RNS Number : 4928O
Wynnstay Group PLC
01 February 2023

AIM: WYN

Wynnstay Group Plc
("Wynnstay" or the "Group" or the "Company")

Final Results
For the year ended 31 October 2022

Record results and well-positioned for FY 2023

KEY POINTS

Financial

- Record results reflect a strong trading performance and substantial one-off gains arising from macroeconomic events (which management does not believe will be repeated)
- Revenue up 42% to £713.03m (2021: £500.39m), primarily the impact of commodity inflation
- Underlying Group PBT* (incl. one-off gains) up 98% to £22.61m (2021: £11.44m)
- Reported pre-tax profit up 92% to £21.12m (2021: £10.99m)
- Basic EPS up 86% to 82.72p (2021: 44.40p)
- Net cash up 53% to £14.15m (31 Oct 2021: £9.24m)
- Net assets up 24% to record £130.70m or £6.31 per share (2021: £105.72m /£5.25 per share)
- Successful £10.3m (net) equity placing in August 2022 supports ongoing growth plans
- Proposed final dividend of 11.60p (2021: 10.50p); total dividend up 9.7% to 17.00p (2021: 15.50p)
    - 19th consecutive year of dividend increases

Operational

- Agriculture Division - revenue up 57% to £564.26m (2021: £358.96m), segmental profit contribution up 247% to £14.66m (2021: £4.22m)
    - one-off gains from impact of global events on fertiliser operations, with raw material stock values at Glasson substantially boosted by natural gas prices and constricted supply, and very strong contribution from merchanted fertiliser sales even on lower volumes
    - feed volumes up by 6%, ahead of national market trends
    - grain marketing activity, GrainLink, traded record volumes
    - total seed sales decreased, reflecting seasonal factors and exit from lower-margin cereal seed sales, but grass seed performance was ahead of national trend
- Specialist Agricultural Merchanting Division - revenue up 5% to £148.77m (2021: £141.43m) segmental profit contribution up 11% to £7.95m (2021: £7.15m)
    - performance better than expected, boosted by strong bagged feed sales and efficiencies
    - continued investment in depot network and staff training
- Joint Venture businesses contributed ahead of management expectations
- Humphrey acquisition is integrating well and contributed in line with management expectations at time of purchase in March 2022. It has added increased feed manufacturing capacity and further growth opportunities
- Investment in seed processing facility at Astley completed and major investment programme at feed plant at Carmarthen started
- ESG strategy supported by the establishment of a Sustainable Farm Advisory Team

Outlook

- Post period acquisition of Tamar Milling Ltd, animal feed business based in Cornwall, in November 2022, extends geographic footprint, farmer customer base and manufacturing capacity
- Board believes Wynnstay remains well-positioned to attain its growth targets despite the economic headwinds

**Underlying pre-tax profit is a non-GAAP (generally accepted accounting principles) measure and is not intended as a substitute for GAAP measures and may not be calculated in the same way as those used by other companies. Refer to Note 15 for an explanation on how this measure has been calculated and the reasons for its use.*

Gareth Davies, Chief Executive of Wynnstay Group plc, commented:

"These results are exceptional and set record highs across all key financial measures. While global events have driven substantial one-off financial gains that we do not expect to repeat, the Group in any case traded very strongly, helped by strong farmgate prices and growth and efficiency initiatives.

"We also made excellent progress with our strategic growth plans. The Humphrey acquisition has significantly expanded our geographic trading area and added feed manufacturing capacity, creating further growth opportunities. Our recent acquisition in November 2022 of Tamar Milling further extends our trading footprint, and we continue to drive investment in capacity, efficiency, and staff across the Group.

"Trading in the new financial year to date has been in line with expectations. While there are economic headwinds, we remain confident of achieving our growth targets."

