RISING TO THE CHALLENGE

Interim Report 2022

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 business 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 elements and minerals for livestock.

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

Its **Engineering division** designs and manufactures bespoke equipment, including robotic and remote handling equipment, and provides technical services primarily into nuclear, oil and gas, and defence industries.

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Interim Management Report

Peter Page
Chairman

"Carr's Group has performed well in the first half, with a strong performance in Agricultural Supplies at a time of extraordinary raw material cost increases and a marked recovery in Engineering offsetting input cost impact on margins in Speciality Agriculture. The outlook for the second half remains positive with the Group on track to meet the Board's expectations for the full year."

RESULTS

The Group has delivered a half year result broadly in line with the prior year, but behind the Board's expectations for the period. With a stronger performance anticipated in Engineering in H2, full year expectations are unchanged.

During the 26 weeks ended 26 February 2022 revenues increased to £222.7m (H1 2021: £201.4m). Adjusted operating profit of £10.8m (H1 2021: restated £11.0m) was 1.9% down on the prior year. Adjusted profit before tax reduced by 2.3% to £10.3m (H1 2021: restated £10.5m).

Adjusted earnings per share decreased by 8.4% to 7.6p (H1 2021: restated 8.3p).

MARKET INFORMATION

During the period, significant raw material cost inflation has affected all parts of the business.

The Engineering division successfully managed the impact of steel and component cost increases through existing contract arrangements.

Management is confident that pricing in all parts of the UK-based Agricultural Supplies division correctly reflects the rapidly changing raw material cost base, so far with limited impact on volumes.

In Speciality Agriculture changes to selling prices lagged cost increases in the early part of the year due to the time gap between orders received and delivery in a period of rapid cost movement, but costs and prices have since been brought into line and the situation has stabilised at higher levels. Volume demand has been relatively strong in the first half. Second half volumes may be adversely impacted by higher prices and drought in some parts of the USA. Management will closely monitor UK volumes through the summer months when customers may decide to limit outgoings by more intensive use of grazing and pasture.

Interim Management Report
continued

SPECIALITY AGRICULTURE
The Speciality Agriculture division manufactures livestock supplements including feed blocks, minerals, and trace element boluses, which are distributed to farmers across the UK, Europe, North America, and New Zealand.

	H1 2022	H1 2021 (restated)	% Change
Revenue	**£42.7m**	£40.2m	+6.2%
Adjusted operating profit	**£6.5m**	£8.3m	-21.1%
Adjusted operating margin	**15.3%**	20.5%	

In the UK and Ireland, feed blocks sales remained strong where volumes increased on the prior year by 2.5%. Feed block volumes in Europe also increased by 4.5% and continued to grow in New Zealand. Performance in the USA, where volumes (excluding JVs) were 5.9% down on the prior year, was impacted by lower livestock numbers in certain areas due to a reduction in forage availability resulting from drought, reducing demand for feed blocks.

Animal health revenues were down compared to the prior year, which had benefitted from increased sales in advance of the UK:EU trade deal in December 2020.

As reported in the Group's January trading update, margin erosion was seen across the division due to a lag in passing through increases in raw material prices. Inflationary costs have now been fully passed through into selling prices.

AGRICULTURAL SUPPLIES
The Agricultural Supplies division includes our UK network of country stores, fuel depots, machinery franchises, and compound feed business.

	H1 2022	H1 2021	% Change
Revenue	**£158.7m**	£137.7m	+15.3%
Adjusted operating profit	**£3.9m**	£3.3m	+19.1%
Adjusted operating margin	**2.5%**	2.4%	

The division performed well overall in the period. Livestock and milk prices remain high, although rising input costs continue to present a significant challenge for farmers.

Total feed sales volumes were 2.5% lower compared to the prior year, although selling prices were 26.3% higher in the period primarily due to the pass through of rising input costs.

Machinery revenues remained strong and 0.4% ahead of the prior year. In the period a new machinery branch opened in Stranraer, and another will be opening in Thirsk later this financial year.

Total retail sales were up 4.1%, with like-for-like sales showing the same level of increase. In the period an e-commerce site was launched in part of the business, which is expected to be rolled out more broadly in this calendar year.

As previously reported, milder weather seen over the winter period led to fuel volumes being down 8.5% versus the prior year.

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

	H1 2022	H1 2021	% Change
Revenue	**£21.3m**	£23.6m	-9.6%
Adjusted operating profit	**£1.5m**	£0.9m	+58.2%
Adjusted operating margin	**6.8%**	3.9%	

Performance across the division improved significantly against the prior year but remained behind the Board's expectations for the period. The order book continues to be strong with £44.2m recorded at the period end, being 8.6% higher than at the half year in the prior year and 13.8% higher than the year end position of £38.8m.

The fabrication and precision engineering business performed well in the period, benefitting from high activity levels and a recovery in the oil and gas market. Work continues to progress well through the Cumbrian Manufacturing Alliance, which was formed in 2021 to secure larger projects in the UK nuclear sector.

The robotics business performed as expected. During the period the business achieved a significant milestone, securing its first contract to supply a power manipulator in the USA to an internationally renowned research institution. The business also completed development of the A150, which is a new, small-scale telescopic manipulator for the growing nuclear medicine market.

