5p as a result of the improved profit before taxation and a reduction in the UK tax rate.

Agriculture
International

The USA operations delivered an outstanding performance with growth in market share of our branded feed block products Smartlic® and Feed in a Drum®. The increase in feed block sales has been driven by a recovery in the beef industry, and our continuing investment in operations.

Investment in the redevelopment of the plant at Silver Springs, Nevada, continues and commissioning remains on track for late summer 2015. It is anticipated that the benefits of the redeveloped site will start to be realised in 2016.

The investment in the expansion of the AminoMax® facility in Watertown, New York State, which manufactures our patented rumen bypass protein for dairy cattle, is ongoing and sales have continued to grow in line with expectations.

Investment and increasing recognition of our research based branded products have delivered sales growth in the USA, which we anticipate continuing through the rest of this year and into 2016.

UK

UK operations have delivered a positive performance, particularly given the challenges in the UK agricultural sector, largely related to the pressures on farming income. Feed volumes have increased year on year and our branded feed blocks, Megastart® and QuattroMag®, have seen significant growth in sales driven by increased brand recognition and market share.

Continuing investment in our network of Country Stores has resulted in an increase in retail sales on last year. A new store at Selkirk, Scottish Borders, opened just after the period end, and there are plans to open a new store at Rothbury, Northumberland, in the second half. In addition, the two acquisitions in Wales, W M Nicholls & Company (Crickhowell) Ltd, which completed in October 2014, and B E Williams Ltd, which completed in July 2014, have been integrated into the network and benefits are now being realised. Our network of Country Stores is now 27 across England, Scotland and Wales. Machinery sales, workshops, and aftersales service departments have also delivered a robust performance with year on year improvement.

The oil division experienced a slow start following the benign autumn weather. However, the performance improved during the period resulting in a stronger performance year on year.

As a result of the pressure on farmgate milk prices, sales of AminoMax® were lower than expected during the latter part of the period. However, in the longer term, ongoing university led research and investment in this innovative product will assist in achieving our goal to become the leaders in dairy nutrition in the UK.

Food
Our three flour mills delivered an excellent performance during the period, building on last year's momentum. Flour sales volumes were higher than last year but, as a result of weaker commodity prices, revenue was lower.

The 2014 UK wheat harvest was large, however, bread making quality of home grown wheat was disappointing as a result of the below average protein levels. Once again the flexibility provided by the portside locations of our two northern mills has meant that we have been able to source consistently good quality wheat from both the UK and overseas.

The new Kirkcaldy mill, in Scotland, continues to exceed initial expectations through improved operational efficiencies and an uplift in volumes. Our ability to produce the highest quality flour, coupled with our continuing high levels of customer service, has led to growing customer confidence and satisfaction.

The Food division continues to concentrate on producing quality flour to meet the ever increasing technical and food safety standards of our customers. We are also looking to develop longer term strategic relationships with our customers and a shared approach to risk management in a period of continued commodity market and exchange rate volatility.

Engineering
The global political and economic conditions in some of the Engineering division's key markets are having an impact in this financial year and these uncertainties are expected to continue through 2015. This, together with a combination of research projects, product development, and contract mix, have adversely impacted on the result in the first half; nevertheless performance remains in line with expectations for the full year.

Wälischmiller continues its research and development programme; the Demo 2000 project, with Shell and Statoil in Norway, for the adaptation of Telbot® for use in gas tank inspection has progressed well and the site acceptance test is due to take place later this year. Despite geopolitical difficulties with Russia, in September 2014 Wälischmiller was awarded, and is in the process of completing, a €1.4m contract for a power manipulator for Russia with delivery due within the current financial year. Wälischmiller has been presented with a Certificate for Merit for Outstanding Contribution for the Telbot®, from the Japanese Society of Mechanical Engineers. The award was granted in recognition of Wälischmiller's continuous commitment to the development of remote handling technology in nuclear facilities.

Bendalls production of 33 pressure vessels for the BP Shah Deniz gas pipeline in Azerbaijan is continuing, with the first vessel delivered in March 2015. Delivery of the last vessel is now expected in spring 2016 as a result of delays in the project, however, additional customer requirements have led to an increase in the value of the contract to £9m. Furthermore, Bendalls has seen an increase in activity in the UK nuclear sector, which should increase the order book through 2016/2017.

