BUILDING ON FOUNDATIONS FOR GROWTH

Half year report 2017/18

Carr's Group plc is focused on the principal activities of Agriculture and Engineering

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 in over 50 countries around the world.

CONTENTS

Its Agriculture division manufactures and supplies feed blocks for livestock, farm machinery and runs a UK network of rural stores, providing a one-stop shop for the farming community.

Its Engineering division designs and manufactures bespoke equipment and provides technical engineering services into the nuclear, petrochemical, oil and gas, pharmaceutical, process and renewable energy industries, including robotic and remote handling equipment.

Interim Management Report

INTRODUCTION

Carr's has delivered a strong set of results for the period, significantly ahead of the prior year and slightly ahead of the Board's expectations. This has been driven by good performances in both Agriculture and Engineering.

BUSINESS REVIEW

During the 26 weeks ended 3 March 2018 the Group delivered a strong performance. Group revenues were £200.1m, up 13.2% from the prior year (H1 2017: £176.8m). Adjusted profit before tax increased by 22.0% to £10.9m (H1 2017: £9.0m); statutory profit before tax after amortisation and non-recurring items was £10.6m (H1 2017: £8.3m). Amortisation and non-recurring items of £0.3m (H1 2017: £0.7m) relate to business combination expenses, amortisation of intangible assets and restructuring costs.

Adjusted[1] group operating profit of £9.2m (H1 2017: £7.6m) was 21.0% ahead of the prior year, and statutory operating profit was 28.4% ahead of the prior year at £8.9m (H1 2017: £6.9m).

The Group's share of profit after tax from associate and joint venture companies was up 25.3% on the prior year to £2.1m (H1 2017: £1.7m).

Basic earnings per share increased by 40.6% from 6.4p to 9.0p. On an adjusted[1] basis, earnings per share increased by 29.6% to 9.2p (H1 2017: 7.1p).

AGRICULTURE

As communicated at the time of the January Trading Update, conditions in UK Agriculture have continued to improve with steadily increasing farm incomes continuing to reinforce confidence in the outlook for the industry. Additionally, in the USA, a sustained recovery in the cattle market has provided favourable market conditions. Against this backdrop, the Agriculture division has reported adjusted[1] operating profit before amortisation and non-recurring items of £7.8m (H1 2017: £7.3m), up 6.3% and slightly ahead of the Board's expectations for the half year. Statutory operating profit was £7.6m (H1 2017: £7.1m).

UK

UK Agriculture has continued its strong start to the year, as farm incomes continue to steadily improve, reinforcing confidence in the outlook for the UK agriculture sector. Total feed volumes increased 6.3% during the period, which was largely driven by the successful integration of our recent acquisitions and increased market demand.

Feed block sales have continued to perform well in the UK, with sales volumes 9.3% ahead of the prior year.

Despite a slow start to the year in our fuel distribution business, due to milder weather and wet ground conditions impacting agricultural operations, following the colder weather towards the end of the period the business is now trading ahead of last year with volumes up by 5.6%.

Our retail business has performed well in the period with sales 15.7% ahead of the prior year and like for like sales 3.5% ahead. The acquisition of Pearson Farm Supplies in October 2017 and its subsequent integration have been successful. As expected, the acquisition has enabled synergies to be achieved with our existing retail business and the new team has settled in well. Our retail footprint now stands at 43 stores.

Machinery sales remained strong during the period, with revenues 8.9% ahead of the prior year, reflecting the continued improvement in farm incomes and confidence in the outlook.

International

As expected, the recovery in the USA market, witnessed in the second half of last year, continued during the period as cattle prices for producers continued to improve, with feed block volumes 11.0% ahead of the prior year. Following a delayed start, our new low moisture feed block plant at Shelbyville, Tennessee is now in full production and volumes continue to grow. The plant offers the Group broad access across the Eastern and South Eastern states of the USA and has provided us with additional capacity as the market continues to improve.