The engineering solutions business experienced challenges in the period, largely due to delays and higher costs than anticipated on one defence project, where installation work is complete and commissioning is expected this calendar year, and technical faults on a service contract where work will be completed at a later date.

REVIEW OF STRATEGIC OPTIONS
In January the Board announced it would undertake a review of the strategic options for each of the three divisions to evaluate potential to grow shareholder value. This work has progressed well with an assessment of internal and external market information nearing completion. The Board will provide an update during the second half of the financial year.

FINANCE REVIEW

Adjusted results

Revenue increased by 10.6% to £222.7m (H1 2021: £201.4m), with increases of 6.2% in Speciality Agriculture and 15.3% in Agricultural Supplies offset by a reduction in Engineering of 9.6%.

Adjusted operating profit fell 1.9% to £10.8m (H1 2021: restated £11.0m). Strong performances in Agricultural Supplies, up 19.1%, and Engineering, up 58.2%, offsetting a reduction in Speciality Agriculture of 21.1%.

Central costs were 24.6% lower at £1.1m (H1 2021: restated £1.5m), primarily due to lower performance-based remuneration under current interim executive arrangements.

Net finance costs of £0.5m (H1 2021: £0.5m) were slightly higher due to a higher level of borrowings compared to the same period in the prior year.

The Group's adjusted profit before tax decreased by 2.3% to £10.3m (H1 2021: restated £10.5m). Adjusted earnings per share, which was impacted by a higher non-controlling interest from Agricultural Supplies, decreased by 8.4% to 7.6p (H1 2021: restated 8.3p).

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. Adjusting items during the period were a net charge of £0.8m (H1 2021: restated £1.0m), consisting of cloud computing costs of £1.2m (H1 2021: restated £0.8m), amortisation of acquired intangible assets of £0.5m (H1 2021: £0.6m), and strategic review costs of £0.4m (H1 2021: nil), offset by the release of contingent consideration of £1.3m (H1 2021: £0.7m). The prior period also included restructuring costs of £0.2m.

Statutory results

Reported operating profit on a statutory basis was £10.0m (H1 2021: restated £10.0m) and reported profit before tax was £9.5m (H1 2021: restated £9.5m). Basic earnings per share on a statutory basis was 7.6p (H1 2021: restated 7.8p).

Balance sheet and cash flow

Net cash used in operating activities in the first half was £15.2m (H1 2021: restated: cash generated of £13.4m).

Net debt, excluding leases, increased to £29.9m from £10.0m at the financial year end (H1 2021: £10.6m). This is primarily related to cash absorbed into working capital, particularly receivables and inventories of £19.7m and £8.9m respectively. The majority of this relates to Agricultural Supplies, where receivables are higher due to a combination of higher selling prices and some slower collections. Inventories are higher due to a combination of higher prices and a decision to hold more machinery inventory. This is expected to reverse in the second half.

The Group's defined benefit pension scheme remains in surplus, with a balance of £10.0m compared to £9.4m at 28 August 2021.

Shareholder's equity

Shareholders' equity at 26 February 2022 was £122.7m (28 August 2021: £118.1m).

A first interim dividend of 1.175 pence per ordinary share will be paid on 7 June 2022 to shareholders on the register on 29 April 2022. The ex-dividend date will be 28 April 2022.

BOARD SUCCESSION

The Board has recruitment processes running for a CEO and an additional Non-Executive Director. These are progressing to plan and the Board will update shareholders in due course.

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 33 to 36 of the Annual Report and Accounts 2021 (available on the Company's website at http://investors.carrsgroup.com).

OUTLOOK

During the second half, an improved performance in Engineering, where order books stand at record levels, together with continued positive trading in Agricultural Supplies are expected to offset volume and pricing challenges in Speciality Agriculture. The Board is confident in the prospects of all three divisions in the medium term, and its full year expectations are unchanged.

Peter Page.

Peter Page
Chairman
20 April 2022

Condensed Consolidated Income Statement

For the 26 weeks ended 26 February 2022

	Notes	26 weeks ended 26 February 2022 (unaudited) £'000	26 weeks ended 27 February 2021 (unaudited) (restated)[2] £'000	52 weeks ended 28 August 2021 (audited) £'000
Continuing operations				
Revenue	6,7	**222,706**	201,435	417,254
Cost of sales		**(198,972)**	(173,412)	(365,174)
Gross profit		**23,734**	28,023	52,080
Net operating expenses		**(15,135)**	(20,154)	(39,218)
Adjusted[1] share of post-tax results of associate		**678**	920	1,525
Adjusting items	8	**(261)**	(73)	(694)
Share of post-tax results of associate		**417**	847	831
Share of post-tax results of joint ventures		**998**	1,276	1,421
Impairment of joint venture (adjusting item)	8	**–**	–	(2,090)
Adjusted[1] operating profit	6	**10,781**	10,993	17,585
Adjusting items	8	**(767)**	(1,001)	(4,561)
Operating profit	6	**10,014**	9,992	13,024
Finance income		**161**	135	260
Finance costs		**(691)**	(633)	(1,232)
Adjusted[1] profit before taxation	6	**10,251**	10,495	16,613
Adjusting items	8	**(767)**	(1,001)	(4,561)
Profit before taxation	6	**9,484**	9,494	12,052
Taxation		**(1,573)**	(1,600)	(2,400)
Adjusted[1] profit for the period	6	**8,305**	8,589	14,675
Adjusting items	8	**(394)**	(695)	(5,023)
Profit for the period		**7,911**	7,894	9,652
Profit attributable to:				
Equity shareholders		**7,127**	7,199	7,712
Non-controlling interests		**784**	695	1,940
		7,911	7,894	9,652
Earnings per share (pence)				
Basic	9	**7.6**	7.8	8.3
Diluted	9	**7.5**	7.5	8.1
Adjusted[1]	9	**7.6**	8.3	13.2
Diluted adjusted[1]	9	**7.5**	8.1	13.0

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. Adjustments made to calculate adjusted earnings per share can be found in note 9. An alternative performance measures glossary can be found in note 19.

