CORPORATE GOVERNANCE REPORT

CHRIS HOLMES
CHAIRMAN

> **“Governance plays a vital role, and the Board is committed to maintaining high standards of corporate governance.”**

CHAIRMAN'S OVERVIEW

Significant changes made to the UK Corporate Governance Code 2014 have applied to the Group for the first time this year. These changes have facilitated an overarching review of how the Group approaches risk management. Risk management is underpinned by Carr's core values of openness, respect and a can-do attitude. An overview of the revised risk management process now in place and the principal risks of the Group are on pages 14 to 16.

Carr's approach to governance is outlined in the following report, which describes how the Group has integrated the main principles of the UK Corporate Governance Code 2014. The Board considers that it complied with the Code throughout the year, with the exception of B.1.1 as set out on page 27.

The corporate governance of the Company is continuously being reviewed as the Company develops, to ensure that the stakeholders' interests are always aligned with the Company.

CHRIS HOLMES DL
Chairman
16 November 2016

Statement by the Directors on compliance with the provisions of the UK Corporate Governance Code 2014.

UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council is applicable to listed companies, and sets out standards of good practice in relation to issues such as:

- Board composition and effectiveness;
- the role of Board committees;
- risk management;
- remuneration; and
- relationships with shareholders.

We are required to state how we have applied the principles contained in the Code and disclose whether we have complied with the provisions of the Code during the year. The Board consider that the Company has, during the year ended 3 September 2016, complied with the requirements of the Code, save for provision B.1.1.

The Company is aware of its ongoing corporate governance obligations and appointed a new independent Non-Executive Director, Ian Wood, who commenced on 1 October 2015 and is a member of the Remuneration, Audit and Nominations Committees.

THE BOARD

The Directors have a collective duty to promote the long term success of the Company for its shareholders. In determining long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities to shareholders as well as employees and other stakeholders. The Board reviews management and financial performance, and monitors strategic delivery and achievement of business objectives.

The Board's time can be grouped in to six key areas as outlined below. A portion of their time is also spent on administrative matters.

Strategy	Setting strategic targets. Reviewing new business developments, including potential acquisitions. Research and technology.
Risk	Group's risk and internal control framework.
Governance	Legal updates and new disclosure requirements. Internal Board review. Succession planning.
Finance	Budget approval. Oversight of the preparation and management of the financial statements. Dividend policy. Pensions strategy.
Stakeholder engagement	AGM and other shareholder feedback. Investor calls, meetings and roadshows.
Safety	Health & Safety monthly updates and management.

The powers of the Directors are set out in the Company's Articles of Association. In addition, the Directors have responsibilities and duties under legislation, in particular the Companies Act 2006.

During the year ended 3 September 2016, the Board comprised two Executive Directors, a Chairman, and at least three Non-Executive Directors (Ian Wood from 1 October 2015, Bob Heygate retired on 30 April 2016). There is a Company Secretary to the Board. The biographies of the Board can be found on page 21.

CORPORATE GOVERNANCE REPORT CONTINUED

The Board met 13 times throughout the year. In addition to the regular scheduled meetings throughout the year, unscheduled supplementary meetings may also take place as and when necessary. During this financial year there were three unscheduled meetings in relation to the disposal of the Food division. Directors who are unable to attend a particular meeting receive relevant briefing papers and are given the opportunity to discuss any issues with the Chairman, the Chief Executive or the Group Finance Director. During this year there were no Director absences from the Board meetings.

To enable the Directors of the Board to carry out their responsibilities all Directors have full and timely access to all relevant information. The Board has a schedule of matters for its discussion, which is reviewed against best practice. A summary is shown below and a full schedule is available on the Company's website.

The Board is responsible for:
- the Group's strategy;
- acquisitions and divestment policy;
- corporate governance, risk and environment policy and management;
- approval of budgets;
- general treasury policy;
- major capital expenditure projects;
- dividend policy; and
- monitoring the Group's profit and cash flow performance.

The Board has delegated authority to the Audit, Remuneration, and Nominations Committees to carry out certain tasks as defined in their written terms of reference approved by the Board; these are also available on the Company website.

The UK Corporate Governance Code stipulates that there should be a clear division of responsibility between the running of the Board and executive responsibilities for running the Company.

The Chairman was responsible for:
- setting the Board agenda;
- the leadership of the Board and ensuring its effectiveness on all aspects of its role;
- providing strategic insight from his long business experience in the industry and with the Company; and
- providing a sounding board for the Chief Executive on key business decisions and challenging proposals where appropriate.

The Chief Executive was responsible for:
- the day-to-day management of the Group's business;
- leading the business and the rest of the management team in accordance with the strategy agreed by the Board;
- leading the development of the Group's strategy with input from the rest of the Board;
- leading the management team in the implementation of the Group's strategy; and
- bringing matters of particular significance to the Chairman for discussion and consideration by the Board if appropriate.

Elections

The Company's Articles of Association provide that one third of the Directors retire by rotation each year at the Annual General Meeting, however, the Company has deemed it best practice to require all the Directors to retire annually.

Attendance & Agenda

In advance of all Board meetings the Directors are supplied with detailed and comprehensive papers covering the Group's strategy and operations. Members of the executive management team can attend and make presentations as appropriate at meetings of the Board. The Company Secretary is responsible to the Board for the timeliness and quality of information.

Details of the number of meetings of, and members' attendance at, the Board, Audit, Remuneration and Nominations Committees during the period are set out in the table below.

Support

Directors can obtain independent professional advice at the Company's expense in performance of their duties as Directors. None of the Directors obtained independent professional advice in the period under review. All Directors have access to the advice and the services of the Company Secretary. In addition to these formal roles, the Non-Executive Directors have access to senior management of the business either by telephone or via involvement at informal meetings.

DIRECTORS' CONFLICTS OF INTEREST

The Companies Act 2006 and the Company's Articles of Association require the Board to consider any potential conflicts of interest. The Board has a policy and procedures for managing and, where appropriate, authorising actual or potential conflicts of interest. Under those procedures, Directors are required to declare all directorships or other appointments to organisations that are not part of the Group and which could result in actual or potential conflicts of interest, as well as other situations which could result in a potential conflict of interest.