Chirton Engineering Ltd, the precision machining business based in North Shields, has been integrated successfully into the Engineering division and has commenced the supply of machined parts for our manipulator and robotic business, Wälischmiller, in Markdorf, Germany. The decline in the oil price has had an adverse impact on some of Chirton's customers in the oil exploration sector, which in turn has resulted in a reduced order book in the short term; our other Engineering businesses have not been impacted by the decline. Chirton is expanding into the nuclear sector, and is currently awaiting the outcome of joint tenders with Bendalls. In March, Chirton moved into its new factory premises, which increases the production space and enables investment in additional state of the art machinery.

The UK based remote handling business, Carrs MSM, performed well in the first half and the order book is strong with the new additional £1.7m contract for master slave manipulators, for Sellafield, due to commence later this year.

Finance

Net debt at 28 February 2015 was £26.0m (2014: £25.3m), compared to £24.6m at 30 August 2014. The increase is due to seasonal variations in working capital, capital expenditure and acquisitions.

The Group's defined benefit pension scheme remains in surplus, although the surplus reduced to £1.2m from £2.1m at 30 August 2014.

Shareholders' Equity

Shareholders' equity at 28 February 2015 increased by £3.9m to £83.6m (30 August 2014: £79.7m), due mainly to the profit retained by the Group in the period.

On 14 January 2015 the Company underwent a ten-for-one share split following approval at the AGM. Comparative figures have been restated to reflect the split.

Dividend

A first interim dividend of 0.925 pence per share (2014 restated: 0.85 pence per share), an increase of 8.8%, will be paid on 15 May 2015 to shareholders on the register on 24 April 2015. The ex-dividend date will be 23 April 2015.

Principal Risks and Uncertainties

The Group has a process in place to identify and assess the impact of risks on its business, and an exercise to update this is undertaken at least annually. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 14 and 15 of the Annual Report and Accounts 2014.

A summary of the principal risks and uncertainties is given below.

- Safety, failure to act safely and maintain the safe and continuous operation of our facilities
- Failure to attract, develop and retain key personnel
- Non-compliance with legislation and regulation
- Commodity costs
- Failure to protect intellectual property
- Competitor activity
- Brand and reputation
- Failure to maintain an effective system of internal financial controls

Board Changes

On 1 April 2015 John Worby joined the Board as a Non-Executive Director. John will become the Chairman of the Audit Committee (replacing Robert Heygate) and the Senior Independent Director (replacing Alistair Wannop) on 1 May 2015. Both Robert and Alistair will continue as Non-Executive Directors of the Company. John has held a number of senior positions within FTSE 250 companies. He is currently a Non-Executive Director of Fidessa plc, and Senior Independent Director of Connect Group plc. Previously, John was Finance Director of Genus plc, a role from which he retired in 2013, Non-Executive Director of Cranswick plc for nine years until July 2014, and Finance Director and Deputy Chairman of Uniq plc from 1987 until 2003. He is a chartered accountant and a member of the Financial Reporting Review Panel.

Outlook

The Group's vision is to be recognised as a truly international business at the forefront of innovation and technology; the record first half performance of the Group demonstrates the progress in delivering our ambition. Whilst certain volatile conditions in some of our markets may continue, the programme of investment across all divisions, both in the UK and internationally, provides a platform for further growth and future success of the Group. In addition to organic growth, we maintain our commitment to finding acquisition opportunities to complement the Group.

Trading in the second half has started positively, and the Board remains confident in achieving the full year result in line with its expectations. Looking forward, it is the ongoing commitment to investment in our asset base, and research and technology, coupled with our geographic and operational diversity, which sets us apart from our peers and ensures the continuing development and strength of the Group.

