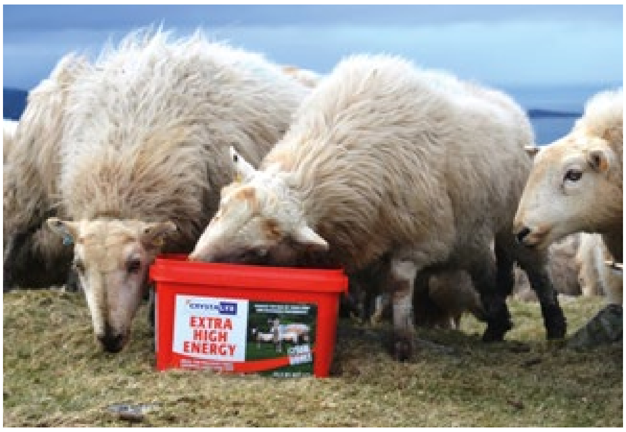
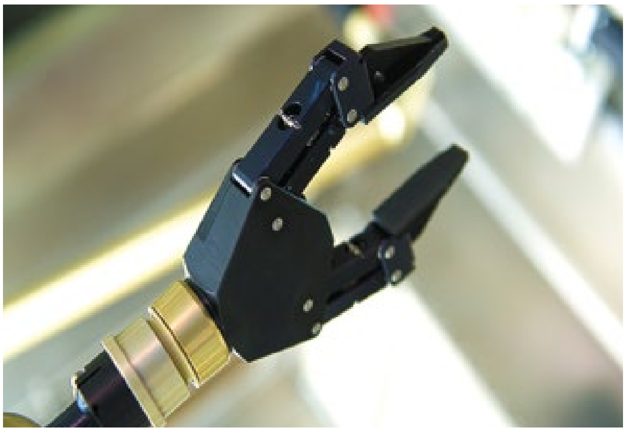
FOCUSING ON GROWTH IN OUR CORE MARKETS

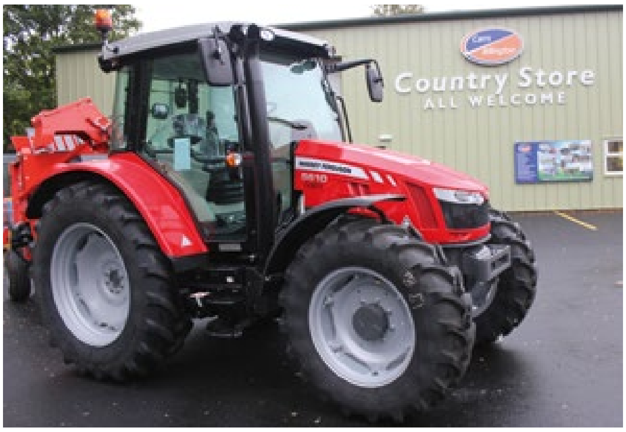
HALF YEAR REPORT 2016/17

CARR'S GROUP PLC IS FOCUSED ON THE PRINCIPAL ACTIVITIES OF AGRICULTURE AND ENGINEERING.

Carr's Group plc is an international business operating across Agriculture and Engineering, supplying over 35 countries around the world.







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The Agriculture division comprises an international feed block supplement business with manufacturing locations in the USA, UK and Europe. In the UK the division also sells animal feed, fertiliser, animal health products, oil, farm machinery and rural supplies from its 41 locations.

The Engineering division designs, manufactures and supplies specialist precision parts, equipment, robotics and remote handling products from three sites in the UK and one site in Germany. These highly specialised products and services are supplied predominately into the nuclear and oil and gas markets.

The Group is listed on the London Stock Exchange.

Interim Management Report

INTRODUCTION

Carr's has delivered results that are ahead of the prior year (before exceptional items), despite the continuation of tough trading conditions in some of its key markets. The Board's expectations for the full year remain unchanged from that detailed in the Company's recent trading update published on 30 March 2017.

BUSINESS REVIEW

During the 26 weeks ended 4 March 2017 the Group delivered a resilient performance. Group revenues were £176.8m, up 15.3% from the prior year (H1 2016 continuing operations: £153.4m), primarily due to commodity price movements. Profit before tax (before exceptional items) increased by 4.8% to £8.9m (H1 2016 continuing operations: £8.5m); profit before tax after exceptional items was £8.3m (H1 2016 continuing operations: £8.5m). Exceptional items of £0.6m (H1 2016: £nil) relate to business combination expenses and restructuring costs.

Group operating profit (before exceptional items) of £7.5m (H1 2016 continuing operations: £7.5m) was 0.9% ahead of the prior year, but was 7.6% behind the prior year after exceptional items at £6.9m. The Group's share of profit after tax from associate and joint venture companies was up 20.0% on the prior year to £1.7m (H1 2016: £1.4m).

