21 December 2023

CARR'S GROUP PLC

FULL YEAR RESULTS
For the year ended 2 September 2023

Carr's Group plc (CARR.L), **("Carr's, the "Company", or the "Group")** the Speciality Agriculture and Engineering Group, announces its audited results for the year ended 2 September 2023.

Financial Highlights

Adjusted (Continuing Operations)	**FY23**	**FY22**	**+/-%**
Revenue (£'m)	143.2	124.2	+15.3
Adjusted operating profit (£'m)	8.0	11.9	-33.2
Adjusted profit before tax (£'m)	7.5	11.2	-33.2
Adjusted earnings per share (p)	6.2	10.0	-38.0

Statutory (Continuing Operations)	**FY23**	**FY22**	**+/-%**
Revenue (£'m)	143.2	124.2	+15.3
Operating profit (£'m)	2.0	8.2	-76.3
Profit before tax (£'m)	1.5	7.6	-80.1
Basic earnings per share (p)			
Continuing Operations	0.4	6.4	-93.8
Discontinued Operations*	(0.7)	(3.5)	
Reported	(0.3)	2.9	-110.3
Dividend per share (p)	5.2	5.2	-
Net cash / (debt) (£'m)	4.2	(14.0)	

*FY22 restated in relation to the loss recognised on the measurement to fair value less costs to sell (see note 10)

Continuing Operations Highlights

- Engineering Division
  - Adjusted operating profit of £5.3m (FY22: £5.4m) with strong second half performance.
  - Record multi-year forward order book £60m (FY22: £41m) reflecting favourable long term macro trends supporting the nuclear sector, power, defence and medical segments.

- Speciality Agriculture Division
  - Revenues increased 18.7% on prior year with material selling price increases to recover input prices offsetting volume reductions.
  - Adjusted operating profit of £5.6m (FY22: £9.2m).
  - Trading volumes in both key markets impacted by drought conditions in parts of the USA and continuing high farm input costs in the UK supressing demand.
  - The challenging market conditions in both markets are continuing, however, the Board expects to return to growth in the medium to long term.

- Central Costs
  - Central costs of £3.0m (FY22: £2.6m).
  - Cost reduction measures underway in FY24.

- Adjusting Items
  - £6.0m of adjusting items (pre-tax) comprising:
    - £4.8m of adjusting items are non-cash items, £3.8m of which is a write down of goodwill and other intangible assets arising primarily as a result of discount rate movements,
    - £1.2m of restructuring and other non-recurring cash costs.

- Net Cash / Debt

  - Year end Net Cash of £4.2m (FY22: Net Debt £14.0m) - movement driven primarily by proceeds of sale of Agricultural Supplies division and investment of £8.3m in targeted working capital and cap-ex.
  - Final consideration of £4m from disposal of Agricultural Supplies division received post period end.

- Dividends

Final dividend of 2.85p per share results in dividends for the year of 5.2p per share (FY22: 5.2p).

Strategic Highlights

- Agricultural Supplies Division disposal completed on 26 October 2022 with total cash proceeds of £29.9m, before the deduction of £0.8m in respect of property rental terms agreed with Billington Group, with the final £4.0m received in October 2023.
- Sale proceeds utilised to date in:
  - Net Debt reduction
  - Capacity improvements within Engineering Division
  - Other opportunities to increase shareholder value are being evaluated and will form part of future updates
- Board and management transition with appointment of Tim Jones (Non-Executive Chairman), Gillian Watson (Non-Executive Director and Senior Independent Director), David White (Chief Executive Officer), Gavin Manson (Chief Financial Officer) and Martin Rowland (Executive Director of Transformation).
- Board and new Executive team are reviewing the performance, composition and organisation of the Group's operations.
- Group Bank Facilities of £25m extended to December 2026.

Outlook

Trading conditions in agriculture remain challenging and the Board expects this to continue through the current financial year, while retaining confidence in prospects improving in the medium to long term. The Engineering division delivered a strong second half performance during FY23 and the order book levels will enable year-on-year growth during FY24, while also providing renewed confidence beyond the current financial year. At this early stage in the new financial year expectations for FY24 remain unchanged.

Quote: David White (Chief Executive Officer)
"Despite the headwinds impacting Speciality Agriculture we are making significant progress on our plans to increase market penetration, integrate our businesses to optimise performance and reduce costs; and leverage supportive trends. We expect challenging trading conditions in Speciality Agriculture to continue through the current financial year but are focused on managing current performance and positioning the division for growth on market recovery. The Engineering order book levels will help deliver year on year growth during FY24 and beyond, with operational leverage in that division providing attractive returns."

Quote: Tim Jones (Non-Executive Chairman)
"The Carr's brand has a deservedly strong reputation which is supported by a leading market share in the UK, an exciting range of product innovations and new licence approvals alongside compelling opportunities in overseas markets. Notwithstanding the challenging conditions presently being felt across the agricultural sector the Company is firmly focused on market penetration, the reduction of its costs and optimising shareholder value."

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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 around the world. Carr's operates a business model that empowers operating subsidiaries enabling them to be competitive, agile, and effective in their individual markets whilst setting overall standards and goals.

The Speciality Agriculture division manufactures and supplies feed blocks, minerals and boluses containing trace elements and minerals for livestock.

The Engineering division manufactures vessels, precision components and remote handling systems, and provides specialist engineering services, for the nuclear, defence and oil & gas industries.

Chair's Statement

Review of the year

Since I became Chair in February 2023, I have seen first hand the professionalism, focus and dedication of the teams working hard to achieve the Group's aims. Though I joined at a difficult time, the Company having recently disposed of its Agricultural Supplies division and suffering a delayed audit which had caused its shares to be suspended and a delay in payment of the final dividend, I have a sense of renewed optimism and purpose.

The order book for the Engineering division is at an all-time high – some 47% up on this time last year; and the pipeline of opportunities across our portfolio is inspiring, both in home and in overseas markets. Meanwhile, the Speciality Agriculture businesses, though facing the headwinds of drought impacts in pasture-fed USA markets, alongside the economic downturn particularly impacting UK markets, have strong brands, compelling intellectual property and opportunities to penetrate new markets, to enhance productivity and to move up the value chain. The leadership team to drive the division's dynamism and delivery across these opportunities is coming together at pace.

I have been able to visit our Ayr site, which has established a very successful reach particularly into Scottish markets for Scotmin Nutrition, and our Silloth site. Our customers recognise the quality and value they get from our products and Carr's is proud that so many of these customers see our products as a staple to supporting their agricultural businesses. We are particularly pleased with the progress in manufacturing our bolus, Tracesure™, at our Animax site outside Bury St Edmunds. Automation has been implemented, productivity gains are, therefore, significant, whilst product licensing approval has been won for EU markets. Marketing and technical support is now being rolled out to drive market take-up of this exciting product across the Group's ruminant animal businesses.

I have also had the opportunity to visit the Sellafield nuclear site, and have seen our contributions to the operations in action – specialised fluidics pumps that deal with nuclear slurry, robotic arms to move nuclear materials safely, precision engineered containers to store and transport nuclear waste – allowing me to better understand the breadth and scale of Carr's applications at this location. Similarly, I had the privilege of being invited to see the divisions' work at BAE's submarine construction site at Barrow in Furness and, though I cannot be specific about all that we do there, I was extraordinarily impressed. Across at North Shields I saw the contribution the division makes to keeping the country's North Sea assets safe – our high-speed manufacturing site there produces the emergency shut-off devices that deploy in the event that a well head needs to be urgently shut down.

There is much to be proud of across our businesses – not least the Engineering division's acclaimed apprenticeship initiatives, which drive the quality and availability of upcoming talent not just for the Carr's businesses but more widely too. This is local stakeholder engagement of truly impactful meaning. The complexities and diversities of our businesses are as inspiring as they are challenging and we intend to focus, improve, and deliver optimal shareholder value through effective leadership at both operational and Board level and we approach the next chapter with adaptability and unity.

