Carr's Group plc

11 November 2019

CARR'S GROUP PLC ("Carr's" or the "Group")

FULL YEAR RESULTS
For the year ended 31 August 2019

A strong performance in the year with growth on track

Carr's (CARR.L), the Agriculture and Engineering Group, announces its results for the year ended 31 August 2019.

Financial Highlights

	Adjusted[1]		
	FY19	**FY18**	**+/-**
Revenue (£m)	403.9	403.2	+0.2%
Adjusted[1] operating profit (£m)	18.9	17.5	+8.4%
Adjusted[1] profit before tax (£m)	18.0	16.6	+9.0%
Adjusted[1] EPS (p)	14.6	13.9	+5.0%

	Statutory		
	FY19	**FY18**	**+/-**
Revenue (£m)	403.9	403.2	+0.2%
Operating profit (£m)	17.2	16.4	+4.8%
Profit before tax (£m)	16.3	15.5	+5.2%
Basic EPS (p)	13.1	13.0	+0.8%
Dividend per share (p)	4.75	4.5	+5.6%
Net debt (£m)	23.8	15.4	+54.5%
Capex (£m)	6.4	5.5	+15.8%

Commercial Highlights

- Overall strong performance: robust result in Agriculture, and strong performance in Engineering.
- In Agriculture, impact of unseasonable weather in UK and USA mitigated by cost control, manufacturing efficiencies and effective raw material procurement.
- Volumes of USA feed blocks lower as a result of consistently wet weather, but emergence from drought across large areas in the USA expected to be beneficial in the medium term.
- Plans to establish newly acquired Animax as a centre of excellence for innovation and product development well underway.
- New divisional structure in Engineering established to enable closer collaboration and improved business development.
- Engineering division order books remain strong.
- Acquisition of NW Total in June enhances Engineering division and provides opportunities in nuclear defence market.

[1] Adjusted results are after adding back amortisation of acquired intangible assets and non-recurring items including acquisition costs (note 3)

Chris Holmes, Chairman of Carr’s Group, commented:

“We are pleased to have delivered a strong financial performance in the year, moderately ahead of the Board’s expectations, despite unseasonable weather significantly impacting trading across our Agriculture division.

“We also made good strategic progress during the year, including acquisitions across both divisions where integration is progressing well. In Agriculture, we are excited by plans to develop Animax, acquired in September 2018, into a centre of excellence for innovation and product development for the wider Agriculture division.

“Our Engineering division delivered a strong performance, building on momentum in the prior year. We believe the newly established structure of our Engineering division will position us better for sustainable growth, enabling closer collaboration between businesses and better business development.

“I am confident, as I step down from the role of Chairman at the AGM in January, that I leave the Company in an excellent position to build upon on its strong market positions and capabilities, expand its international footprint and deliver sustained growth.”

Enquiries:

Carr's Group plc	Tel: +44 (0) 1228 554 600
Tim Davies (Chief Executive)	
Neil Austin (Group Finance Director)	
Powerscourt	Tel: +44 (0) 20 7250 1446
Nick Dibden / Lisa Kavanagh / Sam Austrums	

About Carr's Group plc:

Carr's is an international leader in manufacturing and supplying 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.

Its Agriculture division manufactures and supplies supplementation products for livestock including feed blocks and boluses, distributes 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.

Chairman's Statement

Review of the year

For the year ended 31 August 2019, the Group delivered a financial performance moderately ahead of the Board's expectations.

The period saw further investment across both our Agriculture and Engineering divisions to enhance our capabilities and position the Group for further growth. This investment was complemented by acquisitions made in each division, and the successful implementation of measures designed to improve efficiencies across our businesses.

Our Agriculture division performed well in challenging market conditions. Unseasonable mild and dry weather during winter and spring impacted sales volumes in the UK and across Europe, which was in stark contrast to the colder weather experienced during the spring of 2018. Consistent wet weather in the USA also reduced demand for feed blocks, impacting sales volumes. Despite the challenging weather conditions, its impact on profitability was substantially mitigated through various cost savings, including lower central costs, together with better procurement and manufacturing efficiencies which, combined with the contribution from Animax, acquired in September 2018, enabled the division to report increased profits. We were also able to make good progress strengthening our research and development capabilities, particularly through our new facilities at Animax.

Our Engineering division delivered another strong performance, building on the momentum of the previous year. Towards the end of the year, we brought together our existing and recently acquired businesses through the establishment of a new divisional structure comprising Global Robotics, Global Technical Services and UK Service and Manufacturing (replacing our Remote Handling, USA Engineering and UK Manufacturing businesses respectively). The new structure is designed to realise synergies, improve efficiencies and better align our products and services with the markets in which we operate.

In June 2019, we acquired NW Total, a service and manufacturing company providing value-adding solutions to the nuclear defence, nuclear decommissioning, nuclear power generation and other highly regulated markets, for a total cash consideration of up to £9.6 million. The acquisition enhances our offering and provides significant opportunities, particularly in the nuclear defence market.

We will continue to assess acquisition opportunities across both of our divisions, which align to our strategy.