Tim Davies
Chief Executive
13 April 2015

Unaudited Consolidated Income Statement for the 26 weeks ended 28 February 2015

	Notes	**26 weeks ended 28 February 2015 £'000**	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Continuing operations				
Revenue	6	**208,638**	214,719	428,956
Cost of sales		**(179,535)**	(186,096)	(378,670)
Gross profit		**29,103**	28,623	50,286
Net operating expenses		**(19,461)**	(19,333)	(34,859)
Group operating profit	6	**9,642**	9,290	15,427
Finance income		**100**	152	264
Finance costs		**(717)**	(862)	(1,624)
Share of post-tax profit in associate and joint ventures		**1,586**	1,492	2,486
Profit before taxation	6	**10,611**	10,072	16,553
Taxation		**(2,208)**	(2,348)	(3,660)
Profit for the period		**8,403**	7,724	12,893
Profit attributable to:				
Equity shareholders		**7,626**	6,888	11,372
Non-controlling interests		**777**	836	1,521
		8,403	7,724	12,893
Earnings per share (pence)				
Basic	7	**8.5**	7.8	12.8
Diluted	7	**8.2**	7.6	12.3
Adjusted	7	**8.7**	7.8	13.1
Diluted adjusted	7	**8.3**	7.6	12.6

Unaudited Consolidated Statement of Comprehensive Income for the 26 weeks ended 28 February 2015

	Notes	**26 weeks ended 28 February 2015 £'000**	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Profit for the period		**8,403**	7,724	12,893
Other comprehensive (expense)/income				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange translation losses arising on translation of overseas subsidiaries		**(157)**	(632)	(950)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses)/gains on retirement benefit obligation:				
- Group	12	**(1,959)**	(138)	3,209
- Share of associate		**—**	57	(619)
Taxation credit/(charge) on actuarial movement on retirement benefit obligation:				
- Group		**392**	28	(642)
- Share of associate		**—**	(11)	124
Other comprehensive (expense)/income for the period, net of tax		**(1,724)**	(696)	1,122
Total comprehensive income for the period		**6,679**	7,028	14,015
Total comprehensive income attributable to:				
Equity shareholders		**5,902**	6,192	12,494
Non-controlling interests		**777**	836	1,521
		6,679	7,028	14,015

Unaudited Consolidated Balance Sheet as at 28 February 2015

	Notes	As at 28 February 2015 £'000	As at 1 March 2014 £'000	As at 30 August 2014 £'000
Non-current assets				
Goodwill	9	**10,040**	5,214	9,798
Other intangible assets	9	**454**	535	499
Property, plant and equipment	9	**56,629**	54,321	56,626
Investment property	9	**646**	665	656
Investment in associate		**7,788**	6,787	6,883
Interest in joint ventures		**5,493**	4,425	4,836
Other investments		**88**	70	77
Financial assets				
- Non-current receivables		**501**	1,002	501
Retirement benefit asset	12	**1,198**	—	2,056
Deferred tax assets		**1,085**	1,986	1,507
		83,922	75,005	83,439
Current assets				
Inventories		**36,872**	38,381	33,315
Trade and other receivables		**68,482**	68,613	63,623
Current tax assets		**330**	—	47
Financial assets				
- Derivative financial instruments		**108**	15	—
- Cash and cash equivalents	10	**17,943**	16,362	17,268
		123,735	123,371	114,253
Total assets		**207,657**	198,376	197,692
Current liabilities				
Financial liabilities				
- Borrowings	10	**(16,079)**	(29,707)	(19,688)
- Derivative financial instruments		**(73)**	(59)	(15)
Trade and other payables		**(56,958)**	(58,768)	(54,236)
Current tax liabilities		**(1,132)**	(2,772)	(1,631)
		(74,242)	(91,306)	(75,570)
Non-current liabilities				
Financial liabilities				
- Borrowings	10	**(27,876)**	(11,906)	(22,189)
Retirement benefit obligation	12	**—**	(2,434)	—
Deferred tax liabilities		**(4,123)**	(3,966)	(4,111)
Other non-current liabilities		**(6,848)**	(5,585)	(5,995)
		(38,847)	(23,891)	(32,295)
Total liabilities		**(113,089)**	(115,197)	(107,865)
Net assets		**94,568**	83,179	89,827
Shareholders' equity				
Share capital	13	**2,237**	2,224	2,235
Share premium	13	**8,498**	8,197	8,453
Equity compensation reserve		**904**	561	640
Foreign exchange reserve		**(692)**	(217)	(535)
Other reserve		**869**	882	875
Retained earnings		**71,789**	62,070	67,996
Total shareholders' equity		**83,605**	73,717	79,664
Non-controlling interests		**10,963**	9,462	10,163
Total equity		**94,568**	83,179	89,827

Unaudited Consolidated Statement of Changes in Equity for the 26 weeks ended 28 February 2015