Basic earnings per share decreased by 3.0% from 6.6p to 6.4p, as a result of the impact of exceptional items. On an adjusted basis, earnings per share increased by 6.0% to 7.1p (H1 2016 continuing operations: 6.7p).

AGRICULTURE

The Agriculture division has reported operating profit of £7.3m (H1 2016: £7.0m), up 4.9% and ahead of the Board's expectations for the half year. This is a resilient performance driven by a strong UK result but partially offset by lower profits in the USA.

UK

UK Agriculture has continued its strong start to the year, despite the market for compound feed and blend volumes contracting by 1%-2% and margins remaining under pressure. Set against this backdrop we have continued to outperform the market increasing our volumes by 11.6% as we continue to gain market share.

Feed block sales have performed particularly well in the UK, with sales volumes 6.0% ahead of the prior year.

Despite another relatively mild autumn and winter, the fuel distribution business has performed well, with sales volumes 0.9% ahead of the prior year and machinery sales, often regarded as a barometer of farmer confidence, 43.4% ahead of the prior year.

Our retail business has also performed well, with like-for-like sales 3.8% ahead of the prior year. This reflects our continuing store improvement programme and our ever improving offer to our core farming customers. A new store in Penicuik, East Midlothian, opened in December 2016 which takes our total retail footprint to 41 locations.

It is pleasing to report that the challenging UK farming environment experienced in the last couple of years is showing signs of abating, helped significantly by improvements in the farmgate milk price, and while it remains at early stages we are optimistic about the year ahead for the UK farming community.

International

The strong performance in the UK market is in contrast to the performance in the USA, where the market pressure from lower cattle prices has impacted both volumes and margins of SmartLic® and Feed in a Drum®, with sales volumes down 10.1% year on year. Despite these challenges, and in readiness for the anticipated market recovery, our plans to construct a low moisture block plant in Shelbyville, Tennessee, are progressing well. Once operational, the plant will provide access to new markets across eastern US states.

The higher level of confidence that has benefited the UK Agriculture business in H1 looks set to continue during H2, however this will only partially mitigate the full year impact of the USA cattle market pressures on the division's performance.

ENGINEERING

As previously reported, the Engineering division had a slower than expected start to the year, mainly due to a significant contract delay in the UK Manufacturing business. Operating profit (before exceptional items) was £0.3m (H1 2016: £0.5m), down £0.2m year on year. Overall, revenues generated from the nuclear business represented 71% of the total, against 55.4% in the prior year.

UK Manufacturing

The performance of the UK manufacturing business has been affected by a significant contract delay and, as previously announced on 30 March 2017, the Group has only been partially successful in its measures to mitigate the impact of this delay through cost cutting, winning new business and accelerating the existing order book.

Management will remain focussed on continuing to maximise throughput within the production facilities. The pipeline in the medium term is looking strong, with the benefit of the Sellafield Vessels and Tanks Framework contract awarded in 2016 expected to begin during 2018.

Remote Handling

The remote handling businesses have started well and are ahead of expectations. Some large orders have been won for the supply of power manipulators into China, with manufacturing activity largely taking place during the second half. This is particularly encouraging given the potential for this market. The integration of the recently acquired STABER GmbH is progressing well, and consequently we have taken the decision to extend the premises in Markdorf, Germany, to fully integrate the two businesses and to provide additional flexibility and capacity into our production facilities in Germany.

BALANCE SHEET AND CASHFLOW

Net cash generated from operating activities was strong in the first half at £5.2m (H1 2016: £1.3m). Net debt has risen to £11.5m from a net cash position of £8.1m at the 2016 financial year end. In addition to seasonal working capital movements, this is primarily due to the payment of a special dividend of 17.54p per share in October 2016, totalling £16.0m, and the acquisition of STABER GmbH in October 2017, for an initial consideration of €5.85m.

The Group's defined benefit pension scheme remains in surplus and this increased from £0.3m at 3 September 2016 to £5.7m at 4 March 2017.

SHAREHOLDERS' EQUITY

Shareholders' equity at 4 March 2017 was £90.0m (3 September 2016: £96.7m), with the reduction primarily due to the payment of the special dividend of £16.0m in October 2016 offset by profit retained by the Group for the period.

DIVIDEND

A first interim dividend of 0.95 pence per ordinary share (2016: 0.95 pence per ordinary share) will be paid on 12 May 2017 to shareholders on the register on 21 April 2017. The ex-dividend date will be 20 April 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a process in place to identify and assess the impact of risks on its business, which is reviewed and updated quarterly. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 14 to 16 of the Annual Report and Accounts 2016.

The principal risks and uncertainties are as follows:

- Safety
- Business Continuity
- People
- Commodity Costs
- Product Innovation Risk
- Strategic Partners
- Treasury
- Acquisitions
- Customer Demand
- Reliance on Key Customers
- Reliance on Key Ingredients
- Defined Benefit Pension Scheme
- Brexit

OUTLOOK

As previously announced, the second half performance will be affected by a combination of the contract delay in UK Manufacturing and depressed USA cattle prices impacting our USA feed block operations.