The Board is required to review Directors' actual or potential conflicts of interest at least annually. Directors are required to disclose proposed new appointments to the Chairman before taking them on, to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed Directors are considered by the Board prior to their appointment. In this financial year there have been no declared conflicts of interest.

BOARD EVALUATION

This year the Board conducted an internal evaluation. Improvements have continued to be implemented throughout the year following last year's evaluation. One of the areas highlighted for focus in the next financial year was for Board meetings to take place at different operational sites, to provide the Non-Executive Directors with a greater opportunity to meet employees and see the diverse nature of the Group's operations first hand. An agenda for Board meetings has been set for the current year which incorporates these visits. The Board will undertake an externally facilitated evaluation in the financial year ending 2017.

The Chairman appraised the individual performance of the Directors and the Non-Executives met and appraised the performance of the Chairman.

BOARD COMMITTEES

Audit Committee

The Audit Committee's key function is to review the effectiveness of the Company's financial reporting and performance of the external auditor.

Meetings Attendance	Board	Audit Committee	Remuneration Committee	Nominations Committee
No. of meetings				
Chris Holmes	13	4	3	1
Tim Davies	13	4*	2*	1*
Neil Austin	13	4*	2*	1*
Alistair Wannop	13	3	3	1
John Worby	13	4	3	1
Ian Wood**	12	4	2	1
Robert Heygate***	8	1	3	–

* part of the meetings by invitation
** attended all meetings since his appointment
*** attended all meetings up until his retirement

The Audit Committee comprised of four Non-Executive Directors: John Worby (Chairman), Chris Holmes, Robert Heygate (up until 30 April 2016), Ian Wood (from 1 October 2015) and Alistair Wannop. The Board considers that the Committee meets the main requirements of the Code for a company of Carr's size. The work, responsibilities and governance of the Audit Committee are set out on pages 28 to 29. The Chair of the Audit Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Remuneration Committee

During the year the Remuneration Committee comprised of Alistair Wannop (Chairman), Chris Holmes, Robert Heygate (up until 30 April 2016), John Worby, and Ian Wood (from 1 October 2015). The work, responsibilities and governance of the Remuneration Committee are set out on pages 30 to 35. The Chair of the Remuneration Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Nominations Committee

During the year the Nominations Committee comprised of Chris Holmes (Chairman), Alistair Wannop, Robert Heygate (up until 30 April 2016), John Worby and Ian Wood (from 1 October 2015). The work, responsibilities and governance of the Nominations Committee are set out on page 36. The Chair of the Nominations Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

Relations with Shareholders

The Board recognises and values the importance of good communications with all shareholders. The Group maintains dialogue with institutional shareholders and analysts, and hosts presentations on the preliminary and interim results. Shareholders have access to the Company's website at www.carrsgroup.com.

We engage with our shareholders through our regular communications. Significant matters relating to trading or development of the business are disseminated to the market by way of Stock Exchange announcements. We announce our financial results on a six monthly basis with all shareholders receiving a half year statement, and we produce trading updates during the year. All reports and updates are made available on our website.

The Annual General Meeting provides all shareholders with the opportunity to develop further their understanding of the Company. It is the principal forum for all the Directors to engage in dialogue with private investors. All shareholders are given the opportunity to raise questions on any matter at the meeting.

The Group aims to send notices of Annual General Meetings to shareholders at least 20 working days before the meeting, as required by the Code, and it is the Company's practice to indicate the proxy voting results on all resolutions at the meetings. Following the AGM the voting results for each resolution are published and are available on the Company's website.

FAIR, BALANCED AND UNDERSTANDABLE

The Directors have also reviewed the financial statements and taken as a whole consider them to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness, including: financial, operational and compliance controls and risk management, which safeguard the shareholders' investment and the Group's assets. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board of Directors is not aware of any significant losses caused by breaches of internal control in the year.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control becomes embedded in the operations. The Board confirms that the key on-going processes and features of the Group's internal risk based control system, which accord with the Turnbull guidance, have been fully operative throughout the year and up to the date of the Annual Report being approved. These include: a process to identify and evaluate business risk; a strong control environment; an information and communication process; a monitoring system and a regular Board review for effectiveness. The Group Finance Director is responsible for overseeing the Group's internal controls.

The Group's internal controls systems cover controls over the financial reporting process, including monthly reporting from subsidiaries, its associate and joint ventures. This reporting is subject to detailed review by the Chief Executive and the Group Finance Director and detailed validation by the Group finance team, and forms the basis for information presented to and reviewed by the Board. All monthly reporting is prepared in line with Group accounting policies, which are reviewed annually and are also subject to review by the external auditors.

The management of the Group's businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board reviewed a summary of the findings and this, along with direct involvement in the strategies of the businesses, investment appraisal and budgeting process, enabled the Board to report on the effectiveness of internal control. A summary of the risk management framework and key risks to the business are set out on pages 14 to 16.

COMPLIANCE WITH THE CODE

The Board considers that it complied with the Code throughout the year, with the exception of the following:

- B.1.1 requires all Non-Executive Directors to serve for less than 9 years. Alistair Wannop commenced as a Non-Executive Director in 2005 and therefore during the year he ceased to be deemed as independent in accordance with the Code. Alistair's agricultural knowledge, expertise and work in some of the communities in which we operate has resulted in him making very valuable contributions to the Board over the last 9 years. The Board consider that notwithstanding his length of service, his professionalism and actions show him to be independent.

- B.1.1. The Board considered Bob Heygate to be independent during his time on the Board in the year, notwithstanding his long directorship and substantial shareholding. Bob Heygate's wealth of knowledge of the flour milling industry has been valuable to the Board. Despite being on the Board for 25 years, Bob continued to question with the impartiality expected of a Non-Executive Director. In addition, his shareholding aligns his interests with other shareholders.