	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 31 August 2014	**2,235**	**8,453**	**640**	**(535)**	**875**	**67,996**	**79,664**	**10,163**	**89,827**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**7,626**	**7,626**	**777**	**8,403**
Other comprehensive expense	**—**	**—**	**—**	**(157)**	**—**	**(1,567)**	**(1,724)**	**—**	**(1,724)**
Total comprehensive (expense)/income	**—**	**—**	**—**	**(157)**	**—**	**6,059**	**5,902**	**777**	**6,679**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(2,280)**	**(2,280)**	**—**	**(2,280)**
Equity-settled share based payment transactions, net of tax	**—**	**—**	**264**	**—**	**—**	**8**	**272**	**23**	**295**
Allotment of shares	**2**	**45**	**—**	**—**	**—**	**—**	**47**	**—**	**47**
Transfer	**—**	**—**	**—**	**—**	**(6)**	**6**	**—**	**—**	**—**
At 28 February 2015	**2,237**	**8,498**	**904**	**(692)**	**869**	**71,789**	**83,605**	**10,963**	**94,568**
At 1 September 2013 (restated)	2,223	8,183	326	415	888	57,396	69,431	8,610	78,041
Profit for the period	—	—	—	—	—	6,888	6,888	836	7,724
Other comprehensive expense	—	—	—	(632)	—	(64)	(696)	—	(696)
Total comprehensive (expense)/income	—	—	—	(632)	—	6,824	6,192	836	7,028
Dividends paid	—	—	—	—	—	(2,156)	(2,156)	—	(2,156)
Equity-settled share based payment transactions, net of tax	—	—	235	—	—	—	235	16	251
Allotment of shares	1	14	—	—	—	—	15	—	15
Transfer	—	—	—	—	(6)	6	—	—	—
At 1 March 2014	2,224	8,197	561	(217)	882	62,070	73,717	9,462	83,179
At 1 September 2013 (restated)	2,223	8,183	326	415	888	57,396	69,431	8,610	78,041
Profit for the period	—	—	—	—	—	11,372	11,372	1,521	12,893
Other comprehensive (expense)/income	—	—	—	(950)	—	2,072	1,122	—	1,122
Total comprehensive (expense)/income	—	—	—	(950)	—	13,444	12,494	1,521	14,015
Dividends paid	—	—	—	—	—	(2,912)	(2,912)	—	(2,912)
Equity-settled share based payment transactions, net of tax	—	—	314	—	—	55	369	32	401
Allotment of shares	12	270	—	—	—	—	282	—	282
Transfer	—	—	—	—	(13)	13	—	—	—
At 30 August 2014	2,235	8,453	640	(535)	875	67,996	79,664	10,163	89,827

Unaudited Consolidated Statement of Cash Flows for the 26 weeks ended 28 February 2015

	Notes	26 weeks ended 28 February 2015 £'000	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Cash flows from operating activities				
Cash generated from operations	15	**6,368**	5,138	17,125
Interest received		**96**	157	275
Interest paid		**(687)**	(858)	(1,668)
Tax paid		**(1,571)**	(746)	(3,226)
Net cash generated from operating activities		**4,206**	3,691	12,506
Cash flows from investing activities				
Acquisition of subsidiaries (net of overdraft/cash acquired)		**(1,246)**	—	(3,649)
Investment in joint venture		**—**	(718)	(965)
Loan repaid by/(paid to) joint ventures		**76**	(194)	(159)
Loan repaid by associate		**—**	—	225
Other loans		**270**	(269)	(270)
Purchase of intangible assets		**(3)**	(6)	(57)
Proceeds from sale of property, plant and equipment		**313**	170	738
Purchase of property, plant and equipment		**(2,517)**	(3,479)	(7,201)
Purchase of investments		**(10)**	—	—
Disposal of investment		**—**	29	32
Redemption of preference shares in joint venture		**—**	—	150
Net cash used in investing activities		**(3,117)**	(4,467)	(11,156)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**48**	15	283
Net proceeds from issue of new bank loans/RCF drawdown		**8,104**	—	2,731
Finance lease principal repayments		**(1,171)**	(1,164)	(2,325)
Repayment of loan from related party		**—**	—	(225)
Repayment of borrowings		**(4,198)**	(6,460)	(7,077)
(Decrease)/increase in other borrowings		**(1,171)**	3,502	2,256
Dividends paid to shareholders		**(2,280)**	(2,156)	(2,912)
Receipt of grant income		**300**	350	450
Net cash used in financing activities		**(368)**	(5,913)	(6,819)
Effects of exchange rate changes		**(107)**	20	(181)
Net increase/(decrease) in cash and cash equivalents		**614**	(6,669)	(5,650)
Cash and cash equivalents at beginning of the period		**17,025**	22,675	22,675
Cash and cash equivalents at end of the period		**17,639**	16,006	17,025
Cash and cash equivalents consist of:				
Cash and cash equivalents per the balance sheet		**17,943**	16,362	17,268
Bank overdrafts included in borrowings		**(304)**	(356)	(243)
		17,639	16,006	17,025

