23 November 2020

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

FULL YEAR RESULTS
For the year ended 29 August 2020

A robust performance in a year of significant challenge

Carr's (CARR.L), the Agriculture and Engineering Group, announces its full year results for the year ended 29 August 2020.

Financial highlights

Adjusted[1]	FY 20	FY 19	+/-
Revenue (£m)	**395.6**	**403.9**	**-2.0%**
Adjusted[1] operating profit (£m)	**16.2**	**18.9**	**-14.2%**
Adjusted[1] profit before tax (£m)	**14.9**	**18.0**	**-17.4%**
Adjusted[1] EPS (p)	**11.9**	**14.6**	**-18.5%**

Statutory	FY 20	FY 19	+/-
Revenue (£m)	**395.6**	**403.9**	**-2.0%**
Operating profit (£m)	**13.8**	**17.2**	**-19.5%**
Profit before tax (£m)	**12.5**	**16.3**	**-23.4%**
Basic EPS (p)	**10.3**	**13.1**	**-21.4%**
Dividend (p per share)	**4.75**	**4.75**	**-**
Net debt[2] (£m)	**18.9**	**20.9**	**-9.6%**

Commercial and strategic highlights

- Robust performance in challenging circumstances, slightly exceeding revised Board expectations, demonstrating the benefit of the Group's diversity
- Difficult H1 in UK Agriculture largely mitigated by strong H2, with increased deliveries and a collection model adopted to maintain supplies to farmers throughout COVID-19 lockdown
- International growth in Supplements and launch of new products
- Engineering impacted by project delays, restricted access to customer sites owing to COVID-19, and weakened oil price
- Establishment of Global Robotics showrooms in Japan and USA
- Strong cash and net debt position

Peter Page, Chairman, commented:

"In difficult market conditions the Group delivered a robust financial performance, with full year profitability slightly ahead of the Board's revised expectations. Across both divisions, the Group responded well to managing the challenges arising from the COVID-19 pandemic.

"The global economy has been dominated by COVID-19, creating uncertainty and making forecasts difficult. Nevertheless, the Group is well positioned as the agriculture sector remains crucial in supplying raw materials and ingredients to the food chain, and our engineering businesses are predominantly involved in government funded contracts in the nuclear sector.

"Trading in the new financial year has started in line with the Board's expectations. Whilst uncertainties remain in the broader economic environment, the Board is confident about the prospects of our business in the medium term."

[1] Adjusted results are consistent with how business performance is measured internally and are presented to aid comparability of performance. Adjusting items are disclosed in note 3

[2] Excluding leases. Further details of net debt can be found in note 8

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About Carr's Group plc:

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.

Its Agriculture division manufactures and supplies feed blocks and supplementation products for livestock, distributes animal feeds and farm machinery, and runs a UK network of rural stores which provide a one-stop shop for the farming community. Its Engineering division designs and manufactures bespoke equipment and provides technical engineering services into the nuclear, defence, 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 29 August 2020, in difficult market conditions the Group delivered a robust financial performance, with full year profitability slightly ahead of the Board's revised expectations. Across both divisions, the Group responded well to managing the challenges arising from the COVID-19 pandemic.

First half trading in the Agriculture division was characterised by both challenging market conditions affecting farm incomes and continued unseasonal weather in the UK and USA. Trading in the second half of the year recovered well, and overall profitability exceeded the Board's revised expectations for the year. As COVID-19 restrictions were tightened, the UK Agriculture businesses proved adept in maintaining supplies to farmers whilst keeping people safe. In the Supplements business, new and innovative products were launched, and expanded production and research capabilities supported our international footprint, particularly in New Zealand and Canada where feed block sales continued to build.

In the Engineering division, the first half of the year was impacted by contract phasing. Whilst it had been expected some of this would recover in the second half, delays in receiving expected orders on overseas projects meant that this was not the case. Restrictions imposed on travel and access to customer sites as a consequence of COVID-19, together with the weakened oil price, also negatively affected the division's full year performance with profitability below the Board's revised expectations.

At the onset of COVID-19, all sites moved quickly to follow government guidelines and implemented a range of safety measures including social distancing, increased hygiene and shift-working. People worked from home where possible, maintaining strong engagement with our customers, suppliers and each other, using virtual media. Contingencies were planned across both divisions, which remain under constant review.

Financial review

Revenue for the year decreased by 2.0% to £395.6m (2019: £403.9m). Adjusted operating profit was down 14.2% to £16.2m (2019: £18.9m), with Agriculture contributing £13.4m (2019: £14.7m) and Engineering £3.8m (2019: £5.9m). Reported operating profit fell by 19.5% to £13.8m (2019: £17.2m). Adjusted profits are before amortisation of acquired intangible assets totalling £1.4m and restructuring and closure costs of £2.0m offset by adjustments to contingent consideration totalling £0.9m, giving a net total adjusting items of £2.4m.

Adjusted profit before tax was down 17.4% to £14.9m (2019: £18.0m) and reported profit before tax decreased by 23.4% to £12.5m (2019: £16.3m). Basic earnings per share were down by 21.4% to 10.3p (2019: 13.1p), with fully diluted earnings per share of 10.2p (2019: 12.8p) and adjusted earnings per share down 18.5% to 11.9p (2019: 14.6p).

Net debt at 29 August 2020, excluding leases, was £18.9m (2019: £20.9m). This movement included £18.1m generated from operations, £8.9m used in investing activities and £3.3m paid in dividends.

The recent leasing standard IFRS 16 has been adopted in the year, with a consequential reduction to opening net assets of £1.4m as operating leases were brought onto the balance sheet. There was also a consequential impact to the income statement of an additional charge to profit before tax of £0.1m resulting from the new standard.