Sale of the Agricultural Supplies division

The year saw the completion of the sale of all of our holdings in the Agricultural Supplies division to co-owners Edward Billington & Son Ltd. 98% of the shareholder votes at a General Meeting of the Company on 19 September 2022 were in favour of the sale, which completed on 26 October 2022, and we received the final payment of consideration in October 2023, bringing the total received by the Company to £29.9m, before the deduction of £0.8m in respect of property rental terms agreed with Billington Group. Important trading relationships have remained very positive – a gratifying outcome for all parties involved.

FY22 year-end process

As noted in the 2022 Annual Report and Accounts there were significant challenges during the FY22 year-end process that impacted the Carr's team and the external auditor, Grant Thornton UK LLP. We have extensively reviewed our internal and external processes and real progress has been made in FY23.

Dividends

The Board is proposing a final dividend of 2.85 pence per share which, together with the two interim dividends, makes a total dividend of 5.20 pence per share for the full year, the same as the prior year (2022: 5.20 pence).

Subject to approval by shareholders at the Annual General Meeting of the Company to take place in February 2024, the final dividend will be paid on 1 March 2024, to shareholders on the register at close of business on 26 January 2024 and the shares will go ex-dividend on 25 January 2024.

In order to reduce administrative costs and bring the Company in-line with the majority of the stock market, the Board is proposing to move to a twice-yearly dividend payment – an initial interim dividend anticipated to be declared at the time of the Group's interim results, typically in April and payable in June, and then a final dividend anticipated to be declared at the time of the Group's preliminary results, typically in December and payable following approval at the Company's Annual General Meeting.

Strategy

The order book value is an encouraging sign of the Engineering division's success and our attention will remain focused on contracts with key customers, pipeline opportunities and on optimising our production capacity across all locations. Efficiency, sustainability, speed, and resource allocation will remain key considerations as we capitalise on this strong business, and drive profitability.

The agricultural landscape requires specific focus to take advantage of available markets, product applications, opportunities to move up the value chain and to optimise productivity gains. We are operating in a number of mature markets with established competitors, which means maintaining our market share demands astuteness in branding, pricing, innovation and business development.

Our position in the agricultural and the engineering markets aligns with our Environmental, Social, and Governance commitments and enables the Group to seize opportunities in areas like clean energy, global demand for sustainable protein and emissions reduction. These imperatives guide our path forward.

Board

During FY23 new Executive and Non-Executive Directors were appointed to the Board, bringing fresh perspectives and insights.

Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors from 1 September 2022. I became Non-Executive Chair on 21 February 2023 and took over from Peter Page who stepped down as Executive Chair and, as announced on 5 August 2022, took the role of Chief Executive Officer. Peter stepped down from the Board and left the Group on 17 November 2023. We thank Peter for his commitment to the Group over his tenure and wish him all the best in his future endeavours.

As announced on 13 November 2023, David White was appointed by the Board as Chief Executive Officer with effect from 17 November 2023 having completed an orderly handover from Peter Page. David joined the Group in January 2023 and became part of the Board on 21 February 2023 as Chief Financial Officer, taking over from Neil Austin who left the Group in February 2023 to take up a new role. David has been succeeded in the role of Chief Financial Officer by Gavin Manson with effect from 13 November 2023. Gavin is not a member of the Board but will attend Board meetings by invitation. Martin Rowland, who was appointed to the Board as Non-Executive Director on 6 March 2023 as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood, was appointed Executive Director of Transformation with effect from 13 November 2023.

We have also recently welcomed Gillian Watson to the Board. Gillian joined as Non-Executive Director on 9 October 2023 and has succeeded John Worby as Senior Independent Director. John retired from the Board on 31 October 2023 after almost nine years of diligent service for which he is warmly thanked. Company Secretary and Legal Director Matthew Ratcliffe left the Group on 22 September 2023 to take up a new role and is succeeded by Justin Richards who joined us on 25 September 2023 as our new Company Secretary and Legal Director.

Further details of Board and Committee membership during FY23 can be found in the Nomination Committee Report in the 2023 Annual Report and Accounts which will be available to shareholders shortly.

Stakeholder engagement and statement on Section 172 of the Companies Act 2006

Stakeholder engagement is an important aspect of our business. Section 172 of the Companies Act 2006 requires the Directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. Directors understand the importance of taking into account the views of stakeholders and the impact of the Company's activities on local communities, the environment, including climate change, and the Group's reputation.

General Meetings of the Company provide an opportunity to engage with shareholders in person. In FY23 we held a General Meeting in relation to the disposal of the Agricultural Supplies division. On 27 February 2023 we held our Annual General Meeting which was well attended by shareholders, and another General Meeting followed on 2 May 2023 to, amongst other matters, approve the delayed 2022 Annual Report and Accounts. Details of the voting at the February Annual General Meeting and the General Meeting held in May can be found on our website.

Aside from these formal meetings, during the past year we have engaged with shareholders on matters such as changes to long term incentive plan performance measures and the Remuneration Policy. We also consulted on executive remuneration following our General Meeting in May. Whilst our Remuneration Report was approved by a majority at the General Meeting, there were several shareholders who voted against approval.

The Chair of the Remuneration Committee conducted an engagement process from which useful feedback was received and our response has been published on our website. It is important that the Chair and other Directors are accessible to shareholders so we can benefit from the dialogue, challenge and exchange of views. The Board is happy to engage with shareholders at any time on a one-to one level and proactively engage with shareholders to keep them up to date when appropriate to do so.

During the year, the Non-Executive Directors visited different sites around the Group and met with members of the senior leadership team. Peter Page also spent significant time at the operational sites during the year meeting with employees, customers, and strategic partners. This regular engagement with current and prospective customers ranged from farmers at UK and US trade events and distributors at international trade shows to site visits in the UK, USA and Japan. We also maintain contact with external research and development organisations and educational institutions, ranging from the UK Atomic Energy Authority, agriculture faculties of US and UK universities and local colleges for skills training.

Environmental, Social and Governance

We continue to make good progress to capture our data to identify climate related risks and opportunities, as well as initiatives at each of our sites to reduce our impact on the environment. The establishment of the Environmental Steering Group, as well as the Green Teams at each of our sites has ensured that environmental and social matters are given focus throughout the organisation. Our governance structure supports this approach and we ensure that responsible policies and practices underpin our business.

Through our operations in different sectors we positively contribute to global efforts to reduce the impact on the environment. Our involvement in the nuclear industry contributes to the global demand for sustainable power businesses, and our Speciality Agriculture product range complements grass-based systems which play such a crucial role in carbon sequestration.

People

As always, the business depends on the goodwill and commitment of all colleagues. The whole Board is very grateful for everyone's contribution during a year of internal change following the sale of the Agricultural Supplies division, extraordinary challenges in agricultural markets and significant progress on several fronts in the Engineering division.

Outlook

The Group's capacity to address current challenges and to harness the potential of our brands is strong. We understand the importance of resilience, patience, and adaptability in navigating the ebbs and flows of the market. We are committed to optimising the value of our assets, capitalising on increasing global demand, and advancing our clean energy initiatives.

Chief Executive's Review

During the financial year ended 2 September 2023 revenues increased 15.3% to £143.2m (FY22: £124.2m). Adjusted operating profit for the Group of £8.0m (FY22: £11.9m) was 33.2% down on the prior year. Adjusted profit before tax reduced by 33.2% to £7.5m (FY22: £11.2m). Adjusted earnings per share for continuing operations decreased by 38.0% to 6.2p (FY22: 10.0p) for the year. All figures and the commentary set out on the following pages relate solely to continuing operations, except where otherwise stated.