We are seeing an improvement in our feed block sales in Europe through Crystalyx Products GmbH, our joint venture business based in Germany, as a result of improved farm incomes. Volumes were 21.6% ahead of the prior year.

Our subsidiary in New Zealand, which has established a direct sales operation distributing to farmers through key merchants, has seen a further increase in volumes during the period as we continue to strengthen our presence in this key market. In South America, our trials at research institutes in Brazil continue to make good progress.

ENGINEERING

It is pleasing to report that our Engineering division has made a strong recovery following the difficulties experienced in 2017 largely attributable to a major contract delay. Adjusted operating profit was up 382.5% at £1.4m (H1 2017: £0.3m); statutory operating profit was £1.3m (H1 2017: loss of £0.2m). The acquisition and subsequent integration of STABER has been successful and the integration of NuVision is proceeding to plan. Additionally, we have recruited a new Managing Director for our Engineering division to oversee and co-ordinate our operations in the UK, Germany and the USA and to drive further growth.

UK Manufacturing

Our UK Manufacturing business performed significantly ahead of the prior year. Work continues to progress on the significant contract announced last year, with the design phase nearing completion and the project moving towards the main manufacturing phase. The recovery of the oil price, together with strengthened management, more effective business development and increased efficiencies, has given rise to a significant uplift in volumes within our precision engineering business.

Remote Handling

The remote handling businesses have performed well in the first half of the year and in line with the Board's expectations. The substantial orders from China, which were won last year, have now been delivered and the order book remains strong. The extension of our facility in Markdorf, Germany is nearing completion which will provide additional capacity and further integrate STABER into Wälischmiller following the acquisition last year.

USA Engineering

The integration of NuVision, our engineering company focused on providing value in commercial nuclear power plants, government waste remediation facilities and waste clean-up, continues to progress well and the business performed slightly ahead of the Board's expectations during the period. The Group remains enthusiastic about the opportunity to market Wälischmiller remote handling equipment in the USA and the reorganisation of our management and leadership teams has proceeded to plan.

[1] Adjusted results are after adding back amortisation of intangible assets and non-recurring items including acquisition costs.

Interim Management Report *continued*

BALANCE SHEET AND CASHFLOW

Net cash generated from operating activities was strong in the first half at £5.5m (H1 2017: £5.2m). Net debt has risen to £16.1m from £14.1m at the 2017 financial year end. This is primarily related to seasonal working capital increases and the acquisition of Pearson Farm Supplies Ltd.

The Group's defined benefit pension scheme remains in surplus and this increased from £5.2m at 2 September 2017 to £6.0m at 3 March 2018.

SHAREHOLDERS' EQUITY

Shareholders' equity at 3 March 2018 was £96.1m (2 September 2017: £91.5m), with the increase primarily due to profit retained by the Group for the period.

DIVIDEND

A first interim dividend of 1.075 pence per ordinary share (2017: 0.95 pence per ordinary share) will be paid on 21 May 2018 to shareholders on the register on 27 April 2018. The ex-dividend date will be 26 April 2018.

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 2017.

The principal risks and uncertainties are as follows:

IT and Cyber Security

Brexit

Acquisitions

Managing Costs

Reliance on Key Customers

People

Strategic Partners

Customer Demand

Treasury

Business Continuity

OUTLOOK

We will continue to deliver on our stated strategic objectives of investing in our people and our asset base, while continuing to drive product innovation and deliver growth in both of our divisions.

In UK Agriculture, we now have greater visibility on what Brexit might mean in relation to farming support in the near term. However, we are cautious as uncertainty remains as to what future trade agreements will be implemented, both with the EU and the rest of the world. We are responding to this by ensuring we keep our existing product offering relevant to our customers whilst also developing organic growth opportunities.

Our Engineering division has been significantly enhanced by the recent acquisitions and the order books across our businesses remain strong. We are greatly encouraged by the opportunities apparent within the division, particularly in China and the USA, and have confidence in the division's prospects.