By order of the Board

KATIE WOOD
Company Secretary
Carlisle
CA3 9BA
16 November 2016

AUDIT COMMITTEE REPORT

JOHN WORBY
CHAIRMAN OF THE AUDIT COMMITTEE

INTRODUCTION

On behalf of the Audit Committee, I am pleased to present this report to shareholders. The purpose of the report is to highlight the areas that the Committee has reviewed and how we have discharged our responsibilities effectively during the year.

RESPONSIBILITIES

The key responsibility of the Committee is to provide effective governance over the appropriateness of the Company's financial reporting.

Under its terms of reference, the Committee is required, amongst other things, to:

- monitor the integrity of the financial statements of the Company including the appropriateness of the accounting policies adopted and whether the Annual Report was fair, balanced and understandable;
- review, understand and evaluate the Company's internal financial risk, and other internal controls and risk management systems;
- oversee the relationship with the external auditors, making recommendations to the Board in relation to their appointment, remuneration and terms of engagement;
- monitor and review the effectiveness of the external audit including the external auditors' independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditors to supply non-audit services; and
- keep under review the requirement for and extent of internal audit activities in the Company.

The terms of reference can be found on the Company's website www.carrsgroup.com.

MEETINGS

The Audit Committee met three times during the year, and has an agenda linked to the Group financial calendar. It invites the Chief Executive, Group Finance Director, Group Financial Controller and external auditors to attend its meetings. The Committee met with the external auditors at the conclusion of the audit without the Executive Directors being present.

The Committee has met once since the end of the financial year to consider the results and Annual Report for the year ended 3 September 2016.

MAIN ACTIVITIES DURING THE YEAR

Set out below is a summary of the key areas considered by the Committee during the year and up to the date of this report.

FINANCIAL REPORTING

During the year the Audit Committee reviewed reports and information provided by both the Group Finance Director and the external auditors in respect of the half year and annual financial report.

During the year the Group also received and responded to a letter from the FRC in relation to the 2015 Annual Report and Accounts. All questions raised were discussed with the Committee and the response was approved by the Committee prior to submission. The FRC subsequently confirmed it was satisfied with the responses, which included clarifying some disclosures in the 2016 Annual Report and Accounts.

An important responsibility of the Audit Committee is to review and agree significant estimates and judgements made by management. To satisfy this responsibility, the Committee reviewed a written formal update from the Group Finance Director on such issues at the two meetings that reviewed the half year and year end results, as well as reports from the external auditors. The Committee carefully considered the content of these reports in evaluating the significant issues and area of judgement across the Group.

The key areas of judgement in the year were as follows:

- The assumptions adopted for the accounting valuation of our defined benefit pension scheme. The Committee concluded that the assumptions used were appropriate;
- Potential impairment of goodwill for historic acquisitions, especially in relation to Chirton Engineering given the continued issues in the oil and gas market. The Committee reviewed the assumptions used and the impact of sensitivities and agreed that no provision for impairment was required;
- Provisioning policies in relation to accounts receivable, particularly in the Agriculture division. The Committee determined that the judgements made were appropriate to justify the provisions held at 3 September 2016;
- Provisioning policies in relation to contractual disputes. The Committee determined that the judgements made were appropriate to justify the provisions held at 3 September 2016;
- The treatment of certain bid costs in the Engineering division in relation to a large contract win in the year. The Committee concluded it was satisfied with the accounting treatment;
- Accounting treatment of the disposal of the Food division, and associated disclosures. The Committee concluded that the disclosures and accounting treatment were appropriate; and
- Revenue recognition in the Engineering division, particularly in relation to part completed contracts at the year end. The Committee focussed on the recognition

of revenue and profit or losses on long term contracts and agreed with management's judgements.

The Committee, further to the Board's request, has reviewed the annual report and financial statements with the intention of providing advice to the Board on whether, as required by the Code, 'the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy'.

To make this assessment, the Committee reviewed a report prepared by the Group Finance Director outlining the key matters worthy of consideration. We also considered the KPIs included in the Strategic Report (see page 20) and concluded that, whilst they were appropriate for our shareholders' understanding of the performance, position and future prospects of the business, there could be further inclusion of additional non-financial KPIs. In addition, the Committee also considered and was satisfied that all the key events and issues which have been reported to the Board in the CEO's monthly report during the year, both good and bad, have been adequately referenced or reflected within the annual report.

The Committee has also reviewed the Group's disclosures in relation to the Group's going concern and viability statement disclosures. It received a written report prepared by the Group Finance Director which enabled it to review the base assumptions and various sensitised scenarios throughout the forecast period. The Committee was comfortable with the disclosures made.

INTERNAL CONTROL AND RISK MANAGEMENT

During the year the Committee reviewed the effectiveness of the Group's internal control and risk management systems.

The Committee reported to the Board that it had reviewed and was satisfied with the effectiveness of the Company's internal control and risk management systems. During 2016/17 the Group will aim to develop a more integrated risk and assurance framework as a further improvement to the internal control and risk management systems.

EXTERNAL AUDIT

The Audit Committee is responsible for recommendations for the appointment, reappointment or removal of external auditors and for approval of their remuneration.

PricewaterhouseCoopers LLP (PwC) and its predecessor firms have been the Auditor for Carr's Group plc since the Company first listed on the London Stock Exchange in 1972. The Audit Committee assesses annually the qualification, expertise and independence of the auditors and the effectiveness of the audit process.

Subject to the ongoing satisfactory performance of the external auditors, the Committee expects to carry out a tendering process for the 2019 year end following the conclusion of the five year term of the current audit partner. This will comply with the EU/FRC rotation requirements

Following approval by shareholders to re-appoint PwC at last year's AGM, the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors.

AUDIT EFFECTIVENESS

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. PwC present their detailed audit plan to us each year identifying their assessment of these key risks.

Our assessment of the effectiveness and quality of the audit process and addressing these key risks is formed by, amongst other things, the reporting from the auditors and also seeking feedback from management on the audit process.

The Committee remain satisfied with PwC's performance and is of the view that there is nothing of concern that would impact the effectiveness of the external audit process.

AUDITOR INDEPENDENCE

The Group meets its obligations for maintaining an appropriate relationship with the external auditors through the Audit Committee, whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditor other than the statutory audit, to ensure such objectivity and independence is safeguarded.