Enquiries:

Wynnstay Group Plc	Gareth Davies, Chief Executive	T: 020 3178 6378 (today)
	Paul Roberts, Finance Director	T: 01691 827 142

KTZ Communications	Katie Tzouliadis / Robert Morton / Dan Mahoney	T: 020 3178 6378
Shore Capital (Nomad and Broker)	Stephane Auton / John More / Rachel Goldstein	T: 020 7408 4090

CHAIRMAN'S REPORT

OVERVIEW

The Group performed strongly during the year and trading results set new record highs across all key financial measures. It should be noted that results benefited substantially from some singular gains that we do not expect to be repeated in the new financial year.

Underlying pre-tax profit* (which includes these gains) rose by 98% to £22.61m (2021: £11.44m) and revenues increased by 42% to £713.03m (2021: £500.39m), with significant inflation primarily driving the uplift in revenue. Reported profit before taxation was £21.12m (2021: £10.99m). Basic earnings per share, including non-recurring items, rose by 86% to 82.72p (44.40p).

These exceptionally strong results are significantly ahead of initial market expectations. They reflect a combination of factors; the benefits of growth and efficiency initiatives, farmer confidence, which was underpinned by strong farm gate prices across most sectors, but also significant one-off gains, in particular, stock gains in our fertiliser activity, which we do not believe will be repeated.

The advantages of the Group's diversified business model, with its broad spread of products across agricultural supplies, was again evident, with less robust sub-sectors offset by more positive sector performances elsewhere.

Both Divisions contributed increased revenue and operating profit, with almost all the Group's exceptional performance delivered by the Agricultural Division. In thisDivision, feed volumes were c.6% higher than last year and ahead of industry trends, and arable activities benefited from record commodity prices and a good 2022 harvest. Grain trading at GrainLink, our grain marketing activity, reached record volumes and its contribution also benefited from a significant one-off, non-cash gain at the end of the financial year that has since unwound, as previously announced. Total seed volumes reduced modestly, reflecting seasonal factors although the decrease in cereal volumes also reflected our decision to reduce the number of low-margin wholesale cereal seed trades. In line with industry trends, fertiliser volumes were significantly lower than last year, which reflected the extreme rise in prices created by the highly disrupted natural gas market. These market conditions however also drove very significant stock gains at Glasson Grain Limited ("Glasson"), resulting in an exceptional performance, not expected to be repeated.

The Specialist Agricultural Merchanting Division performed very well, helped by increased efficiency and strong branded bagged feed sales. The unusually dry summer dampened demand for some product lines. We continued to invest in and optimise our depot network, including closing a depot at Bethania in mid-Wales, while successfully transferring sales to neighbouring sites.

Our Joint Venture businesses, Bibby Agriculture Limited, which provides feed and forage products, and WYRO Developments Limited, which develops residential homes, both contributed to the Group's outperformance, delivering significantly higher contributions than originally expected.

The acquisition of the Humphrey Poultry (Holdings) Ltd ("Humphrey") businesses based in Hampshire in March for an expected final consideration of £12.1m net of cash acquired, was a strategic highlight in the year. In mid-November 2022, just after the financial year end, we also acquired Tamar Milling Limited ("Tamar"), a manufacturer and supplier of blended and coarse mix feed products based in Cornwall, for an initial consideration of up to £1.5m. Both acquisitions are earnings enhancing. In August 2022, we also raised £10.3m net, via an equity placing to UK institutional shareholders and these new funds will support our ongoing acquisition and organic growth strategy.

** Underlying pre-tax profit is a non-GAAP measure and is not intended as a substitute to GAAP measures. Refer to Note 15 for a reconciliation on the calculation of this measure and the reasons for its use.*

GROWTH STRATEGY

Wynnstay's growth strategy is centered on three key pillars, organic and acquisitive growth, a multi-channel sales approach, and Environmental, Social and Governance ("ESG"). At the forefront of the Board's thinking is our customer base of arable and livestock farmers. We aim to ensure that the Group continues to provide them with trusted advice, a wide range of products and services that cater for their changing needs, and high customer service. Ultimately, our objective is to support farmers to grow food profitably, sustainably and in an environmentally enhancing manner.