We are pleased with the contributions made by both divisions during the first half of the year. Trading in the second half has started well and the Board now anticipates that trading for the full year will be slightly ahead of its previous expectations. The investments we have made in acquisitions and research leaves Carr's well placed for further growth in the medium term.

TIM DAVIES
Chief Executive Officer
16 April 2018

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 3 March 2018

	Notes	**26 weeks ended 3 March 2018 £'000**	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Continuing operations				
Revenue	6	**200,108**	176,758	346,224
Cost of sales		**(171,285)**	(153,874)	(307,543)
Gross profit		**28,823**	22,884	38,681
Net operating expenses		**(19,954)**	(15,975)	(30,804)
Adjusted[2] operating profit	6	**9,190**	7,592	9,278
Amortisation and non-recurring items	7	**(321)**	(683)	(1,401)
Operating profit	6	**8,869**	6,909	7,877
Finance income		**182**	95	176
Finance costs		**(576)**	(430)	(864)
Share of post-tax profit in associates and joint ventures		**2,140**	1,708	2,813
Adjusted[2] profit before taxation	6	**10,936**	8,965	11,403
Amortisation and non-recurring items	7	**(321)**	(683)	(1,401)
Profit before taxation	6	**10,615**	8,282	10,002
Taxation		**(1,567)**	(1,708)	(1,707)
Profit for the period		**9,048**	6,574	8,295
Profit attributable to:				
Equity shareholders		**8,190**	5,802	7,005
Non-controlling interests		**858**	772	1,290
		9,048	6,574	8,295
Earnings per share (pence)				
Basic	8	**9.0**	6.4	7.7
Diluted	8	**8.8**	6.3	7.6
Adjusted	8	**9.2**	7.1	8.9
Diluted adjusted	8	**9.0**	7.0	8.8

[2] Adjusted results are after adding back amortisation of intangible assets and non-recurring items including acquisition costs.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 3 March 2018

	Notes	**26 weeks ended 3 March 2018 £'000**	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Profit for the period		**9,048**	6,574	8,295
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		**(1,936)**	107	1,835
Net investment hedges		**53**	1,669	(70)
Taxation (charge)/credit on net investment hedges		**(10)**	(327)	14
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains on retirement benefit asset/obligation:				
– Group	13	**698**	5,418	4,951
– Share of associate		**—**	—	1,070
Taxation charge on actuarial movement on retirement benefit asset/obligation:				
– Group		**(119)**	(921)	(842)
– Share of associate		**—**	—	(211)
Other comprehensive (expense)/income for the period, net of tax		**(1,314)**	5,946	6,747
Total comprehensive income for the period		**7,734**	12,520	15,042
Total comprehensive income attributable to:				
Equity shareholders		**6,876**	11,748	13,752
Non-controlling interests		**858**	772	1,290
		7,734	12,520	15,042

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 3 March 2018

	Notes	As at 3 March 2018 £'000	As at 4 March 2017 £'000	As at 2 September 2017 £'000
Non-current assets				
Goodwill	10	**24,228**	16,870	24,241
Other intangible assets	10	**2,048**	469	2,266
Property, plant and equipment	10	**36,775**	37,135	37,149
Investment property	10	**173**	179	176
Investment in associates		**12,209**	9,570	11,443
Interest in joint ventures		**7,359**	6,768	6,590
Other investments		**72**	75	73
Financial assets				
– Non-current receivables		**627**	50	762
Retirement benefit asset	13	**5,969**	5,732	5,209
		89,460	76,848	87,909
Current assets				
Inventories		**43,701**	38,142	37,023
Trade and other receivables		**69,967**	66,326	59,723
Current tax assets		**116**	345	485
Financial assets				
– Derivative financial instruments		**—**	—	13
– Cash and cash equivalents	11	**33,835**	21,176	23,887
		147,619	125,989	121,131
Total assets		**237,079**	202,837	209,040
Current liabilities				
Financial liabilities				
– Borrowings	11	**(27,269)**	(19,579)	(17,060)
– Derivative financial instruments		**(127)**	(83)	(18)
Trade and other payables		**(67,349)**	(56,633)	(56,008)
Current tax liabilities		**(1,612)**	(1,789)	(632)
		(96,357)	(78,084)	(73,718)
Non-current liabilities				
Financial liabilities				
– Borrowings	11	**(22,661)**	(13,082)	(20,966)
Deferred tax liabilities		**(3,006)**	(3,102)	(4,010)
Other non-current liabilities		**(3,864)**	(4,414)	(4,423)
		(29,531)	(20,598)	(29,399)
Total liabilities		**(125,888)**	(98,682)	(103,117)
Net assets		**111,191**	104,155	105,923
Shareholders' equity				
Share capital	14	**2,285**	2,285	2,285
Share premium	14	**9,141**	9,129	9,130
Equity compensation reserve		**900**	159	386
Foreign exchange reserve		**2,781**	4,344	4,674
Other reserve		**204**	207	205
Retained earnings		**80,792**	73,887	74,802
Total shareholders' equity		**96,103**	90,011	91,482
Non-controlling interests		**15,088**	14,144	14,441
Total equity		**111,191**	104,155	105,923