2 See note 18 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 26 February 2022

	Notes	26 weeks ended 26 February 2022 (unaudited) £'000	26 weeks ended 27 February 2021 (unaudited) (restated)[1] £'000	52 weeks ended 28 August 2021 (audited) £'000
Profit for the period		**7,911**	7,894	9,652
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange translation gains/(losses) arising on translation of overseas subsidiaries		**123**	(1,752)	(1,781)
Net investment hedges		**133**	76	165
Taxation charge on net investment hedges		**(25)**	(14)	(31)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on retirement benefit asset:				
– Group	14	**530**	(295)	1,205
– Share of associate		**–**	–	578
Taxation (charge)/credit on actuarial gains/(losses) on retirement benefit asset:				
– Group		**(133)**	56	(301)
– Share of associate		**–**	–	(144)
Other comprehensive income/(expense) for the period, net of tax		**628**	(1,929)	(309)
Total comprehensive income for the period		**8,539**	5,965	9,343
Total comprehensive income attributable to:				
Equity shareholders		**7,755**	5,270	7,403
Non-controlling interests		**784**	695	1,940
		8,539	5,965	9,343

1 See note 18 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Condensed Consolidated Balance Sheet

As at 26 February 2022

	Notes	As at 26 February 2022 (unaudited) £'000	As at 27 February 2021 (unaudited) (restated)[1] £'000	As at 28 August 2021 (audited) £'000
Non-current assets				
Goodwill	11	**31,634**	31,530	31,560
Other intangible assets	11	**4,656**	5,705	5,151
Property, plant and equipment	11	**37,155**	35,609	36,198
Right-of-use assets	11	**15,816**	16,265	16,777
Investment property	11	**149**	155	152
Investment in associate		**14,687**	14,522	14,268
Interest in joint ventures		**8,445**	11,492	9,482
Other investments		**72**	72	72
Contract assets		**310**	–	312
Financial assets				
– Non-current receivables		**20**	20	20
Retirement benefit asset	14	**9,964**	7,807	9,371
		122,908	123,177	123,363
Current assets				
Inventories		**51,926**	43,392	43,226
Contract assets		**6,623**	7,885	7,202
Trade and other receivables		**82,356**	59,496	61,735
Current tax assets		**3,216**	2,705	2,669
Financial assets				
– Cash and cash equivalents	12	**28,457**	24,838	24,309
		172,578	138,316	139,141
Total assets		**295,486**	261,493	262,504
Current liabilities				
Financial liabilities				
– Borrowings	12	**(37,069)**	(8,580)	(11,113)
– Leases		**(3,301)**	(2,965)	(2,967)
Contract liabilities		**(1,372)**	(3,019)	(2,447)
Trade and other payables		**(74,054)**	(67,704)	(69,526)
Current tax liabilities		**(254)**	(494)	(42)
		(116,050)	(82,762)	(86,095)
Non-current liabilities				
Financial liabilities				
– Borrowings	12	**(21,246)**	(26,815)	(23,159)
– Leases		**(11,982)**	(12,177)	(12,458)
Deferred tax liabilities		**(5,560)**	(4,830)	(5,503)
Other non-current liabilities		**(28)**	(1,370)	(55)
		(38,816)	(45,192)	(41,175)
Total liabilities		**(154,866)**	(127,954)	(127,270)
Net assets		**140,620**	133,539	135,234
Shareholders' equity				
Share capital	15	**2,349**	2,330	2,343
Share premium	15	**10,465**	9,613	10,155
Other reserves		**2,825**	2,363	2,578
Retained earnings		**107,017**	102,071	103,006
Total shareholders' equity		**122,656**	116,377	118,082
Non-controlling interests		**17,964**	17,162	17,152
Total equity		**140,620**	133,539	135,234

