Carr's Group plc

The Agriculture & Engineering Group

Half year report 2021

Carr's is an international leader in manufacturing value added products and solutions, with market leading brands and robust market positions in **Agriculture** and **Engineering**, supplying customers in over 50 countries around the world.

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

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

Its Agricultural Supplies division manufactures compound animal feed, distributes farm machinery and runs a UK network of rural stores, providing a one-stop shop for the farming community.

Its Engineering division designs and manufactures pressure vessels, manufactures precision components from specialist steel alloys, manufactures robotic manipulators, and provides engineering design, assembly, and installation services for the nuclear, defence and oil & gas industries.

What's in our report

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"Despite a challenging operational environment, we have delivered an improved set of half year results with our Speciality Agriculture and Agricultural Supplies divisions performing strongly. The outlook for Engineering is for an improved performance in the second half."

Hugh Pelham
Chief Executive Officer

HSE and COVID-19

The health, safety and wellbeing of our employees and customers is of paramount importance. We continue to follow Government guidelines and maintain rigorous social distancing controls, hygiene measures and shift-working practices across all locations.

The reportable accident frequency rate compared to last year has declined and various improvements in health, safety, and environmental management systems across the Group have been implemented.

The impact of the COVID-19 pandemic on the Group remains under close review by the Board. The Group has successfully implemented a range of measures and planned contingencies across all our businesses which are designed to minimise the impact of the pandemic, and as a result all our manufacturing facilities have remained fully operational. However, we have been impacted by delays in the progress of engineering projects and restrictions on visiting customer sites.

Given the positive trading performance during the period the Group has not utilised the Coronavirus Job Retention Scheme and currently has no plans to do so.

Results

In challenging market conditions, Carr's has delivered an improved performance in the period.

During the 26 weeks ended 27 February 2021 revenues increased to £201.4m (H1 2020: £200.0m).

Adjusted operating profit of £10.9m (H1 2020: £10.3m) was 5.3% up on the prior year. Adjusted profit before tax increased by 8.1% to £10.4m (H1 2020: £9.6m). The improvement in adjusted profits is mainly attributable to improved performances in Speciality Agriculture and Agricultural Supplies.

Adjusted earnings per share increased by 2.5% to 8.2p (H1 2020: 8.0p).

Strategic and operational review

The Group has commenced a strategic and operational review. As a result of this, its activities are now structured into three divisions:

1. Speciality Agriculture
2. Agricultural Supplies
3. Engineering

Our strategy is to continue to invest in established businesses with distinct value propositions or new companies with proven technology and strong growth prospects.

We will add value by:

- Differentiating – investing in innovative technology, patented processes / products and better customer service.
- Optimising – simplifying, standardising and seeking synergies between related companies in our portfolio.
- Consolidating – creating scale and critical mass by consolidating similar businesses in a market sector.
- Growing – expanding our geographic presence, cross selling to our customer base and developing new products.

Interim Management Report

continued

Each division has developed an initial plan in these areas, and these will be further refined over the coming months. The Group will continue its strategic and operational review in the second half of this financial year.

Speciality Agriculture

Speciality Agriculture comprises our feed blocks, mineral supplements and trace element boluses in the UK, Europe, North America, and New Zealand.

	H1 2021	H1 2020	% Change
Revenue	**£40.2m**	£36.6m	+9.8%
Adjusted operating profit	**£8.2m**	£6.5m	+24.7%

Our businesses have performed strongly in all geographic areas driven by strong livestock prices and more seasonal weather patterns than prior years. Overall, 101,000 tonnes of feed blocks and speciality minerals were sold worldwide, an increase of 8.4% year on year. Sales revenues recovered in our animal health business, Animax. Our project to automate the production process at Animax continues with benefits expected in the next financial year.

Our strategy remains to focus on molasses based feed blocks and specialist animal health products where our patented manufacturing processes deliver differentiated products. Initiatives to improve processes, supply chain buying and upgrade our manufacturing plants are underway. Growth opportunities to expand our presence in the USA, Canada and Germany are the highest priority, as well as developing more environmentally sustainable packaging for key products lines.

Agricultural supplies

Agricultural Supplies comprises our Carr's Billington branded agricultural stores, machinery, fuel and compound feed business and our joint venture business Bibby Agriculture.

	H1 2021	H1 2020	% Change
Revenue	**£137.7m**	£138.4m	-0.5%
Adjusted operating profit	**£3.3m**	£2.5m	+33.5%

Total feed sales volumes increased to 318kt, an increase of 0.4% compared to the prior year. Machinery revenues were also strong, increasing by 29.1% year on year, and total retail sales also increased by 4.3% with like-for-like sales showing an 8.1% increase. Fuel volumes were down 2.5% versus the prior year, with the main impact being felt in the first quarter of the financial year.

Significant increases in raw material prices impacted the profitability of the feed business in the first half, however, margins were stronger in retail, fuel and machinery which helped offset the impact of higher raw material costs.

In the UK specifically, the agreement of a trade deal with the EU in December 2020 has significantly improved farmer confidence, which has been further buoyed by strong farmgate prices. The UK Agriculture Bill will also provide opportunities as farmers are incentivised by efficiency and environmental schemes.