Financial review

Revenue for the year increased by 0.2% to £403.9m (2018: £403.2m). Adjusted operating profit, which is before amortisation of acquired intangible assets and non-recurring items, was up 8.4% to £18.9m (2018: £17.5m), with Agriculture contributing £13.6m (2018: £13.4m) and Engineering £5.3m (2018: £4.1m). Reported operating profit was up 4.8% to £17.2m (2018: £16.4m). Non-recurring items include past service costs relating to pensions GMP equalisation totalling £1.1m, amortisation of acquired intangible assets totalling £0.8m, acquisition related costs totalling £0.5m, and restructuring costs totalling £0.4m. These were offset by adjustments to contingent consideration totalling £1.1m, giving a net total of £1.7m.

Adjusted profit before tax was up 9.0% to £18.0m (2018: £16.6m) and reported profit before tax was up 5.2% at £16.3m (2018: £15.5m). Basic earnings per share were up by 0.8% to 13.1p (2018: £13.0p), with fully diluted earnings per share of 12.8p (2018: 12.7p) and adjusted earnings per share, excluding amortisation of acquired intangible assets and non-recurring items, up 5.0% to 14.6p (2018: 13.9p).

Net debt at 31 August 2019 was £23.8m (2018: £15.4m). Net debt has increased by £12.0m in relation to the acquisition of Animax and NW Total, which was offset by a small cash inflow of £3.6m for the Group.

Dividend

The Board is proposing a final dividend of 2.5p per ordinary share, which together with the two interim dividends of 1.125p per ordinary share paid on 31 May 2019 and 4 October 2019, make a total of 4.75p per share for the year (2018: 4.5p). The final dividend, if approved by the Shareholders, will be paid on 10 January 2020, to Shareholders on the register on close of business 29 November 2019, and the shares will go ex-dividend on 28 November 2019.

Corporate governance

During the year we continued to review our governance framework in the light of the new Corporate Governance Code 2018, which has applied to the Company from 1 September 2019. In readiness for this, we took the decision that I would stand down from the Board, which was announced in December 2018. We have also reviewed our remuneration policies to ensure that these remain in accordance with best practice and taken steps to enhance how we engage with stakeholders and employees. As a result, we are confident that we should be fully aligned with the requirements of the new Code. As a Group, we remain committed to a robust and transparent governance framework, which promotes the interests of our stakeholders.

This is my last set of financial results as Chairman of the Group. It has been an honour and a privilege to work for Carr's, first as Managing Director of the Agriculture business, then as CEO of the Group, and for the last six years to serve as Chairman. As announced on 9 October 2019, following a comprehensive search process led by Senior Independent Director John Worby, Peter Page will take over the role of Chairman following our AGM in January 2020. I am confident Peter is an ideal candidate to take over as Chairman and I wish him and the executive management team the very best for the future. I know that under their leadership Carr's will continue to go from strength to strength.

Outlook

The Group remains committed to delivering on its strategic objectives of investing in its people and its asset base, whilst continuing to drive innovation and expand the Group's geographic footprint, delivering growth across both divisions.

We remain confident in the prospects of the Agriculture division in the medium term and continue to plan for Brexit with our customers, suppliers and trading partners. In the UK, farmer confidence is becoming increasingly impacted by uncertainty around Brexit, in particular the future trade arrangements the UK will have with the EU and the rest of the world. In the USA, while the wet weather conditions this year impacted sales volumes, an emergence from longstanding drought across large agricultural regions should be beneficial for feed block sales in the medium term. We are pleased with the progress made with the integration of Animax since its acquisition in September 2018 and are working towards establishing the business as a centre of excellence for innovation and product development across the division. We will continue to invest in the development of our international supplements business delivering research based value-enhancing products to farmers globally.

In our Engineering division, order books remain strong supported by improved efficiencies and a strengthened management team. This, combined with the strategic progress during the year, provides confidence in the medium term. Due to contract phasing we expect reduced activity in Global Technical Services in the coming year, but confidence in the business is unaffected due to its strong order book. We anticipate an improved performance in Global Robotics this year, against reduced activity levels last year. The acquisition of NW Total also provides new opportunities for the division, particularly in the nuclear defence market. Our strategy for the division continues to be the development of IP-rich businesses delivering high value solutions into regulated markets, supplemented by acquisitions where appropriate.

Trading in the new financial year has started in line with the Board's expectations in Agriculture. In Engineering, we have had a slower start than expected due to contract phasing, however, order books are strong and we remain confident in the full year outlook. Whilst we are fully aware of the challenges in our global markets, investments in people, facilities and new product development, supported by our strategic acquisitions, position the Group well for sustained future growth.

Finally, on behalf of the Board I would like to thank our colleagues across the Group who, alongside our strategic partners and other supporting stakeholders, have been instrumental in helping to deliver another strong performance.

Chris Holmes DL
Chairman
11 November 2019

Chief Executive's Review

Our financial performance for the year was moderately ahead of our expectations. We have made significant progress against our strategic objectives, investing both in our facilities and in our research and development capabilities, as well as through acquisitions.