Despite these short-term setbacks, we are seeing recovery in the UK agricultural markets and are encouraged by the medium term outlook for our businesses operating in the nuclear sector. Overall, the Group continues to benefit from geographic and operational diversity.

The Group is focused on growth, both through the organic development of its businesses and selective acquisitions, and is committed to driving innovation through research and development to ensure it remains at the forefront of all the markets in which it operates.

Further to the trading update released on 30 March 2017, the Board's revised expectations for the full year remain unchanged.

TJ Davies

TIM DAVIES
Chief Executive
12 April 2017

Unaudited Consolidated Income Statement For the 26 weeks ended 4 March 2017

	Notes	**26 weeks ended 4 March 2017 £'000**	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Continuing operations				
Revenue	6	**176,758**	153,356	314,907
Cost of sales		**(153,874)**	(131,495)	(273,712)
Gross profit		**22,884**	21,861	41,195
Net operating expenses		**(15,975)**	(14,382)	(28,425)
Operating profit (before exceptional items)		**7,543**	7,479	12,770
Exceptional items	7	**(634)**	—	—
Group operating profit	6	**6,909**	7,479	12,770
Finance income		**95**	119	236
Finance costs		**(430)**	(516)	(1,009)
Share of post-tax profit in associate and joint ventures		**1,708**	1,423	2,081
Profit before taxation (before exceptional items)		**8,916**	8,505	14,078
Exceptional items	7	**(634)**	—	—
Profit before taxation	6	**8,282**	8,505	14,078
Taxation		**(1,708)**	(1,792)	(2,907)
Profit for the period from continuing operations		**6,574**	6,713	11,171
Discontinued operations				
Profit for the period from discontinued operations		**—**	2,028	2,817
Profit for the period		**6,574**	8,741	13,988
Profit attributable to:				
Equity shareholders		**5,802**	7,990	12,455
Non-controlling interests		**772**	751	1,533
		6,574	8,741	13,988
Earnings per share (pence)				
Continuing operations				
Basic	8	**6.4**	6.6	10.7
Diluted	8	**6.3**	6.4	10.5
Adjusted	8	**7.1**	6.7	10.9
Diluted adjusted	8	**7.0**	6.5	10.7
Discontinued operations				
Basic	8	**—**	2.3	3.1
Diluted	8	**—**	2.2	3.0
Adjusted	8	**—**	2.3	3.1
Diluted adjusted	8	**—**	2.2	3.0

Unaudited Consolidated Statement of Comprehensive Income For the 26 weeks ended 4 March 2017

	Notes	26 weeks ended 4 March 2017 £'000	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Profit for the period		**6,574**	8,741	13,988
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange translation gains arising on translation of overseas subsidiaries		**107**	1,557	2,860
Net investment hedges		**1,669**	577	687
Taxation charge on net investment hedges		**(327)**	(115)	(137)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on retirement benefit asset:				
– Group	13	**5,418**	879	(2,725)
– Share of associate		**—**	—	(1,216)
Taxation (charge)/credit on actuarial movement on retirement benefit asset:				
– Group		**(921)**	(158)	490
– Share of associate		**—**	—	205
Other comprehensive income for the period, net of tax		**5,946**	2,740	164
Total comprehensive income for the period		**12,520**	11,481	14,152
Total comprehensive income attributable to:				
Equity shareholders		**11,748**	10,730	12,619
Non-controlling interests		**772**	751	1,533
		12,520	11,481	14,152