Against the context of our growth strategy, I am very pleased to highlight progress in the following areas in particular:

- Organic and acquisitive growth
    - Our acquisitions of the Humphrey business and Tamar have significantly expanded the Group's trading footprint. They have materially extended our presence in the South of England as well as in the Midlands and Wales, bringing new farmer customer bases as well as additional supply chain relationships.
    - Both businesses have increased our feed manufacturing capability, with the additional capacity also opening up the opportunity to implement operational efficiencies.
    - The Humphrey business has significantly increased our market share in poultry feed for free-range egg production, boosting our market share to an estimated c.11% from c.6%.
    - We completed our investment projects at our seed processing plant at Astley, which have added new capability and improved efficiency.
    - Organic growth also continues to be supported by our investment in our specialist advisory services. Our two industry events, The Arable Event and The Beef and Sheep Event, which resumed in person in the year, also serve to support technical knowledge transfer to farmers across our trading regions and were very well attended.

- Multi-channel
    - Increased numbers of customers have now registered for our digital portal, typically using it to access their accounts. While farmers' purchasing habits remain strongly aligned towards depot-based purchases rather

    than digital purchases, we nonetheless continue to monitor buying patterns closely as we further develop our multi-channel sales strategy.

- ESG
    - Our ESG work continued to evolve and we established a Sustainable Farm Advisory Group in the year. It is made up of recognised industry leaders, who are assisting us in the development our ESG strategy and delivery plans.
    - We launched a Holistic Whole Farm Solution in the year and further advanced our offering of climate-friendly feeds.
    - We intend to invest in on-site solar arrays, which will provide the dual benefits of reducing the Group's carbon footprint and its exposure to the wholesale energy markets.

FINANCIAL RESULTS

Group revenue increased by 42% year-on-year to £713.03m (2021: £500.39m). This rise reflected significant commodity inflation, with the Humphrey acquisition making a first-time partial revenue contribution of £31.58m.

Underlying Group pre-tax profit, the Board's alternative performance measure, rose by 98% to a record £22.61m (2021: £11.44m) over the year. This includes the one-off trading gains (which we do not believe will be repeated), gross share of results from joint ventures but excludes share-based payments and non-recurring items. Reported pre-tax profit increased by 92% to £21.12m (2021: £10.99m). Basic earnings per share increased by 86% to 82.72p (2021: 44.40p).

Both Divisions contributed to revenue and profit growth, with the Agricultural Division delivering a 57% uplift in revenues to £564.26m (2021: £358.96m), and the Specialist Agricultural Merchanting Division a 5% rise to £148.77m (2021: £141.43m). The segmental profit contribution from the Agriculture Division increased by 247% year-on-year to £14.66m (2021: £4.22m), with the Specialist Agricultural Merchanting Division contributing £7.95m (2021: £7.15m), an 11% rise.

The Group generates good operational cash flows, with cash generated from operations being £13.84m (2021: £10.57m) despite the challenges of working capital inflation.

Cash and cash equivalents at 31 October 2022 increased by 53% to £14.15m (2021: £9.24m). October typically represents the highest point of net cash in the Group's annual working capital cycle.

During the year, 75,891 new ordinary shares (2021: 89,687) were issued to existing shareholders who exercised their right to receive dividends in the form of new shares. The equivalent cash amount totalled £0.457m (2021: £0.439m). A further 1,965,689 shares were issued via the institutional equity placing and as a result of employee options being exercised, for a total cash consideration of £10.58m (2021: £0.59 million).

Capital investment in fixed assets amounted to £5.31m (2021: £5.61m) in the year and £10.23m, net of cash acquired, was invested in acquisitions (2021: £2.21m).

Group net assets at the financial year end increased by 24% to £130.70m (2021: £105.72m), a record high. Based on the weighted average number of shares in issue during the year of 20.722m (2021: 20.120m), this equates to £6.31 per share (2021: £5.25 per share).