During the year we acquired Animax, expanding our Supplements business, and NW Total, which provides new opportunities, particularly in the nuclear defence markets. Both businesses align with our strategy to grow internationally in high value, growing market sectors. We continue to identify suitable value-enhancing acquisitions, which complement our existing operations and enable us to invest in technology and innovation.

Agriculture

In the context of a particularly challenging market driven by unseasonal weather, in marked contrast to the previous year, and uncertainty created by Brexit, our Agriculture division has delivered a robust performance.

During the year, revenue was down 0.6% to £357.4m (2018: £359.6m). Adjusted operating profit was up 1.6% to £13.6m (2018: £13.4m) and reported operating profit was down 0.8% to £12.9m (2018: £13.0m). This included the contribution from Animax of £0.6m to adjusted operating profit in its first year of trading.

<u>Supplements</u>

Total global feed block sales volumes were down 6.4% compared to last year.

Following a strong first quarter for our USA feed block business, short-term adverse weather conditions impacted sales volumes during the year. Consistently wet weather conditions resulted in plentiful supplies of forage during the year and more conservative purchasing of supplements by farmers. As a result, volumes including joint ventures were down 2.5% on the prior year. In the medium-term, we expect the widespread reduction in drought to result in more land being available for livestock grazing, which provides an opportunity for us to increase feed block volumes in the USA.

The impact from adverse weather conditions on profitability in the USA during the year was offset by two factors. Firstly, our low moisture feed block plant in Shelbyville, Tennessee delivered a strong performance during its first full year of operation with volumes continuing to grow. This facility has enabled us to expand our geographic footprint and increase our sales to customers across the eastern and south eastern states of the USA. Secondly, we have driven further efficiencies across the USA business, improved procurement processes and made significant improvements in manufacturing efficiencies and quality control.

During the period we increased our presence in the Canadian market, establishing relationships with key distribution partners, expanding our sales team and completing key product registrations. This market can be serviced out of our existing facility in Belle Fourche, South Dakota.

UK feed blocks sales volumes were down 16.4% compared to the prior year, due to unseasonably mild and dry weather experienced during the period in marked contrast to the same period last year. Despite the challenging market conditions, we were able to mitigate the financial impact of these factors through improved efficiencies, strict control of operating costs, including lower central costs, and better procurement.

Feed block sales in our joint venture business based in Germany, Crystalyx Products GmbH, were impacted by similar weather conditions to the UK, with volumes down 8.0% compared to the prior year. During the period we made further progress on our Pickblock plant in Oldenburg, Germany, which will be fully operational in calendar year 2020. This facility produces products which improve poultry welfare standards through environmental enrichment, encouraging birds to demonstrate a wider range of natural behaviours.

Our plans to grow our feed block business internationally continue to progress with emphasis on Europe, New Zealand and North America where we see the greatest potential for growth.

We have made significant strategic progress since acquiring Animax Limited, a manufacturer of trace element supplements for livestock, in September 2018. As part of the ongoing integration of the business, we have strengthened the management team, increased focus on new business development and enhanced production efficiencies. A key rationale for the acquisition was to bring Animax's research and development facility into the Group. Through continued integration, this facility will become a centre of excellence in research and development for the Group's Supplements business.

UK Agriculture

Volumes in our feed and fuel businesses declined during the period as a result of the very mild weather reducing demand. Consequently, total compound feed volumes decreased by 10.0%, against a strong comparative period last year. Similarly, volumes in our fuel distribution business were down 6.2% on last year. Effective procurement and good forward positions on raw materials has helped to mitigate the negative impact on profitability of the weather.

Despite the unseasonal weather our network of rural stores reported a 0.9% increase in overall sales during the year, with like-for-like sales increasing 2.1% owing to store rationalisation following the acquisition of Pearson Farm Supplies in October 2017. In July 2019, we acquired Cumbria based Paul Chuter Agricultural Services Ltd, a regional supplier of all-terrain vehicles, which has increased the range of specialist machinery available to our core farming customers. The business has been integrated into our country store at Cockermouth, Cumbria, to maximise footfall and levels of customer service.

Machinery revenues overall were down 2.8% against a record performance last year. New machinery sales were, however, down 4.6% as ongoing Brexit negotiations continued to impact farmer confidence.

As part of the Group's orderly succession planning, we appointed a new Managing Director for the UK Agriculture business.

Agriculture Outlook

We remain confident in the medium-term prospects of the UK Agriculture business. In the short-term we continue to prepare for Brexit given the ongoing uncertainty, which is increasingly impacting farmer confidence and delaying new investment decisions.

In the USA, following a period of sustained drought, we expect the wetter weather this year to provide a positive impact, as significant areas in the USA become more capable of supporting livestock grazing which is the primary method of nutrition supported by our range of supplementation products.

We remain committed to developing our global supplements business, which has been supported by our acquisition of Animax. The acquisition has enhanced our range of value-adding products which can be distributed internationally, has improved our ability to innovate and develop new products, and is enabling us to realise synergies in our wider Agriculture division.

We continue to consider acquisition opportunities which align with our strategy.