1 See note 18 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 26 February 2022

	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 29 August 2021 (audited)	**2,343**	**10,155**	**–**	**480**	**1,903**	**195**	**103,006**	**118,082**	**17,152**	**135,234**
Profit for the period	–	–	–	–	–	–	7,127	7,127	784	7,911
Other comprehensive income	–	–	–	–	231	–	397	628	–	628
Total comprehensive income	–	–	–	–	231	–	7,524	7,755	784	8,539
Dividends paid	–	–	–	–	–	–	(3,583)	(3,583)	–	(3,583)
Equity-settled share based payment transactions	–	–	–	18	–	–	68	86	28	114
Allotment of shares	6	310	–	–	–	–	–	316	–	316
Transfer	–	–	–	–	–	(2)	2	–	–	–
At 26 February 2022 (unaudited)	**2,349**	**10,465**	**–**	**498**	**2,134**	**193**	**107,017**	**122,656**	**17,964**	**140,620**
As previously reported at 29 August 2020 (audited)	2,312	9,176	(45)	734	3,550	197	101,202	117,126	17,043	134,169
Prior period adjustment[1]	–	–	–	–	–	–	(2,295)	(2,295)	(243)	(2,538)
At 30 August 2020 (restated)[1]	2,312	9,176	(45)	734	3,550	197	98,907	114,831	16,800	131,631
Profit for the period	–	–	–	–	–	–	7,199	7,199	695	7,894
Other comprehensive expense	–	–	–	–	(1,690)	–	(239)	(1,929)	–	(1,929)
Total comprehensive (expense)/income	–	–	–	–	(1,690)	–	6,960	5,270	695	5,965
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	102,071	116,377	17,162	133,539
As previously reported at 29 August 2020 (audited)	2,312	9,176	(45)	734	3,550	197	101,202	117,126	17,043	134,169
Prior period adjustment[1]	–	–	–	–	–	–	(2,295)	(2,295)	(243)	(2,538)
At 30 August 2020 (restated)[1]	2,312	9,176	(45)	734	3,550	197	98,907	114,831	16,800	131,631
Profit for the period	–	–	–	–	–	–	7,712	7,712	1,940	9,652
Other comprehensive (expense)/income	–	–	–	–	(1,647)	–	1,338	(309)	–	(309)
Total comprehensive (expense)/income	–	–	–	–	(1,647)	–	9,050	7,403	1,940	9,343
Dividends paid	–	–	–	–	–	–	(5,490)	(5,490)	(1,647)	(7,137)
Equity-settled share based payment transactions	–	–	–	(254)	–	–	660	406	58	464
Excess deferred taxation on share based payments	–	–	–	–	–	–	32	32	1	33
Allotment of shares	31	979	–	–	–	–	–	1,010	–	1,010
Purchase of own shares held in trust	–	–	(110)	–	–	–	–	(110)	–	(110)
Transfer	–	–	155	–	–	(2)	(153)	–	–	–
At 28 August 2021 (audited)	2,343	10,155	–	480	1,903	195	103,006	118,082	17,152	135,234

1 See note 18 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 26 February 2022

	Notes	26 weeks ended 26 February 2022 (unaudited) £'000	26 weeks ended 27 February 2021 (unaudited) (restated)[1] £'000	52 weeks ended 28 August 2021 (audited) £'000
Cash flows from operating activities				
Cash (used in)/generated from continuing operations	16	**(13,965)**	15,225	22,163
Interest received		**74**	57	109
Interest paid		**(702)**	(625)	(1,244)
Tax paid		**(579)**	(1,300)	(2,131)
Net cash (used in)/generated from operating activities		**(15,172)**	13,357	18,897
Cash flows from investing activities				
Contingent consideration paid		**–**	(131)	(1,077)
Dividends received from associate and joint ventures		**1,626**	368	1,898
Purchase of intangible assets		**(1)**	(49)	(107)
Proceeds from sale of property, plant and equipment		**41**	125	396
Purchase of property, plant and equipment and right-of-use assets		**(2,034)**	(1,645)	(3,850)
Purchase of own shares held in trust		**–**	(9)	–
Net cash used in investing activities		**(368)**	(1,341)	(2,740)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**316**	455	1,010
Purchase of own shares held in trust		**–**	–	(110)
New financing and draw downs on RCF		**5,311**	5,609	11,526
Repayment of RCF draw downs		**(6,000)**	–	(8,500)
Lease principal repayments		**(1,354)**	(1,556)	(3,252)
Repayment of borrowings		**(1,406)**	(1,200)	(2,400)
Increase/(decrease) in other borrowings		**22,989**	(604)	2,394
Dividends paid to shareholders		**(3,583)**	(4,390)	(5,490)
Dividends paid to related party		**–**	(368)	(1,647)
Net cash generated from/(used in) financing activities		**16,273**	(2,054)	(6,469)
Effects of exchange rate changes		**39**	(373)	(296)
Net increase in cash and cash equivalents		**772**	9,589	9,392
Cash and cash equivalents at beginning of the period		**19,696**	10,304	10,304
Cash and cash equivalents at end of the period		**20,468**	19,893	19,696
Cash and cash equivalents consist of:				
Cash and cash equivalents per the balance sheet		**28,457**	24,838	24,309
Bank overdrafts included in borrowings		**(7,989)**	(4,945)	(4,613)
		20,468	19,893	19,696

1 See note 18 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs.

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 2021, with the exception of the following changes in the period: Alistair Wannop and Kristen Eshak Weldon both resigned on 18 January 2022. As previously disclosed in the Annual Report and Accounts 2021, Hugh Pelham resigned on 11 October 2021. A list of current Directors is maintained on the website: www.carrsgroup.com

On behalf of the Board

Peter Page.　　N. Austin

Peter Page
Chairman
20 April 2022

Neil Austin
Chief Financial Officer
20 April 2022

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 20 April 2022.

The comparative figures for the financial year ended 28 August 2021 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 26 February 2022 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 3 September 2022 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 28 August 2021 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. It is the intention to renew these facilities in advance of the approval of the Report & Accounts for the year ending 3 September 2022.