Our strategy remains to provide all a farmer needs and differentiate ourselves through our product range, our customer and technical service levels, having a local presence, and the quality of our compound feeds. Operationally, a number of initiatives have been implemented to standardise product range and prices, improve supply chain arrangements and better manage raw material buying and pricing. Further opportunities to grow exist through the opening of new stores and industry consolidation.

Engineering

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

	H1 2021	H1 2020	% Change
Revenue	**£23.6m**	£24.9m	-5.4%
Adjusted operating profit	**£0.9m**	£1.2m	-24.1%

The profitability of our engineering solutions business in the USA and UK has been resilient with continued work with large blue-chip customers in the nuclear and defence sectors. Additional work has recently been secured in the defence sector.

The performance of our fabrication and precision engineering businesses have been adversely affected by low oil & gas prices. More positively, our fabrication business has received a significant level of orders in the nuclear sector. A turnaround plan is in place for the precision engineering business and performance is expected to be significantly better in H2.

The performance of our robotics business has substantively improved compared to H1 last year with exports to China expected to resume in H2 2021.

Our overall Engineering order book at £44m (H1 2020: £47m) is less than at the equivalent point last year but £7m higher than at the end of 2020 (FY 2020: £37m). In the second half of the prior year a significant number of orders were subsequently cancelled following the outbreak of COVID-19.

Our strategy in the Engineering division is to provide specialist high margin services primarily to the nuclear and defence sectors. Our differentiators include patented MSIP®, Power Fluidics™ processes, the range of precision engineering machinery, the product life and quality of our robotic manipulators and a direct workforce with highly specialist welding capabilities.

Opportunities to grow exist with our current customer base by providing our full range of specialist services and by selectively pursuing new customers in the nuclear and defence industries in particular.

Finance review

Adjusted results

Revenue increased by 0.7% to £201.4m (H1 2020: £200.0m), with an increase of 9.8% in Speciality Agriculture offset by a reduction in both Engineering and Agricultural Supplies of 5.4% and 0.5% respectively.

Adjusted operating profit increased 5.3% to £10.9m (H1 2020: £10.3m). Strong performances in Speciality Agriculture, up 24.7%, and Agricultural Supplies, up 33.5%, were partially offset by a reduction in Engineering of 24.1%. Central costs were higher at £1.5m (H1 2020: credit of £0.1m) partly due to a change in provision for a non-recoverable debt, phasing, increased costs for performance related remuneration, and CEO handover costs.

Net finance costs of £0.5m (H1 2020: £0.7m) reduced year on year due to lower borrowings. Net debt was £10.6m at the period end (H1 2020: 25.4m), driven by a strong operating performance with EBITDA of £12.6m and a reduction in working capital of £4.1m, offset by dividends of £4.4m, net capital expenditure of £2.3m and tax and interest of £1.9m. The Group's main banking facilities run to 2023.

The Group's adjusted profit before tax increased by 8.1% to £10.4m (H1 2020: £9.6m).

Adjusted earnings per share increased by 2.5% to 8.2p (H1 2020: 8.0p). The increase is proportionately lower than the increase in profit before tax because of the higher effective tax rate, due to a higher mix of overseas profits and the impact of minority interests.

Adjusting items

The Group provides the adjusted profit measures referred to above to present additional useful information on business performance consistent with how business performance is measured internally. These measures show underlying profits before certain adjusting items.

In H1 2020, adjusting items were a net credit of £0.9m related mainly to adjustments to contingent consideration (H1 2020: £2.1m compared to H1 2021: £0.7m) partly offset by amortisation of intangible assets. In H1 2021, they are a charge of £0.2m. Full details of all adjusting items are given in note 8.

Statutory results

Reported operating profit on a statutory basis was £10.7m (H1 2020: £11.2m) and reported profit before tax was £10.2m (H1 2020: £10.5m). Basic earnings per share on a statutory basis was 8.2p (H1 2020: 9.3p).

Balance sheet and cash flow

Net cash generated from operating activities in the first half was £14.1m (H1 2020: £4.9m). Net debt, excluding leases, fell to £10.6m from £18.9m at the financial year end (H1 2020: £25.4m). This is primarily related to strong working capital management resulting in a working capital inflow of £4.1m combined with improved EBITDA.

The Group's defined benefit pension scheme remains in surplus but at a slightly decreased level of £7.8m compared to £8.0m at 29 August 2020.

Shareholder's equity

Shareholders' equity at 27 February 2021 was £119.0m (29 August 2020: £117.1m), with the increase primarily due to profit retained by the Group for the period offset by foreign exchange translation losses and dividends paid.

A first interim dividend of 1.175 pence per ordinary share will be paid on 8 June 2021 to shareholders on the register on 30 April 2021. The ex-dividend date will be 29 April 2021.

Governance

The Group announces that, with effect from today, Kristen Eshak Weldon has been appointed as the Board's Representative for Employee Engagement. Kristen was appointed to the Board in October 2020 and takes on the role from Alistair Wannop who will be standing down from the Board in January 2022. Kristen is currently Global Head of ESG and Impact Investing at Partners Capital. Prior to this she served on the Executive Committee of Louis Dreyfus Company and co-headed the London office of Blackstone's Hedge Fund Solutions business. The Board considers that Kristen's experience of stakeholder engagement places her well to ensure that wider v iews across the workforce are fully understood and considered by the Board in its decision-making processes.