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 3 March 2018

	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 3 September 2017	**2,285**	**9,130**	**—**	**386**	**4,674**	**205**	**74,802**	**91,482**	**14,441**	**105,923**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**8,190**	**8,190**	**858**	**9,048**
Other comprehensive (expense)/income	**—**	**—**	**—**	**—**	**(1,893)**	**—**	**579**	**(1,314)**	**—**	**(1,314)**
Total comprehensive (expense)/income	**—**	**—**	**—**	**—**	**(1,893)**	**—**	**8,769**	**6,876**	**858**	**7,734**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(2,788)**	**(2,788)**	**(245)**	**(3,033)**
Equity-settled share based payment transactions, net of tax	**—**	**—**	**—**	**514**	**—**	**—**	**8**	**522**	**34**	**556**
Allotment of shares	**—**	**11**	**—**	**—**	**—**	**—**	**—**	**11**	**—**	**11**
Transfer	**—**	**—**	**—**	**—**	**—**	**(1)**	**1**	**—**	**—**	**—**
At 3 March 2018	**2,285**	**9,141**	**—**	**900**	**2,781**	**204**	**80,792**	**96,103**	**15,088**	**111,191**
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 4 September 2016	2,280	9,111	(8)	706	2,895	207	81,540	96,731	13,357	110,088
Profit for the period	—	—	—	—	—	—	7,005	7,005	1,290	8,295
Other comprehensive income	—	—	—	—	1,779	—	4,968	6,747	—	6,747
Total comprehensive income	—	—	—	—	1,779	—	11,973	13,752	1,290	15,042
Dividends paid	—	—	—	—	—	—	(19,467)	(19,467)	(245)	(19,712)
Equity-settled share based payment transactions, net of tax	—	—	—	(320)	—	—	766	446	39	485
Allotment of shares	5	19	—	—	—	—	—	24	—	24
Purchase of own shares held in trust	—	—	(4)	—	—	—	—	(4)	—	(4)
Transfer	—	—	12	—	—	(2)	(10)	—	—	—
At 2 September 2017	2,285	9,130	—	386	4,674	205	74,802	91,482	14,441	105,923