In accordance with the Auditing Practices Board Ethical Standards, PwC has to implement rules and requirements which include that none of their employees working on our audit can hold any shares in Carr's. PwC is also required to tell us about any significant facts and matters that may reasonably be thought to bear on their independence or on the objectivity of the lead partner and the audit team. The lead partner in the audit team must change every five years.

The Audit Committee reviewed and approved the non-audit services policy, the objective of which is to ensure that the provision of such services does not impair, or is not perceived to impair, the external auditors' independence or objectivity. The policy imposes guidance on the areas of work that the external auditors may be asked to undertake and those assignments where the external auditors should not be involved. There is a further category of services for which a case-by-case decision is necessary.

In order to ensure that the policy is effective and the level of non-audit fees is kept under review, major work to be awarded to the audit firm must be agreed in advance by the Audit Committee Chairman. For the 2016 financial year end, the non-audit to audit services ratio was 0.4. Note 3 on page 58 provides further detail on non-audit service fees.

Previously, PwC had undertaken our tax compliance activities in addition to their role as auditors. Rule changes meant that this was no longer possible for our 2016 year end and beyond, so with effect from 1 September 2016 PwC are no longer undertaking any tax compliance activities and the Group has appointed an alternative adviser.

Taking into account our findings in relation to the effectiveness of the audit process and in relation to the independence of PwC, the Committee is satisfied that PwC continues to be independent, and free from any conflicting interest with the Group. As a result, the Committee has recommended to the Board that PwC be proposed for reappointment at the forthcoming AGM in January 2017.

INTERNAL AUDIT

Consideration was given to whether there should be a formal internal audit function within the Group. The Committee agreed that in view of the absence of any significant control issues having arisen no such internal audit function was required. The Committee will keep this under review.

OTHER ACTIVITIES

The Committee also reviewed its terms of reference, its effectiveness, and the Group's whistleblowing policy.

As Chairman of the Committee, I will be available at the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

JOHN WORBY
Audit Committee Chairman
16 November 2016

REMUNERATION COMMITTEE REPORT

ALISTAIR WANNOP
CHAIRMAN OF THE REMUNERATION COMMITTEE

> "As Chairman of the Remuneration Committee I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year to 3 September 2016."

INTRODUCTION

This report sets out the Group's remuneration policy and details of remuneration paid to Executive and Non-Executive Directors during the year.

ROLE

The main role of the Remuneration Committee is to determine the remuneration for the Executive Directors, in agreement with the Board. The Committee is responsible for all aspects of the Executive Directors' remuneration, including bonus and long term incentives, and makes recommendations regarding awarding long term incentives to senior management. It reviews the long term incentives to ensure they are aligned with the development of the Group and the business needs. The policy that has been adopted was created by taking into account the need to create shareholder value and therefore putting in place the appropriate incentives for the Executive Directors.

The Committee considered the following during the year:

- total remuneration and review of base pay for the Directors;
- annual earnings of the Directors, including the outcome of annual bonus plans;
- the LTIP for the Executive Directors and senior management; and
- potential alternative arrangements for Directors following changes to tax rules in relation to pension contributions.

The Remuneration Committee currently comprises Alistair Wannop (Chairman), Chris Holmes, John Worby and Ian Wood. Neil Austin and Tim Davies attend meetings of the Committee by invitation and in an advisory capacity. No Director attends any part of a meeting at which his own remuneration is discussed. The Chairman and the Executive Directors determine the remuneration of the other Non-Executive Directors. The remuneration of the Chairman is determined by the Board. The Committee has access to advice from the Company Secretary and to detailed analysis of executive remuneration in comparable companies. The Chair of the Committee will be available at the AGM to answer any shareholder questions on the Committee and its activities.

The Committee is authorised by the Board to:

- determine the total remuneration packages, authorise terms and conditions, and issue contracts for the Board;
- approve the design and determine the targets for performance related pay schemes of the Executive Directors; and
- review the design of any share incentive plans for approval by the Board and shareholders.

REMUNERATION POLICY

In this forward looking section we describe our remuneration policy for the Board. This includes considerations when determining policy, a description of the elements of the reward package, and an indication of the potential future value of this package for each Executive Director.

There have been no changes to the policy during 2015/16. From 2016/17, it is our intention to amend the policy in relation to pension contributions to enable the Group to pay cash in lieu of pension contributions following changes to the UK tax regime for pensions. In addition, the Executive Directors' bonus will now include an element connected to strategic objectives as well as profit before tax. We will continue to review the policy each year to ensure it continues to support the Group's strategy.

CONSIDERATIONS WHEN DETERMINING REMUNERATION POLICY

The Group's policy is that the overall remuneration package offered should be sufficiently competitive to attract, retain and motivate high quality executives and to align the rewards of the Executive Directors with the progress of the Group, whilst giving consideration to salary levels in similar size quoted companies in similar industry sectors.

The remuneration package is split into two parts:

- a non-performance related element represented by basic salary (including benefits); and
- a significant performance related element in the form of an annual profit related bonus and a Long Term Incentive Plan.

PERFORMANCE MEASURES AND TARGETS

Our Group strategy and business objectives are the primary consideration when we are selecting performance measures for incentive plans. Targets within incentive plans that are related to internal financial measures, such as profit, are typically determined based on our budgets. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum. At the end of each performance period we review performance against the targets, using judgement to account for items such as foreign exchange rate movements, changes in accounting treatment, and significant one-off transactions. The application of judgement is important to ensure that final assessments of performance are fair and appropriate. In addition, the Remuneration Committee reviews the bonus and incentive plan results before any payments are made to Executive Directors or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe the circumstances warrant it.