Principal risks and uncertainties

The Group has a process in place to identify and assess the impact of risks on its business, which is reviewed and updated quarterly. The principal risks and uncertainties for the remainder of the financial year are not considered to have changed materially from those included on pages 28 to 30 of the Annual Report and Accounts 2020 (available on the Company's website at http://investors.carrsgroup.com), with the exception of Brexit where the risk has reduced following the UK-EU trade agreement which took effect from 31 December 2020.

Outlook

A continued positive performance is forecast across the Agricultural divisions together with an improved second half in the Engineering division as the impact of COVID-19 begins to recede and its order intake continues to increase. A programme of simplification and standardisation is forecast to improve performance over time. Trading since 27 February 2021 has been positive and the Board's expectations for the current financial year remain unchanged.

Hugh Pelham
Chief Executive Officer
21 April 2021

Condensed Consolidated Income Statement

For the 26 weeks ended 27 February 2021

	Notes	26 weeks ended 27 February 2021 (unaudited) £'000	26 weeks ended 29 February 2020 (unaudited) £'000	52 weeks ended 29 August 2020 (audited) £'000
Continuing operations				
Revenue	6,7	**201,435**	199,957	395,630
Cost of sales		**(173,412)**	(172,924)	(343,381)
Gross profit		**28,023**	27,033	52,249
Net operating expenses		**(19,547)**	(17,685)	(41,042)
Share of post-tax results of associate and joint ventures		**2,196**	1,892	2,633
Adjusted[1] operating profit	6	**10,869**	10,322	16,247
Adjusting items	8	**(197)**	918	(2,407)
Operating profit	6	**10,672**	11,240	13,840
Finance income		**135**	178	313
Finance costs		**(633)**	(905)	(1,656)
Adjusted[1] profit before taxation	6	**10,371**	9,595	14,904
Adjusting items	8	**(197)**	918	(2,407)
Profit before taxation	6	**10,174**	10,513	12,497
Taxation		**(1,714)**	(1,382)	(1,575)
Profit for the period		**8,460**	9,131	10,922
Profit attributable to:				
Equity shareholders		**7,574**	8,565	9,533
Non-controlling interests		**886**	566	1,389
		8,460	9,131	10,922
Earnings per share (pence)				
Basic	9	**8.2**	9.3	10.3
Diluted	9	**7.9**	9.1	10.2
Adjusted[1]	9	**8.2**	8.0	11.9
Diluted adjusted[1]	9	**8.0**	7.9	11.8

1 Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance. Adjusting items are discussed in note 8. An alternative performance measures glossary can be found in note 18.

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 27 February 2021

	Notes	26 weeks ended 27 February 2021 (unaudited) £'000	26 weeks ended 29 February 2020 (unaudited) £'000	52 weeks ended 29 August 2020 (audited) £'000
Profit for the period		**8,460**	9,131	10,922
Other comprehensive (expense)/income				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange translation losses arising on translation of overseas subsidiaries		**(1,752)**	(2,778)	(2,552)
Net investment hedges		**76**	210	(54)
Taxation (charge)/credit on net investment hedges		**(14)**	(40)	10
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses)/gains on retirement benefit asset:				
– Group	14	**(295)**	(1,187)	142
– Share of associate		**–**	–	408
Taxation credit/(charge) on actuarial (losses)/gains on retirement benefit asset:				
– Group		**56**	202	(27)
– Share of associate		**–**	–	(96)
Other comprehensive expense for the period, net of tax		**(1,929)**	(3,593)	(2,169)
Total comprehensive income for the period		**6,531**	5,538	8,753
Total comprehensive income attributable to:				
Equity shareholders		**5,645**	4,972	7,364
Non-controlling interests		**886**	566	1,389
		6,531	5,538	8,753

Condensed Consolidated Balance Sheet

As at 27 February 2021

	Notes	As at 27 February 2021 (unaudited) £'000	As at 29 February 2020 (unaudited) £'000	As at 29 August 2020 (audited) £'000
Non-current assets				
Goodwill	11	**31,530**	32,070	32,041
Other intangible assets	11	**9,118**	9,315	9,171
Property, plant and equipment	11	**35,609**	36,767	38,259
Right-of-use assets	11	**16,265**	15,870	14,856
Investment property	11	**155**	161	158
Investment in associate		**14,860**	13,846	14,307
Interest in joint ventures		**11,492**	10,392	10,551
Other investments		**72**	74	73
Financial assets				
– Non-current receivables		**20**	21	20
Retirement benefit asset	14	**7,807**	6,643	8,037
Deferred tax assets		**–**	410	–
		126,928	125,569	127,473
Current assets				
Inventories		**43,392**	48,915	40,961
Contract assets		**7,885**	8,412	8,114
Trade and other receivables		**59,496**	60,537	51,686
Current tax assets		**2,058**	328	1,535
Financial assets				
– Derivative financial instruments		**–**	–	3
– Cash and cash equivalents	12	**24,838**	29,318	17,571
		137,669	147,510	119,870
Total assets		**264,597**	273,079	247,343
Current liabilities				
Financial liabilities				
– Borrowings	12	**(8,580)**	(26,855)	(11,420)
– Leases		**(2,965)**	(2,557)	(2,778)
Contract liabilities		**(3,019)**	(2,351)	(1,061)
Trade and other payables		**(67,704)**	(62,520)	(55,522)
Current tax liabilities		**(494)**	(158)	(33)
		(82,762)	(94,441)	(70,814)
Non-current liabilities				
Financial liabilities				
– Borrowings	12	**(26,815)**	(27,896)	(25,021)
– Leases		**(12,177)**	(12,666)	(11,171)
Deferred tax liabilities		**(4,830)**	(4,634)	(4,783)
Other non-current liabilities		**(1,370)**	(2,537)	(1,385)
		(45,192)	(47,733)	(42,360)
Total liabilities		**(127,954)**	(142,174)	(113,174)
Net assets		**136,643**	130,905	134,169
Shareholders' equity				
Share capital	15	**2,330**	2,312	2,312
Share premium	15	**9,613**	9,165	9,176
Other reserves		**2,363**	4,379	4,436
Retained earnings		**104,741**	98,655	101,202
Total shareholders' equity		**119,047**	114,511	117,126
Non-controlling interests		**17,596**	16,394	17,043
Total equity		**136,643**	130,905	134,169