With the onset of COVID-19, the Group implemented a rigorous cash forecasting process which is tested regularly against a variety of scenarios. Cash management measures were also implemented to limit non-essential expenditure. Whilst an interim dividend decision in April 2020 was deferred, this was subsequently confirmed and reinstated in July 2020 once the short-term impact of COVID-19 on the business became clearer. Such measures preserved the Group's strong cash and net debt positions, leaving good headroom on the Group's committed banking facilities.

Dividend

The Board is proposing a final dividend of 2.5 pence per share which, together with the interim dividend of 2.25 pence per share declared in July 2020, makes a total dividend for the year of 4.75 pence per share (2019: 4.75p). The final dividend, if approved by Shareholders, will be paid on 15 January 2021, to shareholders on the register on close of business 4 December 2020, and the shares will go ex-dividend on 3 December 2020.

Corporate governance and Board succession

This has been an important year for Board succession. After joining the Board in November 2019, I took over as Non-Executive Chairman following the AGM in January 2020. In October 2020 Kristen Eshak Weldon joined the Board as an Independent Non-Executive Director, bringing international experience of investment appraisal along with real insight into new technology applications in the agri-food sector.

In August 2020 we announced that Tim Davies would be stepping down after seven years as CEO of the Group. On behalf of all shareholders, I am extremely grateful to Tim for his dedication and contribution to the business. Tim's leadership style and genuine concern for colleagues have been most evident since March 2020 as everyone has come to terms with different ways of working, heightened levels of uncertainty and increased demands on the business. Tim will leave the Board at the AGM in January 2021 but will remain available to give advice and share his knowledge during a handover period.

Hugh Pelham joins Carr's Group as CEO in January 2021, standing for election at the AGM. Hugh has relevant experience in developing and growing businesses and integrating them into larger group structures, he has worked in many markets around the world, and he has developed high performing management teams. I look forward to welcoming Hugh to the Group.

As part of its long-term succession strategy, it is planned that Alistair Wannop will stand down from the Board at the conclusion of the AGM in January 2022. Alistair was first appointed to the Board as a Non-Executive Director in September 2005. Given the level of Board succession achieved during 2019 and 2020, and recognising Alistair's deep knowledge of the Group's activities and understanding of agricultural industries, the Board considers it appropriate for Alistair to remain appointed for another year to ensure continuity.

AGM January 2021

In the light of the COVID-19 pandemic, the AGM on 12 January 2021 will be held in a revised format. As shareholders will not be able to attend the meeting in person, the Board will be inviting shareholders to vote on the resolutions proposed by proxy, and to submit any questions in advance of the meeting. We will be publishing a broadcast on the Company's website, reflecting on the year, providing an update on current trading, introducing Hugh Pelham, and answering questions raised by shareholders, following the AGM on 12 January 2021.

Our people

Carr's employs over 1,100 people across the globe, all of whom have made a significant contribution to the business this year, particularly in the demanding situation arising from COVID-19. I am extremely grateful for everyone's support, endurance and adaptability.

Outlook

The Group remains committed to building value by focusing on markets with growth potential, diversifying its international footprint and differentiation through innovation and technology.

The global economy has been dominated by COVID-19, creating uncertainty and making forecasts difficult. Nevertheless, the Group is well positioned as the agriculture sector remains crucial in supplying raw materials and ingredients to the food chain, and our engineering businesses are predominantly involved in government funded contracts in the nuclear sector. Management will continue to focus on optimising all the businesses in the Group.

Trading in the new financial year has started in line with the Board's expectations. Whilst uncertainties remain in the broader economic environment, the Board is confident about the prospects of our business in the medium term.

Peter Page
Chairman
23 November 2020

Chief Executive's Review

As outlined in our trading update on 12 March 2020, trading conditions across both divisions during the first half of the year were challenging and, unrelated to COVID-19, led to a reduction in the Board's performance expectations for the full year.

I am pleased to report, however, that despite these challenges, and the significant measures adopted across the Group in order to manage the effects of the pandemic, a very robust performance in the second half resulted in a full year performance which exceeded those revised expectations.

While cash preservation has remained a key priority, we have been able to continue to invest in key areas to ensure that the Group remains well placed for the future. During the year, we strengthened our presence in growth markets across the world, whilst driving innovation and technological advances to maintain our strong position in our established markets.

AGRICULTURE

As previously reported, trading in our Agriculture division in the first half was slower than the prior year, largely driven by atypical weather patterns and growing conditions from the previous summer which reduced demand for key products. Improved trading during the second half, however, resulted in a robust outturn for the full year.

During the year, revenue was down 4.1% to £342.6m (2019: £357.4m). Adjusted operating profit was down 8.5% to £13.4m (2019: £14.7m), whilst reported operating profit was down 4.8% to £13.4m (2019: £14.1m).

During the period, following the appointment of a new Managing Director in the UK Agriculture business, the management team was strengthened through a further four senior appointments to help optimise efficiencies and drive strategic growth, whilst maintaining an absolute focus on serving our customers. We also appointed a new Commercial Director in our Supplements business.

Supplements

Total global feed block sales volumes were up 1.2% year-on-year. Sales volumes were slightly ahead of the Board's expectations as a direct result of increased demand and growth in target markets during the second half. Despite overall volume increases, however, increases in raw material prices were not wholly mitigated through selling price increases which led to lower margins, particularly in the UK.

UK feed block volumes were up 5.2% compared to the prior year. This performance was driven by improved livestock prices in the second half, which increased farmers' willingness to invest in supplementation.

Following a weaker first half, US feed block sales subsequently recovered towards the end of the financial year, with volumes up 0.5% in the period overall. Whilst cattle prices were suppressed during the majority of the period, prices recovered towards the end.

During the year, we successfully launched our new FesCool® feed block in the USA following extensive research trials undertaken in conjunction with Kansas State University. FesCool® enhances the performance of grazing cattle in warm climates by reducing the impact of fescue toxicity and enhances our range of innovative supplements that add real value to livestock farmers.