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 increases in costs, reduction in revenues, increases to customer payment terms and delays on order books. 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 and prior period restatement

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 26 February 2022. Our effective tax rate was 20.7% (H1 2021: restated 21.3%) after adjusting for results from associate and joint ventures, which are reported net of tax, adjustments to contingent consideration (note 8) which is treated as non-taxable, and for irrecoverable withholding tax on dividends received from overseas joint ventures. The lower effective tax rate is due to a lower mix of overseas profits.

Prior period restatement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the publication of this agenda decision the Group reviewed and changed its accounting policy for the capitalisation of costs incurred in respect of the configuration and customisation of its cloud hosted ERP system to align with the IFRIC guidance. This revision has been accounted for retrospectively resulting in a prior period restatement.

This change in accounting policy has also been reflected in these condensed interim financial statements resulting in a restatement of the primary financial statements for the comparative period ended 27 February 2021.

See notes 8, 11 and 18 for further details.

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 28 August 2021, 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 28 August 2021.

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. 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 26 February 2022 and the comparative periods.

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
26 weeks ended 26 February 2022					
Total segment revenue	46,953	158,721	21,351	–	227,025
Inter segment revenue	(4,267)	(2)	(50)	–	(4,319)
Revenue from external customers	42,686	158,719	21,301	–	222,706
Adjusted[1] EBITDA[2]	6,463	4,387	2,587	(1,048)	12,389
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(738)	(1,355)	(1,128)	(63)	(3,284)
Share of post-tax results of associate (adjusted[1]) and joint ventures	793	883	–	–	1,676
Adjusted[1] operating profit	6,518	3,915	1,459	(1,111)	10,781
Adjusting items (note 8)	(244)	(1,244)	1,096	(375)	(767)
Operating profit	6,274	2,671	2,555	(1,486)	10,014
Finance income					161
Finance costs					(691)
Adjusted[1] profit before taxation					10,251
Adjusting items (note 8)					(767)
Profit before taxation					9,484
Segment gross assets	49,940	151,764	75,094	18,688	295,486
Segment gross liabilities	(13,803)	(91,537)	(23,156)	(26,370)	(154,866)

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 segmental information for the 26 weeks ended 27 February 2021 has been restated following the change in accounting policy for cloud configuration and customisation costs.

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
26 weeks ended 27 February 2021 (restated)					
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	(682)	(1,320)	(1,283)	(70)	(3,355)
Share of post-tax results of associate (adjusted[1]) and joint ventures	1,054	1,142	–	–	2,196
Adjusted[1] operating profit	8,257	3,288	922	(1,474)	10,993
Adjusting items (note 8)	(482)	(554)	78	(43)	(1,001)
Operating profit	7,775	2,734	1,000	(1,517)	9,992
Finance income					135
Finance costs					(633)
Adjusted[1] profit before taxation					10,495
Adjusting items (note 8)					(1,001)
Profit before taxation					9,494
Segment gross assets	47,731	111,464	78,421	23,877	261,493
Segment gross liabilities	(11,497)	(56,126)	(28,591)	(31,740)	(127,954)

	Speciality Agriculture £'000	Agricultural Supplies £'000	Engineering £'000	Central £'000	Group £'000
52 weeks ended 28 August 2021					
Total segment revenue	74,395	297,506	51,299	–	423,200
Inter segment revenue	(5,934)	(6)	(6)	–	(5,946)
Revenue from external customers	68,461	297,500	51,293	–	417,254
Adjusted[1] EBITDA[2]	9,858	7,348	6,133	(2,417)	20,922
Depreciation, amortisation and profit/(loss) on disposal of non-current assets	(1,335)	(2,602)	(2,208)	(138)	(6,283)
Share of post-tax results of associate (adjusted[1]) and joint ventures	991	1,955	–	–	2,946
Adjusted[1] operating profit	9,514	6,701	3,925	(2,555)	17,585
Adjusting items (note 8)	(2,847)	(1,684)	97	(127)	(4,561)
Operating profit	6,667	5,017	4,022	(2,682)	13,024
Finance income					260
Finance costs					(1,232)
Adjusted[1] profit before taxation					16,613
Adjusting items (note 8)					(4,561)
Profit before taxation					12,052
Segment gross assets	48,558	110,716	79,994	23,236	262,504
Segment gross liabilities	(12,251)	(58,056)	(27,783)	(29,180)	(127,270)

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 26 February 2022 £'000**	26 weeks ended 27 February 2021 £'000	52 weeks ended 28 August 2021 £'000
Over time	**13,046**	18,464	36,435
At a point in time	**209,660**	182,971	380,819
	222,706	201,435	417,254

8. Adjusting items

	26 weeks ended 26 February 2022 £'000	26 weeks ended 27 February 2021 (restated) £'000	52 weeks ended 28 August 2021 £'000
Amortisation of acquired intangible assets (i)	**468**	621	1,186
Adjustments to contingent consideration (ii)	**(1,320)**	(671)	(1,013)
Restructuring/closure costs (iii)	**–**	247	248
Strategic review costs (iv)	**375**	–	–
Cloud configuration and customisation costs – Group (v)	**983**	731	1,356
Cloud configuration and customisation costs – share of associate (v)	**261**	73	515
Impairment of joint venture (vi)	**–**	–	2,090
Effect of deferred tax rate change – share of associate (vii)	**–**	–	179
Charge included in profit before taxation	**767**	1,001	4,561
Effect of deferred tax rate change – Group (vii)	**–**	–	990
Taxation effect of the above adjusting items	**(373)**	(306)	(528)
Charge included in profit for the period	**394**	695	5,023