Divisional Review: Engineering

The Engineering division comprises specialist fabrication and precision engineering businesses in the UK, robotics businesses in the UK, Europe and USA, and engineering solutions businesses in the UK and USA.

	2023	**2022**	**% Change**
Revenue (£m)	**50.6**	46.2	+9.6
Adjusted operating profit (£m)	**5.3**	5.4	-1.5
Adjusted operating margin (%)	**10.4**	11.6	-1.2ppts
Forward order book (£m)	**59.8**	40.6	+47.0

Revenue performance in the division was ahead of the prior year with a particularly strong H2 performance delivering a 24% increase in adjusted operating profit, following a slower H1.

The order book strengthened during the year, with £59.8m recorded at the year end, significantly ahead of the FY22 year-end position of £40.6m. This improved position will support performance in FY24 and FY25.

Fabrication and precision engineering revenues were up 16% in the period, supported by continued high activity in the nuclear sector, including an £8.4m contract to deliver instrument cabinets and shielding blocks to one of Sellafield's new-build major infrastructure projects, and strong order intake from the oil and gas sector.

Revenues in the robotics business were less than last year, a reflection of temporary lower order intake in this business during prior year, FY22. With a significant uplift in order intake in FY23, this part of the division's order book now stands at record levels, including a £1.5m contract in the emerging nuclear medicine sector and a prestigious £10m contract for the UK's National Nuclear Laboratory, the largest single contract ever signed by Wälischmiller, ensuring a positive outlook for FY24.

Divisional Review: Speciality Agriculture

The Speciality Agriculture division manufactures livestock supplements including branded feed blocks, essential minerals, and precision dose trace element boluses, sold to farmers in the UK, Europe, North America, and New Zealand through a long-established distribution network.

	2023	**2022**	**% Change**
Revenue (£m)	**92.6**	78.1	+18.7
Adjusted operating profit (£m)	**5.6**	9.2	-38.5
Adjusted operating margin (%)	**6.1**	11.8	-5.7 ppts

The increase in revenue in the period follows an increase of 21% in average feed block selling prices to pass through substantial raw material cost increases, adversely impacting total volumes by 16% (excluding joint ventures) compared to prior year.

In the UK, costs of the principal ingredient of feed blocks, sugar cane molasses, have increased by 70% over the past three years, which, with increases in other ingredients along with energy and labour, has necessitated a 45% increase in selling prices over the past two years. When combined with 45% increases in other feed costs, a 180% uplift in fertiliser prices and 60% on diesel, livestock customers limited their expenditure, particularly impacting UK sales volumes during a mild autumn in 2022 and winter 2022-23 that supported continued grazing for longer than usual. Feed block volumes sold in the UK were down by 18% on FY22, a situation consistent at all distributors.

In the USA, the year-on-year increase of 24% in the selling price of feed blocks reflected continued high raw material ingredient costs. At the same time, the USA has been severely impacted by three years of drought. In key market areas for feed blocks, ranch-based cow calf herd headcount has reduced by up to 40%, in part reflecting the drought impact, but also occurring as the US beef industry reaches the expected low point of the current production cycle. As a result of all these factors, volumes sold (excluding joint ventures) were 16% down on last year, limiting scope to recover fixed costs in the business.

At the UK animal health business, revenues were down 16% compared to the prior year, related to lower bolus volumes and lower volumes of specialist aquaculture products manufactured under a long-standing contract.

Although current market conditions remain challenging, management maintains a positive longer-term outlook for the Speciality Agriculture division. In the UK and Ireland, farm input prices, particularly for feed and fertiliser, have declined from recent peaks. Farmgate prices for beef and lamb are strong when compared to 10-year historic averages, whereas the outlook for dairy customers is affected by a lower milk price. In the USA, the area affected by drought has reduced from 12 months previously, whilst the cyclical outlook for US beef will slowly improve as herds rebuild over the next five years.

Each of the Speciality Agriculture businesses is founded on respected brands with a track record of quality, innovation and service, that will support sales as markets recover from recent extraordinary conditions.

Health and Safety

Health and safety continues to be a priority for management teams. Throughout FY23, all sites have been engaged in a process of upgrading and investment to meet the requirements of an internal base level audit, introduced in 2022. This audit ensures that basic safety standards are in place and understood at all locations. A second round of audits has now commenced, aiming for a higher level that relates to developing and establishing habits of instinctively safe behaviour, in terms of both individual attitudes and measured outcomes.

In the past 12 months there were two reportable incidents, compared to nil in the prior year. Whilst the incident rate increased over the year, it is encouraging to note a markedly higher level of near misses and potential risks being reported and addressed at a local level, indicating confidence in reporting issues and resolving them promptly.

Environment

There has been significant progress in engagement in environmental management issues. Every site now has a Green Team, a group of colleagues who meet regularly to bring forward ideas and suggestions for reducing the carbon footprint, reducing waste, increasing participation in local community initiatives and small-scale local investments to reduce consumption and impact.

At Group level, the quality and speed of reporting statutory information has improved, along with the capability to address shareholder and regulatory enquiries relating to environmental matters. In 2024, there will be further progress in this area as Scope 3 reporting develops.

Disposal of Agricultural Supplies division

As the first stage of the Group's review of strategic options, the sale of the Agricultural Supplies division was completed on 26 October 2022, with initial receipt of £24.7m in cash. During FY23, trading continued in the division for a short period, until the completion date, for which the loss after tax was £1.2m. The process to close the completion accounts for the sale was finalised during August 2023 with a further £1.2m of cash received. Deferred consideration of £4.0m was received in October 2023, in line with the sale and purchase agreement. Proceeds included in the prior year loss on fair value measurement before costs to sell include a deduction of £0.8m in respect of property rental terms agreed with Billington Group.

Divisional Outlooks

Speciality Agriculture will continue to manage historically high input costs in 2024, whilst also facing depressed demand for nutritional supplements as customers limit outgoings in challenging market conditions. Longer-term prospects remain attractive, as drought recedes and the beef cycle turns in the USA, whilst in the UK and Europe the businesses will promote the unique attributes of the full range of Carr's products that set them apart from competitors.

Management is confident in the outlook for the Engineering division beyond the current financial year, with confirmed high value contracts continuing into FY24 and FY25, a well-balanced spread of current orders across all the business units in the division, and a stronger market for precision engineering. The pipeline of opportunities and prospects beyond confirmed orders is very encouraging. The division is increasingly focused on the specific opportunities that match its market-leading skills, technical strengths and high-quality manufacturing assets.

Financial Review

Continuing Operations

Alternative performance measures

This preliminary announcement includes both statutory and alternative performance measures ("APMs"). The principal APMs measure profitability excluding items regarded by the Directors as adjusting items (note 3). These APMs, generally referred to as 'adjusted' measures, are used in the management and measurement of business performance on a day-to-day basis and are also used in assessing performance under the Group's incentive plans. A glossary of APMs is included in note 11.

Continuing operations

The Agricultural Supplies division was treated as discontinued operations in last year's accounts, with trading disclosed separately and the net assets of the business categorised as held for sale. This year's accounts contain the period of trading from 4 September 2022 to the disposal date of 26 October 2022, as well as finalisation of the proceeds related to the disposal of this business during the year. Full details are included in note 5. All commentary in this review relates solely to continuing operations, except where otherwise stated.

Discontinued operations

The results of discontinued operations were a loss of £1.2m reflecting losses after tax in the year of £1.2m (2022: profit after tax of £4.0m). The cumulative loss on the measurement to fair value, less costs to sell is £10.3m of which £4.4m is in respect of the non-controlling interest's share of the measurement impairment. Full details can be found in note 5.

During the process to complete the accounting treatment of the disposal of the Agricultural Supplies division, two adjustments have been identified which have resulted in a prior year restatement of the measurement of fair value less costs to sell. The first was an adjustment to the book costs of the assets disposed of, relating to the Group's interest in the joint venture, Bibby Agriculture Ltd, held through the Group's shareholding in Carrs Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023. Of this £2.9m, £1.6m is attributable to the Group and has no impact on cash proceeds received to date or in future.