Engineering

The Engineering division has seen another strong financial performance during the year. This has been achieved alongside the delivery of strategic objectives and supported by a new organisational structure under the leadership of the divisional Managing Director. The new structure better aligns the division with our customers and the markets in which we operate, and the creation of a central divisional management team brings closer collaboration and improved business development.

During the year, revenue was up 6.7% to £46.5m (2018: £43.6m). Adjusted operating profit was up 30.6% to £5.3m (2018: £4.1m) and reported operating profit was up 49.4% to £5.1m (2018: £3.4m). This was led by improved performances in UK Service and Manufacturing and Global Technical Services offset by a weaker performance in Global Robotics.

UK Service and Manufacturing

Our UK Service and Manufacturing business performed well during the year, generating revenues of £23.0m (2018: £18.4m).

The business was able to successfully deliver a range of projects into the nuclear market, including the significant contract announced in July 2017 which is now nearing completion. We also delivered a strong performance in oil and gas markets, building on momentum established last year. The new management team has overseen significant improvements in business development, resulting in a more effective approach to tender opportunities, an increased conversion rate and a strengthened order book.

In June 2019 we acquired NW Total Engineered Solutions Limited, a service and manufacturing company providing value added solutions to the nuclear defence, nuclear decommissioning, nuclear power generation and other highly regulated markets. Integration has commenced, and the business has performed well in its initial period of ownership. The acquisition comes at a time of significant opportunity in nuclear defence, such as the £31 billion UK Dreadnought submarine programme which is expected to continue into the longer term.

Global Robotics

As anticipated, our Global Robotics business experienced lower levels of activity during the year due to project phasing, delivering revenues for the financial year totalling £14.4m (2018: £19.5m). The order book has improved, as expected, during the year and we continue to have confidence in the medium term. The year was also one of strategic progress, securing a number of contracts to supply robotics equipment into the USA including a major project to supply $8.5m of equipment. Part of the strategic rationale for the acquisition of NuVision was to lever its strong foothold in the USA nuclear sector.

Establishing a Global Robotics business, incorporating all of the remote handling and robotics equipment previously supplied by CarrsMSM, Wälischmiller, and NuVision, has allowed us to bring together IP and knowhow from across the Group, positioning the business for further product development and global growth.

As previously reported, the level of global opportunities, particularly in the USA, Europe and Japan, is increasing which provides confidence in both the short and longer term for this division.

Global Technical Services

Our Global Technical Services business had a very strong year, generating revenues of £9.1m (2018: £5.7m).

This business has a very strong order book and opportunity pipeline, following the award of a number of previously announced contracts, including two significant Mechanical Stress Improvement Process (MSIP®) contracts, which will mainly benefit the 2020/21 financial year.

Following the award of significant funding from the US Department of Energy to develop our passive cooling technology, work has commenced on this project and is progressing well. This technology has the potential to be retrofitted on existing nuclear power plants in order to improve safety.

Engineering Outlook

We remain confident in the prospects for the Engineering division. Our UK Service and Manufacturing business continues to perform well, and order books remain strong. The acquisition of NW Total enhances the range of specialist services we offer and provides good opportunities in the nuclear defence market.

Following the award of a number of contracts in the USA, the order book in our Global Robotics business has strengthened and we expect an improved performance in the current financial year. We also see global opportunities, particularly in Europe and Japan, over the short to medium term, supporting our confidence in this business.

Following a very strong year for our Global Technical Services business, with the award of two significant MSIP® contracts, we expect a reduced performance in the coming year owing to the phasing of these multi-year projects. However, in the medium term, the business has a strong order book.

Our reorganised divisional structure provides a better combined offering which is more closely aligned to our customers and the markets in which we operate, and the division is well placed for further growth. We also continue to consider acquisition opportunities that are strategically aligned.

Tim Davies
Chief Executive Officer
11 November 2019

UNAUDITED CONSOLIDATED INCOME STATEMENT
for the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Continuing operations			
Revenue	2	**403,905**	403,192
Cost of sales		**(349,798)**	(349,864)
Gross profit		**54,107**	53,328
Distribution costs		**(18,454)**	(18,950)
Administrative expenses		**(20,835)**	(21,188)
Adjusted[2] share of post-tax results of associates		**1,230**	1,634
Non-recurring items	3	**(306)**	-
Share of post-tax results of associates		**924**	1,634
Share of post-tax results of joint ventures		**1,453**	1,581
Adjusted[2] operating profit		**18,930**	17,464
Amortisation of acquired intangible assets and non-recurring items	3	**(1,735)**	(1,059)
Operating profit	2	**17,195**	16,405
Finance income		**463**	358
Finance costs		**(1,349)**	(1,261)
Adjusted[2] profit before taxation		**18,044**	16,561
Amortisation of acquired intangible assets and non-recurring items	3	**(1,735)**	(1,059)
Profit before taxation	2	**16,309**	15,502
Taxation	4	**(2,685)**	(1,855)
Profit for the year		**13,624**	13,647
Profit attributable to:			
Equity shareholders		**12,049**	11,892
Non-controlling interests		**1,575**	1,755
		13,624	13,647
Earnings per ordinary share (pence)			
Basic	5	**13.1**	13.0
Diluted		**12.8**	12.7
Adjusted	5	**14.6**	13.9