(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 year end. Movements in fair value arise from changes to the expected payments since the previous year end based on actual results and updated forecasts. Any increase or decrease in fair value is recognised through the income statement.
(iii) Restructuring/closure costs include redundancy costs.
(iv) Strategic review costs include external advisor fees incurred in the development of the Group's strategy.
(v) Costs relating to material spend previously capitalised in relation to the implementation of the Group's, and associate's, ERP system that have now been expensed following the adoption of the IFRIC agenda decision. See note 18 for further details of the prior period restatement.
(vi) During the prior year the joint venture Afgritech LLC reported a loss and was expected to continue to underperform against budgeted information in the short to medium term. An impairment review was undertaken which resulted in an impairment charge of £1,314,000 against the carrying amount of interest in joint venture and an impairment charge of £776,000 against the carrying amount of a loan receivable.
(vii) During the prior year legislation was substantively enacted in the UK to increase the corporate tax rate to 25% with effect from 1 April 2023. As a result of the change, a tax charge of £179,000 was recognised in the prior year in the Group's share of associate results and £990,000 was recognised in the Group's tax charge in relation to the remeasurement of deferred tax assets and liabilities. This did not relate to the underlying performance of the associate or Group and was therefore included as an adjusting item.

Unaudited Notes to Condensed Interim Financial Information

continued

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 26 February 2022 £'000	26 weeks ended 27 February 2021 (restated) £'000	52 weeks ended 28 August 2021 £'000
Earnings	**7,127**	7,199	7,712
Adjusting items:			
Amortisation of acquired intangible assets	**468**	621	1,186
Adjustments to contingent consideration	**(1,320)**	(671)	(1,013)
Restructuring/closure costs	**–**	247	248
Strategic review costs	**375**	–	–
Cloud configuration and customisation costs – Group	**983**	731	1,356
Cloud configuration and customisation costs – share of associate	**261**	73	515
Impairment of joint venture	**–**	–	2,090
Taxation effect of the above	**(373)**	(306)	(528)
Effect of increase to UK deferred tax rate – Group	**–**	–	990
Effect of increase to UK deferred tax rate – share of associate	**–**	–	179
Non-controlling interest in the above	**(390)**	(191)	(433)
Earnings – adjusted	**7,131**	7,703	12,302

	26 weeks ended 26 February 2022 Number	26 weeks ended 27 February 2021 Number	52 weeks ended 28 August 2021 Number
Weighted average number of ordinary shares in issue	**93,759,322**	92,588,219	93,123,043
Potentially dilutive share options	**1,069,129**	2,813,125	1,567,139
	94,828,451	95,401,344	94,690,182
Earnings per share (pence) (restated)			
Basic	**7.6p**	7.8p	8.3p
Diluted	**7.5p**	7.5p	8.1p
Adjusted	**7.6p**	8.3p	13.2p
Diluted adjusted	**7.5p**	8.1p	13.0p

10. Dividends

An interim dividend of £1,100,423 (H1 2021: £2,079,551) that related to the period to 28 August 2021 was paid on 1 October 2021. A final dividend of £2,482,959 (H1 2021: £2,310,612) in respect of the period to 28 August 2021 was paid on 26 January 2022.

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 26 February 2022					
Opening net book amount at 29 August 2021	**31,560**	**5,151**	**36,198**	**16,777**	**152**
Exchange differences	**74**	**9**	**9**	**11**	**–**
Additions and lease modifications	**–**	**1**	**2,041**	**1,124**	**–**
Disposals, transfers and reclassifications	**–**	**–**	**779**	**(701)**	**–**
Depreciation and amortisation	**–**	**(505)**	**(1,872)**	**(1,395)**	**(3)**
Closing net book amount at 26 February 2022	**31,634**	**4,656**	**37,155**	**15,816**	**149**
26 weeks ended 27 February 2021 (restated)					
Opening net book amount at 30 August 2020	32,041	6,365	38,259	14,856	158
Exchange differences	(511)	(52)	(570)	(17)	–
Additions	–	49	1,628	1,818	–
Disposals and transfers	–	–	(1,748)	861	–
Depreciation and amortisation	–	(657)	(1,960)	(1,253)	(3)
Closing net book amount as at 27 February 2021	31,530	5,705	35,609	16,265	155

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 £659,000 (2021: £632,000).

The Group reviewed its accounting policy following the IFRIC agenda decision in April 2021 in respect of the configuration and customisation costs previously capitalised in relation to the Group's cloud hosted ERP system. Following this review, costs previously capitalised as additions for the 6 months ended 27 February 2021 of £731,000 have now been expensed and amortisation of £124,000 charged on those assets in that period has been reversed. See note 18 for further details of this prior period restatement.