Return on assets from underlying pre-tax profits, increased to 17.4% (2021: 10.8%).

DIVIDENDS

The Board is pleased to propose an increased final dividend of 11.60p per share. The final dividend will be paid on 28 April 2023 (2021:10.50p per share) to shareholders on the register on 31 March 2023. Together with the interim dividend of 5.40p per share, paid on the 31 October 2022, this makes a total dividend of 17.00p per share for the year (2021: 15.5p per share), an increase of 9.7% on the previous year. The final dividend is subject to shareholder approval at the forthcoming AGM on 21 March 2023.

The total dividend payment represents the 19th consecutive year of dividend growth since Wynnstay joined AIM in 2004. This dividend is covered 4.1 times by earnings after non-recurring items (2021: 2.8 times).

BOARD AND COLLEAGUES

The Board would like to acknowledge the dedication and hard work of the Wynnstay team over the year. Our staff continue to provide customers with an excellent service and on behalf of my fellow Directors, I would like to thank everyone for their vital contribution to the 2022 results.

We are delighted to welcome the senior management teams and staff of Humphrey and Tamar to the Group. We are currently in the process of recruiting a Head of Strategic Delivery to work with senior management on key projects, including acquisitions and their successful integration into the business.

Philip Kirkham, Board Vice-Chairman and Senior Independent Director is due to retire during 2023. We have commenced a recruitment process for an appropriately qualified successor and will make a further announcement on the outcome of this process in due course.

OUTLOOK

The Group has made strong operational and strategic progress against its goals. While a number of one-off gains drove an exceptional financial performance this year, which we do not expect to be repeated in the new financial year, Group performance was also very strong.

Looking ahead at prospects over 2023, the sector is facing inflationary headwinds, as we have previously commented. We anticipate this to impact raw material prices, as well as the Group's energy, labour and distribution costs. We plan to manage these headwinds through efficiency and productivity improvements and other measures where possible. Farmers are facing similar pressures although there have been some welcome downward moves in energy and distribution costs in recent weeks.

Financially, the Group generates good cashflows and the balance sheet remains robust. This gives a solid platform for continuing development and supports our ongoing investment plans. These include a major programme of works at Carmarthen Mill, renewable energy projects and investments in the depot network. In the meantime, the Board continues to review acquisition opportunities that meet its criteria.

We believe that Wynnstay is in a good position to make further progress and to achieve its growth targets for the financial year.

Steve Ellwood
Chairman

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

The Group's financial results this year are exceptional. They reflect a strong performance, which was supported by a favourable trading environment across most sectors, very significant one-off gains (which we do not expect to be repeated) arising from global events, and inflation. These one-off gains predominantly arose from the fertiliser processing activity at Glasson Grain Ltd, which experienced substantial stock gains following the sharp price increases in natural gas over 2022, a key ingredient in fertiliser production, particularly following the invasion of the Ukraine by Russia.

Inflation was a major feature during the year, which impacted grain and feed prices as well as fertiliser prices. It contributed significantly to the Group's revenue outcome. Nonetheless, we managed these inflationary pressures well, particularly in relation to energy, fuel and labour costs. We have also sought to position the business to be able to manage anticipated cost increases in the year ahead.

We are pleased to have outperformed national trends in the sectors in which we operate, and have made material progress in expanding the Group's geographical coverage, as well as increasing Group manufacturing capacity.

The acquisition of Humphrey Poultry (Holdings) Ltd ("Humphrey"), based at Twyford in Hampshire, in March 2022, fulfilled multiple strategic aims. Significantly, it has opened up new geographic areas for us, particularly in the South of England, nearly doubled our market share in poultry feed for free-range egg production, and added additional feed manufacturing capacity, with the potential to further enhance the Group's feed manufacturing operations. A further acquisition, Tamar Milling Ltd, an animal feed business based in Cornwall, which we completed after the end of the financial year, has expanded our geographic reach in the South West of England. Both acquisitions are immediately earnings enhancing.