Subsequent to the publication of the interim statement, a further correction was identified, which was required to reflect property rental terms agreed with the Billington Group as part of the sale process. This increased the loss on measurement of fair value less costs to sell by £1.2m, with £0.8m of this being attributable to the Group. Combined, these corrections increase the loss on measurement of fair value less costs to sell by £4.1m, which included £1.8m in respect of the non-controlling interests share of the measurement impairment.

The results and financial position of the Group's discontinued operations for the year ended 3 September 2022 have been restated to reflect this, with full details set out in note 10.

The process to close the completion accounts for the sale is finished and the deferred consideration of £4m was paid in October 2023, meaning receipt of gross cash proceeds of £29.9m, in line with expectations. Proceeds included in the prior year loss on fair value measurement before costs to sell include a deduction of £0.8m in respect of property rental terms agreed with Billington Group. Further details for discontinued operations can be found in note 5.

Operating profit

Adjusted Group operating profit of £8.0m is down 33.2% on last year (2022: £11.9m). As a percentage of revenues, the Group's adjusted operating margin is 5.6% (2022: 9.6%). This decrease in operating margin reflects the impact of higher raw material prices in the Speciality Agriculture segment which has driven revenue up with minimal margin improvement. Reported operating profit was £2.0m (2022: £8.2m).

The Group's share of the adjusted post-tax result in its joint ventures was £1.4m, up 71.5% (2022: £0.8m). The Group's share of the adjusted post-tax result in its associate is included within discontinued operations as part of the disposal group.

Adjusted operating profit per division and as a percentage of divisional revenues are as follows:

Adjusted* operating profit 2023

Adjusted operating profit	**2023 £m**	**2023 %**	2022 £m	2022 %
Speciality Agriculture	**5.6**	**6.1**	9.2	11.8
Engineering	**5.3**	**10.4**	5.4	11.6
Central	**(3.0)**		(2.6)	
Total	**8.0**		11.9	

* Segmental reported profit figures can be found in note 2.

Adjusting items

The Group reported a charge for adjusting items of £6.0m (2022: £3.7m). This year's charge includes impairment of goodwill and intangible assets of £3.8m, amortisation of acquired intangibles of £0.9m, ERP system implementation costs of £0.6m and restructuring costs of £0.6m. Further details are included in note 3.

Impairment of goodwill and Intangibles

During the year end accounting and statutory audit process, the Group conducts impairment reviews of goodwill associated with previous acquisitions. These reviews use projected cash flows for each business, based on current management forecasts, interest rates and associated external market data, in accordance with International Financial

Reporting Standards ("IFRS"). Economic conditions at the year end required higher discount rates than at the previous year end.

For FY23, this results in a non-cash impairment charge of £1.7m against goodwill paid for Animax Limited, an animal health business which was acquired in 2018. While action has been taken to improve the performance of the business, the challenging conditions in agriculture mean that the Board believes that the full remaining goodwill in the business should be written off based on the estimated recoverable amount of the cash-generating unit. A further £0.3m of other intangible assets of Animax were also written down. In the Engineering division, the valuation of goodwill acquired on the acquisition of NW Total Engineered Solutions Ltd has been written down by £1.8m as a result of changed discount rates and other non-company specific assumptions, despite the business's prospects improving from last year. As these items do not relate to the underlying trading performance of each business the impairments have been treated as adjusting items (note 3) consistent with prior years.

Finance costs

Net finance costs of £0.4m were lower than the prior year (2022: £0.7m). Interest cover was 4.4 times based on reported profit (17.9 times on an adjusted profit basis) compared to 12.4 times in 2022.

Profit before tax

Adjusted profit before tax at £7.5m was 33.2% below the previous year (2022: £11.2m). Reported profit before taxation was £1.5m (2022: £7.6m).

Taxation

The Group's effective tax charge on adjusted profit from activities after net finance costs and excluding results from joint ventures, which are recorded after tax was 27.5% (2022: 17.9%). The increase is driven by deferred tax, including the impact of unrecognised deferred tax on trading losses.

Earnings per share

The profit attributable to the equity holders of the Company in respect of continuing operations amounted to £0.4m (2022: £6.0m), and basic earnings per share was 0.4p (2022: 6.4p).

Adjusted earnings per share of 6.2p (2022: 10.0p) is calculated by dividing the adjusted profit attributable to equity holders for the year in respect of continuing operations by the weighted average number of shares in issue during the year.

Cash flow and net cash/(debt)

Cash of £2.1m was generated from operating activities for the year, compared to cash generation of £2.9m in the previous year. The working capital outflow in the current year of £4.7m (2022: £8.7m) was driven by a £3.2m increase in receivables, predominantly in the Engineering division. Following the year-end, the Group's net cash position has been supplemented by the receipt of £4.0m of deferred consideration in October 2023, related to the disposal of the Agricultural Supplies division. The main banking facilities were extended in December 2023, and now expire on 20 December 2026. The previously held invoice discounting facility was solely for the Agricultural Supplies division and is no longer in place following the disposal on 26 October 2022.

Pensions

The Group operates its current pension arrangements on a defined benefit and defined contribution basis. The defined benefit scheme is closed to new members and closed to future accrual. The scheme currently has 61 deferred members and 214 current pensioners.

The valuation on an IAS 19 accounting basis showed a surplus before the related deferred tax liability in the scheme at 2 September 2023 of £5.3m (2022: £6.8m). This is after an actuarial loss of £2.1m (2022: £2.6m) which has been recognised in the Consolidated Statement of Comprehensive Income. Following a review of the Scheme rules the Directors believe there is an unconditional right to a refund of surplus from the defined benefit pension plan in the event there are surplus assets during the lifetime of the plan or when it winds up. The Group and Company have therefore recognised the surplus in full on the balance sheet.

CONSOLIDATED INCOME STATEMENT
for the year ended 2 September 2023

	Notes	2023 £'000	2022 (restated)[2] £'000
Continuing operations			
Revenue	2	**143,214**	124,240
Cost of sales		**(110,924)**	(94,632)
Gross profit		**32,290**	29,608
Other operating income		**-**	1,731
Distribution costs		**(7,507)**	(5,338)
Administrative expenses		**(24,273)**	(18,609)
Share of post-tax results of joint ventures		**1,441**	840
Adjusted[1] operating profit	2	**7,950**	11,906
Adjusting items	3	**(5,999)**	(3,674)
Operating profit	2	**1,951**	8,232
Finance income		**876**	351
Finance costs		**(1,320)**	(1,017)
Adjusted[1] profit before taxation	2	**7,506**	11,240
Adjusting items	3	**(5,999)**	(3,674)
Profit before taxation	2	**1,507**	7,566
Taxation	4	**(1,111)**	(1,524)
Adjusted[1] profit for the year from continuing operations		**5,836**	9,374
Adjusting items	3	**(5,440)**	(3,332)
Profit for the year from continuing operations		**396**	6,042
Discontinued operations			
Loss for the year from discontinued operations (including held for sale)	5	**(1,157)**	(6,335)
Loss for the year		**(761)**	(293)
(Loss)/profit attributable to:			
Equity shareholders		**(226)**	2,710
Non-controlling interests[3]		**(535)**	(3,003)
		(761)	(293)
Basic earnings per ordinary share (pence)			
Profit from continuing operations	6	**0.4**	6.4
Loss from discontinued operations	6	**(0.7)**	(3.5)
	6	**(0.3)**	2.9
Diluted earnings per ordinary share (pence)			
Profit from continuing operations		**0.4**	6.4
Loss from discontinued operations		**(0.7)**	(3.5)
		(0.3)	2.9

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 11.