In 2020, we also invested in and enhanced our production systems in the USA, spending £2.1m in improving our manufacturing facilities at two of our sites and in the creation of a research facility. This investment will help drive efficiencies and provide us with the opportunity to develop and test new product ranges, ingredients, and manufacturing techniques.

We continue to make progress in developing sales of feed blocks into Canada. As North America moved into stricter national travel restrictions, we benefited from having a sales team on the ground locally. The Canadian market represents a significant potential market for sales into beef and equine sectors, and can be supplied out of the Group's existing facility in Belle Fourche, South Dakota.

New Zealand feed block sales were up 40% in the period where we continued to make progress in raising customer awareness and building relationships with further distribution partners. The Group continues to consider the New Zealand market as offering strong potential for future growth.

In Germany, our joint venture business, Crystalyx Products GmbH, saw a 4.1% decrease in feed block sales compared to the prior year. During the year, the business launched its new Pick Block product, manufactured out of its plant in Oldenburg, Germany, and sales are expected to build. Pick Block is designed to improve poultry welfare standards through environmental enrichment, encouraging birds to demonstrate a wider range of natural behaviours.

Animax, the Group's manufacturer of livestock bolus supplements, had a challenging year owing to market pressures coupled with milder weather which reduced customer demand. During the year, the business appointed a new Commercial Director and increased focus on international growth opportunities. The Group continues to make progress on its manufacturing automation project, which is expected to help drive future efficiencies, new product ranges and even higher product quality.

UK Agriculture

Total volumes in our compound feed business declined by 6.9% during the year. This was largely driven by the warm summer in 2019 and subsequent mild winter which led to high stocks of good forage and reduced farmer demand for bought-in feeds during the first half. Such reduction in demand gave rise to increased competition which impacted margins during the period. During the second half, the initial closure of the food service sector impacted farmer incomes; however, the strong retail sales subsequently seen led to a significant pick-up in demand for certain meat and dairy products which largely offset the effect of this.

The Group's fuel distribution business saw sales volumes increase 2.9% on the prior year. This was driven by colder weather during March 2020 and customers stocking up on heating oil in the early stages of the pandemic when commodity prices were low, as well as increased demand from farmers due to a busy spring period on farms generally.

Machinery sales were particularly strong in the year, up 19.2% overall and achieving record sales of £45.5m. New machinery sales were up 17% on the previous year. The performance was driven by improved farmer confidence and government loan schemes supporting farming investments, together with pent-up demand following a period of subdued activity prior to the original Brexit date. Growth in the machinery business, which outperformed the market significantly, is also attributable to the development of our relationship with a key supplier.

The Group's retail outlets performed resiliently, with like-for-like sales up 1.6% and overall sales up 0.6% during the period. During the pandemic, extensive measures were taken to ensure that our network of country stores could continue to service our core farming customers, who remain critical to the UK's food supply chain. These innovative measures included the successful roll-out of a pre-order, collection and delivery service across all branches.

During the year we also progressed our rationalisation and efficiency programme in UK Agriculture. Our ongoing review of retail store effectiveness resulted in the closure of four sites as we focus our offering at strategic locations and enhancing our delivery and collection models. During the pandemic, the early stages of lockdown gave us the ability to test new ways of working, which has provided valuable strategic insight for the future and helped develop our strategy for managing a second wave.

Agriculture Outlook

The Group continues to remain confident in the medium-term prospects of the Agriculture division.

Whilst short-term uncertainty relating to Brexit continues, our resilient performance in UK Agriculture during the pandemic illustrates the strength of our business and its ability to overcome future challenges. That adaptability, combined with operational efficiencies and enhanced customer focus, places the business well for future growth. Since the year-end, we have also significantly expanded the geographic coverage of our machinery franchise across southern Scotland with a more focused product range, which provides an opportunity to grow sales over the medium term.

Internationally, our Supplements business continues to enhance its presence in territories with significant growth opportunity, particularly across Europe, the USA, Canada, and New Zealand. We also remain focused upon increasing our presence in new markets including the UK dairy sector. We continue to build growth through strategic partnerships and sustained research and development, and remain confident in the division's medium term outlook.

ENGINEERING

The Engineering division performed resiliently despite significant challenges. First half trading was slow due to contract phasing and delays in receiving key robotics orders. This did not improve in the second half, as had been expected, mainly due to temporary disruption to nuclear and defence projects due to COVID-19 restrictions, which affected travel and access to customer sites. In addition, the sharp decline in the oil price led to customers deferring investments in the oil and gas sector. Whilst delays to projects had a negative impact on divisional performance, the business was able to strengthen its customer relationships by working flexibly to accommodate changing needs.

During the year, revenue was up 14.0% to £53.0m (2019: £46.5m). NW Total, acquired towards the end of the prior year, contributed £11.7m (2019: £1.9m). Adjusted operating profit was down 35.6% to £3.8m (2019: £5.9m) and reported operating profit was down 77.2% to £1.4m (2019: £6.0m).

UK Service and Manufacturing

Our UK Service and Manufacturing business delivered a solid performance during the first half. The second half, however, was heavily impacted by the decline in the oil price and significantly reduced investment in the oil and gas sector, which led to delays on one major project. In the year, total revenues were £29.4m (2019: £23.0m), including NW Total revenues of £11.7m (2019: £1.9m).

NW Total had a strong performance in its first full year as part of the Group. Whilst COVID-19 restrictions were imposed temporarily on one customer site, this had a limited impact on the business overall and the risk of further impact or delay to that project is reduced by on-site controls now in place. The order book for the business remains very strong and we remain very encouraged by the opportunities, particularly in the defence sector, that NW Total brings to the division.

During the year the Group also invested £1.3m in state-of-the-art machinery at its site in Carlisle, bringing large-scale machining capabilities and enhancing the range of customer services available within the division.

Global Robotics

The Group's Global Robotics business had a challenging year. This was driven by a weaker order book, resulting from contract phasing and delays to projects in Japan, together with export restrictions which continue to affect China. These challenges were exacerbated by delays and travel restrictions imposed as a result of COVID-19. Revenues for the year totalled £14.8m (2019: £16.5m).