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 August 2019

	2019 £'000	2018 £'000
Profit for the year	**13,624**	13,647
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
- Foreign exchange translation gains/(losses) arising on translation of overseas subsidiaries	**1,857**	(505)
- Net investment hedges	**37**	111
- Taxation charge on net investment hedges	**(7)**	(21)
Items that will not be reclassified subsequently to profit or loss:		
- Actuarial (losses)/gains on retirement benefit asset:		
- Group	**(1,845)**	4,836
- Share of associate	**(88)**	1,194
- Taxation credit/(charge) on actuarial (losses)/gains on retirement benefit asset:		
- Group	**314**	(822)
- Share of associate	**15**	(203)
Other comprehensive income for the year, net of tax	**283**	4,590
Total comprehensive income for the year	**13,907**	18,237
Total comprehensive income attributable to:		
Equity shareholders	**12,332**	16,482
Non-controlling interests	**1,575**	1,755
	13,907	18,237

UNAUDITED CONSOLIDATED BALANCE SHEET
as at 31 August 2019

	2019 £'000	2018 £'000
Assets		
Non-current assets		
Goodwill	**32,877**	24,272
Other intangible assets	**9,318**	2,223
Property, plant and equipment	**41,917**	38,484
Investment property	**164**	170
Investment in associate	**13,392**	13,129
Interest in joint ventures	**9,671**	8,004
Other investments	**76**	74
Financial assets		
- Non-current receivables	**22**	21
Retirement benefit asset	**7,769**	10,146
Deferred tax asset	**410**	-
	115,616	96,523
Current assets		
Inventories	**46,270**	42,371
Contract assets	**9,466**	-
Trade and other receivables	**56,349**	67,516
Current tax assets	**-**	119
Financial assets		
- Derivative financial instruments	**-**	26
- Cash and cash equivalents	**28,649**	24,632
	140,734	134,664
Total assets	**256,350**	231,187
Liabilities		
Current liabilities		
Financial liabilities		
- Borrowings	**(23,856)**	(34,994)
Contract liabilities	**(1,269)**	-
Trade and other payables	**(62,653)**	(64,290)
Current tax liabilities	**(1,010)**	(175)
	(88,788)	(99,459)
Non-current liabilities		
Financial liabilities		
- Borrowings	**(28,586)**	(4,997)
Deferred tax liabilities	**(4,987)**	(3,981)
Other non-current liabilities	**(2,999)**	(1,784)
	(36,572)	(10,762)
Total liabilities	**(125,360)**	(110,221)
Net assets	**130,990**	120,966
Shareholders' equity		
Share capital	**2,299**	2,285
Share premium	**9,165**	9,141
Other reserves	**102,786**	93,855
Total shareholders' equity	**114,250**	105,281
Non-controlling interests	**16,740**	15,685
Total equity	**130,990**	120,966

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 August 2019

	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 £'000
At 3 September 2017	2,285	9,130	-	386	4,674	205	74,802	91,482	14,441	105,923
Profit for the Year	-	-	-	-	-	-	11,892	11,892	1,755	13,647
Other comprehensive (expense)/income	-	-	-	-	(415)	-	5,005	4,590	-	4,590
Total comprehensive (expense)/income	-	-	-	-	(415)	-	16,897	16,482	1,755	18,237
Dividends paid	-	-	-	-	-	-	(3,770)	(3,770)	(588)	(4,358)
Equity-settled share-based payment transactions	-	-	-	1,041	-	-	8	1,049	76	1,125
Excess deferred taxation on share based payments	-	-	-	-	-	-	27	27	1	28
Allotment of shares	-	11	-	-	-	-	-	11	-	11
Transfer	-	-	-	-	-	(3)	3	-	-	-
At 1 September 2018	2,285	9,141	-	1,427	4,259	202	87,967	105,281	15,685	120,966
As previously reported at 1 September 2018	**2,285**	**9,141**	**-**	**1,427**	**4,259**	**202**	**87,967**	**105,281**	**15,685**	**120,966**
Effect of IFRS15 adoption	**-**	**-**	**-**	**-**	**-**	**-**	**(124)**	**(124)**	**-**	**(124)**
At 2 September 2018 (restated)	**2,285**	**9,141**	**-**	**1,427**	**4,259**	**202**	**87,843**	**105,157**	**15,685**	**120,842**
Profit for the Year	**-**	**-**	**-**	**-**	**-**	**-**	**12,049**	**12,049**	**1,575**	**13,624**
Other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**1,887**	**-**	**(1,604)**	**283**	**-**	**283**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**1,887**	**-**	**10,445**	**12,332**	**1,575**	**13,907**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(4,173)**	**(4,173)**	**(588)**	**(4,761)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**53**	**-**	**-**	**759**	**812**	**68**	**880**
Allotment of shares	**14**	**24**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**38**
Purchase of own shares held in trust	**-**	**-**	**(13)**	**-**	**-**	**-**	**-**	**(13)**	**-**	**(13)**
Reclassified from liabilities	**-**	**-**	**-**	**97**	**-**	**-**	**-**	**97**	**-**	**97**
Transfer	**-**	**-**	**13**	**-**	**-**	**(3)**	**(10)**	**-**	**-**	**-**
At 31 August 2019	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**94,864**	**114,250**	**16,740**	**130,990**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 August 2019