Statement of Directors' Responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors are listed in the Annual Report and Accounts 2014. There have been no changes to the Board of Directors in the financial period. Changes to the Board of Directors since the period end are discussed in the Board Changes section of this report. A list of current Directors is maintained on the website: www.carrsgroup.com

On behalf of the Board

Tim Davies
Chief Executive
13 April 2015

Neil Austin
Group Finance Director
13 April 2015

Notes to Condensed Interim Financial Information

1. General information

The Group operates across three divisions of Agriculture, Food, and Engineering. The Company is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is Old Croft, Stanwix, Carlisle, Cumbria, CA3 9BA.

These condensed interim financial statements were approved for issue on 13 April 2015.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 30 August 2014 were approved by the Board of Directors on 12 November 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. Basis of preparation

These condensed interim financial statements for the 26 weeks ended 28 February 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the 52 weeks ended 30 August 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors have made suitable enquiries, and based on financial performance to date and available banking facilities they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Taxes on income in the interim periods are accrued based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 30 August 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 August 2014. There have been no changes in risk management practices since the year end.

6. Operating segment information

The Group's chief operating decision-maker ("CODM") has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from a product/services perspective. Operating segments have been identified as Agriculture, Food and Engineering. Performance is assessed using profit before taxation, which is measured in a manner consistent with the financial statements. Sales between segments are carried out at arm's length.

Amounts classified as 'other' represents non-reportable segments and consolidation adjustments.

Segment assets included within 'other' comprise all non-current assets together with current assets which are not reported on a segment basis to the CODM.

The following tables present revenue, profit and asset information regarding the Group's operating segments for the 26 weeks ended 28 February 2015 and the comparative periods.

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
26 weeks ended 28 February 2015					
Total segment revenue	149,769	41,698	17,216	24	208,707
Inter segment revenue	(43)	–	(26)	–	(69)
Revenue from external customers	149,726	41,698	17,190	24	208,638
EBITDA[1]	8,522	2,669	2,076	(1,017)[2]	12,250
Depreciation of property, plant and equipment	(1,071)	(952)	(440)	(63)	(2,526)
Depreciation of investment property	–	(2)	–	(8)	(10)
Profit on the disposal of property, plant and equipment	19	–	16	–	35
Amortisation of intangible assets	(47)	(8)	(52)	–	(107)
Operating profit	7,423	1,707	1,600	(1,088)[2]	9,642
Finance income	22	–	1	77	100
Finance costs	(436)	(358)	(122)	199	(717)
	7,009	1,349	1,479	(812)	9,025
Share of post-tax profit of associate	904	–	–	–	904
Share of post-tax profit of joint ventures	682	–	–	–	682
Profit before taxation	8,595	1,349	1,479	(812)	10,611
Segment assets	64,785	15,460	14,240	113,172	207,657

1 Earnings before interest, tax, depreciation and amortisation (and before profit on the disposal of property, plant and equipment)
2 Includes Head Office net expense of £(520,000) and retirement benefit charge of £(248,000)