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 3 March 2018

	Notes	**26 weeks ended 3 March 2018 £'000**	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Cash flows from operating activities				
Cash generated from continuing operations	16	**6,947**	6,057	15,094
Interest received		**119**	93	175
Interest paid		**(560)**	(480)	(896)
Tax paid		**(978)**	(447)	(1,179)
Net cash generated from operating activities		**5,528**	5,223	13,194
Cash flows from investing activities				
Acquisition of subsidiaries (net of overdraft/cash acquired)	15	**(1,562)**	(4,698)	(12,640)
Contingent/deferred consideration paid		**(561)**	—	(549)
Dividend received from associate and joint ventures		**245**	627	1,212
Loan repaid by associates		**164**	—	22
Other loans		**59**	74	80
Purchase of intangible assets		**(61)**	(67)	(371)
Proceeds from sale of property, plant and equipment		**174**	176	691
Purchase of property, plant and equipment		**(1,846)**	(1,347)	(2,854)
Purchase of own shares held in trust		**—**	(4)	(4)
Redemption of preference shares in joint venture		**—**	—	150
Net cash used in investing activities		**(3,388)**	(5,239)	(14,263)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**11**	23	24
Net proceeds from issue of new bank loans		**2,943**	—	6,000
Finance lease principal repayments		**(501)**	(394)	(846)
Repayment of borrowings		**(1,951)**	(5,895)	(3,110)
Increase/(decrease) in other borrowings		**10,159**	743	(2,804)
Dividends paid to shareholders		**(2,788)**	(18,599)	(19,467)
Dividends paid to related party		**(245)**	—	(245)
Net cash generated from/(used in) financing activities		**7,628**	(24,122)	(20,448)
Effects of exchange rate changes		**(528)**	(37)	344
Net increase/(decrease) in cash and cash equivalents		**9,240**	(24,175)	(21,173)
Cash and cash equivalents at beginning of the period		**18,614**	39,787	39,787
Cash and cash equivalents at end of the period		**27,854**	15,612	18,614
Cash and cash equivalents consist of:				
Cash and cash equivalents per the balance sheet		**33,835**	21,176	23,887
Bank overdrafts included in borrowings		**(5,981)**	(5,564)	(5,273)
		27,854	15,612	18,614

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 2017. A list of current Directors is maintained on the website: www.carrsgroup.com

On behalf of the Board

Tim Davies
Chief Executive
16 April 2018

Neil Austin
Group Finance Director
16 April 2018

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 16 April 2018.

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 2 September 2017 were approved by the Board of Directors on 22 November 2017 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 3 March 2018 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 52 weeks ended 2 September 2017, 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 2 September 2017, 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 2 September 2017. There have been no changes in risk management practices since the year end.

UNAUDITED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

CONTINUED

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. Performance is assessed using operating profit. For internal purposes the CODM assesses operating profit before amortisation of intangible assets and non-recurring items consistent with the presentation in 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 3 March 2018 and the comparative periods.

	Agriculture £'000	Engineering £'000	Group £'000
26 weeks ended 3 March 2018			
Total segment revenue	178,268	21,867	200,135
Inter segment revenue	(6)	(21)	(27)
Revenue from external customers	178,262	21,846	200,108
EBITDA[3]	9,060	2,278	11,338
Depreciation of property, plant and equipment	(1,320)	(853)	(2,173)
Depreciation of investment property	(3)	—	(3)
Profit on the disposal of property, plant and equipment	20	8	28
Adjusted[4] operating profit	7,757	1,433	9,190
Amortisation and non-recurring items (note 7)	(198)	(123)	(321)
Operating profit	7,559	1,310	8,869
Finance income			182
Finance costs			(576)
			8,475
Share of post-tax profit of associates			1,042
Share of post-tax profit of joint ventures			1,098
Adjusted[4] profit before taxation			10,936
Amortisation and non-recurring items (note 7)			(321)
Profit before taxation			10,615
Segment gross assets	167,831	69,248	237,079

[3] Earnings before interest, tax, depreciation, amortisation and non-recurring items (and before profit/(loss) on the disposal of property, plant and equipment).
[4] Adjusted results are after adding back amortisation of intangible assets and non-recurring items including acquisition costs.