While the business experienced lower levels of activity during the year, the order book was strengthened significantly. We also remain optimistic about opportunities in Japan, where many of the country's nuclear facilities continue to be decommissioned. In the year, we opened a showroom for our products in Japan which will help develop opportunities in the region.

Our Global Robotics business continues to develop its position in the USA. Good progress continues to be made on the significant $8.5m contract previously announced, and during the year we opened a robotics showroom at our facility in Mooresville, North Carolina, which will help demonstrate the efficacy of our products to customers in North America.

Global Technical Services

The Group's Global Technical Services business performed in line with expectations, generating revenues of £8.8m (2019: £7.0m).

The phasing of several long-term Mechanical Stress Improvement Process (MSIP®) projects enhanced performance in the second half of the year, which will continue throughout the current year. During the period, the business was awarded another $6m MSIP® contract to be delivered through to 2022.

The development of our passive cooling technology continues to progress, following the award of funding from the US Department of Energy in 2019. It is anticipated that an application for a second tranche of funding will be made during 2021. This technology has the potential to be retrofitted on existing nuclear power plants to improve safety.

Engineering Outlook

The Group remains confident in the medium-term prospects of the Engineering division.

Whilst parts of the division which serve oil and gas markets have been impacted in the short-term, owing to a reduction in customer investment attributable to the low oil price, there remain significant opportunities across nuclear and defence markets. The division also continues to develop technologies, in conjunction with its strategic partners, to provide innovative solutions to customer challenges in nuclear markets.

Our improved divisional structure provides a comprehensive offering, able to compete on a larger scale than before. Such changes provide an uplift in the volume of contracts we can tender for and leave the division well placed for future growth.

Tim Davies
Chief Executive Officer
23 November 2020

CONSOLIDATED INCOME STATEMENT
for the year ended 29 August 2020

	Note	2020 £'000	2019 £'000
Continuing operations			
Revenue	2	**395,630**	403,905
Cost of sales		**(343,381)**	(349,798)
Gross profit		**52,249**	54,107
Distribution costs		**(19,507)**	(18,454)
Administrative expenses		**(21,535)**	(20,835)
Adjusted[1] share of post-tax results of associate		**1,191**	1,230
Adjusting items	3	**-**	(306)
Share of post-tax results of associate		**1,191**	924
Share of post-tax results of joint ventures		**1,442**	1,453
Adjusted[1] operating profit		**16,247**	18,930
Adjusting items	3	**(2,407)**	(1,735)
Operating profit	2	**13,840**	17,195
Finance income		**313**	463
Finance costs		**(1,656)**	(1,349)
Adjusted[1] profit before taxation		**14,904**	18,044
Adjusting items	3	**(2,407)**	(1,735)
Profit before taxation	2	**12,497**	16,309
Taxation	4	**(1,575)**	(2,685)
Profit for the year		**10,922**	13,624
Profit attributable to:			
Equity shareholders		**9,533**	12,049
Non-controlling interests		**1,389**	1,575
		10,922	13,624
Earnings per ordinary share (pence)			
Basic	5	**10.3**	13.1
Diluted		**10.2**	12.8
Adjusted	5	**11.9**	14.6

[1]Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 3. An alternative performance measures glossary can be found in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 29 August 2020

	2020 £'000	2019 £'000
Profit for the year	**10,922**	13,624
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	**(2,552)**	1,857
- Net investment hedges	**(54)**	37
- Taxation credit/(charge) on net investment hedges	**10**	(7)
Items that will not be reclassified subsequently to profit or loss:		
- Actuarial gains/(losses) on retirement benefit asset:		
- Group	**142**	(1,845)
- Share of associate	**408**	(88)
- Taxation (charge)/credit on actuarial gains/(losses) on retirement benefit asset:		
- Group	**(27)**	314
- Share of associate	**(96)**	15
Other comprehensive (expense)/income for the year, net of tax	**(2,169)**	283
Total comprehensive income for the year	**8,753**	13,907
Total comprehensive income attributable to:		
Equity shareholders	**7,364**	12,332
Non-controlling interests	**1,389**	1,575
	8,753	13,907

CONSOLIDATED BALANCE SHEET
as at 29 August 2020

	2020	2019
	£'000	£'000
Assets		
Non-current assets		
Goodwill	**32,041**	32,877
Other intangible assets	**9,171**	9,318
Property, plant and equipment	**38,259**	41,917
Right-of-use assets	**14,856**	-
Investment property	**158**	164
Investment in associate	**14,307**	13,392
Interest in joint ventures	**10,551**	9,671
Other investments	**73**	76
Financial assets		
- Non-current receivables	**20**	22
Retirement benefit asset	**8,037**	7,769
Deferred tax asset	**-**	410
	127,473	115,616
Current assets		
Inventories	**40,961**	46,270
Contract assets	**8,114**	9,466
Trade and other receivables	**51,686**	56,349
Current tax assets	**1,535**	-
Financial assets		
- Derivative financial instruments	**3**	-
- Cash and cash equivalents	**17,571**	28,649
	119,870	140,734
Total assets	**247,343**	256,350
Liabilities		
Current liabilities		
Financial liabilities		
- Borrowings	**(11,420)**	(23,856)
- Leases	**(2,778)**	-
Contract liabilities	**(1,061)**	(1,269)
Trade and other payables	**(55,522)**	(62,653)
Current tax liabilities	**(33)**	(1,010)
	(70,814)	(88,788)
Non-current liabilities		
Financial liabilities		
- Borrowings	**(25,021)**	(28,586)
- Leases	**(11,171)**	-
Deferred tax liabilities	**(4,783)**	(4,987)
Other non-current liabilities	**(1,385)**	(2,999)
	(42,360)	(36,572)
Total liabilities	**(113,174)**	(125,360)
Net assets	**134,169**	130,990
Shareholders' equity		
Share capital	**2,312**	2,299
Share premium	**9,176**	9,165
Other reserves	**105,638**	102,786
Total shareholders' equity	**117,126**	114,250
Non-controlling interests	**17,043**	16,740
Total equity	**134,169**	130,990