6. Operating segment information (continued)

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
26 weeks ended 1 March 2014					
Total segment revenue	159,987	44,756	10,027	24	214,794
Inter segment revenue	(51)	—	(24)	—	(75)
Revenue from external customers	159,936	44,756	10,003	24	214,719
EBITDA[1]	8,211	2,428	2,182	(1,144)[3]	11,677
Depreciation of property, plant and equipment	(1,079)	(968)	(286)	(64)	(2,397)
Depreciation of investment property	—	(2)	—	(8)	(10)
Profit on the disposal of property, plant and equipment	91	—	—	—	91
Amortisation of intangible assets	(3)	(8)	(60)	—	(71)
Operating profit	7,220	1,450	1,836	(1,216)[3]	9,290
Finance income	38	1	2	111	152
Finance costs	(470)	(417)	(36)	61	(862)
	6,788	1,034	1,802	(1,044)	8,580
Share of post-tax profit of associate	942	—	—	—	942
Share of post-tax profit of joint ventures	550	—	—	—	550
Profit before taxation	8,280	1,034	1,802	(1,044)	10,072
Segment assets	65,416	18,635	12,055	102,270	198,376

3 Includes Head Office net expense of £(742,000) and retirement benefit charge of £(444,000)

	Agriculture £'000	Food £'000	Engineering £'000	Other £'000	Group £'000
52 weeks ended 30 August 2014					
Total segment revenue	315,019	87,107	26,939	47	429,112
Inter segment revenue	(94)	(1)	(61)	—	(156)
Revenue from external customers	314,925	87,106	26,878	47	428,956
EBITDA[1]	12,563	4,955	4,618	(1,719)[4]	20,417
Depreciation of property, plant and equipment	(2,215)	(1,856)	(690)	(121)	(4,882)
Depreciation of investment property	—	(4)	—	(15)	(19)
Profit/(loss) on the disposal of property, plant and equipment	102	(6)	8	—	104
Amortisation of intangible assets	(56)	(17)	(120)	—	(193)
Operating profit	10,394	3,072	3,816	(1,855)[4]	15,427
Finance income	88	2	3	171	264
Finance costs	(897)	(784)	(107)	164	(1,624)
	9,585	2,290	3,712	(1,520)	14,067
Share of post-tax profit of associate	1,579	—	—	—	1,579
Share of post-tax profit of joint ventures	907	—	—	—	907
Profit before taxation	12,071	2,290	3,712	(1,520)	16,553
Segment assets	59,372	17,245	11,679	109,396	197,692

4 Includes Head Office net expense of £(753,000) and retirement benefit charge of £(687,000)

7. Earnings per share

Non-recurring items and amortisation that are charged or credited to profit do not relate to the profitability of the Group on an ongoing basis. Therefore an adjusted earnings per share is presented as follows:

	26 weeks ended 28 February 2015 £'000	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Earnings	**7,626**	6,888	11,372
Amortisation and non-recurring items:			
Amortisation of intangible assets	**107**	71	193
Tax relief on amortisation	**(26)**	(19)	(50)
Acquisition related costs[1]	**35**	—	123
Earnings - adjusted	**7,742**	6,940	11,638
	Number	Number[2]	Number[2]
Weighted average number of ordinary shares in issue	**89,433,051**	88,911,088	88,995,250
Potentially dilutive share options	**3,306,934**	2,319,970	3,257,729
	92,739,985	91,231,058	92,252,979
Earnings per share (pence)[2]			
Basic	**8.5p**	7.8p	12.8p
Diluted	**8.2p**	7.6p	12.3p
Adjusted	**8.7p**	7.8p	13.1p
Diluted adjusted	**8.3p**	7.6p	12.6p

1 Disallowable for tax purposes
2 Restated for the effect of the 10:1 share split in January 2015

8. Dividends

An interim dividend of £759,943 that relates to the period to 30 August 2014 was paid on 10 October 2014, and a final dividend of £1,520,449 was paid on 16 January 2015.

In addition, an interim dividend of 0.925p per share (2014 restated: 0.85p per share) has been approved by the Directors. It is payable to shareholders on the register at 24 April 2015. This interim dividend, amounting to £829,541 (2014: £755,892), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 29 August 2015.

9. Intangible assets, property, plant and equipment and investment property

	Goodwill £'000	Other intangible assets £'000	Property, plant and equipment £'000	Investment property £'000
26 weeks ended 28 February 2015				
Opening net book amount at 31 August 2014	**9,798**	**499**	**56,626**	**656**
Exchange differences	**2**	**(22)**	**(322)**	**—**
Subsidiaries acquired	**240**	**81**	**139**	**—**
Additions	**—**	**3**	**2,941**	**—**
Disposals	**—**	**—**	**(229)**	**—**
Depreciation and amortisation	**—**	**(107)**	**(2,526)**	**(10)**
Closing net book amount at 28 February 2015	**10,040**	**454**	**56,629**	**646**
26 weeks ended 1 March 2014				
Opening net book amount at 1 September 2013	5,215	615	53,068	675
Exchange differences	(1)	(15)	(343)	—
Additions	—	6	4,072	—
Disposals	—	—	(79)	—
Depreciation and amortisation	—	(71)	(2,397)	(10)
Closing net book amount as at 1 March 2014	5,214	535	54,321	665

Capital commitments contracted, but not provided for, by the Group at the period end amounts to £1,412,000 (2014: £1,894,000).