	Note	**2019**	2018
		£'000	£'000
Cash flows from operating activities			
Cash generated from continuing operations	6	**16,004**	14,980
Interest received		**178**	226
Interest paid		**(1,276)**	(1,210)
Tax paid		**(2,306)**	(2,511)
Net cash generated from operating activities		**12,600**	11,485
Cash flows from investing activities			
Acquisition of subsidiaries (net of overdraft/cash acquired)		**(9,868)**	(1,522)
Contingent/deferred consideration paid		**(379)**	(2,617)
Net costs of disposal of associate		**-**	(90)
Dividend received from associate and joint ventures		**711**	704
Loan repaid by associate		**-**	1,008
Other loans		**79**	59
Purchase of intangible assets		**(1,310)**	(325)
Proceeds from sale of property, plant and equipment		**831**	189
Purchase of property, plant and equipment		**(4,471)**	(4,488)
Purchase of own shares held in trust		**(13)**	-
Redemption of preference shares in joint venture		**-**	20
Net cash used in investing activities		**(14,420)**	(7,062)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**38**	11
New bank loans and movement on RCF		**14,430**	(2,076)
Finance lease principal repayments		**(1,278)**	(997)
Repayment of borrowings		**(2,493)**	(3,241)
(Decrease)/increase in other borrowings		**(1,352)**	8,934
Dividends paid to shareholders		**(4,173)**	(3,770)
Dividends paid to related party		**(588)**	(588)
Net cash generated from/(used in) financing activities		**4,584**	(1,727)
Effect of exchange rate changes		**526**	(305)
Net increase in cash and cash equivalents		**3,290**	2,391
Cash and cash equivalents at beginning of the year		**21,005**	18,614
Cash and cash equivalents at end of the year		**24,295**	21,005

NOTES TO THE UNAUDITED PRELIMINARY ANNOUNCEMENT

1. Basis of preparation

The financial information in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 August 2019 or 1 September 2018. The financial information for 2018 is derived from the statutory accounts for 2018 which has been delivered to the Registrar of Companies. The previous auditor has reported on the 2018 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2019 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

The accounting policies are consistent with those of the prior year except for the adoption of new standards IFRS 9 and IFRS 15. The Group has adopted both standards retrospectively from 2 September 2018.

2. Segmental information

The segmental information for the year ended 31 August 2019 is as follows:

	Agriculture £'000	Engineering £'000	IAS19 past service cost £'000	Group £'000
Total segment revenue	357,399	46,556	-	403,955
Inter segment revenue	(11)	(39)	-	(50)
Revenue from external customers	357,388	46,517	-	403,905
Adjusted[3] EBITDA[4]	13,909	7,247	-	21,156
Depreciation, amortisation and profit/(loss) on disposal of property, plant and equipment	(3,000)	(1,909)	-	(4,909)
Share of post-tax results of associate (adjusted[3]) and joint ventures	2,683	-	-	2,683
Adjusted[3] operating profit	13,592	5,338	-	18,930
Amortisation of acquired intangible assets and non-recurring items (note 3)	(701)	(239)	(795)	(1,735)
Operating profit	12,891	5,099	(795)	17,195
Finance income				463
Finance costs				(1,349)
Adjusted[3] profit before taxation				18,044
Amortisation of acquired intangible assets and non-recurring items (note 3)				(1,735)
Profit before taxation				16,309

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

[4] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of associate and joint ventures

2. Segmental information (continued)

The segmental information for the year ended 1 September 2018 is as follows:

	Agriculture £'000	Engineering £'000	Group £'000
Total segment revenue	359,620	43,618	403,238
Inter segment revenue	(12)	(34)	(46)
Revenue from external customers	359,608	43,584	403,192
Adjusted[5] EBITDA[6]	12,751	6,000	18,751
Depreciation, amortisation and profit/(loss) on disposal of property, plant and equipment	(2,769)	(1,733)	(4,502)
Share of post-tax results of associates and joint ventures	3,396	(181)	3,215
Adjusted[5] operating profit	13,378	4,086	17,464
Amortisation of acquired intangible assets and non-recurring items (note 3)	(386)	(673)	(1,059)
Operating profit	12,992	3,413	16,405
Finance income			358
Finance costs			(1,261)
Adjusted[5] profit before taxation			16,561
Amortisation of acquired intangible assts and non-recurring items (note 3)			(1,059)
Profit before taxation			15,502

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

[6] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of associates and joint ventures

3. Amortisation of acquired intangible assets and non-recurring items

	2019 £'000	2018 £'000
Amortisation of acquired intangible assets (i)	**814**	292
Past service cost – group (ii)	**795**	-
Past service cost – share of associate (ii)	**306**	-
Goodwill impairment (iii)	**-**	516
Business combination expenses (iv)	**509**	251
Adjustments to contingent consideration (v)	**(1,126)**	-
Restructuring/closure costs (vi)	**437**	-
	1,735	1,059

(i) Amortisation of acquired intangible assets which do not relate to the underlying profitability of the Group.