Unaudited Consolidated Balance Sheet as at 4 March 2017

	Notes	As at 4 March 2017 £'000	(Restated)[1] As at 27 February 2016 £'000	As at 3 September 2016 £'000
Non-current assets				
Goodwill	10	**16,870**	10,931	11,440
Other intangible assets	10	**469**	413	286
Property, plant and equipment	10	**37,135**	60,391	35,811
Investment property	10	**179**	626	182
Investment in associate		**9,570**	9,196	8,667
Interest in joint ventures		**6,768**	6,082	6,257
Other investments		**75**	72	72
Financial assets				
– Non-current receivables		**50**	150	50
Retirement benefit asset	13	**5,732**	3,927	311
Deferred tax assets		**—**	29	—
		76,848	91,817	63,076
Current assets				
Inventories		**38,142**	39,113	33,423
Trade and other receivables		**66,326**	70,736	56,940
Current tax assets		**345**	401	303
Financial assets				
– Derivative financial instruments		**—**	2	—
– Cash and cash equivalents	11	**21,176**	13,272	48,411
		125,989	123,524	139,077
Total assets		**202,837**	215,341	202,153
Current liabilities				
Financial liabilities				
– Borrowings	11	**(19,579)**	(14,839)	(21,642)
– Derivative financial instruments		**(83)**	(132)	(20)
Trade and other payables		**(56,633)**	(57,302)	(46,823)
Current tax liabilities		**(1,789)**	(980)	(470)
		(78,084)	(73,253)	(68,955)
Non-current liabilities				
Financial liabilities				
– Borrowings	11	**(13,082)**	(25,447)	(18,625)
Deferred tax liabilities		**(3,102)**	(4,173)	(1,817)
Other non-current liabilities		**(4,414)**	(4,226)	(2,668)
		(20,598)	(33,846)	(23,110)
Total liabilities		**(98,682)**	(107,099)	(92,065)
Net assets		**104,155**	108,242	110,088
Shareholders' equity				
Share capital	14	**2,285**	2,246	2,280
Share premium	14	**9,129**	8,657	9,111
Treasury share reserve		**—**	—	(8)
Equity compensation reserve		**159**	1,351	706
Foreign exchange reserve		**4,344**	1,504	2,895
Other reserve		**207**	856	207
Retained earnings		**73,887**	80,946	81,540
Total shareholders' equity		**90,011**	95,560	96,731
Non-controlling interests		**14,144**	12,682	13,357
Total equity		**104,155**	108,242	110,088

[1] restated by £4,553,000 for the grossing up of cash and cash equivalents and bank overdrafts for accounts with right of offset within the same banking facility (see note 3)

Unaudited Consolidated Statement of Changes in Equity For the 26 weeks ended 4 March 2017

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Non-Controlling Interests £'000	Total Equity £'000
At 4 September 2016	2,280	9,111	(8)	706	2,895	207	81,540	96,731	13,357	110,088
Profit for the period	—	—	—	—	—	—	5,802	5,802	772	6,574
Other comprehensive income	—	—	—	—	1,449	—	4,497	5,946	—	5,946
Total comprehensive income	—	—	—	—	1,449	—	10,299	11,748	772	12,520
Dividends paid	—	—	—	—	—	—	(18,599)	(18,599)	—	(18,599)
Equity-settled share based payment transactions, net of tax	—	—	—	(547)	—	—	659	112	15	127
Allotment of shares	5	18	—	—	—	—	—	23	—	23
Purchase of own shares held in trust	—	—	(4)	—	—	—	—	(4)	—	(4)
Transfer	—	—	12	—	—	—	(12)	—	—	—
At 4 March 2017	2,285	9,129	—	159	4,344	207	73,887	90,011	14,144	104,155
At 30 August 2015	2,244	8,615	—	1,138	(515)	862	74,706	87,050	11,913	98,963
Profit for the period	—	—	—	—	—	—	7,990	7,990	751	8,741
Other comprehensive income	—	—	—	—	2,019	—	721	2,740	—	2,740
Total comprehensive income	—	—	—	—	2,019	—	8,711	10,730	751	11,481
Dividends paid	—	—	—	—	—	—	(2,492)	(2,492)	—	(2,492)
Equity-settled share based payment transactions, net of tax	—	—	—	213	—	—	15	228	18	246
Allotment of shares	2	42	—	—	—	—	—	44	—	44
Transfer	—	—	—	—	—	(6)	6	—	—	—
At 27 February 2016	2,246	8,657	—	1,351	1,504	856	80,946	95,560	12,682	108,242
At 30 August 2015	2,244	8,615	—	1,138	(515)	862	74,706	87,050	11,913	98,963
Profit for the period	—	—	—	—	—	—	12,455	12,455	1,533	13,988
Other comprehensive income/(expense)	—	—	—	—	3,410	—	(3,246)	164	—	164
Total comprehensive income	—	—	—	—	3,410	—	9,209	12,619	1,533	14,152
Dividends paid	—	—	—	—	—	—	(3,347)	(3,347)	—	(3,347)
Equity-settled share based payment transactions, net of tax	—	—	—	(432)	—	—	321	(111)	15	(96)
Allotment of shares	36	496	—	—	—	—	—	532	—	532
Purchase of own shares held in trust	—	—	(12)	—	—	—	—	(12)	—	(12)
Dissolution of dormant subsidiaries	—	—	—	—	—	—	—	—	(104)	(104)
Transfer	—	—	4	—	—	(655)	651	—	—	—
At 3 September 2016	2,280	9,111	(8)	706	2,895	207	81,540	96,731	13,357	110,088

Unaudited Consolidated Statement of Cash Flows For the 26 weeks ended 4 March 2017