REMUNERATION POLICY TABLE

ELEMENT	PURPOSE AND LINK TO STRATEGY	POLICY AND APPROACH	OPPORTUNITY	CHANGE OF POLICY VERSUS 2015?
Base salary	To attract and retain the best talent.	Salaries are reviewed annually and fixed for 12 months commencing 1 September. The decision is influenced by: • level of skill, experience and scope of responsibilities of individual; • business performance, economic climate and market conditions; • increases elsewhere in the Group; and • external comparator groups (used for reference purposes only).	Base salary increases are applied in line with the outcome of the annual review.	No.
Pension	To remain competitive in the market place.	Executive Directors are entitled to participate in a defined contribution pension arrangement or to receive a cash alternative to those contributions. Company contributions are 15% of base salary.	15% of base salary.	Yes.
Benefits	To aid retention and remain competitive in the market place.	These include permanent health insurance, private medical insurance and life assurance. Relocation benefits may also be provided in the case of recruitment of a new Executive Director.	Market rate determines value.	No.
Annual cash bonus	Designed to reward delivery of key strategic priorities during the year.	Bonus levels and appropriateness of performance measures and weighting are reviewed annually to ensure they continue to support our strategy. Performance is measured against stretching profit related targets and achievement of strategic objectives, and is usually paid in November each year for performance in the previous financial year. The bonuses payable are capped at a maximum of 100% of base salary.	Maximum of 100% of base salary.	Yes.
Save As You Earn (SAYE)	To encourage employee involvement and encourage greater shareholder alignment.	A SAYE scheme is available to eligible staff, including Executive Directors. Currently there is a 3 year and a 5 year scheme in operation.	N/A	No.
Long Term Incentive Plan (LTIP)	To motivate and incentivise delivery of sustained performance over the longer term, and to support and encourage greater shareholder alignment.	Award levels and vesting are reviewed annually to ensure they continue to support the Group's strategy. Awards are capped at the equivalent of 100% of base salary at the date of award. Three awards remain unvested: one maturing in 2016, one in 2017 and one in 2018. The awards vest based on three year performance periods. A minimum average annual growth in adjusted EPS of 3% is required to vest 25%, with a sliding scale up to 100% vesting at an annual average growth of 10%.	Maximum of 100% of base salary.	No.

REMUNERATION COMMITTEE REPORT CONTINUED

CHAIRMAN AND NON-EXECUTIVE DIRECTORS REMUNERATION

Our policy is for the Executive Directors to review the remuneration of Non-Executive Directors annually following consultation with the Chairman. Remuneration reflects:

- the time commitment and responsibility of their roles;
- market rate; and
- that they do not participate in any bonus, pension or share based scheme.

Non-Executive Directors are engaged on one year fixed-term letters of appointment that set out their duties and responsibilities.

SHAREHOLDING GUIDELINES

The Committee believes that it is important for a significant investment to be made by each Executive Director in the shares of the company to provide alignment with shareholder interests. Executive Directors are required to build up a shareholding equivalent to 200% of base salary over a five year period. This guideline was introduced in 2015.

APPROACH TO RECRUITMENT REMUNERATION

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment.

Buy-out awards

In addition, the Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Group (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash and/or share-based), time horizons and whether performance requirements are attached to that remuneration.

Maximum level of variable pay

The maximum initial level of long-term incentives which may be awarded to a new Executive Director will be limited to the maximum Long Term Incentive Plan limit of 100% of base salary. Therefore the maximum initial level of overall variable pay that may be offered will be 200% of base salary (i.e. 100% annual bonus plus 100% Long Term Incentive Plan). These limits are in addition to the value of any buy-out arrangements which are governed by the policy above.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

Base salary and relocation expenses

The Committee has the flexibility to set the salary of a new appointment at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance in the role.

For external and internal appointments, the Committee may agree that the Group will meet certain relocation expenses as appropriate.

Appointment of Non-Executive Directors

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

ESTIMATES OF TOTAL FUTURE POTENTIAL REMUNERATION FROM 2017 PAY PACKAGES

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in the 2017 financial year. Potential outcomes based on different scenarios are provided for each Executive Director.

The assumptions underlying each scenario are described below.

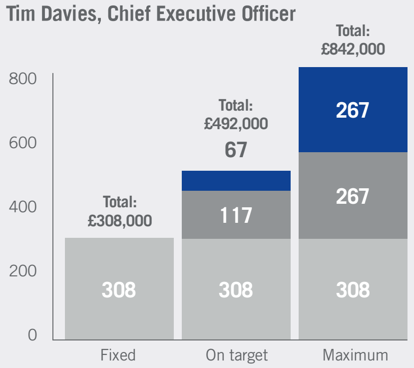
Fixed — Consists of base salary, pension and other benefits.
Base salaries are as at 1 September 2016.
Benefits are valued using the figures in the total remuneration for the 2016 financial year table, adjusted for any benefits that will not be provided during 2017.
Pensions are valued by applying the appropriate percentage to the base salary.

	Base £'000	Benefits £'000	Pension £'000	Total £'000
Tim Davies	267	1	40	308
Neil Austin	197	1	30	228

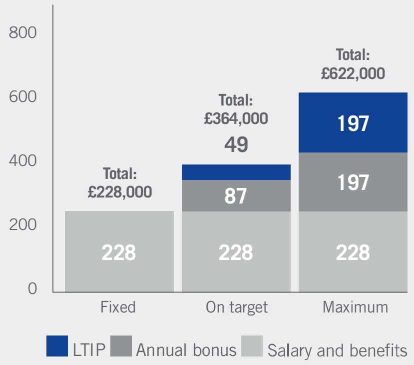
On target — Based on what a Director would receive if performance was in line with plan and the threshold level was achieved under the LTIP.

Maximum — Assumes that the full stretch target for the LTIP are achieved, and maximum performance is obtained under the annual bonus scheme.

Tim Davies, Chief Executive Officer



Neil Austin, Group Finance Director



SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Group's current policy is not to enter into employment contracts with any element of notice period in excess of one year. Dates of service contracts and first appointment to the Board for all Directors are given opposite.

For early termination, the Remuneration Committee will consider circumstances, including any duty to mitigate, and determine any compensation payments accordingly. Copies of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal hours of business and will be available at the Company's AGM.