2 See note 10 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

3 Non-controlling interests relate to businesses included in the disposal group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 2 September 2023

	2023 £'000	2022 (restated)[2] £'000
Loss for the year	**(761)**	(293)
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	**(3,141)**	4,288
- Net investment hedges	**-**	60
- Taxation charge on net investment hedges	**-**	(11)
Items that will not be reclassified subsequently to profit or loss:		
- Actuarial losses on retirement benefit asset:		
- Group	**(2,058)**	(2,576)
- Share of associate (included within disposal group)	**(717)**	(287)
- Taxation credit on actuarial losses on retirement benefit asset:		
- Group	**515**	644
- Share of associate (included within disposal group)	**179**	72
Other comprehensive (expense)/income for the year, net of tax	**(5,222)**	2,190
Total comprehensive (expense)/income for the year	**(5,983)**	1,897
Total comprehensive (expense)/income attributable to:		
Equity shareholders	**(5,448)**	4,900
Non-controlling interests[1]	**(535)**	(3,003)
	(5,983)	1,897
Total comprehensive (expense)/income attributable to:		
Continuing operations	**(4,288)**	8,447
Discontinued operations	**(1,695)**	(6,550)
	(5,983)	1,897

[1] Non-controlling interests relate to businesses included in the disposal group.

[2] See note 10 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

CONSOLIDATED BALANCE SHEET
as at 2 September 2023

	Notes	2023 £'000	2022 (restated)[1] £'000
Assets			
Non-current assets			
Goodwill		**19,161**	23,609
Other intangible assets		**3,318**	4,635
Property, plant and equipment		**29,950**	33,204
Right-of-use assets		**7,323**	8,223
Investment property		**2,640**	74
Interest in joint ventures		**6,101**	6,065
Other investments		**27**	32
Contract assets		-	316
Financial assets			
- Non-current receivables		**21**	23
Retirement benefit asset		**5,316**	6,828
Deferred tax asset		**26**	213
		73,883	83,222
Current assets			
Inventories		**26,613**	26,990
Contract assets		**7,915**	7,564
Trade and other receivables		**24,592**	19,015
Current tax assets		**3,895**	3,866
Financial assets			
- Cash and cash equivalents		**23,123**	22,515
Assets included in disposal group classified as held for sale	5	**-**	144,389
		86,138	224,339
Total assets		**160,021**	307,561
Liabilities			
Current liabilities			
Financial liabilities			
- Borrowings		**(13,714)**	(12,734)
- Leases		**(1,264)**	(1,416)
- Derivative financial instruments		**(4)**	(62)
Contract liabilities		**(5,194)**	(2,426)
Trade and other payables		**(16,556)**	(21,000)
Current tax liabilities		**(131)**	(711)
Liabilities included in disposal group classified as held for sale	5	**-**	(101,566)
		(36,863)	(139,915)
Non-current liabilities			
Financial liabilities			
- Borrowings		**(5,206)**	(23,805)
- Leases		**(5,559)**	(6,128)
Deferred tax liabilities		**(4,447)**	(5,048)
Other non-current liabilities		**(71)**	(336)
		(15,283)	(35,317)
Total liabilities		**(52,146)**	(175,232)
Net assets		**107,875**	132,329
Shareholders' equity			
Share capital		**2,354**	2,350
Share premium		**10,664**	10,500
Other reserves		**94,857**	105,283
Total shareholders' equity		**107,875**	118,133
Non-controlling interests		**-**	14,196
Total equity		**107,875**	132,329

[1] See note 10 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 2 September 2023

	Share Capital £'000	Share Premium £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Non-controlling Interests £'000	Total Equity £'000
At 29 August 2021	2,343	10,155	480	1,931	195	102,295	117,399	17,152	134,551
Profit/(loss) for the year (restated) [1]	-	-	-	-	-	2,710	2,710	(3,003)	(293)
Other comprehensive income/(expense)	-	-	-	4,337	-	(2,147)	2,190	-	2,190
Total comprehensive income/(expense) (restated)[1]	-	-	-	4,337	-	563	4,900	(3,003)	1,897
Dividends paid	-	-	-	-	-	(4,687)	(4,687)	-	(4,687)
Equity-settled share-based payment transactions	-	-	199	-	-	-	199	50	249
Excess deferred taxation on share-based payments	-	-	-	-	-	(30)	(30)	(3)	(33)
Allotment of shares	7	345	-	-	-	-	352	-	352
Transfer	-	-	(151)	-	(3)	154	-	-	-
At 3 September 2022 (restated)[1]	2,350	10,500	528	6,268	192	98,295	118,133	14,196	132,329
As previously reported at 3 September 2022	**2,350**	**10,500**	**528**	**6,268**	**192**	**100,657**	**120,495**	**15,976**	**136,471**
Prior year adjustment[1]	**-**	**-**	**-**	**-**	**-**	**(2,362)**	**(2,362)**	**(1,780)**	**(4,142)**
At 4 September 2022 (restated)[1]	**2,350**	**10,500**	**528**	**6,268**	**192**	**98,295**	**118,133**	**14,196**	**132,329**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(226)**	**(226)**	**(535)**	**(761)**
Other comprehensive expense	**-**	**-**	**-**	**(3,141)**	**-**	**(2,081)**	**(5,222)**	**-**	**(5,222)**
Total comprehensive expense	**-**	**-**	**-**	**(3,141)**	**-**	**(2,307)**	**(5,448)**	**(535)**	**(5,983)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(4,889)**	**(4,889)**	**-**	**(4,889)**
Equity-settled share-based payment transactions	**-**	**-**	**(85)**	**-**	**-**	**-**	**(85)**	**(7)**	**(92)**
Excess deferred taxation on share-based payments	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**	**-**	**(4)**
Allotment of shares	**4**	**164**	**-**	**-**	**-**	**-**	**168**	**-**	**168**
Sale of disposal group	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,654)**	**(13,654)**
Transfer	**-**	**-**	**(179)**	**-**	**(2)**	**181**	**-**	**-**	**-**
At 2 September 2023	**2,354**	**10,664**	**264**	**3,127**	**190**	**91,276**	**107,875**	**-**	**107,875**

[1] See note 10 for an explanation of the prior year restatements in relation to the loss recognised on the measurement to fair value less costs to sell in respect of discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 2 September 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Cash generated from continuing operations	7	**3,155**	4,473
Interest received		**564**	179
Interest paid		**(1,320)**	(986)
Tax paid		**(278)**	(805)
Net cash generated from operating activities in continuing operations		**2,121**	2,861
Net cash used in operating activities in discontinued operations		**(3,040)**	(6,901)
Net cash used in operating activities		**(919)**	(4,040)
Cash flows from investing activities			
Sale of disposal group (net of cash disposed and costs to sell)		**25,619**	-
Acquisition of subsidiaries (net of cash acquired)		**-**	(426)
Dividends received from joint ventures		**1,390**	2,250
Purchase of intangible assets		**(193)**	(342)
Proceeds from sale of property, plant and equipment		**48**	31
Purchase of property, plant and equipment		**(3,194)**	(3,696)
Proceeds from sale of investment property		**-**	149
Net cash generated from/(used in) investing activities in continuing operations		**23,670**	(2,034)
Net cash used in investing activities in discontinued operations		**(487)**	(2,749)
Net cash generated from/(used in) investing activities		**23,183**	(4,783)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**167**	352
New financing and drawdowns on RCF		**5,574**	10,051
Repayment of RCF drawdowns		**(21,741)**	(8,000)
Lease principal repayments		**(1,545)**	(1,550)
Repayment of borrowings		**(4,263)**	(2,840)
Dividends paid to shareholders		**(4,889)**	(4,687)
Net cash used in financing activities in continuing operations		**(26,697)**	(6,674)
Net cash (used in)/generated from financing activities in discontinued operations		**(9,599)**	20,324
Net cash (used in)/generated from financing activities		**(36,296)**	13,650
Effect of exchange rate changes		**(54)**	332
Net (decrease)/increase in cash and cash equivalents		**(14,086)**	5,159
Cash and cash equivalents at beginning of the year		**24,855**	19,696
Cash and cash equivalents at end of the year		**10,769**	24,855

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 2 September 2023 or 3 September 2022. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 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.