	Notes	**26 weeks ended 4 March 2017 £'000**	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Cash flows from operating activities				
Cash generated from continuing operations	16	**6,057**	166	6,257
Interest received		**93**	77	155
Interest paid		**(480)**	(332)	(673)
Tax paid		**(447)**	(117)	(1,098)
Net cash generated from/(used in) operating activities in continuing operations		**5,223**	(206)	4,641
Net cash generated from operating activities in discontinued operations		**—**	1,480	5,477
Net cash generated from operating activities		**5,223**	1,274	10,118
Cash flows from investing activities				
Acquisition of subsidiaries (net of overdraft/cash acquired)	15	**(4,698)**	(265)	(1,258)
Disposal of subsidiary, net of costs (including cash disposed)		**—**	—	23,922
Dividend received from joint venture		**627**	—	113
Loans repaid by joint ventures		**—**	2,055	2,332
Loan repaid by associate		**—**	—	500
Other loans		**74**	(70)	(20)
Purchase of intangible assets		**(67)**	(37)	(62)
Proceeds from sale of property, plant and equipment		**176**	178	349
Purchase of property, plant and equipment		**(1,347)**	(3,081)	(5,788)
Purchase of own shares held in trust		**(4)**	—	(12)
Redemption of preference shares in joint venture		**—**	—	150
Net cash (used in)/generated from investing activities in continuing operations		**(5,239)**	(1,220)	20,226
Net cash used in investing activities in discontinued operations		**—**	(267)	(449)
Net cash (used in)/generated from investing activities		**(5,239)**	(1,487)	19,777
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**23**	44	532
Net proceeds from issue of new bank loans		**—**	143	153
Finance lease principal repayments		**(394)**	(465)	(925)
Repayment of loan from related party		**—**	—	(500)
Repayment of borrowings		**(5,895)**	(544)	(1,614)
Increase/(decrease) in other borrowings		**743**	(4,438)	(192)
Dividends paid to shareholders		**(18,599)**	(2,492)	(3,347)
Net cash used in financing activities in continuing operations		**(24,122)**	(7,752)	(5,893)
Net cash used in financing activities in discontinued operations		**—**	(695)	(1,408)
Net cash used in financing activities		**(24,122)**	(8,447)	(7,301)
Effects of exchange rate changes		**(37)**	720	918
Net (decrease)/increase in cash and cash equivalents		**(24,175)**	(7,940)	23,512
Cash and cash equivalents at beginning of the period		**39,787**	16,275	16,275
Cash and cash equivalents at end of the period		**15,612**	8,335	39,787
Cash and cash equivalents consist of:				
Cash and cash equivalents per the balance sheet		**21,176**	13,272[1]	48,411
Bank overdrafts included in borrowings		**(5,564)**	(4,937)[1]	(8,624)
		15,612	8,335	39,787

[1] restated by £4,553,000 for the grossing up of cash and cash equivalents and bank overdrafts for accounts with right of offset within the same banking facility (see note 3)

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 2016. A list of current Directors is maintained on the website: www.carrsgroup.com

On behalf of the Board

TIM DAVIES	NEIL AUSTIN
Chief Executive	Group Finance Director
12 April 2017	12 April 2017

Unaudited Notes to Condensed Interim Financial Information

1. GENERAL INFORMATION

The Group operates across two divisions of Agriculture 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 12 April 2017.

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 53 weeks ended 3 September 2016 were approved by the Board of Directors on 16 November 2016 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 4 March 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 53 weeks ended 3 September 2016, 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.

Cash and cash equivalents and overdrafts, within current borrowings, as at 27 February 2016 have been restated by £4.6m to recognise overdrafts that would previously have been offset against cash balances. This restatement ensures comparability of the three period ends presented in the interim financial statements and reflects the accounting policy adopted in the preparation of the financial statements for the 53 weeks ended 3 September 2016 and the 26 weeks ended 4 March 2017.

The Group continues to review the impact of IFRS 15 ‘Revenue from contracts with customers’ and IFRS 16 ‘Leases’ on the results and net assets of the Group. It is not possible at this stage to quantify any financial impact arising from either of these two standards.

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 53 weeks ended 3 September 2016, 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 3 September 2016. 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 and Engineering. The previously recognised Food operating segment was disposed on 3 September 2016. Performance is assessed using operating profit, which is measured in a manner consistent with the financial statements. Sales between segments are carried out at arm's length.

The following tables present revenue, profit and asset information regarding the Group's operating segments for the 26 weeks ended 4 March 2017 and the comparative periods.

	Agriculture £'000	Engineering £'000	Group £'000
26 weeks ended 4 March 2017			
Total segment revenue	160,517	16,301	176,818
Inter segment revenue	(4)	(56)	(60)
Revenue from external customers	160,513	16,245	176,758
EBITDA[1]	8,581	980	9,561
Depreciation of property, plant and equipment	(1,317)	(660)	(1,977)
Depreciation of investment property	(3)	—	(3)
Profit/(loss) on the disposal of property, plant and equipment	34	(23)	11
Amortisation of intangible assets	(4)	(45)	(49)
Operating profit (before exceptional items)	7,291	252	7,543
Exceptional items			(634)
Operating profit			6,909
Finance income			95
Finance costs			(430)
			6,574
Share of post-tax profit of associate			903
Share of post-tax profit of joint ventures			805
Profit before taxation (before exceptional items)			8,916
Exceptional items			(634)
Profit before taxation from continuing operations			8,282
Segment gross assets	147,908	54,929	202,837