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 29 August 2020

	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 2 September 2018	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	-	-	-	-	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
As previously reported at 31 August 2019	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**94,864**	**114,250**	**16,740**	**130,990**
Effect of IFRS 16 adoption	**-**	**-**	**-**	**-**	**-**	**-**	**(931)**	**(931)**	**(511)**	**(1,442)**
At 1 September 2019 (restated)	**2,299**	**9,165**	**-**	**1,577**	**6,146**	**199**	**93,933**	**113,319**	**16,229**	**129,548**
Profit for the Year	**-**	**-**	**-**	**-**	**-**	**-**	**9,533**	**9,533**	**1,389**	**10,922**
Other comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(2,596)**	**-**	**427**	**(2,169)**	**-**	**(2,169)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(2,596)**	**-**	**9,960**	**7,364**	**1,389**	**8,753**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(3,344)**	**(3,344)**	**(588)**	**(3,932)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**(843)**	**-**	**-**	**691**	**(152)**	**15**	**(137)**
Excess deferred taxation on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**(27)**	**(2)**	**(29)**
Allotment of shares	**13**	**11**	**-**	**-**	**-**	**-**	**-**	**24**	**-**	**24**
Purchase of own shares held in trust	**-**	**-**	**(58)**	**-**	**-**	**-**	**-**	**(58)**	**-**	**(58)**
Transfer	**-**	**-**	**13**	**-**	**-**	**(2)**	**(11)**	**-**	**-**	**-**
At 29 August 2020	**2,312**	**9,176**	**(45)**	**734**	**3,550**	**197**	**101,202**	**117,126**	**17,043**	**134,169**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 29 August 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from continuing operations	6	**22,639**	16,004
Interest received		**176**	178
Interest paid		**(1,696)**	(1,276)
Tax paid		**(3,059)**	(2,306)
Net cash generated from operating activities		**18,060**	12,600
Cash flows from investing activities			
Acquisition of subsidiaries (net of overdraft/cash acquired)		**-**	(9,868)
Contingent/deferred consideration paid		**(2,659)**	(379)
Dividend received from associate and joint ventures		**701**	711
Other loans		**718**	79
Purchase of intangible assets		**(1,459)**	(1,310)
Proceeds from sale of property, plant and equipment		**421**	831
Purchase of property, plant and equipment		**(6,569)**	(4,471)
Purchase of own shares held in trust		**(58)**	(13)
Net cash used in investing activities		**(8,905)**	(14,420)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**24**	38
New bank loans and movement on RCF		**1,889**	14,430
Lease principal repayments		**(3,171)**	(1,278)
Repayment of borrowings		**(2,459)**	(2,493)
Decrease in other borrowings		**(14,508)**	(1,352)
Dividends paid to shareholders		**(3,344)**	(4,173)
Dividends paid to related party		**(588)**	(588)
Net cash (used in)/generated from financing activities		**(22,157)**	4,584
Effect of exchange rate changes		**(989)**	526
Net (decrease)/increase in cash and cash equivalents		**(13,991)**	3,290
Cash and cash equivalents at beginning of the year		**24,295**	21,005
Cash and cash equivalents at end of the year		**10,304**	24,295

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. Basis of preparation and going concern

The financial information in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 29 August 2020 or 31 August 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (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.

<u>Going concern</u>

The financial information in this preliminary announcement has been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have reviewed the Group's operational forecasts and projections for the three years to 2 September 2023 as used for the viability assessment, taking account of reasonably possible changes in trading performance, together with the planned capital investment over that same period. The Group is expected to have a sufficient level of financial resources available through operating cash flows and existing bank facilities for a period of at least 12 months from approval of the financial statements ("The going concern period"). The Group has operated within all its banking covenants throughout the year. In addition, the Group's main banking facility is in place until November 2023 and an invoice discounting facility has been recently renewed for a three year period to August 2023.

For the purpose of assessing the appropriateness of the preparation of the Group's accounts on a going concern basis, the Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and cash flows through to year ended 2023. The forecasts consider the current cash position, the availability of banking facilities and an assessment of the principal areas of risk and uncertainty, paying particular attention to the impact of Covid-19. These forecasts have been sensitised for severe but plausible downside scenarios. The scenarios tested included significant reductions in profitability and associated cashflows, with a reduction in consumer demand affecting all business units, additional impacts on Agriculture business units from Brexit and a larger impact on Engineering from disruption caused by Covid-19. The results of this stress testing showed that, due to the stability of the core business, the Group would be able to withstand the impact of these severe but plausible downside scenarios occurring over the period of the financial forecasts.

In addition, several other mitigating measures remain available and within the control of the Directors that were not included in the scenarios. These include withholding discretionary capital expenditure and reducing or cancelling future dividend payments.

In all the scenarios, the Group complied with its financial bank covenants, operated within its existing bank facilities, and met its liabilities as they fall due.

Consequently, the Directors are confident that the Group and the Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial information in this preliminary announcement on a going concern basis.

<u>Accounting policies</u>

The accounting policies are consistent with those of the prior year except for the adoption of new standard IFRS 16.

IFRS 16 'Leases'

The Group adopted IFRS 16 with effect from 1 September 2019 and has applied the standard using the modified retrospective approach under which the cumulative effect of initially applying the standard is recognised at the date of initial application. The Group has restated its opening total equity position as at 1 September 2019 by a charge of £1.4m. Comparative information has not been restated and is therefore still reported under IAS 17 'Leases' and related interpretations. To assist comparability, note 10 shows the balance sheet as at 29 August 2020 had the Group continued to adopt IAS 17 and related interpretations.