Going concern

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 31 August 2026 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 the period to 20 December 2024 ("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 December 2026.

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 covering the period to 20 December 2024. The forecasts consider the current cash position, the availability of banking facilities and an assessment of the principal areas of risk and uncertainty. These forecasts have been sensitised on a combined basis for severe but plausible downside scenarios. The scenarios tested included significant reductions in profitability and associated cashflows linked to the two principal risks of: customer demand and reliance on key customers; and supply chain constraints and delays impacting operations. 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 to testing these severe but plausible downside scenarios, reverse stress testing was also applied to the sensitised forecasts, to understand what level of downside scenario the Group would not be able to withstand. The scenarios which created going concern uncertainty were deemed extreme and implausible.

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 complies with its financial bank covenants, operates within its renewed bank facilities, and meets 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 until 20 December 2024 and therefore have prepared the financial information in this preliminary announcement on a going concern basis.

Accounting policies

The accounting policies are consistent with those of the prior year.

Prior year restatements

During the process to complete the accounting treatment of the disposal of the Agricultural Supplies division, two adjustments have been identified which have resulted in a prior year restatement of the measurement of fair value less costs to sell. The first was an adjustment to the book costs of the assets disposed, relating to the Group's interest in the joint venture, Bibby Agriculture Ltd, held through the Group's shareholding in Carrs Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of.

1. **Basis of preparation and going concern (continued)**

Subsequent to the publication of the interim statement, a further correction was identified, which was required to reflect property rental terms agreed with the Billington Group as part of the sale process.

Further details of the effect of the prior year restatements can be found in note 10.

2. Segmental information

The segmental information for the year ended 2 September 2023 is as follows:

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000	Discontinued operations £'000
Total segment revenue	93,960	50,609	-	144,569	53,212
Inter-segment revenue	(1,320)	(35)	-	(1,355)	(1)
Revenue from external customers	92,640	50,574	-	143,214	53,211
Adjusted[1] EBITDA[2]	6,117	7,678	(2,850)	10,945	(1,821)
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,916)	(2,394)	(126)	(4,436)	-
Share of post-tax results of associate and joint ventures	1,441	-	-	1,441	466
Adjusted[1] operating profit/(loss)	5,642	5,284	(2,976)	7,950	(1,355)
Adjusting items (note 3)	(3,315)	(2,283)	(401)	(5,999)	3
Operating profit/(loss)	2,327	3,001	(3,377)	1,951	(1,352)
Finance income				876	-
Finance costs				(1,320)	(186)
Adjusted[1] profit/(loss) before taxation				7,506	(1,541)
Adjusting items (note 3)				(5,999)	3
Profit/(loss) before taxation				1,507	(1,538)
Taxation of discontinued operations					381
Loss for the year from discontinued operations (note 5)					(1,157)

[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 before share of post-tax results of associate and joint ventures

2. Segmental information (continued)

The segmental information for the year ended 3 September 2022 is as follows. Prior year disclosures have been restated in respect of discontinued operations. Further details of the prior year restatements of discontinued operations can be found in note 10.

	Speciality Agriculture £'000	Engineering £'000	Central £'000	Continuing Group £'000	Discontinued operations (restated) £'000
Total segment revenue	84,321	46,347	-	130,668	343,844
Inter-segment revenue	(6,244)	(184)	-	(6,428)	(6)
Revenue from external customers	78,077	46,163	-	124,240	343,838
Adjusted[1] EBITDA[2]	9,869	7,693	(2,487)	15,075	7,586
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,532)	(2,326)	(151)	(4,009)	(2,693)
Share of post-tax results of associate (adjusted[1]) and joint ventures	840	-	-	840	2,016
Adjusted[1] operating profit/(loss)	9,177	5,367	(2,638)	11,906	6,909
Adjusting items (note 3)	131	(3,351)	(454)	(3,674)	(11,877)
Operating profit/(loss)	9,308	2,016	(3,092)	8,232	(4,968)
Finance income				351	-
Finance costs				(1,017)	(756)
Adjusted[1] profit before taxation				11,240	6,153
Adjusting items (note 3)				(3,674)	(11,877)
Profit/(loss) before taxation				7,566	(5,724)
Taxation of discontinued operations					(611)
Loss for the year from discontinued operations (note 5)					(6,335)

[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 before 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.

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued Operations (restated) £'000
Amortisation of acquired intangible assets (i)	**947**	**-**	940	-
Adjustments to contingent consideration (ii)	**-**	**-**	(1,320)	-
Restructuring/closure costs (iii)	**607**	**-**	-	-
Strategic review costs (iv)	**-**	**-**	455	-
Acquisition-related costs (v)	**-**	**-**	-	20
Gain on acquisition of Afgritech (vi)	**-**	**-**	(733)	-
(Profit)/loss on fair value measurement less costs to sell (vii)	**-**	**(3)**	-	10,518
Cloud configuration and customisation costs – Group (viii)	**602**	**-**	113	974
Cloud configuration and customisation costs – share of associate (viii)	**-**	**-**	-	365
Goodwill and other intangible assets impairment (ix)	**3,843**	**-**	4,219	-
Included in profit before taxation	**5,999**	**(3)**	3,674	11,877
Taxation effect of the above adjusting items	**(559)**	**-**	(342)	(186)
Included in profit/(loss) for the year	**5,440**	**(3)**	3,332	11,691

(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.

(ii) Adjustments to contingent consideration arose from the revaluation of contingent consideration in respect of acquisitions to fair value at the prior year end.

(iii) Restructuring/closure costs include redundancy costs.

(iv) Strategic review costs include external adviser fees incurred in the development of the Group's strategy.

(v) Acquisition-related costs relate to legal fees incurred in respect of an aborted acquisition.

(vi) In the prior year the Group acquired the remaining 50% shareholding in Afgritech Ltd and the financial position and performance of the business, together with that of its 100% owned subsidiary Afgritech LLC, was fully consolidated from the date of acquisition. The Group's joint venture interest was effectively disposed of at this acquisition date with a gain of £197,000, being the difference between the carrying value and the fair value of the joint venture interest, recognised. Also included in the amount in the table above are foreign exchange gains of £559,000 that were recycled from the foreign exchange reserve to the income statement on disposal, acquisition-related costs of £27,000 and negative goodwill of £4,000.

(vii) The Group disposed of its interest in the Carr's Billington Agricultural business on 26 October 2022. The (profit)/loss on fair value measurement less costs to sell in this year arises from the structure of the sale and offsets the retained earnings from discontinued operations between 3 September 2022 and completion date.

At the prior year end the carrying value of the assets and liabilities included in the disposal group classified as held for sale exceeded the fair value less costs sell. As a result the net assets of the disposal group were reduced to the fair value less costs to sell resulting in a loss of £10,518,000 (restated) being recognised. This included a loss attributable to the non-controlling interests of £4,383,000 (restated) together with costs to sell of £175,000 recognised within the accounts of Carrs Billington Agriculture (Sales) Ltd. Further details of the prior year restatements can be found in note 10.

3. Adjusting items (continued)

(viii) Costs relating to material spend in relation to the implementation of the Group's, and associate's, ERP system that have now been expensed following the adoption of the IFRIC agenda decision.

(ix) Impairment of goodwill and other intangible assets in respect of the Animax Ltd cash-generating unit and impairment of goodwill in respect of the NW Total Engineered Solutions Ltd cash-generating unit. In the prior year the impairment of goodwill was in respect of the Chirton profit centre and Wälischmiller Engineering GmbH cash-generating units.