[1] Earnings before interest, tax, depreciation and amortisation (and before profit/loss) on the disposal of property, plant and equipment)

6. OPERATING SEGMENT INFORMATION (CONTINUED)

	Agriculture £'000	Engineering £'000	Group £'000
26 weeks ended 27 February 2016			
Total segment revenue	139,329	14,080	153,409
Inter segment revenue	(17)	(36)	(53)
Revenue from external customers	139,312	14,044	153,356
EBITDA[1]	8,141	1,062	9,203
Depreciation of property, plant and equipment	(1,218)	(500)	(1,718)
Depreciation of investment property	(3)	—	(3)
Profit on the disposal of property, plant and equipment	80	—	80
Amortisation of intangible assets	(50)	(33)	(83)
Operating profit	6,950	529	7,479
Finance income			119
Finance costs			(516)
			7,082
Share of post-tax profit of associate			757
Share of post-tax profit of joint ventures			666
Profit before taxation from continuing operations			8,505
Segment gross assets	125,907	44,075	169,982
Food division gross assets			45,359
			215,341

	Agriculture £'000	Engineering £'000	Group £'000
53 weeks ended 3 September 2016			
Total segment revenue	284,836	30,192	315,028
Inter segment revenue	(63)	(58)	(121)
Revenue from external customers	284,773	30,134	314,907
EBITDA[1]	12,924	3,555	16,479
Depreciation of property, plant and equipment	(2,539)	(1,043)	(3,582)
Depreciation of investment property	(6)	—	(6)
Profit on the disposal of property, plant and equipment	12	72	84
Amortisation of intangible assets	(133)	(72)	(205)
Operating profit	10,258	2,512	12,770
Finance income			236
Finance costs			(1,009)
			11,997
Share of post-tax profit of associate			1,239
Share of post-tax profit of joint ventures			842
Profit before taxation from continuing operations			14,078
Segment gross assets	149,777	52,376	202,153

7. NON-RECURRING EXCEPTIONAL ITEMS

	26 weeks ended 4 March 2017 £'000	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Non-recurring exceptional items:			
Business combination expenses	589	—	—
Restructuring costs	45	—	—
	634	—	—

Business combination expenses relate to acquisition costs incurred in the period as well as contingent consideration in relation to the prior year acquisition of Phoenix Feeds Limited which is explained further below.

Phoenix Feeds Limited was acquired on 1 June 2016 for cash consideration of £1,744,000 including £490,000 of contingent consideration. The contingent consideration is linked to the continued employment of key personnel and therefore in accordance with IFRS 3 this was not recognised as consideration in the acquisition accounting in the 53 weeks ended 3 September 2016 and is instead being recognised in the income statement over a two year period. Given the nature of the payment it has been recognised as a non-recurring item.

Restructuring costs comprise redundancy costs.

8. 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 4 March 2017 £'000	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Continuing operations			
Earnings	5,802	5,962	9,638
Amortisation and non-recurring items:			
Amortisation of intangible assets	49	83	205
Business combination expenses	589	—	7
Restructuring costs	45	—	—
Tax effect of the above	(23)	(20)	(47)
Earnings – adjusted	6,462	6,025	9,803
Discontinued operations			
Earnings	—	2,028	2,817
Amortisation and non-recurring items:			
Amortisation of intangible assets	—	7	14
Profit on disposal of subsidiary	—	—	(39)
Tax effect of the above	—	(1)	—
Earnings – adjusted	—	2,034	2,792

8. EARNINGS PER SHARE (CONTINUED)

	26 weeks ended 4 March 2017 Number	26 weeks ended 27 February 2016 Number	53 weeks ended 3 September 2016 Number
Weighted average number of ordinary shares in issue	**91,317,071**	89,819,777	90,087,357
Potentially dilutive share options	**636,760**	3,468,339	1,946,798
	91,953,831	93,288,116	92,034,155
Earnings per share (pence)			
Continuing operations			
Basic	**6.4p**	6.6p	10.7p
Diluted	**6.3p**	6.4p	10.5p
Adjusted	**7.1p**	6.7p	10.9p
Diluted adjusted	**7.0p**	6.5p	10.7p
Discontinued operations			
Basic	—	2.3p	3.1p
Diluted	—	2.2p	3.0p
Adjusted	—	2.3p	3.1p
Diluted adjusted	—	2.2p	3.0p

9. DIVIDENDS

An interim dividend of £866,393 that relates to the period to 3 September 2016 was paid on 7 October 2016, and a final dividend of £1,736,169 was paid on 13 January 2017. A special dividend of £15,996,351 was paid on 7 October 2016 following the disposal of Carr's Flour Mills Limited.