6. OPERATING SEGMENT INFORMATION (continued)

	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[5]	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
Adjusted[6] operating profit	7,295	297	7,592
Amortisation and non-recurring items (note 7)	(157)	(526)	(683)
Operating profit	7,138	(229)	6,909
Finance income			95
Finance costs			(430)
			6,574
Share of post-tax profit of associates			903
Share of post-tax profit of joint ventures			805
Adjusted[6] profit before taxation			8,965
Amortisation and non-recurring items (note 7)			(683)
Profit before taxation			8,282
Segment gross assets	147,908	54,929	202,837

	Agriculture £'000	Engineering £'000	Group £'000
52 weeks ended 2 September 2017			
Total segment revenue	315,876	30,390	346,266
Inter segment revenue	(9)	(33)	(42)
Revenue from external customers	315,867	30,357	346,224
EBITDA[5]	11,302	2,084	13,386
Depreciation of property, plant and equipment	(2,696)	(1,397)	(4,093)
Depreciation of investment property	(6)	—	(6)
Profit/(loss) on the disposal of property, plant and equipment	12	(21)	(9)
Adjusted[6] operating profit	8,612	666	9,278
Amortisation and non-recurring items (note 7)	(630)	(771)	(1,401)
Operating profit	7,982	(105)	7,877
Finance income			176
Finance costs			(864)
			7,189
Share of post-tax profit of associates			1,609
Share of post-tax profit of joint ventures			1,204
Adjusted[6] profit before taxation			11,403
Amortisation and non-recurring items (note 7)			(1,401)
Profit before taxation			10,002
Segment gross assets	136,545	72,495	209,040

[5] Earnings before interest, tax, depreciation, amortisation and non-recurring items (and before profit/(loss) on the disposal of property, plant and equipment).
[6] Adjusted results are after adding back amortisation of intangible assets and non-recurring items including acquisition costs.

UNAUDITED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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7. AMORTISATION AND NON-RECURRING ITEMS

	26 weeks ended 3 March 2018 £'000	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Amortisation of intangible assets	**204**	49	124
Goodwill impairment	**—**	—	1,700
Business combination expenses	**117**	589	1,349
Release of contingent consideration	**—**	—	(2,090)
Restructuring costs	**—**	45	112
Loss on property disposal	**—**	—	206
	321	683	1,401

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

Phoenix Feeds Limited was acquired on 1 June 2016. The consideration paid included £490,000 of contingent consideration 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. It is instead being recognised in the income statement over a two year period with £92,000 (H1 2017: £134,000) recognised in the 26 weeks ended 3 March 2018. Given the nature of the payment it has been recognised as a non-recurring item.

Mortimer Feeds was acquired on 5 June 2017. The consideration paid included £30,000 of contingent consideration 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 52 weeks ended 2 September 2017. It is instead being recognised in the income statement over a one year period with £20,000 (H1 2017: £nil) recognised in the 26 weeks ended 3 March 2018. Given the nature of this payment it has been recognised as a non-recurring item.

The goodwill impairment and release of contingent consideration recognised in the year ended 2 September 2017 relate to the acquisition of Chirton Engineering Limited which was acquired in year ended 2014.

Restructuring costs in both comparative periods presented comprise redundancy costs.

The loss on property disposal recognised in the year ended 2 September 2017 was in respect of the disposal of a property that was no longer required following the relocation of one of the Group's Agricultural branches.

8. EARNINGS PER SHARE

Amortisation and non-recurring items 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:

	26 weeks ended 3 March 2018 £'000	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Earnings	**8,190**	5,802	7,005
Amortisation and non-recurring items:			
Amortisation of intangible assets	**204**	49	124
Goodwill impairment	**—**	—	1,700
Business combination expenses	**117**	589	1,349
Release of contingent consideration	**—**	—	(2,090)
Restructuring costs	**—**	45	112
Loss on property disposal	**—**	—	206
Taxation effect of the above	**(43)**	(23)	(88)
Non-controlling interest in the above	**(89)**	—	(175)
Earnings – adjusted	**8,379**	6,462	8,143

8. EARNINGS PER SHARE (continued)

	26 weeks ended 3 March 2018 Number	26 weeks ended 4 March 2017 Number	52 weeks ended 2 September 2017 Number
Weighted average number of ordinary shares in issue	**91,401,939**	91,317,071	91,355,427
Potentially dilutive share options	**2,062,033**	636,760	769,893
	93,463,972	91,953,831	92,125,320
Earnings per share (pence)			
Basic	**9.0p**	6.4p	7.7p
Diluted	**8.8p**	6.3p	7.6p
Adjusted	**9.2p**	7.1p	8.9p
Diluted adjusted	**9.0p**	7.0p	8.8p

9. DIVIDENDS

An interim dividend of £868,258 that relates to the period to 2 September 2017 was paid on 5 October 2017, and a final dividend of £1,919,455 was paid on 12 January 2018.