	Date of service contract/ letter of appointment	Date first appointed to the Board
Executive Directors		
Tim Davies	18 October 2012	1 March 2013
Neil Austin	1 January 2013	1 May 2013
Non-Executive Directors		
Chris Holmes	15 September 2016	7 January 1992
Alistair Wannop	15 September 2016	1 September 2005
John Worby	15 September 2016	1 April 2015
Ian Wood	15 September 2016	1 October 2015

ANNUAL REPORT ON REMUNERATION

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2016 financial year.

2016 AGM

The 2015 remuneration report received a 99.52% vote in favour, with 0.48% against.

Shareholder contact

No shareholders have contacted the Remuneration Committee during the year to share views regarding remuneration.

2016 Remuneration (Audited Information)

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2016 financial year versus 2015. The table below shows all remuneration that was earned by each individual during the year and includes a single total remuneration figure for the year. The value of the annual bonus was earned in the year but will be paid out as cash in the following financial year.

The Remuneration Committee reviews all incentive awards prior to payment and has full discretion to reduce awards if it believes this is appropriate. The Committee did not exercise any discretion in determining the annual bonus payout for this year.

The performance period for the 2013 LTIP awards has completed, and the awards vested at 37.45% on the expiry of the three year period, which was on 14 November 2016. Therefore, the share price used to value the awards in the table below has been taken as the average price in the final quarter of the 2015/16 financial year.

	Salary/Fees		**Benefits**		**Bonus**		**LTIP**		**Pension**		**Total**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Executive Directors												
Tim Davies	**264**	261	**1**	35	**145**	261	**81**	315	**40**	39	**531**	911
Neil Austin	**195**	193	**1**	1	**107**	193	**60**	233	**29**	29	**392**	649
Non-Executive Directors												
Chris Holmes	**77**	77	**—**	—	**—**	—	**—**	—	**—**	—	**77**	77
Alistair Wannop	**37**	36	**—**	—	**—**	—	**—**	—	**—**	—	**37**	36
John Worby	**37**	15[1]	**—**	—	**—**	—	**—**	—	**—**	—	**37**	15
Ian Wood[2]	**34**	—	**—**	—	**—**	—	**—**	—	**—**	—	**34**	—
Robert Heygate	**24[3]**	36	**—**	—	**—**	—	**—**	—	**—**	—	**24**	36

1 Represents a 5 month period – pro rata would be £36,000
2 Represents an 11 month period – pro rata would be £37,000
3 Represents an 8 month period – pro rata would be £37,000

REMUNERATION COMMITTEE REPORT CONTINUED

2016 ANNUAL BONUS PAYOUT

The annual bonus is payable based on adjusted profit before tax (PBT) performance of different parts of the Group, and an element payable based on total Group performance. If the Group target is achieved, regardless of individual divisional performance, then the maximum bonus is payable.

Agriculture	20%
Food	20%
Engineering	20%
Group	40%

Adjusted PBT is calculated as reported PBT after adding back or deducting any one-off items outside of normal trading that were not anticipated at the time the performance targets were set, such as acquisition related costs.

In the 2016 financial year the adjusted PBT target for the Group was set at £18.4m for maximum pay-out. The target for maximum pay-out was not reached, and accumulating divisional performance versus targets and the Group performance versus the target equated to a total pay-out of 55%.

LONG TERM INCENTIVE PLAN AWARDS DURING THE YEAR

The 2016 long-term awards were made in line with the remuneration policy as disclosed in our 2015 remuneration report. The performance conditions are based on annual average growth in adjusted EPS over a three year period.

Average annual growth %	% vesting
3	25
10	100

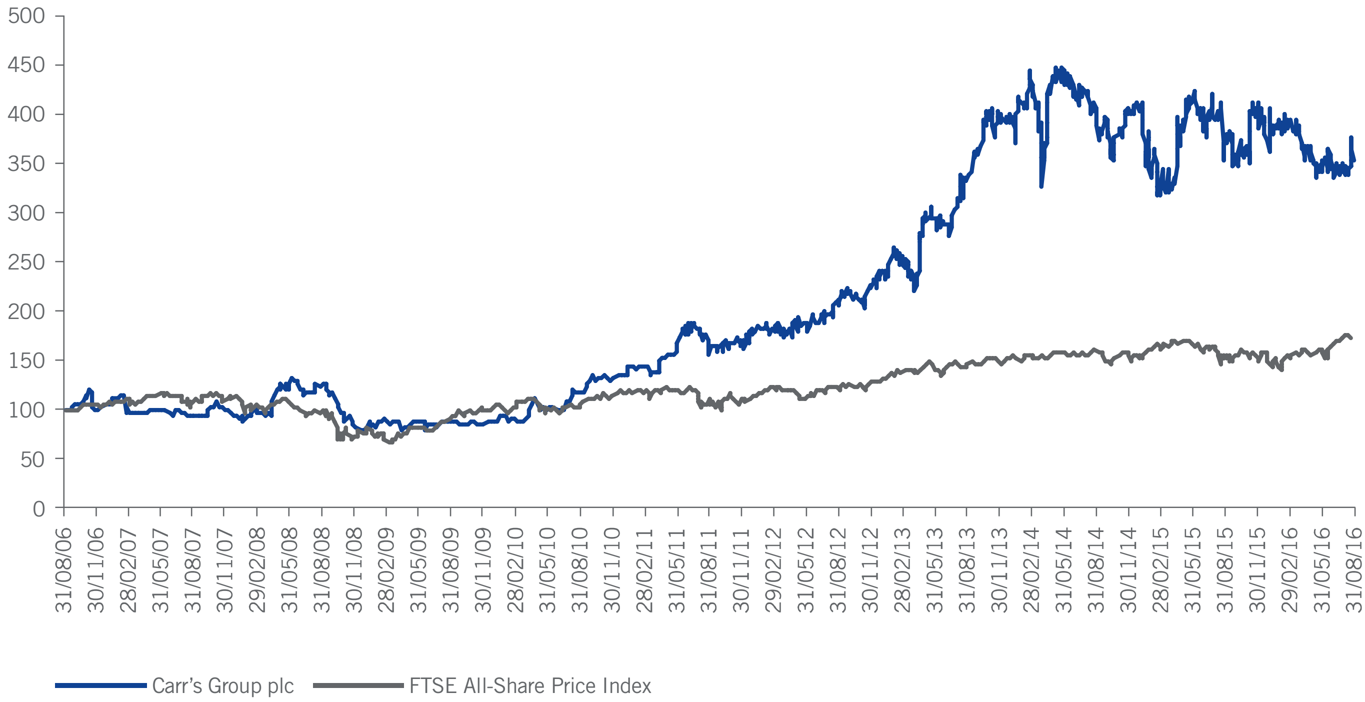
Nothing is payable below 3%, and a sliding scale operates between this and the maximum available.