12. Borrowings

	As at 26 February 2022 £'000	As at 27 February 2021 £'000	As at 28 August 2021 £'000
Current	**37,069**	8,580	11,113
Non-current	**21,246**	26,815	23,159
Total borrowings	**58,315**	35,395	34,272
Cash and cash equivalents as per the balance sheet	**(28,457)**	(24,838)	(24,309)
Net debt	**29,858**	10,557	9,963
Undrawn facilities	**20,381**	35,324	35,996

Current borrowings include bank overdrafts of £8.0m (2021: £4.9m). Undrawn facilities include £6.1m (2021: £5.7m) in respect of facilities that are renewable on an annual basis.

Unaudited Notes to Condensed Interim Financial Information

continued

12. Borrowings continued

Movements in borrowings are analysed as follows:	26 weeks ended 26 February 2022 £'000	26 weeks ended 27 February 2021 £'000
Balance at start of period	**34,272**	36,441
Exchange differences	**(168)**	(235)
New bank loans and draw downs on RCF	**5,222**	4,000
Repayment of RCF draw downs	**(6,000)**	–
Repayments of borrowings	**(1,406)**	(1,200)
Increase/(decrease) in other borrowings	**22,989**	(604)
Loan forgiven	**–**	(715)
Release of deferred borrowing costs	**30**	30
Net increase/(decrease) to bank overdraft	**3,376**	(2,322)
Balance at end of period	**58,315**	35,395

New bank loans and draw downs on RCF excludes re-financing of assets under new finance lease arrangements.

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 information, and the discount rate, which has been based on the incremental borrowing rate. At 26 February 2022 there is no remaining contingent consideration payable. At 28 August 2021, all of the remaining contingent consideration payable is included within current liabilities and has therefore not been discounted. In respect of the period ended 27 February 2021 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 26 February 2022 £'000	As at 27 February 2021 £'000	As at 28 August 2021 £'000
Fair value at the start of the period	**1,320**	3,422	3,422
Exchange differences	**–**	(12)	(12)
Payments made to vendors	**–**	(131)	(1,077)
Change in fair value	**(1,320)**	(671)	(1,013)
Fair value at the end of the period	**–**	2,608	1,320

14. Retirement benefit asset

The amounts recognised in the Income Statement are as follows:

	26 weeks ended 26 February 2022 £'000	26 weeks ended 27 February 2021 £'000	52 weeks ended 28 August 2021 £'000
Administrative expenses	16	9	18
Net interest on the net defined benefit asset	(79)	(74)	(147)
Total income	(63)	(65)	(129)

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 26 February 2022 £'000	As at 27 February 2021 £'000	As at 28 August 2021 £'000
Present value of funded defined benefit obligations	(59,500)	(62,685)	(66,254)
Fair value of scheme assets	69,464	70,492	75,625
Surplus in funded scheme	9,964	7,807	9,371

Actuarial gains of £530,000 (2021: losses of £295,000) have been reported in the Statement of Comprehensive Income. The surplus has increased over the period since 28 August 2021 due to changes in market conditions.

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 29 August 2021	93,720,125	2,343	10,155	12,498
Proceeds from shares issued:				
– Share save scheme	250,415	6	310	316
At 26 February 2022	93,970,540	2,349	10,465	12,814
Opening balance 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

250,415 shares were issued in the period to satisfy the share awards under the share save scheme with exercise proceeds of £315,774. The related weighted average price of the shares exercised in the period was £1.261 per share.

Since the period end the Company's issued share capital has increased to 93,977,598 shares due to the issue of 7,058 shares under the share save scheme with exercise proceeds of £8,999 and a related weighted average exercise price of £1.275 per share.

Unaudited Notes to Condensed Interim Financial Information

continued

16. Cash (used in)/generated from continuing operations

	26 weeks ended 26 February 2022 £'000	26 weeks ended 27 February 2021 (restated) £'000	52 weeks ended 28 August 2021 £'000
Profit for the period from continuing operations	**7,911**	7,894	9,652
Adjustments for:			
Tax	**1,573**	1,600	2,400
Tax credit in respect of R&D	**(1,352)**	(180)	(260)
Depreciation of property, plant and equipment	**1,872**	1,960	3,822
Depreciation of right-of-use assets	**1,395**	1,253	2,529
Depreciation of investment property	**3**	3	6
Intangible asset amortisation	**505**	657	1,256
(Profit)/loss on disposal of property, plant and equipment	**(21)**	103	(144)
Profit on disposal of right-of-use assets	**(2)**	–	–
Adjustments to contingent consideration	**(1,320)**	(671)	(1,013)
Net fair value charge on share based payments	**114**	255	464
Other non-cash adjustments	**(20)**	(157)	(600)
Interest income	**(161)**	(135)	(260)
Interest expense and borrowing costs	**721**	663	1,292
Share of post-tax results of associate and joint ventures	**(1,415)**	(2,123)	(2,252)
Impairment of joint venture	**–**	–	2,090
IAS 19 income statement charge (excluding interest):			
Administrative expenses	**16**	9	18
Changes in working capital:			
Increase in inventories	**(8,863)**	(2,783)	(2,679)
Increase in receivables	**(19,658)**	(7,872)	(10,606)
Increase in payables	**4,737**	14,749	16,448
Cash (used in)/generated from continuing operations	**(13,965)**	15,225	22,163

The majority of the increases in receivables and inventories relates to Agricultural Supplies, where receivables are higher due to a combination of higher selling prices and some slower collections. Inventories are higher due to a combination of higher prices and a decision to hold more machinery inventory. This is expected to reverse in the second half.