The Joint Venture businesses, particularly Bibby Agriculture Ltd and WYRO Developments Limited, have performed very well, contributing above our expectations.

We have continued to invest significantly in the business. Our investment project at our seed processing plant in Astley was completed, doubling grass seed mixing capacity and adding new cereal seed processing technology. Our major capital investment programme at the Carmarthen feed mill has started and is on course to be completed in early 2024. We are also considering options to redevelop the mothballed feed plant at Calne in Wiltshire.

Environment, Social and Governance principles ("ESG") is an important pillar of Group strategy. We continue to provide products and services to our customers that will help them deliver their environmental ambitions, including meeting new Government policy and legislation, in particular Environmental Land Management Schemes ("ELMS"), the Sustainable Farming Scheme and Nitrate Vulnerable Zones.

REVIEW OF ACTIVITIES

AGRICULTURE DIVISION

The Agriculture Division manufactures and processes feed, fertiliser and seed, in addition to supplying a comprehensive range of agricultural inputs for both arable and livestock farmers. The Division includes Glasson Grain Limited, GrainLink, the Group's specialist crop marketing business, and, since March 2022, the Humphrey business.

Revenue generated by the Agriculture Division increased by 57% to £564.26m (2021: £358.96m) and segmental contribution (see Note 2 of the financial statements) rose by 247% to £14.66m (2021: £4.22m).

Feed

Feed products are manufactured at our main feed mills at Llansantffraid, Carmarthen and Twyford (acquired in March 2022), supported by three blending facilities at Rhosfawr, Condover, near Shrewsbury and Whitstone in Cornwall (acquired in November 2022). We manufacture feed for dairy, beef, sheep and free-range egg producers, the wide offering providing an internal hedge against variations in individual sector performance. Feed is offered in compounded, blended or meal form and can be bought in bulk or bagged. The majority of the Wynnstay-branded bagged feed is sold through our depot network. Our customers are also able to source feed raw materials, liquid feeds and feed supplements from us. We support our feed offering with a technical sales team, which provides on-farm specialist advice on animal nutrition. This is a differentiator for us to the wider market.

Our feed volumes during the financial year increased by 6% to a record level and outperformed the national trend. Demand was boosted by the dry summer, which reduced available grass and forage. Dairy feed volumes were up by 7%, poultry by 2% and sheep by 5%. Although feed volumes were strong, margins were affected by raw material volatility and increased fuel and packaging costs, which we were not able to pass on fully. This resulted in the contribution from feed being slightly behind last year.

We have made further progress in enhancing the sustainability of our offering, a key component of our overall strategy. We launched a range of ruminant feeds that include a methane inhibitor approved by the Carbon Trust. We are also working on a collaborative project to reduce phosphate excretion from laying hens in order to reduce water pollution.

The Humphrey business, which was acquired in March 2022, made a good first-time contribution, in line with our expectations. This was very pleasing given the pressures that the egg industry experienced over the year, with feed, energy and labour costs increasing without the corresponding increase in egg price. In addition, Avian Influenza resulted in the culling of laying flocks, which also reduced feed demand, a factor that is likely to continue in 2023, while the organic sector has been affected by consumers trading down to cheaper conventionally-produced eggs. We have successfully reduced our cost base to mitigate these challenges.

Our major investment programme at Carmarthen Mill is well under way and on schedule to be completed by early 2024. It will significantly increase our feed manufacturing capacity as well as drive efficiency. As part of the acquisition of the Humphrey business, we acquired a mothballed feed plant at Calne in Wiltshire. There is an opportunity to redevelop this site and replace the leased facility at Twyford, which was retained by the vendors. We are considering all our options in developing the site to ensure optimal benefits as we expand capacity and take advantage of the opportunities to increase our market share in the South West of England.