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 27 February 2021

	Share Capital £'000	Share Premium £'000	Treasury Share Reserve £'000	Equity Compensation Reserve £'000	Foreign Exchange Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total Shareholders' Equity £'000	Non-controlling Interests £'000	Total Equity £'000
At 30 August 2020 (audited)	**2,312**	**9,176**	**(45)**	**734**	**3,550**	**197**	**101,202**	**117,126**	**17,043**	**134,169**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**7,574**	**7,574**	**886**	**8,460**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(1,690)**	**–**	**(239)**	**(1,929)**	**–**	**(1,929)**
Total comprehensive (expense)/ income	**–**	**–**	**–**	**–**	**(1,690)**	**–**	**7,335**	**5,645**	**886**	**6,531**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(4,390)**	**(4,390)**	**(368)**	**(4,758)**
Equity-settled share based payment transactions	**–**	**–**	**–**	**(426)**	**–**	**–**	**646**	**220**	**35**	**255**
Allotment of shares	**18**	**437**	**–**	**–**	**–**	**–**	**–**	**455**	**–**	**455**
Purchase of own shares held in trust	**–**	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Transfer	**–**	**–**	**53**	**–**	**–**	**(1)**	**(52)**	**–**	**–**	**–**
At 27 February 2021 (unaudited)	**2,330**	**9,613**	**(1)**	**308**	**1,860**	**196**	**104,741**	**119,047**	**17,596**	**136,643**
At 1 September 2019 (audited)	2,299	9,165	–	1,577	6,146	199	93,771	113,157	16,125	129,282
Profit for the period	–	–	–	–	–	–	8,565	8,565	566	9,131
Other comprehensive expense	–	–	–	–	(2,608)	–	(985)	(3,593)	–	(3,593)
Total comprehensive (expense)/ income	–	–	–	–	(2,608)	–	7,580	4,972	566	5,538
Dividends paid	–	–	–	–	–	–	(3,344)	(3,344)	(294)	(3,638)
Equity-settled share based payment transactions	–	–	–	(933)	–	–	659	(274)	(3)	(277)
Allotment of shares	13	–	–	–	–	–	–	13	–	13
Purchase of own shares held in trust	–	–	(13)	–	–	–	–	(13)	–	(13)
Transfer	–	–	12	–	–	(1)	(11)	–	–	–
At 29 February 2020 (unaudited)	2,312	9,165	(1)	644	3,538	198	98,655	114,511	16,394	130,905
At 1 September 2019 (audited)	2,299	9,165	–	1,577	6,146	199	93,933	113,319	16,229	129,548
Profit for the period	–	–	–	–	–	–	9,533	9,533	1,389	10,922
Other comprehensive (expense)/income	–	–	–	–	(2,596)	–	427	(2,169)	–	(2,169)
Total comprehensive (expense)/income	–	–	–	–	(2,596)	–	9,960	7,364	1,389	8,753
Dividends paid	–	–	–	–	–	–	(3,344)	(3,344)	(588)	(3,932)
Equity-settled share based payment transactions	–	–	–	(843)	–	–	691	(152)	15	(137)
Excess deferred taxation on share based payments	–	–	–	–	–	–	(27)	(27)	(2)	(29)
Allotment of shares	13	11	–	–	–	–	–	24	–	24
Purchase of own shares held in trust	–	–	(58)	–	–	–	–	(58)	–	(58)
Transfer	–	–	13	–	–	(2)	(11)	–	–	–
At 29 August 2020 (audited)	2,312	9,176	(45)	734	3,550	197	101,202	117,126	17,043	134,169