10. Borrowings and loans

	As at 28 February 2015 £'000	As at 1 March 2014 £'000	As at 30 August 2014 £'000
Current	**16,079**	29,707	19,688
Non-current	**27,876**	11,906	22,189
Total borrowings and loans	**43,955**	41,613	41,877
Cash and cash equivalents	**(17,943)**	(16,362)	(17,268)
Net debt	**26,012**	25,251	24,609
Undrawn committed facilities	**19,386**	21,630	17,449

10. Borrowings and loans (continued)

Movements in borrowings are analysed as follows:

	£'000
26 weeks ended 28 February 2015	
Opening amount as at 31 August 2014	**41,877**
New bank loans and finance leases	**8,541**
Finance lease principal repayments	**(1,171)**
Repayments of borrowings	**(4,198)**
Decrease in other borrowings	**(1,171)**
Release of deferred borrowing costs	**16**
Net increase to bank overdraft	**61**
Closing amount as at 28 February 2015	**43,955**
26 weeks ended 1 March 2014	
Opening amount as at 1 September 2013	44,993
New bank loans and finance leases	573
Finance lease principal repayments	(1,164)
Repayments of borrowings	(6,460)
Increase in other borrowings	3,502
Release of deferred borrowing costs	22
Net increase to bank overdraft	147
Closing amount as at 1 March 2014	41,613

11. Financial instruments

IFRS13 requires financial instruments that are measured at fair value to be classified according to the valuation technique used:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3 – unobservable inputs

All derivative financial instruments are measured at fair value using Level 2 inputs. The Group's bankers provide the valuations for the derivative financial instruments at each reporting period end based on mark to market valuation techniques.

The Group holds shares in several private limited companies. These have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost less accumulated impairment. Had fair value been applied this financial asset would have been Level 3.

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.

12. Retirement benefit asset/(obligation)

The amounts recognised within the Income Statement were as follows:

	26 weeks ended 28 February 2015 £'000	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Service cost – including current service costs, past service costs and settlements	**149**	282	430
Service cost – administrative cost	**153**	102	170
Net interest on the net defined benefit liability	**(54)**	60	87
	248	444	687

The amounts recognised in the Balance Sheet were as follows:

	As at 28 February 2015 £'000	As at 1 March 2014 £'000	As at 30 August 2014 £'000
Present value of defined benefit obligations	**(66,136)**	(61,288)	(61,948)
Fair value of scheme assets	**67,334**	58,854	64,004
Surplus/(deficit) in the balance sheet	**1,198**	(2,434)	2,056

Actuarial losses of £1,959,000 (2014: £138,000) have been reported in the Statement of Comprehensive Income. Since 30 August 2014 market conditions have caused a reduction in the net discount rates used to value the liabilities. This was partly offset by contributions to meet the funding deficit and higher than expected investment returns over the period.

The Group's associate's defined benefit pension scheme is closed to future service accrual and the valuation for this scheme has not been updated for the half year as any actuarial movements are not considered to be material.

13. Share capital

Allotted and fully paid ordinary shares of 2.5p each	**Number of shares[1]**	**Share capital £'000**	**Share premium £'000**	**Total £'000**
Opening balance as at 31 August 2014	**89,401,900**	**2,235**	**8,453**	**10,688**
Proceeds from shares issued:				
- share option scheme	**90,000**	**2**	**41**	**43**
- share save scheme	**8,190**	**—**	**4**	**4**
At 28 February 2015	**89,500,090**	**2,237**	**8,498**	**10,735**
Opening balance at 1 September 2013	88,902,300	2,223	8,183	10,406
Proceeds from shares issued:				
- share save scheme	26,220	1	14	15
At 1 March 2014	88,928,520	2,224	8,197	10,421

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

Employee share schemes: options exercised during the period to 28 February 2015 resulted in 8,190 shares being issued (2014: 26,220 shares), with exercise proceeds of £4,685 (2014: £14,998) under the share save scheme and 90,000 shares being issued (2014: nil), with exercise proceeds of £42,840 (2014: £nil) under the approved share option scheme. The related weighted average price of the shares exercised was £0.572 (2014: £0.572) per share and £0.476 (2014: £nil) respectively.