1. Basis of preparation and going concern (continued)

Under the modified retrospective approach used, the Group has recognised right-of-use assets at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application. The liability has been recognised at an amount equal to the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The incremental borrowing rates used range between 1.3% - 3.88% based on the geographic location and economic circumstances of the lessee. In addition to existing finance leased assets with a net book value of £4.4m being transferred to right-of-use assets on transition, £11.5m of right-of-use assets were recognised on transition in respect of leases previously accounted for as operating leases under IAS 17. An additional lease obligation of £12.7m was recognised on transition in respect of leases previously accounted for as operating leases. Prepayments and accruals totalling £0.5m have been removed from the balance sheet on transition.

A reconciliation of operating lease commitments disclosed as at 31 August 2019 to the lease liabilities recognised on transition is as follows:

	£'000
Operating lease commitments as at 31 August 2019	12,917
Discounted using the incremental borrowing rate at initial application	(4,365)
Inclusion of liabilities beyond break clauses	3,746
Other	357
Lease liabilities (excluding existing finance lease liabilities) at 1 September 2019	12,655
Included within:	
Current liabilities	1,618
Non-current liabilities	11,037
	12,655

The following table shows the effect of IFRS 16 on the income statement for the period ended 29 August 2020.

	£'000
Reduction in lease expense recognised	2,100
Depreciation on right-of-use assets	(1,832)
Profit on disposal of right-of-use leases	37
Interest cost of lease liabilities	(362)
Impact on Group profit before tax	**(57)**

Depreciation, profit on disposal and interest costs in the table above exclude amounts in respect of finance leases that would have been recognised in the income statement under IAS 17.

On transition to IFRS 16 the Group has applied the following practical expedients permitted by the standard on a lease-by-lease basis:

- Accounting for leases where the lease term ends within 12 months of the date of initial application as short-term leases;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group is not required to make any transition adjustment for leases previously classified as operating leases under IAS 17 where the underlying asset is of low value.

The Group is also not required to reassess whether a contract is, or contains, a lease at the date of initial application. IFRS 16 permits the Group to apply the standard only to contracts that were previously identified as containing a lease under IAS 17 and IFRIC 4 'Determining whether an arrangement contains a lease'.

1. Basis of preparation and going concern (continued)

The Group leases properties, motor vehicles, plant and machinery and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

Prior to transition to IFRS 16 the Group classified leases as either finance leases or operating leases in accordance with IAS 17. Payments made under operating leases were charged to the income statement on a straight-line basis over the term of the lease.

Since transition to IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and is also subject to regular impairment reviews.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. Where this cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at of before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- Restoration costs required by the terms and conditions of the lease.

At the commencement date of property leases the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are leases with a lease term of 12 months or less. Low value assets generally comprise minor office and IT equipment.

The Group acts as lessor in certain operating lease arrangements. Rental income is recognised on a straight-line basis in the income statement. The Group is not a lessor in any finance lease arrangements.

2. Segmental information

The segmental information for the year ended 29 August 2020 is as follows:

	Agriculture £'000	Engineering £'000	Central £'000	Group £'000
Total segment revenue	**342,627**	**53,020**	**-**	**395,647**
Inter segment revenue	**(5)**	**(12)**	**-**	**(17)**
Revenue from external customers	**342,622**	**53,008**	**-**	**395,630**
Adjusted[1] EBITDA[2]	**14,798**	**6,754**	**(781)**	**20,771**
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	**(4,031)**	**(2,944)**	**(182)**	**(7,157)**
Share of post-tax results of associate and joint ventures	**2,633**	**-**	**-**	**2,633**
Adjusted[1] operating profit	**13,400**	**3,810**	**(963)**	**16,247**
Adjusting items (note 3)	**42**	**(2,449)**	**-**	**(2,407)**
Operating profit	**13,442**	**1,361**	**(963)**	**13,840**
Finance income				**313**
Finance costs				**(1,656)**
Adjusted[1] profit before taxation				**14,904**
Adjusting items (note 3)				**(2,407)**
Profit before taxation				**12,497**

[1] Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 3

[2] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and share of post-tax results of associate and joint ventures

2. Segmental information (continued)

The segmental information for the year ended 31 August 2019 is as follows. This has been restated to present central costs separately. This is to aid comparability with the segmental information presented for the current year.

	Agriculture £'000	Engineering £'000	Central £'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[1] EBITDA[2]	14,914	7,796	(1,554)	21,156
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(2,946)	(1,879)	(84)	(4,909)
Share of post-tax results of associate (adjusted[1]) and joint ventures	2,683	-	-	2,683
Adjusted[1] operating profit	14,651	5,917	(1,638)	18,930
Adjusting items (note 3)	(531)	65	(1,269)	(1,735)
Operating profit	14,120	5,982	(2,907)	17,195
Finance income				463
Finance costs				(1,349)
Adjusted[1] profit before taxation				18,044
Adjusting items (note 3)				(1,735)
Profit before taxation				16,309

[1] Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are disclosed in note 3

[2] Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and share of post-tax results of associate and joint ventures

3. Adjusting items

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and therefore the Group believes that these APMs provide stakeholders with additional useful information on the performance of the business. The following adjusting items have been added back to reported profit measures.

	2020 £'000	2019 £'000
Amortisation of acquired intangible assets (i)	**1,380**	814
Adjustments to contingent consideration (ii)	**(937)**	(1,126)
Restructuring/closure costs (iii)	**1,964**	437
Business combination expenses (iv)	**-**	509
Past service cost – Group (v)	**-**	795
Past service cost – share of associate (v)	**-**	306
	2,407	1,735

(i) Amortisation of acquired intangible assets which do not relate to the underlying profitability of the Group but rather relate to costs arising on acquisition of businesses.