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 27 February 2021

	Notes	26 weeks ended 27 February 2021 (unaudited) £'000	26 weeks ended 29 February 2020 (unaudited) £'000	52 weeks ended 29 August 2020 (audited) £'000
Cash flows from operating activities				
Cash generated from continuing operations	16	**15,956**	7,840	22,639
Interest received		**57**	111	176
Interest paid		**(625)**	(897)	(1,696)
Tax paid		**(1,300)**	(2,139)	(3,059)
Net cash generated from operating activities		**14,088**	4,915	18,060
Cash flows from investing activities				
Contingent/deferred consideration paid		**(131)**	(1,596)	(2,659)
Dividends received from associate and joint ventures		**368**	294	701
Other loans		**–**	382	718
Purchase of intangible assets		**(780)**	(845)	(1,459)
Proceeds from sale of property, plant and equipment		**125**	141	421
Purchase of property, plant and equipment		**(1,645)**	(2,569)	(6,569)
Purchase of own shares held in trust		**(9)**	(13)	(58)
Net cash used in investing activities		**(2,072)**	(4,206)	(8,905)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**455**	13	24
New financing and movement on RCF		**5,609**	2,500	1,889
Lease principal repayments		**(1,556)**	(1,569)	(3,171)
Repayment of borrowings		**(1,200)**	(1,247)	(2,459)
(Decrease)/increase in other borrowings		**(604)**	114	(14,508)
Dividends paid to shareholders		**(4,390)**	(3,344)	(3,344)
Dividends paid to related party		**(368)**	(294)	(588)
Net cash used in financing activities		**(2,054)**	(3,827)	(22,157)
Effects of exchange rate changes		**(373)**	(410)	(989)
Net increase/(decrease) in cash and cash equivalents		**9,589**	(3,528)	(13,991)
Cash and cash equivalents at beginning of the period		**10,304**	24,295	24,295
Cash and cash equivalents at end of the period		**19,893**	20,767	10,304
Cash and cash equivalents consist of:				
Cash and cash equivalents per the balance sheet		**24,838**	29,318	17,571
Bank overdrafts included in borrowings		**(4,945)**	(8,551)	(7,267)
		19,893	20,767	10,304

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU") pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors are listed in the Annual Report and Accounts 2020, with the exception of the following changes in the period: Hugh Pelham was appointed on 4 January 2021, and Tim Davies resigned on 12 January 2021. Kristen Eshak Weldon was appointed on 1 October 2020 and was included in the list of Directors in the Annual Report and Accounts 2020. A list of current Directors is maintained on the website: www.carrsgroup.com

On behalf of the Board

Hugh Pelham
Chief Executive Officer
21 April 2021

Neil Austin
Chief Financial Officer
21 April 2021

Unaudited Notes to Condensed Interim Financial Information

1. General information

The Group operates across three divisions of Speciality Agriculture, Agricultural Supplies and Engineering. The Company is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is Old Croft, Stanwix, Carlisle, Cumbria CA3 9BA.

These condensed interim financial statements were approved for issue on 21 April 2021.

The comparative figures for the financial year ended 29 August 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Basis of preparation

These condensed interim financial statements for the 26 weeks ended 27 February 2021 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the EU pursuant to Regulation (EC) No 1606/2002 as it applies to the EU.

The annual financial statements of the Group for the year ending 28 August 2021 will be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 29 August 2020 which were prepared in accordance with IFRSs as adopted by the EU.

The Group is expected to have a sufficient level of financial resources available through operating cash flows and existing bank facilities for a period of at least 12 months from the signing date of these condensed consolidated interim financial statements. The Group has operated within all its banking covenants throughout the period. In addition, the Group's main banking facility is in place until November 2023 and an invoice discounting facility is in place until August 2023.

Detailed cash forecasts continue to be updated regularly for a period of at least 12 months from the reporting period end. These forecasts are sensitised for various worst case scenarios including a COVID-19 outbreak resulting in a short term closure, delays on order books, and reduced payments from customers. 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 forecasts.

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

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the signing date of these condensed consolidated interim financial statements. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for:

Taxation

Income taxes are accrued based on management's estimate of the weighted average annual income tax rate expected for the full financial year based on enacted or substantively enacted tax rates at 27 February 2021. Our effective tax rate was 21.1% (H1 2020: 19.1%) after adjusting for results from associate and joint ventures, which are reported net of tax, and adjustments to contingent consideration (note 8) which is treated as non-taxable. The higher effective tax rate is due to a higher mix of overseas profits.

4. Significant judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 29 August 2020, with the exception of changes in estimates that are required in determining the provision for income taxes as explained in note 3.

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 29 August 2020. The impact of COVID-19 is discussed further in the interim management report.

6. Operating segment information

The Group's chief operating decision-maker ("CODM") has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from a product/services perspective. Following a strategic and operational review reportable operating segments have been identified as Speciality Agriculture, Agricultural Supplies and Engineering. Central comprises the central business activities of the Group's head office, which earns no external revenues. Performance is assessed using operating profit. For internal purposes the CODM assesses operating profit before material adjusting items (note 8) consistent with the presentation in the financial statements. The CODM believes this measure provides a better reflection of the Group's underlying performance. Sales between segments are carried out at arm's length.

The following tables present revenue, profit, asset and liability information regarding the Group's operating segments for the 26 weeks ended 27 February 2021 and the comparative periods.