Since the period end there was a further allotment of 180,000 shares with a nominal value of £4,500 due to the exercise of share options.

14. Acquisition

On 20 October 2014 Carrs Billington Agriculture (Sales) Limited acquired the entire issued share capital of Wm Nicholls & Company (Crickhowell) Limited. As a condition of this acquisition the assets and liabilities not required by the Group were sold back to the vendor. The net cash consideration for this entire transaction was £1,032,000, of which £55,000 remains unpaid at the period end.

The principal activity of the acquired business of Wm Nicholls & Company (Crickhowell) Limited is that of an agricultural merchant.

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

Goodwill reflects the value of the employees, which under IFRS should not be recorded as a separately identifiable intangible asset.

Revenue of £1,174,000 and profit before taxation of £40,000 has been generated since the date of acquisition.

Acquisition related costs amounted to £35,000 have been recognised within administrative expenses in the consolidated income statement.

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

	Provisional fair value £'000
Intangible assets	81
Property, plant and equipment	139
Inventories	188
Receivables	793
Overdraft	(269)
Payables	(84)
Current tax	(40)
Deferred tax	(16)
Net assets acquired	792
Goodwill	240
	1,032
Satisfied by:	
Cash consideration (including £55,000 unpaid by the period end)	1,032

Intangible assets represents the fair value of customer relationships.

Had the acquisition of Wm Nicholls & Company (Crickhowell) Limited occurred at the beginning of the accounting period the Group's revenue and profit before taxation for the period would not be materially different to the amounts actually recognised in the consolidated income statement.

15. Cash generated from operations

	26 weeks ended 28 February 2015 £'000	26 weeks ended 1 March 2014 £'000	52 weeks ended 30 August 2014 £'000
Profit for the period from operations	**8,403**	7,724	12,893
Adjustments for:			
Tax	**2,208**	2,348	3,660
Tax credit in respect of R&D	**(489)**	—	(102)
Depreciation of property, plant and equipment	**2,526**	2,397	4,882
Depreciation of investment property	**10**	10	19
Intangible asset amortisation	**107**	71	193
Profit on disposal of property, plant and equipment	**(35)**	(91)	(104)
Amortisation of grants	**(130)**	(25)	(54)
Net fair value loss on share based payments	**295**	251	401
Net foreign exchange differences	**(54)**	69	160
Net fair value (gains)/losses on derivative financial instruments in operating profit	**(50)**	38	9
Finance costs:			
Interest income	**(100)**	(152)	(264)
Interest expense and borrowing costs	**733**	884	1,679
Share of profit from associate and joint ventures	**(1,586)**	(1,492)	(2,486)
IAS19 income statement credit in respect of employer contributions	**(1,349)**	(1,420)	(2,806)
IAS19 income statement charge	**248**	444	687
Changes in working capital (excluding the effects of acquisitions):			
(Increase)/decrease in inventories	**(3,418)**	(4,936)	807
(Increase)/decrease in receivables	**(4,168)**	(1,749)	4,880
Increase/(decrease) in payables	**3,217**	767	(7,329)
Cash generated from operations	**6,368**	5,138	17,125

16. Related party transactions

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2014.

Transactions and balances with the associate and joint ventures were all undertaken on an arm's length basis in the normal course of business and are as follows:

	Sales to £'000	**Purchases from £'000**	**Rent receivable from £'000**	**Net management charges (to)/from £'000**	**Amounts owed from £'000**	**Amounts owed to £'000**
26 weeks to 28 February 2015						
Associate	**550**	**(48,279)**	**9**	**(14)**	**1,221**	**(17,369)**
Joint ventures	**72**	**(592)**	**—**	**63**	**3,668**	**(39)**
26 weeks to 1 March 2014						
Associate	636	(52,771)	9	22	1,379	(16,862)
Joint ventures	27	(235)	—	55	3,607	(1)

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