4. Taxation

	2023		2022	
	Continuing operations £'000	**Discontinued operations £'000**	Continuing operations £'000	Discontinued Operations (restated) £'000
Analysis of the charge/(credit) in the year				
Current tax:				
UK corporation tax				
Current year	**-**	**(343)**	119	316
Adjustment in respect of prior years	**(42)**	**58**	164	51
Foreign tax				
Current year	**784**	**-**	1,607	-
Adjustment in respect of prior years	**(331)**	**-**	(1)	-
Group current tax	**411**	**(285)**	1,889	367
Deferred tax:				
Origination and reversal of timing differences				
Current year	**228**	**(57)**	10	224
Adjustment in respect of prior years	**472**	**(39)**	(375)	20
Group deferred tax	**700**	**(96)**	(365)	244
Tax charge/(credit) for the year	**1,111**	**(381)**	1,524	611
Profit/(loss) before taxation	**1,507**	**(1,538)**	7,566	(5,724)
Tax at 21.5% (2022: 19%)	**324**	**(331)**	1,438	(1,088)
Effects of:				
Tax effect of share of results of associate and joint ventures	**(310)**	**(100)**	(160)	(314)
Tax effect of expenses that are not allowable in determining taxable profit	**1,114**	**56**	1,213	2,033
Tax effect of non-taxable income	**(407)**	**(11)**	(1,183)	(143)
Effects of different tax rates of foreign subsidiaries	**7**	**-**	149	-
Effects of deferred tax rates	**(20)**	**(14)**	68	52
Unrecognised deferred tax on losses	**304**	**-**	99	-
Withholding taxes suffered	**-**	**-**	112	-
Adjustment in respect of prior years	**99**	**19**	(212)	71
Total tax charge/(credit) for the year	**1,111**	**(381)**	1,524	611

The tax effect of expenses that are not allowable in determining taxable profit includes share-based payments, depreciation of non-qualifying assets, disregarded foreign exchange net loss movements, other expenses disallowable for UK corporation tax, goodwill impairment (note 3) and, in respect of discontinued operations in the prior year, it includes the loss recognised on the measurement to fair value less costs to sell of the disposal group (notes 3 and 5).

The tax effect of non-taxable income includes adjustments to contingent consideration (note 3), the effect of income within the patent box regime, disregarded foreign exchange net gain movements, adjustments to profit before taxation for research and development expenditure credits in respect of prior years and the 30% benefit of the super deduction for capital allowances.

5. Discontinued operations and non-current assets held for sale

On 31 August 2022, the Group entered into a conditional agreement to dispose of its interests in the Carr's Billington Agricultural business to Edward Billington & Son Limited. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the assets and liabilities related to the business were classified as a disposal group held for sale at 3 September 2022. The sale was conditional on approval by the Group's shareholders which was given at a General Meeting held on 19 September 2022. The disposal completed on 26 October 2022.

On completion, the Company received £24.7m initial cash proceeds (before costs to sell) following certain working capital adjustments since the announcement on 31 August 2022. Following the finalisation of the completion accounts mechanism the Company has received a further £1.2m cash proceeds. On 26 October 2023 the Company received £4.0m of deferred consideration.

Total cash consideration was £29.9m, of which £4.0m was received post year end 2023. The proceeds included in the calculation of loss on the measurement to fair value less costs to sell have been reduced by £0.8m to reflect rent free periods on properties leased by the Group to the Billington Group post-disposal. This has been reflected in the prior year adjustment (note 10) within total comprehensive income attributable to equity shareholders in respect of property rental terms. Costs of disposal of £0.3m have been deducted from disposal proceeds in the current year. The net assets of the disposal group at the date of disposal were £42.4m, including £(0.6)m cash and cash equivalents. Included in other comprehensive income in the year is 0.5m (2022: £0.2m) of actuarial losses net of tax in respect of the disposal group. The net assets of the disposal group at 3 September 2022, when they were classified as held for sale, reflected consolidation adjustments of £1.3m.

The tables below show the results of the discontinued operations and the profit/(loss) recognised on the remeasurement to fair value less costs to sell, together with the classes of assets and liabilities comprising the operations held for sale in the Group balance sheet as at 3 September 2022.

	2023 £'000	2022 (restated) £'000
Revenue	**53,211**	343,838
Expenses	**(55,218)**	(340,870)
	(2,007)	2,968
Share of post-tax results of associate	**378**	1,165
Share of post-tax results of joint venture	**88**	486
(Loss)/profit before taxation of discontinued operations	**(1,541)**	4,619
Taxation (note 4)	**381**	(611)
(Loss)/profit after taxation of discontinued operations	**(1,160)**	4,008
Pre-taxation gain/(loss) recognised on the measurement to fair value less costs to sell	**3**	(10,343)
Taxation	**-**	-
After taxation gain/(loss) recognised on the measurement to fair value less costs to sell	**3**	(10,343)
Loss for the year from discontinued operations	**(1,157)**	(6,335)

In the prior year the pre-taxation loss recognised on the measurement to fair value less costs to sell included £4,383,000 (restated) in respect of the non-controlling interest's share of the measurement impairment.

The prior year loss recognised on the measurement to fair value less costs to sell had previously been determined based on the difference between estimated proceeds receivable and net assets of the two businesses where the direct shareholding was being sold. This has been corrected, by a prior year restatement, to also include the Group's interest in the joint venture, Bibby Agriculture Ltd, indirectly held by the Company through its ownership of Carrs Billington Agriculture (Sales) Ltd. A further correction has been made to reflect

5. Discontinued operations and non-current assets held for sale (continued)

property rental terms agreed with the Billington Group as part of the sale process. Further details of these restatements can be found in note 10.

The net assets relating to the disposal group that were classified as held for sale at 3 September 2022 in the Group balance sheet are shown below:

	£'000 (restated)
Assets of the disposal group	
Goodwill	5,285
Property, plant and equipment	8,539
Right-of-use assets	8,267
Investment in associate	15,218
Interest in joint ventures	2,870
Other investments	45
Deferred tax asset	177
Inventories	34,442
Trade and other receivables	65,946
Current tax assets	101
Cash and cash equivalents	12,074
Loss on fair value measurement before costs to sell	(8,575)
Total assets	144,389
Liabilities of the disposal group	
Borrowings	(24,415)
Leases	(8,196)
Trade and other payables	(68,955)
Total liabilities	(101,566)
Net assets	42,823

Costs to sell of £1,768,000 were incurred by the parent Company in the prior year and were therefore excluded from the loss on fair value measurement shown above. The loss on fair value measurement before costs to sell included £4,383,000 (restated) in respect of the non-controlling interest's share of the measurement impairment.

6. 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 94,058,319 (2022: 93,873,465). The calculation of diluted earnings per share is based on 94,773,283 shares (2022: 95,133,662).