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
26 weeks ended 27 February 2021					
Total segment revenue	44,075	137,687	23,565	–	205,327
Inter segment revenue	(3,888)	(3)	(1)	–	(3,892)
Revenue from external customers	40,187	137,684	23,564	–	201,435
Adjusted[1] EBITDA[2]	7,885	3,466	2,205	(1,404)	12,152
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(785)	(1,320)	(1,283)	(91)	(3,479)
Share of post-tax results of associate and joint ventures	1,054	1,142	–	–	2,196
Adjusted[1] operating profit	8,154	3,288	922	(1,495)	10,869
Adjusting items (note 8)	(245)	–	78	(30)	(197)
Operating profit	7,909	3,288	1,000	(1,525)	10,672
Finance income					135
Finance costs					(633)
Adjusted[1] profit before taxation					10,371
Adjusting items (note 8)					(197)
Profit before taxation					10,174
Segment gross assets	49,348	112,686	78,421	24,142	264,597
Segment gross liabilities	(11,497)	(56,126)	(28,591)	(31,740)	(127,954)

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 8.

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.

Unaudited Notes to Condensed Interim Financial Information

continued

6. Operating segment information continued

The following tables have been restated to present Speciality Agriculture and Agricultural Supplies separately. This is to aid comparability with the segmental information presented for the current period to 27 February 2021.

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
26 weeks ended 29 February 2020 (restated)					
Total segment revenue	39,909	138,445	24,919	–	203,273
Inter segment revenue	(3,311)	(4)	(1)	–	(3,316)
Revenue from external customers	36,598	138,441	24,918	–	199,957
Adjusted[1] EBITDA[2]	6,211	2,840	2,492	195	11,738
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(640)	(1,302)	(1,277)	(89)	(3,308)
Share of post-tax results of associate and joint ventures	967	925	–	–	1,892
Adjusted[1] operating profit	6,538	2,463	1,215	106	10,322
Adjusting items (note 8)	1,068	(74)	(76)	–	918
Operating profit	7,606	2,389	1,139	106	11,240
Finance income					178
Finance costs					(905)
Adjusted[1] profit before taxation					9,595
Adjusting items (note 8)					918
Profit before taxation					10,513
Segment gross assets	49,098	121,952	83,786	18,243	273,079
Segment gross liabilities	(10,574)	(70,122)	(30,896)	(30,582)	(142,174)

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
52 weeks ended 29 August 2020 (restated)					
Total segment revenue	66,948	280,740	53,020	–	400,708
Inter segment revenue	(5,058)	(8)	(12)	–	(5,078)
Revenue from external customers	61,890	280,732	53,008	–	395,630
Adjusted[1] EBITDA[2]	7,914	6,884	6,754	(781)	20,771
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,366)	(2,665)	(2,944)	(182)	(7,157)
Share of post-tax results of associate and joint ventures	1,061	1,572	–	–	2,633
Adjusted[1] operating profit	7,609	5,791	3,810	(963)	16,247
Adjusting items (note 8)	730	(688)	(2,449)	–	(2,407)
Operating profit	8,339	5,103	1,361	(963)	13,840
Finance income					313
Finance costs					(1,656)
Adjusted[1] profit before taxation					14,904
Adjusting items (note 8)					(2,407)
Profit before taxation					12,497
Segment gross assets	47,367	98,046	83,852	18,078	247,343
Segment gross liabilities	(8,845)	(44,664)	(31,156)	(28,509)	(113,174)

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 8.

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.

7. Disaggregation of revenue

The following table presents the Group's reported revenue disaggregated based on the timing of revenue recognition.

Timing of revenue recognition	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Over time	**18,464**	16,054	34,790
At a point in time	**182,971**	183,903	360,840
	201,435	199,957	395,630

8. Adjusting items

	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Amortisation of acquired intangible assets (i)	**621**	687	1,380
Adjustments to contingent consideration (ii)	**(671)**	(2,147)	(937)
Restructuring/closure costs (iii)	**247**	542	1,964
	197	(918)	2,407

(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 arise from the revaluation of contingent consideration in respect of acquisitions to fair value at the period end. Movements in fair value arise from changes to the expected payments since the previous period end based on actual results and updated forecasts. Any increase or decrease in fair value is recognised through the income statement.
(iii) Restructuring/closure costs include redundancy costs and impairments of assets to recoverable amounts.

9. Earnings per share

Adjusting items disclosed in note 8 that are charged or credited to profit do not relate to the underlying profitability of the Group. The Board believes adjusted profit before these items provides a useful measure of business performance. Therefore, an adjusted earnings per share is presented as follows:

	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Earnings	**7,574**	8,565	9,533
Adjusting items:			
Amortisation of acquired intangible assets	**621**	687	1,380
Adjustments to contingent consideration	**(671)**	(2,147)	(937)
Restructuring/closure costs	**247**	542	1,964
Taxation effect of the above	**(167)**	(225)	(639)
Non-controlling interest in the above	**–**	(29)	(273)
Earnings – adjusted	**7,604**	7,393	11,028

	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Weighted average number of ordinary shares in issue	**92,588,219**	92,214,566	92,346,828
Potentially dilutive share options	**2,813,125**	1,669,575	1,384,216
	95,401,344	93,884,141	93,731,044
Earnings per share (pence)			
Basic	**8.2p**	9.3p	10.3p
Diluted	**7.9p**	9.1p	10.2p
Adjusted	**8.2p**	8.0p	11.9p
Diluted adjusted	**8.0p**	7.9p	11.8p

Unaudited Notes to Condensed Interim Financial Information

continued

10. Dividends

An interim dividend of £2,079,551 (H1 2020: £1,034,348) that related to the period to 29 August 2020 was paid on 2 October 2020. This included the deferred first interim dividend that, under normal circumstances, would have been paid in May 2020. This was deferred due to the uncertainty associated with the COVID-19 pandemic. A final dividend of £2,310,612 (H1 2020: £2,310,140) in respect of the period to 29 August 2020 was paid on 15 January 2021.