3. Adjusting items (continued)

(ii) Adjustments to contingent consideration arise from the revaluation of contingent consideration in respect of acquisitions to fair value at the year end. Movements in fair value arise from changes to the expected payments since the previous year end based on actual results and updated forecasts. Any increase or decrease in fair value is recognised through the income statement.

(iii) Restructuring/closure costs include redundancy costs and impairments of assets to recoverable amounts. The impairment to property, plant and equipment was £239,000 (2019: £nil).

(iv) Business combination expenses relate to acquisition costs incurred.

(v) The scheme actuary's estimated effect on the Group's, and share of associate's, pension scheme liabilities following the equalisation of Guaranteed Minimum Pensions (GMPs). For further details of the past service costs see note 7.

4. Taxation

	2020	2019
	£'000	£'000
Analysis of the charge in the year		
Current tax:		
UK corporation tax		
Current year	**1,077**	1,447
Adjustment in respect of prior years	**(150)**	45
Foreign tax		
Current year	**356**	1,557
Adjustment in respect of prior years	**(217)**	109
Group current tax	**1,066**	3,158
Deferred tax:		
Origination and reversal of timing differences		
Current year	**450**	(357)
Adjustment in respect of prior years	**59**	(116)
Group deferred tax	**509**	(473)
Tax on profit	**1,575**	2,685
Profit before taxation	**12,497**	16,309
Tax at 19% (2019: 19%)	**2,374**	3,099
Effects of:		
Tax effect of share of results of associate and joint ventures	**(500)**	(452)
Tax effect of expenses that are not allowable in determining taxable profit	**184**	180
Tax effect of non-taxable income	**(633)**	(482)
Effects of different tax rates of foreign subsidiaries	**83**	256
Effects of changes in deferred tax rates	**304**	(24)
Unrecognised deferred tax on losses	**71**	70
Adjustment in respect of prior years	**(308)**	38
Total tax charge for the year	**1,575**	2,685

The tax effect of expenses that are not allowable in determining taxable profit includes adjustments for share based payments, depreciation and amortisation on non-qualifying assets, and other expenses disallowable for UK corporation tax. The prior year also includes business combination expenses (note 3) which were treated as disallowable for tax purposes.

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

The prevailing UK corporation tax rate of 19% was substantively enacted as part of the Finance Act 2019 on 12 March 2019. The rate was due to reduce to 17% from April 2020, however, in the budget on 12 March 2020 it was announced that the main rate of UK corporation tax will be held at 19%. Deferred tax is therefore provided at 19%. UK deferred tax balances at the prior year end were provided at 17%.

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 92,346,828 (2019: 91,828,015). The calculation of diluted earnings per share is based on 93,731,044 shares (2019: 94,347,658).

Adjusting items disclosed in note 3 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:

	2020 Earnings £'000	**2020 Earnings per share pence**	2019 Earnings £'000	2019 Earnings per share pence
Earnings per share – basic	**9,533**	**10.3**	12,049	13.1
Adjusting items:				
Amortisation of acquired intangible assets	**1,380**	**1.5**	814	0.9
Adjustments to contingent consideration	**(937)**	**(1.0)**	(1,126)	(1.2)
Restructuring/closure costs	**1,964**	**2.1**	437	0.5
Business combination expenses	**-**	**-**	509	0.6
Past service cost – Group	**-**	**-**	795	0.9
Past service cost – share of associate	**-**	**-**	306	0.3
Taxation effect of the above	**(639)**	**(0.7)**	(367)	(0.4)
Non-controlling interest in the above	**(273)**	**(0.3)**	(57)	(0.1)
Earnings per share – adjusted	**11,028**	**11.9**	13,360	14.6

6. Cash generated from continuing operations

	2020 £'000	2019 £'000
Continuing operations		
Profit for the year	**10,922**	13,624
Adjustments for:		
Tax	**1,575**	2,685
Tax credit in respect of R&D	**(250)**	(526)
Depreciation of property, plant and equipment	**4,567**	4,804
Depreciation on right-of-use assets	**2,462**	-
Depreciation of investment property	**6**	6
Intangible asset amortisation	**1,513**	943
Loss/(profit) on disposal of property, plant and equipment	**265**	(30)
Profit on disposal of right-of-use assets	**(37)**	-
Business combination expenses	**-**	509
Adjustments to contingent consideration	**(937)**	(1,126)
Net fair value (credit)/charge on share based payments	**(137)**	880
Release of loan provision	**(783)**	-
Other non-cash adjustments	**(504)**	(139)
Interest income	**(313)**	(463)
Interest expense and borrowing costs	**1,716**	1,399
Share of results of associate and joint ventures	**(2,633)**	(2,377)
IAS19 income statement charge (excluding interest):		
Administrative expenses	**13**	21
Past service cost	**-**	795
Changes in working capital (excluding the effects of acquisitions):		
Decrease/(increase) in inventories	**4,811**	(670)
Decrease/(increase) in receivables	**3,862**	(1,008)
Decrease in payables	**(3,479)**	(3,323)
Cash generated from continuing operations	**22,639**	16,004

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 29 August 2020 of £8.0m (2019: £7.8m).

In the year, the retirement benefit charge, excluding interest, in respect of the Carr's Group Pension Scheme was £13,000 (2019: £816,000). The prior year includes £795,000 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 29 August 2020 of £3.5m (2019: £1.9m). 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 estimated the effect on the Carr's Group Pension Scheme liabilities to be £795,000 and this was recognised as a past service cost through the Income Statement and disclosed as an adjusting item in the prior year (note 3). The Group 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' in the prior year. The Group's share recognised was £306,000 which has also been disclosed as an adjusting item in the prior year (note 3).

The Group continues to monitor further clarifications arising from the High Court case.