(ii) For further details of the past service costs see note 7.

(iii) The goodwill impairment recognised in the prior year was against the carrying value of goodwill in respect of the Bendalls Engineering business.

(iv) Business combination expenses relate to acquisition costs incurred in the year, and in respect of prior years contingent consideration in relation to the acquisitions of Phoenix Feeds Ltd and the business and certain assets of Mortimer Feeds Ltd which is explained further below.

3. Amortisation of acquired intangible assets and non-recurring items (continued)

Phoenix Feeds Ltd 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 year ended 3 September 2016. It is instead being recognised in the income statement over a two year period with £nil (2018: £184,000) recognised in the current year. 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 year ended 2 September 2017. It is instead being recognised in the income statement over a one year period with £nil (2018: £30,000) recognised in the current year. Given the nature of this payment it has been recognised as a non-recurring item.

(v) Adjustments to contingent consideration arise from the revaluation of contingent consideration in respect of acquisitions to fair value at the year end. Any gain or loss related to the revaluation to fair value is recognised through the income statement. The Group has recognised a gain on the revaluation to fair value of the contingent consideration payable to the vendors of NuVision Engineering, Inc. and Animax Ltd. This gain arises from changes to the expected payments since the previous year end, or acquisition date in respect of Animax Ltd, based on updated forecasts. As this gain does not relate to the underlying profitability of the Group it has been recognised as a non-recurring item.

(vi) Restructuring/closure costs include redundancy costs.

4. Taxation

	2019 £'000	2018 £'000
(a) Analysis of the charge in the year		
Current tax:		
UK corporation tax		
Current year	**1,447**	1,352
Adjustment in respect of prior years	**45**	(228)
Foreign tax		
Current year	**1,557**	1,549
Adjustment in respect of prior years	**109**	-
Group current tax	**3,158**	2,673
Deferred tax:		
Origination and reversal of timing differences		
Current year	**(357)**	(796)
Adjustment in respect of prior years	**(116)**	(22)
Group deferred tax	**(473)**	(818)
Tax on profit from ordinary activities	**2,685**	1,855
Profit before taxation	**16,309**	15,502
Tax at 19% (2018: 19%)	**3,099**	2,945
Effects of:		
Tax effect of share of results of associates and joint ventures	**(452)**	(611)
Tax effect of expenses that are not allowable in determining taxable profit	**180**	300
Tax effect of non-taxable income	**(482)**	(310)
Effects of different tax rates of foreign subsidiaries	**256**	227
Effects of changes in deferred tax rates	**(24)**	(490)
Unrecognised deferred tax on losses	**70**	44
Adjustment in respect of prior years	**38**	(250)
Total tax charge for the year	**2,685**	1,855

The tax effect of expenses that are not allowable in determining taxable profit includes the non-recurring items of business combination expenses and, in respect of the prior year, goodwill impairment (note 3). These have been treated as disallowable for tax purposes.

4. Taxation (continued)

The tax effect of non-taxable income includes the non-recurring items of adjustments to contingent consideration (note 3) and the effect of income within the patent box regime.

The effect of changes in deferred tax rates in the prior year includes the effect on deferred tax balances following the reduction in US Federal tax rates.

5. Earnings per ordinary share

Basic earnings per share are based on profit attributable to shareholders and on a weighted average number of shares in issue during the year of 91,828,015 (2018: 91,402,338). The calculation of diluted earnings per share is based on 94,347,658 shares (2018: 93,438,607).

Amortisation of acquired intangible assets 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:

	2019 Earnings £'000	**2019 Earnings per share pence**	2018 Earnings £'000	2018 Earnings per share pence
Earnings per share – basic	**12,049**	**13.1**	11,892	13.0
Amortisation and non-recurring items:				
Amortisation of acquired intangible assets	**814**	**0.9**	292	0.3
Past service cost – Group	**795**	**0.9**	-	-
Past service cost – share of associate	**306**	**0.3**	-	-
Goodwill impairment	**-**	**-**	516	0.6
Business combination expenses	**509**	**0.6**	251	0.3
Adjustments to contingent consideration	**(1,126)**	**(1.2)**	-	-
Restructuring/closure costs	**437**	**0.5**	-	-
Taxation effect of the above	**(367)**	**(0.4)**	(60)	(0.1)
Non-controlling interest in the above	**(57)**	**(0.1)**	(145)	(0.2)
Earnings per share – adjusted	**13,360**	**14.6**	12,746	13.9