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:

	2023 Earnings £'000	**2023 Earnings per share pence**	2022 Earnings £'000	2022 Earnings per share pence
Continuing operations				
Earnings per share – basic	**396**	**0.4**	6,042	6.4
Adjusting items:				
Amortisation of acquired intangible assets	**947**	**1.0**	940	1.0
Adjustments to contingent consideration	**-**	**-**	(1,320)	(1.4)
Restructuring/closure costs	**607**	**0.6**	-	-
Strategic review costs	**-**	**-**	455	0.5
Gain on acquisition of Afgritech	**-**	**-**	(733)	(0.8)
Cloud configuration and customisation costs – Group	**602**	**0.6**	113	0.1
Goodwill and other intangible assets impairment	**3,843**	**4.1**	4,219	4.5
Taxation effect of the above	**(559)**	**(0.5)**	(342)	(0.3)
Earnings per share – adjusted	**5,836**	**6.2**	9,374	10.0

6. Earnings per ordinary share (continued)

	2023 Earnings £'000	2023 Earnings per share pence	2022 (restated) Earnings £'000	2022 (restated) Earnings per share pence
Discontinued operations				
Earnings per share – basic	**(622)**	**(0.7)**	(3,332)	(3.5)
Adjusting items:				
Acquisition-related costs	-	-	20	-
(Profit)/loss on fair value measurement less costs to sell	**(3)**	-	10,518	11.2
Cloud configuration and customisation costs – Group	-	-	974	1.0
Cloud configuration and customisation costs – share of associate	-	-	365	0.4
Taxation effect of the above	-	-	(186)	(0.2)
Non-controlling interest in the above	-	-	(4,865)	(5.2)
Earnings per share – adjusted	**(625)**	**(0.7)**	3,494	3.7
Total (basic)	**(226)**	**(0.3)**	2,710	2.9
Total (adjusted)	**5,211**	**5.5**	12,868	13.7

7. Cash generated from continuing operations

	2023 £'000	2022 £'000
Profit for the year from continuing operations	**396**	6,042
Adjustments for:		
Tax	**1,111**	1,524
Tax credit in respect of R&D	**(695)**	(1,553)
Depreciation of property, plant and equipment	**3,023**	2,778
Depreciation of right-of-use assets	**1,308**	1,276
Depreciation of investment property	**67**	5
Intangible asset amortisation	**1,004**	988
Goodwill and other intangible assets impairment	**3,843**	4,219
Profit on disposal of property, plant and equipment	**(23)**	(17)
Loss/(profit) on disposal of right-of-use assets	**4**	(5)
Profit on disposal of investment property	-	(76)
Gain on acquisition of Afgritech	-	(764)
Adjustments to contingent consideration	-	(1,320)
Net fair value (credit)/charge on share-based payments	**(78)**	148
Other non-cash adjustments	**(894)**	(119)
Finance costs:		
Interest income	**(876)**	(351)
Interest expense and borrowing costs	**1,376**	1,077
Share of results of joint ventures	**(1,441)**	(840)
IAS19 income statement credit in respect of employer contributions	**(400)**	-
IAS19 income statement charge (excluding interest):		
Administrative expenses	**166**	126
Changes in working capital (excluding the effects of acquisitions):		
Increase in inventories	**(481)**	(6,153)
Increase in receivables	**(3,173)**	(218)
Decrease in payables	**(1,082)**	(2,294)
Cash generated from continuing operations	**3,155**	4,473

8. Pensions (continuing operations)

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 2 September 2023 of £5.3m (2022: £6.8m).

In the year, the retirement benefit charge, excluding interest, in respect of the Carr's Group Pension Scheme (defined benefit section) was £166,000 (2022: £126,000).

9. Analysis of net cash/(debt) and leases

	At 4 September 2022 £'000	Cash Flow £'000	Other Non-Cash Changes £'000	Exchange Movements £'000	**At 2 September 2023 £'000**
Cash and cash equivalents	22,515	662	-	(54)	**23,123**
Bank overdrafts	(9,734)	(2,620)	-	-	**(12,354)**
	12,781	(1,958)	-	(54)	**10,769**
Loans and other borrowings:					
- current	(3,000)	1,698	(48)	(10)	**(1,360)**
- non-current	(23,805)	18,732	(8)	(125)	**(5,206)**
Net (debt)/cash	(14,024)	18,472	(56)	(189)	**4,203**
Leases:					
- current	(1,416)	-	152	-	**(1,264)**
- non-current	(6,128)	1,545	(1,006)	30	**(5,559)**
Leases	(7,544)	1,545	(854)	30	**(6,823)**
Net (debt)/cash and leases	(21,568)	20,017	(910)	(159)	**(2,620)**

10. Prior year restatements

During the process to complete the accounting treatment of the disposal of the Agricultural Supplies division, two adjustments have been identified which have resulted in a prior year restatement of the measurement of fair value less costs to sell. The first was an adjustment to the book costs of the assets disposed of relating to the Group's interest in the joint venture, Bibby Agriculture Ltd, held through the Group's shareholding in Carrs Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023. Of this £2.9m, £1.6m is attributable to the Group and has no impact on cash proceeds received to date or in future.

Subsequent to the publication of the interim statement, a further correction was identified, which was required to reflect property rental terms agreed with the Billington group as part of the sale process. This increased the loss on measurement of fair value less costs to sell by £1.2m, with £0.8m of this being attributable to the Group. Combined, these corrections increase the loss on measurement of fair value less costs to sell by £4.1m, which includes £1.8m in respect of the non-controlling interest's share of the measurement impairment.

The results and financial position of the Group's discontinued operations for the year ended 3 September 2022 have been restated to reflect this.

This restatement of the prior year has resulted in shareholders' equity at 3 September 2022 being reduced by £2.4m and increases the loss for the period from discontinued operations (£4.1m) in the year to 3 September 2022.

The prior year restatements to discontinued operations are reflected in note 5.

10. Prior year restatements (continued)

The affected financial statement line items are as follows:

Income Statement	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Loss for the year from discontinued operations (including held for sale)	(2,193)	(2,944)	(1,198)	(6,335)
Profit/(loss) for the year	3,849	(2,944)	(1,198)	(293)
Profit attributable to:				
Equity shareholders	5,072	(1,553)	(809)	2,710
Non-controlling interests	(1,223)	(1,391)	(389)	(3,003)
Basic EPS (pence):				
Loss from discontinued operations	(1.0)	(1.6)	(0.9)	(3.5)
Diluted EPS (pence):				
Loss from discontinued operations	(1.0)	(1.6)	(0.9)	(3.5)

Statement of Comprehensive Income	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Profit/(loss) for the year	3,849	(2,944)	(1,198)	(293)
Total comprehensive (expense)/income for the year	6,039	(2,944)	(1,198)	1,897
Total comprehensive income attributable to:				
Equity shareholders	7,262	(1,553)	(809)	4,900
Non-controlling interests	(1,223)	(1,391)	(389)	(3,003)
Total comprehensive income attributable to:				
Discontinued operations	(2,408)	(2,944)	(1,198)	(6,550)

Balance Sheet	3 September 2022 (previously reported) £'000	Restatement in respect of net assets disposed £'000	Restatement in respect of property rental terms £'000	3 September 2022 (restated) £'000
Assets included in disposal group classified as held for sale	148,531	(2,944)	(1,198)	144,389
Total current assets	228,481	(2,944)	(1,198)	224,339
Total assets	311,703	(2,944)	(1,198)	307,561
Net assets	136,471	(2,944)	(1,198)	132,329
Other reserves	100,657	(1,553)	(809)	98,295
Total shareholders' equity	120,495	(1,553)	(809)	118,133
Non-controlling interests	15,976	(1,391)	(389)	14,196
Total equity	136,471	(2,944)	(1,198)	132,329

As there is no impact to the opening balance sheet for the prior year a third balance sheet has not been presented.

11. 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 are also used in assessing performance under the Group's incentive plans. 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, before 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 profit for the year	Profit after taxation after adding back items regarded by the Directors as adjusting items. This measure is reconciled to statutory profit after taxation in the income statement. 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 6.
Net cash/(debt)	The net position of the Group's cash at bank and borrowings per the balance sheet. Details of the movement in net cash/(debt) is shown in note 9.

12. The Board of Directors approved the preliminary announcement on 20 December 2023.

13. The full 2023 Annual Report and Accounts will shortly be available for inspection via the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and on the Company's website at www.carrsgroup-ir.com. The Company will post a copy of the 2023 Annual Report and Accounts to shareholders who have elected to receive paper communications in January 2024. The full 2023 Annual Report and Accounts will also be available in January 2024 upon request from the Company Secretary, Carr's Group plc, Old Croft, Stanwix, Carlisle, CA3 9BA.