17. Related party transactions

The Group's significant related parties are its associate and joint ventures, as disclosed in the Annual Report and Accounts 2021.

	Sales to £'000	Purchases from £'000	Rent receivable from £'000	Net management charges (from)/to £'000	Dividends received from £'000	Amounts owed from £'000	Amounts owed to £'000
26 weeks to 26 February 2022							
Associate	**1,268**	**(69,154)**	**10**	**(65)**	**–**	**902**	**(31,707)**
Joint ventures	**135**	**(631)**	**–**	**118**	**1,626**	**985**	**(87)**
26 weeks to 27 February 2021							
Associate	346	(60,865)	10	(69)	368	368	(20,539)
Joint ventures	373	(229)	–	82	–	1,623	(102)

18. Prior period restatement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the publication of this agenda decision the Group reviewed and changed its accounting policy for the capitalisation of costs incurred in respect of the configuration and customisation of its cloud hosted ERP system to align with the IFRIC guidance. This revision has been accounted for retrospectively resulting in a prior period restatement.

This change in accounting policy has also been reflected in these condensed interim financial statements. The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and the consolidated statement of cash flows have been restated for the comparative period ended 27 February 2021.

The Group identified £2,894,000 of capitalised costs incurred by the parent Company and its subsidiaries in the years up to and including 29 August 2020 that has been expensed with a further £667,000 in its associate's balance sheet, of which the Group recognises 49%. Cumulative amortisation on these costs as at 29 August 2020 of £88,000 has been reversed.

In relation to the comparative period ended 27 February 2021, costs of £731,000 incurred by the parent Company and its subsidiaries have been expensed and amortisation charged of £124,000 has been reversed. A tax credit of £114,000 has been recognised in the consolidated income statement with a corresponding increase to the current tax asset in the consolidated balance sheet. In addition, the associate incurred costs of £183,000 during the period ended 27 February 2021, of which the Group recognises 49%, that have been expensed and recognised, net of an associated tax credit, through the Group's share of post-tax results of associate.

The affected financial statement line items for the Group are as follows.

	27 February 2021 (previously reported) £'000	Restatement £'000	27 February 2021 (restated) £'000
Income Statement			
Net operating expenses	(19,547)	(607)	(20,154)
Adjusted share of post-tax results of associate	920	–	920
Reported share of post-tax results of associate	920	(73)	847
Adjusted operating profit	10,869	124	10,993
Reported operating profit	10,672	(680)	9,992
Adjusted profit before taxation	10,371	124	10,495
Reported profit before taxation	10,174	(680)	9,494
Taxation	(1,714)	114	(1,600)
Adjusted profit for the period	8,490	99	8,589
Reported profit for the period	8,460	(566)	7,894
Basic EPS (pence)	8.2	(0.4)	7.8
Diluted EPS (pence)	7.9	(0.4)	7.5
Adjusted EPS (pence)	8.2	0.1	8.3
Diluted adjusted EPS (pence)	8.0	0.1	8.1
Balance Sheet			
Other intangible assets	9,118	(3,413)	5,705
Investment in associate	14,860	(338)	14,522
Total non-current assets	126,928	(3,751)	123,177
Current tax assets	2,058	647	2,705
Total current assets	137,669	647	138,316
Total assets	264,597	(3,104)	261,493
Net assets	136,643	(3,104)	133,539
Retained earnings	104,741	(2,670)	102,071
Total shareholders' equity	119,047	(2,670)	116,377
Non-controlling interests	17,596	(434)	17,162
Total equity	136,643	(3,104)	133,539
Cash Flow Statement			
Cash generated from continuing operations	15,956	(731)	15,225
Net cash generated from operating activities	14,088	(731)	13,357
Purchase of intangible assets	(780)	731	(49)
Net cash used in investing activities	(2,072)	731	(1,341)

Unaudited Notes to Condensed Interim Financial Information

continued

18. Prior period restatement continued

The opening balance sheet of the prior period has been restated and the affected financial statement line items are as follows.

	30 August 2020 (previously reported) £'000	Restatement £'000	30 August 2020 (restated) £'000
Balance Sheet			
Other intangible assets	**9,171**	**(2,806)**	**6,365**
Investment in associate	**14,307**	**(265)**	**14,042**
Total non-current assets	**127,473**	**(3,071)**	**124,402**
Current tax assets	**1,535**	**533**	**2,068**
Total current assets	**119,870**	**533**	**120,403**
Total assets	**247,343**	**(2,538)**	**244,805**
Net assets	**134,169**	**(2,538)**	**131,631**
Retained earnings	**101,202**	**(2,295)**	**98,907**
Total shareholders' equity	**117,126**	**(2,295)**	**114,831**
Non-controlling interests	**17,043**	**(243)**	**16,800**
Total equity	**134,169**	**(2,538)**	**131,631**

19. 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 are also used in assessing performance under the Group's incentive plans. Therefore, the Directors believe that these APMs provide stakeholders with additional useful information on the Group's performance.

Alternative performance measure	Definition and comments
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 profit for the period	Profit after taxation after adding back items regarded by the Directors as adjusting items. This measure is reconciled to statutory profit after taxation in the income statement. Adjusted results are presented because if included, these adjusting items could distort the understanding of the Group's performance for the 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 excluding leases. Details of the movement in borrowings is shown in note 12.

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