In addition, an interim dividend of 1.075p per share (2017: 0.95p per share) has been approved by the Directors. It is payable to shareholders on the register on 27 April 2018. This interim dividend, amounting to £982,578 (2017: £868,258), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 1 September 2018.

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 3 March 2018				
Opening net book amount at 3 September 2017	**24,241**	**2,266**	**37,149**	**176**
Exchange differences	**(687)**	**(109)**	**(706)**	**—**
Subsidiary acquired	**674**	**34**	**167**	**—**
Additions	**—**	**61**	**2,383**	**—**
Disposals	**—**	**—**	**(45)**	**—**
Depreciation and amortisation	**—**	**(204)**	**(2,173)**	**(3)**
Closing net book amount at 3 March 2018	**24,228**	**2,048**	**36,775**	**173**
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

Capital commitments contracted, but not provided for, by the Group at the period end amounts to £772,000 (2017: £687,000).

UNAUDITED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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11. BORROWINGS AND LOANS

	As at 3 March 2018 £'000	As at 4 March 2017 £'000	As at 2 September 2017 £'000
Current	**27,269**	19,579	17,060
Non-current	**22,661**	13,082	20,966
Total borrowings and loans	**49,930**	32,661	38,026
Cash and cash equivalents	**(33,835)**	(21,176)	(23,887)
Net debt	**16,095**	11,485	14,139
Undrawn facilities	**22,730**	34,494	30,230

Movements in borrowings are analysed as follows:

	£'000
26 weeks ended 3 March 2018	
Opening amount as at 3 September 2017	**38,026**
Exchange differences	**(186)**
Subsidiary acquired	**554**
New bank loans/RCF drawdown and finance leases	**3,537**
Finance lease principal repayments	**(501)**
Repayments of borrowings	**(1,951)**
Increase in other borrowings	**10,159**
Release of deferred borrowing costs	**29**
Net increase to bank overdraft (excluding the effects of acquisitions)	**263**
Closing amount as at 3 March 2018	**49,930**
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

12. FINANCIAL INSTRUMENTS

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

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 such as entity projections of future profitability.

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.

Financial instruments recognised at fair value are as follows:

Book value and fair value	**As at 3 March 2018 £'000**	As at 4 March 2017 £'000	As at 2 September 2017 £'000
Derivative financial instruments (asset)	**—**	—	13
Derivative financial instruments (liability)	**(127)**	(83)	(18)
Non-current contingent consideration payable	**(3,629)**	(4,127)	(4,160)

The movement on the fair value of non-current contingent consideration since 2 September 2017 is due to a payment of £0.3m with the residual movement of £0.3m due to changes in foreign currency exchange rates when translating foreign subsidiary balance sheets.

13. RETIREMENT BENEFIT ASSET

The amounts recognised within the Income Statement were as follows:

	26 weeks ended 3 March 2018 £'000	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Service cost – administrative cost	**—**	—	59
Net interest on the net defined benefit asset	**(62)**	(3)	(6)
	(62)	(3)	53

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 3 March 2018 £'000	As at 4 March 2017 £'000	As at 2 September 2017 £'000
Present value of funded defined benefit obligations	**(66,486)**	(68,180)	(69,921)
Fair value of scheme assets	**72,455**	73,912	75,130
Surplus in funded scheme	**5,969**	5,732	5,209

Actuarial gains of £698,000 (2017: £5,418,000) have been reported in the Statement of Comprehensive Income. The surplus has increased over the period since 2 September 2017 mainly as a result of the change in market conditions, with the fall in liabilities outweighing a corresponding fall in assets.