8. Analysis of net debt

	At 1 September 2019 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movements £'000	**At 29 August 2020 £'000**
Cash and cash equivalents	28,649	(10,089)	-	(989)	**17,571**
Bank overdrafts	(4,354)	(2,913)	-	-	**(7,267)**
	24,295	(13,002)	-	(989)	**10,304**
Loans and other borrowings:					
- current	(18,319)	13,615	528	23	**(4,153)**
- non-current	(26,846)	1,463	(60)	422	**(25,021)**
Net debt (excluding leases)	(20,870)	2,076	468	(544)	**(18,870)**
Finance leases (IAS 17):					
- current	(1,183)				
- non-current	(1,740)				
Net debt (including leases)	(23,793)				

9. Alternative performance measures glossary

The Preliminary Announcement includes alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and therefore the Directors believe that these APMs provide stakeholders with additional useful 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 non-current assets, share of post-tax results of the associate and joint ventures and excluding items regarded by the Directors as adjusting items. This measure is reconciled to statutory operating profit and statutory profit before taxation in note 2. EBITDA allows the user to assess the profitability of the Group's core operations before the impact of capital structure, debt financing and non-cash items such as depreciation and amortisation.
Adjusted operating profit	Operating profit after adding back items regarded by the Directors as adjusting items. This measure is reconciled to statutory operating profit in the income statement and note 2. Adjusted results are presented because if included, these adjusting items could distort the understanding of the Group's performance for the year and the comparability between the years presented.
Adjusted profit before taxation	Profit before taxation after adding back items regarded by the Directors as adjusting items. This measure is reconciled to statutory profit before taxation in the income statement and note 2. Adjusted results are presented because if included, these adjusting items could distort the understanding of the Group's performance for the year and the comparability between the years presented.
Adjusted earnings per share	Profit attributable to the equity holders of the Company after adding back items regarded by the Directors as adjusting items after tax divided by the weighted average number of ordinary shares in issue during the year. This is reconciled to basic earnings per share in note 5.
Net debt	The net position of the Group's cash at bank and borrowings. Details of the movement in net debt is shown in note 8.

10. Adoption of IFRS 16 'Leases'

The Group adopted IFRS 16 with effect from 1 September 2019 and has applied IFRS 16 using the modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparative information has not been restated and is therefore still reported under IAS 17.

Adjustments to the opening balance sheet arising from the adoption of IFRS 16 are as follows.

	31 August 2019 £'000	Adjustments £'000	1 September 2019 £'000
Non-current assets			
Property, plant and equipment	41,917	(4,409)	37,508
Right-of-use assets	-	15,903	15,903
Current assets			
Trade and other receivables	56,349	(776)	55,573
Current liabilities			
Borrowings	(23,856)	1,183	(22,673)
Leases	-	(2,801)	(2,801)
Trade and other payables	(62,653)	229	(62,424)
Non-current liabilities			
Borrowings	(28,586)	1,740	(26,846)
Leases	-	(12,777)	(12,777)
Deferred tax liabilities	(4,987)	266	(4,721)
Equity			
Retained earnings	94,864	(931)	93,933
Non-controlling interests	16,740	(511)	16,229
Headline figures			
Non-current assets	115,616	11,494	127,110
Current assets	140,734	(776)	139,958
Total assets	256,350	10,718	267,068
Current liabilities	(88,788)	(1,389)	(90,177)
Non-current liabilities	(36,572)	(10,771)	(47,343)
Total liabilities	(125,360)	(12,160)	(137,520)
Net assets	130,990	(1,442)	129,548
Total shareholders' equity	114,250	(931)	113,319
Total equity	130,990	(1,442)	129,548

The adjustments to the opening position reflect the recognition of £11.5m right-of-use assets previously accounted for as operating leases under IAS 17 together with £4.4m of existing assets held under finance lease arrangements reclassified to the new balance sheet category of right-of-use assets. Prepayments and accruals in respect of leases recognised on the balance sheet as at 31 August 2019 have been removed and additional lease liabilities of £12.7m have been recognised in respect of leases previously accounted for as operating leases under IAS 17. Finance lease liabilities of £2.9m have been reclassified from borrowings to leases on transition.

10. Adoption of IFRS 16 'Leases' (continued)

To enable users of these accounts to compare the years presented in this preliminary announcement the following table shows the balance sheet of the Group as at 29 August 2020 as though IAS 17 still applied.

	29 August 2020 (as reported) £'000	**Adjustments £'000**	**29 August 2020 (IAS 17) £'000**
Non-current assets			
Property, plant and equipment	38,259	4,851	43,110
Right-of-use assets	14,856	(14,856)	-
Current assets			
Trade and other receivables	51,686	806	52,492
Current tax assets	1,535	(17)	1,518
Current liabilities			
Borrowings	(11,420)	(1,259)	(12,679)
Leases	(2,778)	2,778	-
Trade and other payables	(55,522)	(175)	(55,697)
Non-current liabilities			
Borrowings	(25,021)	(1,558)	(26,579)
Leases	(11,171)	11,171	-
Deferred tax liabilities	(4,873)	(285)	(5,158)
Equity			
Retained earnings	101,202	1,029	102,231
Non-controlling interests	17,043	427	17,470
Headline figures			
Non-current assets	127,473	(10,005)	117,468
Current assets	119,870	789	120,659
Total assets	247,343	(9,216)	238,127
Current liabilities	(70,814)	1,344	(69,470)
Non-current liabilities	(42,360)	9,328	(33,032)
Total liabilities	(113,174)	10,672	(102,502)
Net assets	134,169	1,456	135,625
Total shareholders' equity	117,126	1,029	118,155
Total equity	134,169	1,456	135,625

The adjustments to the reported figures as at 29 August 2020 reflect the de-recognition of right-of-use assets and lease liabilities except for finance leases that would have been capitalised under IAS 17. It also reinstates prepayments in respect of lease premiums paid at the commencement of the lease together with prepayments and accruals in respect of the regular lease payments for those leases that were accounted for as operating leases under IAS 17.

11. The Board of Directors approved the preliminary announcement on 23 November 2020.

12. The Company intends to provide a copy of the Report and Accounts to shareholders by 9 December 2020. 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