In addition, an interim dividend of 0.95p per share (2016: 0.95p per share) has been approved by the Directors. It is payable to shareholders on the register at 21 April 2017. This interim dividend, amounting to £868,258 (2016: £854,968), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 2 September 2017.

10. 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 4 March 2017				
Opening net book amount at 4 September 2016	**11,440**	**286**	**35,811**	**182**
Exchange differences	**(144)**	**5**	**752**	—
Subsidiary acquired	**5,574**	**160**	**341**	—
Additions	—	**67**	**2,373**	—
Disposals	—	—	**(165)**	—
Depreciation and amortisation	—	**(49)**	**(1,977)**	**(3)**
Closing net book amount as at 4 March 2017	**16,870**	**469**	**37,135**	**179**
26 weeks ended 27 February 2016				
Opening net book amount at 30 August 2015	10,849	448	58,385	636
Exchange differences	2	18	862	—
Business acquired	80	—	23	—
Additions	—	37	3,867	—
Disposals	—	—	(98)	—
Depreciation and amortisation	—	(90)	(2,648)	(10)
Closing net book amount as at 27 February 2016	10,931	413	60,391	626

Capital commitments contracted, but not provided for, by the Group at the period end amounts to £687,000 (2016: £758,000).

11. BORROWINGS AND LOANS

	As at 4 March 2017 £'000	(Restated)[1] As at 27 February 2016 £'000	As at 3 September 2016 £'000
Current	**19,579**	14,839	21,642
Non-current	**13,082**	25,447	18,625
Total borrowings and loans	**32,661**	40,286	40,267
Cash and cash equivalents	**(21,176)**	(13,272)	(48,411)
Net debt/(cash)	**11,485**	27,014	(8,144)
Undrawn facilities	**34,494**	26,805	23,014

[1] Restated by £4,553,000 for the grossing up of cash and cash equivalents and bank overdrafts with right of offset within the same banking facility.

Movements in borrowings are analysed as follows:

	£'000
26 weeks ended 4 March 2017	
Opening amount as at 4 September 2016	**40,267**
Exchange differences	**(132)**
Subsidiary acquired	**89**
New finance leases	**1,025**
Finance lease principal repayments	**(394)**
Repayments of borrowings	**(5,895)**
Increase in other borrowings	**743**
Release of deferred borrowing costs	**18**
Net decrease to bank overdraft	**(3,060)**
Closing amount as at 4 March 2017	**32,661**
26 weeks ended 27 February 2016	
Opening amount as at 30 August 2015 (restated by £3,564,000)	44,465
Exchange differences	67
New bank loans and finance leases	718
Finance lease principal repayments	(1,160)
Repayments of borrowings	(544)
Decrease in other borrowings	(4,438)
Release of deferred borrowing costs	18
Net increase to bank overdraft	1,160
Closing amount as at 27 February 2016 (restated by £4,553,000)	40,286

12. 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.

With the exception of those detailed above, the Group's financial instruments are measured at amortised cost.

13. RETIREMENT BENEFIT ASSET

The amounts recognised within the Income Statement were as follows:

	26 weeks ended 4 March 2017 £'000	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Service cost – including current service costs, past service costs and settlements	—	(427)	(426)
Service cost – administrative cost	—	80	139
Net interest on the net defined benefit asset	(3)	(46)	(94)
	(3)	(393)	(381)

As a result of the closure to future accrual on 31 December 2015 a negative past service cost, net of associated costs, of approximately £350,000 has been recognised in the income statement in the 26 weeks ended 27 February 2016 and in the 53 weeks ended 3 September 2016.

Net interest on the defined benefit retirement asset is recognised within interest income.

The amounts recognised in the Balance Sheet were as follows:

	As at 4 March 2017 £'000	As at 27 February 2016 £'000	As at 3 September 2016 £'000
Present value of funded defined benefit obligations	(68,180)	(59,040)	(73,355)
Fair value of scheme assets	73,912	62,967	73,666
Surplus in funded scheme	5,732	3,927	311

Actuarial gains of £5,418,000 (2016: £879,000) have been reported in the Statement of Comprehensive Income. The surplus has increased over the period since 3 September 2016 mainly as a result of improving market conditions.

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.

14. SHARE CAPITAL

Allotted and fully paid ordinary shares of 2.5p each	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Opening balance as at 4 September 2016	91,192,804	2,280	9,111	11,391
Proceeds from shares issued:				
– Treasury/LTIP	178,027	4	—	4
– share save scheme	24,710	1	18	19
At 4 March 2017	91,395,541	2,285	9,129	11,414
Opening balance at 30 August 2015	89,760,090	2,244	8,615	10,859
Proceeds from shares issued:				
– share option scheme	60,000	1	27	28
– share save scheme	26,584	1	15	16
At 27 February 2016	89,846,674	2,246	8,657	10,903

14. SHARE CAPITAL (CONTINUED)

Employee share schemes: options exercised during the period to 4 March 2017 resulted in 24,710 shares being issued (2016: 26,584 shares), with exercise proceeds of £19,177 (2016: £15,765) under the share save scheme and nil shares being issued (2016: 60,000 shares), with exercise proceeds of £nil (2016: £28,560) under the approved share option scheme. The related weighted average price of the shares exercised was £0.776 (2016: £0.593) per share and £nil (2016: £0.476) respectively.