ALL EMPLOYEE SHARE PLANS

The Executive Directors are also eligible to participate in the UK all-employee plans.

The Carr's Group Sharesave Scheme 2016 is a HM Revenue & Customs ("HMRC") approved scheme open to all staff permanently employed in a UK Group company as of the eligibility date. Options under the plan are granted at a 20% discount to market value. Executive Directors' participation is included in the option table later in this report.

TEN YEAR HISTORICAL TSR PERFORMANCE



Source: Thomson Datastream

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY (AUDITED INFORMATION)

A summary of interests in shares and scheme interests as at 3 September 2016, of the Directors who served during the year is given opposite.

	Total number of interests in shares	Vested LTIP	Unvested LTIP	SAYE (unvested without performance conditions)
Executive Directors				
Tim Davies	20,000	247,131	344,174	5,328
Neil Austin	20,000	182,874	254,692	8,881
Non-Executive Directors				
Chris Holmes	1,230,000	—	—	—
Alistair Wannop	22,610	—	—	—
John Worby	25,000	—	—	—
Ian Wood	1,000	—	—	—
Bob Heygate	452,250	—	—	—

PERFORMANCE SHARES (AUDITED INFORMATION)

The maximum number of outstanding shares that have been awarded to Directors under the LTIP are currently as follows:

	2013/14 award	2014/15 award	2015/16 award
Tim Davies	152,260	163,360	180,814
Neil Austin	112,670	120,890	133,802

ASSESSING PAY AND PERFORMANCE

In the table opposite we summarise the Chief Executive's single remuneration figure over the past 5 years, as well as how variable pay plans have paid out in relation to the maximum opportunity.

	2012 Chris Holmes £'000	2013 Tim Davies £'000	2014 Tim Davies £'000	2015 Tim Davies £'000	**2016 Tim Davies £'000**
Single figure of total remuneration	573	283[1]	559	911	**531**
Annual variable element (actual award versus maximum opportunity)	100%	100%	100%	100%	**55%**
Long-term incentive (vesting versus maximum opportunity)	N/A	N/A	N/A	100%	**37.45%**

1 Represents a 6 month period – pro rata would be £566,000

CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

In the table opposite we show the percentage change in the Chief Executive's remuneration between 2015 and 2016 financial years compared to the other UK employees.

	Tim Davies	**Other UK employees**
Base pay	1%	1%
Benefits	0%	0%
Annual bonus	-45%	-39%

RELATIVE SPEND ON PAY

The table shows the relative importance of spend on pay compared to distributions to shareholders.

	2016 £'000	**2015 £'000**	% change
Employee costs	38,390	39,148	-1.9%
Dividends paid to shareholders	3,347	3,110	7.6%

By order of the Board

ALISTAIR WANNOP
Chairman of the Remuneration Committee
16 November 2016

NOMINATIONS COMMITTEE REPORT

CHRIS HOLMES
CHAIR OF THE NOMINATIONS COMMITTEE

DEAR SHAREHOLDER

This year the Committee continued to focus on Board succession plans and the outcomes are set out in this report.

COMPOSITION AND CONSTITUTION

The Nominations Committee comprises the Chairman of the Company and all the Non-Executive Directors.

ROLE OF THE COMMITTEE

The Committee meets at least once a year. It reviews the structure, size and composition of the Board and considers the optimal level of independence and diversity of skills, knowledge, experience and gender required for the Board to operate effectively. It is responsible for considering and making recommendations to the Board on new appointments of Executive and Non-Executive Directors. It also gives due consideration to succession planning throughout the Group, taking into account the challenge and opportunities facing the Group and the skills and expertise needed within the Board and senior management in the future.

ACTIVITIES OF THE COMMITTEE

The Committee met on two occasions in the year to consider the following matters:

- the Committee's Terms of Reference to ensure they reflect the Committee's remit;
- the succession plans in place for senior management across the Group; and
- the structure, size, composition and diversity of both the Board and its Committees.

BOARD SUCCESSION PLANNING

Ian Wood joined the Board on 1 October 2015. The appointment was made after conclusion of a process which included using independent external search consultants. Biographical details are set out on page 21.

At the end of April 2016 one Board member, Bob Heygate, resigned following 25 years of service to the Board. Bob Heygate had previously been the Chairman of the Audit Committee, which he relinquished for this financial year, enabling John Worby to take over that role. Biographical details can be found on page 21.

As a result of the succession planning over the last two years, the Board's size has increased to 4 Non-Executive Directors from 3 Non-Executive Directors. The number of Executive Directors remains unchanged.

RE-ELECTION

At the Annual General Meeting on 10 January 2017 all the Directors will stand for re-election in accordance with best practice under the UK Corporate Governance Code 2014.

The Board has set out in the Notice of Annual General Meeting its reasons for supporting the re-election of the Directors at the forthcoming Annual General Meeting. Their biographical details on page 21 demonstrate the range of experience and skills which each brings to the benefit of the Company.

The Chair of the Nominations Committee will attend the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

On behalf of the Board

CHRIS HOLMES DL
Chair of the Nominations Committee
16 November 2016

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR REPORT AND THE AUDITED ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 3 SEPTEMBER 2016.

The Company is a public limited company incorporated and domiciled in England and Wales whose shares are listed and traded on the London Stock Exchange. The address of its registered office is Old Croft, Stanwix, Carlisle, CA3 9BA.

RESULTS AND DIVIDENDS

A review of the results can be found on pages 18 to 19.