6. Cash generated from continuing operations

	2019 £'000	2018 £'000
Continuing operations		
Profit for the year	**13,624**	13,647
Adjustments for:		
Tax	**2,685**	1,855
Tax credit in respect of R&D	**(526)**	(451)
Depreciation of property, plant and equipment	**4,804**	4,372
Depreciation of investment property	**6**	6
Goodwill impairment	**-**	516
Intangible asset amortisation	**943**	397
(Profit)/loss on disposal of property, plant and equipment	**(30)**	19
Business combination expenses	**509**	251
Adjustments to contingent consideration	**(1,126)**	-
Net fair value expense on share based payments	**880**	1,125
Other non-cash adjustments	**(139)**	107
Interest income	**(463)**	(358)
Interest expense and borrowing costs	**1,399**	1,357
Share of results of associates and joint ventures	**(2,377)**	(3,215)
IAS19 income statement charge (excluding interest):		
Administrative expenses	**21**	24
Past service cost	**795**	-
Changes in working capital (excluding the effects of acquisitions):		
Increase in inventories	**(670)**	(5,106)
Increase in receivables	**(1,008)**	(7,015)
(Decrease)/increase in payables	**(3,323)**	7,449
Cash generated from continuing operations	**16,004**	14,980

7. Pensions

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The valuation of the defined benefit scheme under the IAS19 accounting basis showed a surplus in the scheme at 31 August 2019 of £7.8m (2018: £10.1m).

In the year, the retirement benefit charge, excluding interest, in respect of the Carr's Group Pension Scheme was £816,000 (2018: £24,000). This includes £795,000 (2018: £nil) in respect of GMP equalisation which is discussed further below.

A Group subsidiary undertaking is a participating employer in a defined benefit pension scheme of the associate, Carrs Billington Agriculture (Operations) Ltd. The IAS19 accounting basis showed a surplus for that scheme at 31 August 2019 of £1.9m (2018: £2.0m). The scheme is treated as a defined contribution scheme by the Group, and its level of participation in the scheme is estimated at 48.5%, which is based on its estimated share of the buyout liabilities. Due to the fact that the sponsoring employer is an associate company of the Group, 49% of the surplus calculated on an IAS19 accounting basis is included in the Group's balance sheet within its 'Investment in associate'.

In October 2018 the High Court ruled on the case of *Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others*. This ruling required all UK defined benefit pension schemes to equalise Guaranteed Minimum Pensions (GMPs) between males and females. The Scheme's actuary has estimated the effect on the Carr's Group Pension Scheme liabilities to be £795,000 and this has been recognised as a past service cost through the Income Statement and disclosed as a non-recurring item (note 3). The Group has also recognised its share of the effect of the GMP equalisation on the associate's pension scheme liabilities through its 'Share of post-tax results of associates'. The Group's share recognised was £306,000 which has also been disclosed as a non-recurring item (note 3).

It is expected that there will be further court hearings from which clarity over the practical application of the ruling will arise. There is also the possibility of the case being taken to appeal.

8. Analysis of changes in net debt

	At 2 September 2018 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movements £'000	**At 31 August 2019 £'000**
Cash and cash equivalents	24,632	3,491	-	526	**28,649**
Bank overdrafts	(3,627)	(727)	-	-	**(4,354)**
	21,005	2,764	-	526	**24,295**
Loans and other borrowings:					
- current	(30,444)	858	11,285	(18)	**(18,319)**
- non-current	(3,564)	(11,443)	(11,795)	(44)	**(26,846)**
Finance leases:					
- current	(923)	1,278	(1,538)	-	**(1,183)**
- non-current	(1,433)	-	(307)	-	**(1,740)**
Net debt	(15,359)	(6,543)	(2,355)	464	**(23,793)**

9. Alternative performance measures glossary

The Preliminary Announcement includes alternative performance measures, which are not defined or specified by IFRSs. These alternative performance measures provide important additional information on the Group's performance.

Alternative performance measure	Definition and comments
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of property, plant and equipment and share of post-tax results of the associate and joint ventures. This measure is reconciled to statutory operating profit and statutory profit before taxation in note 2. The Board believes presenting an adjusted EBITDA provides a useful measure of business performance.
Adjusted operating profit	Operating profit after adding back non-recurring items and amortisation of acquired intangible assets. This measure is reconciled to statutory operating profit in the income statement and note 2. The Board believes presenting an adjusted operating profit provides a useful measure of business performance.
Adjusted profit before taxation	Profit before taxation after adding back non-recurring items and amortisation of acquired intangible assets. This measure is reconciled to statutory profit before taxation in the income statement and note 2. The Board believes presenting an adjusted profit before taxation provides a useful measure of business performance.
Adjusted earnings per share	Profit attributable to the equity holders of the Company after adding back non-recurring items and amortisation of acquired intangible assets after tax divided by the weighted average number of ordinary shares in issue during the year. This is reconciled to basic earnings per share in note 5.
Net Debt	The net position of the Group's cash at bank and borrowings including finance leases. Details of the movement in net debt is shown in note 8.

10. The Board of Directors approved the preliminary announcement on 11 November 2019.

11. The Company intends to provide a copy of the Report and Accounts to shareholders by 5 December 2019. The full Report and Accounts will also be available upon request from the Company Secretary, Carr's Group plc, Old Croft, Stanwix, Carlisle, CA3 9BA or alternatively on the Company's website: www.carrsgroup.com