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 3 September 2017	**91,395,541**	**2,285**	**9,130**	**11,415**
Proceeds from shares issued:				
– share save scheme	**7,100**	**—**	**11**	**11**
At 3 March 2018	**91,402,641**	**2,285**	**9,141**	**11,426**
Opening balance 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

Employee share schemes: options exercised during the period to 3 March 2018 resulted in 7,100 shares being issued (2017: 24,710 shares), with exercise proceeds of £10,792 (2017: £19,177) under the share save scheme. The related weighted average price of the shares exercised was £1.52 (2017: £0.776) per share.

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

15. ACQUISITION

On 31 October 2017 Carrs Billington Agriculture (Sales) Limited acquired the entire issued share capital of Pearson Farm Supplies Limited for cash consideration of £1.2m including deferred consideration of £0.2m. The primary reason for the acquisition was the expansion of the existing agriculture business.

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.

Pearson Farm Supplies Limited has generated revenue of £1,712,000 and profit before taxation of £91,000 since the date of acquisition.

Acquisition related costs amounted to £5,000 which have been recognised within non-recurring items in the consolidated income statement.

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

	Fair value £'000
Intangible assets	**34**
Property, plant and equipment	**167**
Inventories	**958**
Receivables	**1,099**
Assets held for resale	**100**
Bank overdraft	**(445)**
Finance leases	**(109)**
Payables	**(1,196)**
Taxation	
Current tax	**(33)**
Deferred tax	**(37)**
Net assets acquired	**538**
Goodwill	**674**
	1,212
Satisfied by:	
Cash consideration	**1,212**

Cash consideration includes £0.2m of deferred consideration of which £0.1m was paid prior to 3 March 2018.

Intangible assets represent the fair value of customer relationships.

Had the acquisition of Pearson Farm Supplies 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.

16. CASH GENERATED FROM CONTINUING OPERATIONS

	26 weeks ended 3 March 2018 £'000	26 weeks ended 4 March 2017 £'000	52 weeks ended 2 September 2017 £'000
Profit for the period from continuing operations	**9,048**	6,574	8,295
Adjustments for:			
Tax	**1,567**	1,708	1,707
Tax credit in respect of R&D	**(90)**	(63)	(129)
Depreciation of property, plant and equipment	**2,173**	1,977	4,093
Depreciation of investment property	**3**	3	6
Goodwill impairment	**—**	—	1,700
Intangible asset amortisation	**204**	49	124
(Profit)/loss on disposal of property, plant and equipment	**(28)**	(11)	215
Release of contingent consideration	**—**	—	(2,090)
Business combination expenses	**117**	—	1,299
Net expense on share based payments	**556**	127	485
Other non-cash adjustments	**112**	145	(222)
Finance costs:			
Interest income	**(182)**	(95)	(176)
Interest expense and borrowing costs	**605**	448	901
Share of profit from associates and joint ventures	**(2,140)**	(1,708)	(2,813)
IAS19 income statement charge (excluding interest)	**—**	—	59
Changes in working capital (excluding the effects of acquisitions):			
Increase in inventories	**(6,127)**	(3,791)	(2,379)
Increase in receivables	**(9,623)**	(8,677)	(383)
Increase in payables	**10,752**	9,371	4,402
Cash generated from continuing operations	**6,947**	6,057	15,094

17. RELATED PARTY TRANSACTIONS

The Group's significant related parties are its associates and joint ventures, as disclosed in the Annual Report and Accounts 2017.

Transactions and balances with the associates 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 from/(to) £'000	Interest receivable from £'000	Amounts owed from £'000	Amounts owed to £'000
26 weeks to 3 March 2018							
Associates	**427**	**(56,318)**	**10**	**4**	**37**	**850**	**(153)**
Joint ventures	**300**	**(757)**	**—**	**163**	**—**	**1,720**	**(82)**
26 weeks to 4 March 2017							
Associates	485	(51,644)	10	(18)	—	164	(21,804)
Joint ventures	211	(529)	—	90	—	1,889	(151)

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