	2016	2015
First Interim dividend per share paid on 13 May 2016	**0.950p**	0.925p
Second Interim dividend per share paid on 7 October 2016	**0.950p**	0.925p
Final dividend per share proposed	**1.9p**	1.85p

Subject to approval at the Annual General Meeting, the final dividend will be paid on 13 January 2017 to members on the register at the close of business on 16 December 2016. Shares will be ex-dividend on 15 December 2016.

The Group profit from continuing activities before taxation was £14.1m (2015: £13.7m). After taxation charge of £2.9m (2015: £3.0m), the profit from continuing operations for the year is £11.2m (2015: £10.7m).

Future developments of the Group have been discussed in the Strategic Report on pages 8 to 13.

PENSIONS

Estimates of the amount and timing of future funding obligations for the Group's pension plans are based on various assumptions including, among other things, the actual and projected market performance of the pension plan assets, future long-term corporate bond yields, longevity of members and statutory requirements. The Group continued to make monthly payments to reduce the Group's pension fund deficit, totalling £0.8m in the year, which ended on 31 December 2015.

The Group continually reviews this risk and takes action to mitigate where possible. In addition, while the Group is consulted by the Trustees on the investment strategies of its pension plans, the Group has no direct control over these matters as the Trustees are directly responsible for the strategy.

Details of the Group's pension plans are in note 25 in the Notes to the Financial Statements.

EMPLOYMENT POLICIES AND EMPLOYEES

The Company is committed to its employees and further details on the Company's policies and commitment can be found in the Corporate Responsibility Report on pages 22 to 24.

ENVIRONMENT

The Company's report on sustainability including carbon footprint and energy usage is on pages 23 to 24.

POLITICAL AND CHARITABLE DONATIONS

During the year ended 3 September 2016 the Group contributed £32,175 (2015: £43,920) in the UK for charitable purposes. Further details have been included with the Corporate Responsibility statement on pages 22 to 24. There were no political donations during the year (2015: £Nil).

SHARE CAPITAL

The Company has a single class of share capital which is divided into Ordinary Shares of £0.025 each. The movement in the share capital during the year is detailed in note 26 to the financial statements.

At the last Annual General Meeting the Directors received authority from the shareholders to:

Allot Shares – this gives Directors the authority to allot authorised but unissued shares and maintains the flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting to be held on 10 January 2017, is limited to £741,020.61 which is equal to 33 percent of the nominal value of the issued share capital on 11 November 2015. The Directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the Company's share option plans. This authority will expire at the end of the Annual General Meeting to be held on 10 January 2017.

DIRECTORS' REPORT CONTINUED

Disapplication of rights of pre-emption – this disapplies rights of pre-emption on the allotment of shares by the Company and the sale by the Company of treasury shares. The authority will allow the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, and to sell treasury shares for cash, on a pro rata basis to existing shareholders (but subject to any exclusion or arrangements as the Directors consider necessary or expedient in relation to fractional entitlements, any legal, regulatory or practical problems or costs under the laws or regulations of any overseas territory or the requirements of any regulatory body or stock exchange) and otherwise on a pro rata basis up to an aggregate nominal amount of £112,275.85, representing 5 percent of the Company's issued share capital as at 11 November 2015. This authority will expire at the end of the Annual General Meeting to be held on 10 January 2017.

To buy own shares – this authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 0.25p, being the nominal value of a share, and must not exceed 105 percent of the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the ordinary shares are purchased. The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertaken that the authority would only be exercised if the Directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. This authority will expire at the end of the Annual General Meeting to be held on 10 January 2017. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

The interests of the Directors, as defined by the Companies Act 2006, in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 30 to 35), are as follows:

Interest of the Directors

	At 3 September 2016 Ordinary Shares	At 29 August 2015 Ordinary Shares
T J Davies	20,000	20,000
N Austin	20,000	20,000
C N C Holmes	1,230,000	1,252,500
A G M Wannop	22,610	22,610
J G Worby	25,000	25,000
I Wood	1,000	—

All the above interests are beneficial.

All the above interests are beneficial.
The following transactions took place after 3 September 2016: I. Wood acquiring 9,000 shares on 12 September; T. Davies exercising options over 190,110 and selling 89,896 shares; N. Austin exercising options over 140,680 and selling 66,559 shares, on 5 September 2016.

TREASURY SHARES

To enable vesting of the Group's long term incentive plan, on 14 November 2016 178,027 ordinary 2.5 pence shares were held in treasury.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

In a general meeting of the Company, subject to the provisions of the Articles of Association and to any special rights or restrictions as to voting attached to any class of shares in the Company (of which they are none), the holders of the Ordinary Shares are entitled to one vote in a poll for every Ordinary Share held. No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held if any call or other sum then payable in respect of that share remains unpaid. Currently all issued shares are fully paid.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 10 January 2017 are set out in the Notice of Annual General Meeting.

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

MAJOR SHAREHOLDERS

The Company is aware of the following interests at 14 November 2016 in the 91,377,291 ordinary shares of the Company, as required by the Companies Act 2006:

Major Shareholders

	Number of shares	% of issued share capital
Heygate & Sons Limited	12,652,870	13.85
T W G Charlton	4,550,000	4.98
Goldman Sachs Securities (Nominees) Ltd (ILSEG)	3,746,500	4.10
Rathbone Nominees Limited	3,240,650	3.55
HSBC Global Custody Nominee (UK) Limited (928488)	2,968,940	3.25

CHANGE OF CONTROL

There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid, other than the following:

- The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank immediately.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have to prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements and Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 21. Having made enquiries of fellow Directors each of these Directors, at the date of this report, confirms that:

- he is aware there is no relevant audit information of which the Company's auditors are unaware; and

- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RESPONSIBILITY STATEMENT

Each of the Directors, whose names and functions are listed on page 21 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Chief Executive's Review includes a fair review of the development and performance of the business and the position of the Group; and
- the Risk management review provides a description of the principal risks and uncertainties that the Company faces.

By order of the Board

KATIE WOOD
Company Secretary
16 November 2016