11. Intangible assets, property, plant and equipment, right-of-use assets and investment property

	Goodwill £'000	Other intangible assets £'000	Property, plant and equipment £'000	Right-of-use assets £'000	Investment property £'000
26 weeks ended 27 February 2021					
Opening net book amount at 30 August 2020	**32,041**	**9,171**	**38,259**	**14,856**	**158**
Exchange differences	**(511)**	**(52)**	**(570)**	**(17)**	**–**
Additions	**–**	**780**	**1,628**	**1,818**	**–**
Disposals and transfers	**–**	**–**	**(1,748)**	**861**	**–**
Depreciation and amortisation	**–**	**(781)**	**(1,960)**	**(1,253)**	**(3)**
Closing net book amount at 27 February 2021	**31,530**	**9,118**	**35,609**	**16,265**	**155**
26 weeks ended 29 February 2020					
Opening net book amount at 1 September 2019	32,877	9,318	41,917	–	164
Transition to IFRS 16	–	–	(4,409)	15,903	–
Exchange differences	(807)	(99)	(911)	(48)	–
Additions	–	845	2,569	1,263	–
Disposals	–	–	(90)	–	–
Depreciation, amortisation and impairment	–	(749)	(2,309)	(1,248)	(3)
Closing net book amount as at 29 February 2020	32,070	9,315	36,767	15,870	161

Transfers include assets refinanced under a lease and finance leased assets that became owned assets on maturity of the lease term.

Capital commitments contracted, but not provided for, by the Group at the period end amounts to £632,000 (2020: £1,559,000).

12. Borrowings

	As at 27 February 2021 £'000	As at 29 February 2020 £'000	As at 29 August 2020 £'000
Current	**8,580**	26,855	11,420
Non-current	**26,815**	27,896	25,021
Total borrowings	**35,395**	54,751	36,441
Cash and cash equivalents as per the balance sheet	**(24,838)**	(29,318)	(17,571)
Net debt (excluding leases)	**10,557**	25,433	18,870
Undrawn facilities	**35,324**	22,412	35,083

Current borrowings include bank overdrafts of £4.9m (2020: £8,6m). Undrawn facilities include overdraft facilities of £2.5m (2020: £2.5m) that are renewable on an annual basis.

12. Borrowings continued

Movements in borrowings are analysed as follows:	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000
Balance at start of period (excluding leases)	**36,441**	49,519
Exchange differences	**(235)**	(362)
New bank loans/RCF drawdown	**4,000**	2,500
Repayments of borrowings	**(1,200)**	(1,247)
(Decrease)/increase in other borrowings	**(604)**	114
Loan forgiven	**(715)**	–
Release of deferred borrowing costs	**30**	30
Net increase to bank overdraft	**(2,322)**	4,197
Balance at end of period	**35,395**	54,751

The bank loans/RCF drawdown excludes re-financing of assets under new finance lease arrangements. The balance of £49.5m at the start of the comparative period excludes finance leases of £2.9m which were previously included within borrowings as at 31 August 2019 however, on transition to IFRS 16 'Leases' on 1 September 2019, these were presented separately to borrowings on the face of the balance sheet.

13. Financial instruments

IFRS 13 requires financial instruments that are measured at fair value to be classified according to the valuation technique used:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3 – unobservable inputs

Transfers between levels are deemed to have occurred at the end of the reporting period. There were no transfers between levels in the above hierarchy in the period.

All derivative financial instruments are measured at fair value using Level 2 inputs. The Group's bankers provide the valuations for the derivative financial instruments at each reporting period end based on mark to market valuation techniques.

Contingent consideration is measured at fair value using Level 3 inputs. Fair value is determined considering the expected payment, which is discounted to present value. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition.

The significant unobservable inputs are the projections of future profitability, which have been based on budget and forecast information for the current year and future periods, and the discount rate, which has been based on the incremental borrowing rate. A significant amount of the contingent consideration payable is included within current liabilities and has therefore not been discounted. A reasonable change in the discount rate applied would not have a material impact on the balances recognised within non-current liabilities.

The following table presents a reconciliation of the contingent consideration liability measured at fair value on a recurring basis using significant unobservable inputs (level 3).

	As at 27 February 2021 £'000	As at 29 February 2020 £'000	As at 29 August 2020 £'000
Fair value at the start of the period	**3,422**	7,954	7,954
Exchange differences	**(12)**	(175)	(184)
Payments made to vendors (including legal costs)	**(131)**	(1,473)	(2,513)
Change in fair value	**(671)**	(3,027)	(1,835)
Fair value at the end of the period	**2,608**	3,279	3,422

Unaudited Notes to Condensed Interim Financial Information
continued

14. Retirement benefit asset
The amounts recognised in the Income Statement are as follows:

	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Administrative expenses	9	9	13
Net interest on the net defined benefit asset	(74)	(70)	(139)
	(65)	(61)	(126)

Net interest on the defined benefit retirement asset is recognised within interest income.