In addition 178,027 shares were issued in the period and held initially as Treasury shares. These shares were subsequently used to satisfy the share awards under the LTIP scheme which were exercisable in November 2016.

15. ACQUISITION

On 24 October 2016 Wälischmiller Engineering GmbH ("Wälischmiller") acquired the entire issued share capital of STABER GmbH ("STABER") for cash consideration of €7.85m including deferred consideration of €2.0m, which is payable by 30 June 2018 at the latest.

STABER and Wälischmiller have been working together closely for over 50 years and STABER has most recently been a key supplier of parts for the remote handling business. STABER has designed and developed specialised intellectual property ("IP") which will be strategically beneficial to Wälischmiller in both the near and long term. This IP will accelerate the ongoing strategic development work on the Telbot® and the Demo 2000 Telbot® by Wälischmiller.

Goodwill represented the excess of the consideration paid over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

STABER has generated intra segmental revenue of £205,000 which has been eliminated on consolidation and incurred a loss before taxation of £9,000 since the date of acquisition.

Acquisition related costs amounted to £190,000 which have been recognised within exceptional items in the consolidated income statement.

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

	Provisional fair value £'000
Intangible assets	**160**
Property, plant and equipment	**341**
Inventories	**543**
Receivables	**307**
Cash and cash equivalents	**506**
Borrowings	**(89)**
Payables	**(230)**
Deferred grant income	**(46)**
Taxation	
Current tax	**(39)**
Deferred tax	**(43)**
Net assets acquired	**1,410**
Goodwill	**5,574**
	6,984
Satisfied by:	
Cash consideration	**5,204**
Deferred consideration	**1,780**
Total consideration	**6,984**

Intangible assets represent the fair value of know-how within the business.

Had the acquisition of STABER 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.

16. CASH GENERATED FROM CONTINUING OPERATIONS

	26 weeks ended 4 March 2017 £'000	26 weeks ended 27 February 2016 £'000	53 weeks ended 3 September 2016 £'000
Profit for the period from continuing operations	**6,574**	6,713	11,171
Adjustments for:			
Tax	**1,708**	1,792	2,907
Tax credit in respect of R&D	**(63)**	(80)	(176)
Depreciation of property, plant and equipment	**1,977**	1,718	3,582
Depreciation of investment property	**3**	3	6
Intangible asset amortisation	**49**	83	205
Profit on disposal of property, plant and equipment	**(11)**	(80)	(84)
Loss on disposal of investment	**—**	10	10
Amortisation of grants	**(27)**	(24)	(53)
Net fair value loss/(gain) on share based payments	**127**	222	(99)
Net foreign exchange differences	**111**	(108)	(383)
Net fair value losses on derivative financial instruments in operating profit	**61**	48	70
Finance costs:			
Interest income	**(95)**	(119)	(236)
Interest expense and borrowing costs	**448**	534	1,045
Share of profit from associate and joint ventures	**(1,708)**	(1,423)	(2,081)
Pension contributions – deficit reduction	**—**	(780)	(780)
– ongoing	**—**	(108)	(108)
IAS19 income statement credit (excluding interest)	**—**	(347)	(287)
Changes in working capital (excluding the effects of acquisitions and disposals):			
Increase in inventories	**(3,791)**	(3,010)	(1,620)
Increase in receivables	**(8,677)**	(9,621)	(3,606)
Increase/(decrease) in payables	**9,371**	4,743	(3,226)
Cash generated from continuing operations	**6,057**	166	6,257

17. RELATED PARTY TRANSACTIONS

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2016.

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 4 March 2017						
Associate	**485**	**(51,644)**	**10**	**(18)**	**164**	**(21,804)**
Joint ventures	**211**	**(529)**	**—**	**90**	**1,889**	**(151)**
26 weeks to 27 February 2016						
Associate	327	(44,977)	9	(57)	616	(21,050)
Joint ventures	186	(661)	—	84	1,952	(48)

18. POST BALANCE SHEET EVENT

On 17 March 2017, after the period end, the Group acquired the entire issued share capital of Horse and Pet Warehouse Limited for cash consideration of £124,577.

The principal activity of Horse and Pet Warehouse Limited is a retailer of animal products for the pet, equine and smallholding market.

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

Given that this has been a recent acquisition the identifiable assets and liabilities at completion and goodwill have yet to be finalised. The Directors therefore consider it impracticable to be able to disclose this information in these financial statements.

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