The amounts recognised in the Balance Sheet are as follows:

	As at 27 February 2021 £'000	As at 29 February 2020 £'000	As at 29 August 2020 £'000
Present value of funded defined benefit obligations	(62,685)	(67,203)	(65,834)
Fair value of scheme assets	70,492	73,846	73,871
Surplus in funded scheme	7,807	6,643	8,037

Actuarial losses of £295,000 (2020: £1,187,000) have been reported in the Statement of Comprehensive Income. The surplus has decreased over the period since 29 August 2020 due to changes in market conditions contributing to an overall reduction in the scheme surplus.

The Group's associate's defined benefit pension scheme is closed to future service accrual and the valuation for this scheme has not been updated for the half year as any actuarial movements are not considered to be material.

15. Share capital

Allotted and fully paid ordinary shares of 2.5p each	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Opening balance as at 30 August 2020	92,465,833	2,312	9,176	11,488
Proceeds from shares issued:				
– LTIP	309,823	7	–	7
– Share save scheme	421,744	11	437	448
At 27 February 2021	93,197,400	2,330	9,613	11,943
Opening balance at 1 September 2019	91,942,005	2,299	9,165	11,464
Proceeds from shares issued:				
– LTIP	513,604	13	–	13
At 29 February 2020	92,455,609	2,312	9,165	11,477

309,823 shares were issued in the period to satisfy the share awards under the LTIP scheme which were exercised in December 2020.

421,744 shares were issued in the period to satisfy the share awards under the share save scheme with exercise proceeds of £447,611. The related weighted average price of the shares exercised in the period was £1.061 per share. At the period end the Company holds 50,045 of these shares in treasury.

As announced on 1 April 2021 the Company's issued share capital had increased to 93,544,724 shares of which 75,955 shares were held in treasury. The increase in issued share capital was due to the issue of 347,324 shares under the share save scheme with exercise proceeds of £368,511 and a related weighted average exercise price of £1.061 per share.

16. Cash generated from continuing operations

	26 weeks ended 27 February 2021 £'000	26 weeks ended 29 February 2020 £'000	52 weeks ended 29 August 2020 £'000
Profit for the period from continuing operations	**8,460**	9,131	10,922
Adjustments for:			
Tax	**1,714**	1,382	1,575
Tax credit in respect of R&D	**(180)**	(240)	(250)
Depreciation and impairment of property, plant and equipment	**1,960**	2,309	4,567
Depreciation and impairment of right-of-use assets	**1,253**	1,248	2,462
Depreciation of investment property	**3**	3	6
Intangible asset amortisation	**781**	749	1,513
Loss/(profit) on disposal of property, plant and equipment	**103**	(51)	265
Profit on disposal of right-of-use assets	**–**	–	(37)
Adjustments to contingent consideration	**(671)**	(2,147)	(937)
Net fair value charge/(credit) on share based payments	**255**	(277)	(137)
Release of loan provision	**–**	–	(783)
Other non-cash adjustments	**(157)**	(618)	(504)
Interest income	**(135)**	(178)	(313)
Interest expense and borrowing costs	**663**	935	1,716
Share of results of associate and joint ventures	**(2,196)**	(1,892)	(2,633)
IAS 19 income statement charge (excluding interest):			
Administrative expenses	**9**	9	13
Changes in working capital (excluding the effects of acquisitions):			
(Increase)/decrease in inventories	**(2,783)**	(3,348)	4,811
(Increase)/decrease in receivables	**(7,872)**	(4,976)	3,862
Increase/(decrease) in payables	**14,749**	5,801	(3,479)
Cash generated from continuing operations	**15,956**	7,840	22,639

17. Related party transactions

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2020.

	Sales to £'000	Purchases from £'000	Rent receivable from £'000	Net management charges (from)/to £'000	Dividends receivable from £'000	Amounts owed from £'000	Amounts owed to £'000
26 weeks to 27 February 2021							
Associate	**346**	**(60,865)**	**10**	**(69)**	**368**	**368**	**(20,539)**
Joint ventures	**373**	**(229)**	**–**	**82**	**–**	**1,623**	**(102)**
26 weeks to 29 February 2020							
Associate	280	(55,183)	10	(69)	294	214	(24,334)
Joint ventures	238	(143)	–	80	–	1,756	(2)

Unaudited Notes to Condensed Interim Financial Information

continued

18. Alternative performance measures

The Interim Report includes alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how business performance is measured internally and therefore the Directors believe that these APMs provide stakeholders with additional useful information on the Group's performance.

Alternative performance measure	Definition and comments
EBITDA	Earnings before interest, tax, depreciation, amortisation, profit/(loss) on the disposal of non-current assets and before share of post-tax results of the associate and joint ventures. 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 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 6. 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 6. Adjusted results are presented because if included, these adjusting items could distort the understanding of the Group's performance for the period and the comparability between the periods 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 6. Adjusted results are presented because if included, these adjusting items could distort the understanding of the Group's performance for the period and the comparability between the periods 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 period. This is reconciled to basic earnings per share in note 9.
Adjusted diluted 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 period adjusted for the effects of any potentially dilutive options. Diluted earnings per share is shown in note 9.
Net debt	The net position of the Group's cash at bank and borrowings. Details of the movement in borrowings is shown in note 12.

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