The increase in the price of grain during the second half of 2022 resulted in significant feed price rises for the winter of 2022/2023. Additionally, the mild autumn enabled farmers to keep livestock out at grass longer than normal. This reduced feed demand during the early part of the winter.

Arable Products

Our arable operations supply a wide range of services and products to arable and grassland farmers. These include seeds, fertilisers and agro-chemical, as well as grain marketing services.

Overall, the Arable Division performed very well, with significant contributions from GrainLink and our in-house fertiliser trading operation.

GrainLink experienced an exceptional year, increasing volumes traded by 31% to a record high. This reflected the good harvest yields in both 2021 and 2022 and increased market share on the eastern side of the country, where we had invested in additional resource. Grain markets were extremely volatile in the period and GrainLink's already strong contribution to Group results received a significant boost by an unusual and very short-lived surge in the price of wheat contracts on 31 October 2022, our financial year end. As previously reported, this was caused by the Russian Government's decision, which was reversed 72 hours later, to withdraw from an agreement allowing grain to be exported from Ukraine. This short-lived price movement created an additional, non-cash accounting profit of approximately £0.4 million.

GrainLink's "Arable Event" successfully returned in June after a break of two years due to the coronavirus. The specialised event attracted around 800 farmers, who came to listen to keynote speakers and obtain information on cutting-edge arable farming technology.

Total cereal seed volumes were 19% lower year-on-year. This reflected an increase in "farmer-saved" cereal seed being used for autumn plantings after the early and good quality 2022 harvest, and our decision to reduce lower-margin wholesale sales. Demand for grass seed was also lower, with the dry spring and summer resulting in a smaller acreage of both conventional and environmental grass seed being sown. Nonetheless, our grass seed volumes, which were down by 9%, were better than the national market trend.

We completed the investment at our seed processing plant at Shrewsbury. This has enabled us to double grass seed mixing capacity. We also installed a colour sorter into the cereal processing facility, which now enables us to process hybrid cereal seed. We are collaborating with seed breeders and stakeholders within the sector to ensure that we continue to deliver innovation to our arable customers.

Merchanted fertiliser sales performed ahead of last year and management expectations. While the dry spring and summer, coupled with significant price increases, flattened demand, particularly from the livestock sector, improved margins more than offset lower tonnage.

A large acreage of winter cereals was planted in the autumn of 2022. This typically results in a reduction of spring sown seed. The large acreage of autumn sown seed bodes well for both demand for crop inputs and a good harvest in 2023, although weather can influence yield. We therefore view the outlook for the arable sector positively, despite farmers' increased input costs.

Glasson Grain Limited ("Glasson")

Glasson is the second largest fertiliser blender in the UK, and is based at Glasson Dock near Lancaster. As well as fertiliser blending, Glasson has two other core activities, the supply of feed raw materials and the manufacture of added-value animal feed products.

Glasson delivered a record result, driven by one-off gains (which we do not believe will be repeated) from the fertiliser blending activity, which benefited from rising and volatile raw material prices. This followed increases in the price for natural gas - a key raw material in the production of fertiliser. Sanction-related restrictions on Russian businesses tightened global supplies of fertiliser products, substantially increasing fertiliser prices. Whilst this reduced demand, it also generated significant stock gains for Glasson. Gas prices rose again in the summer of 2022, resulting in further fertiliser price rises. This was followed by the permanent closure of the CF Industries fertiliser production plant and certain manufacturers suspending production, and the market remains tight.

The specialist animal feed operation experienced lower demand for wild bird food and associated products, and margins were also affected by rising energy and labour costs. The feed trading operation performed ahead of management expectation, maintaining both volumes and margins in a volatile market.

SPECIALIST AGRICULTURAL MERCHANTING DIVISION

The Specialist Agricultural Merchanting Division comprises a network of 53 depots, located within predominantly livestock areas of England and Wales. The depots supply a range of products that cater predominantly for the needs of farmers but also rural dwellers. The depot network is supported by our multi-channel sales route to market, which includes a sales trading desk, specialist catalogues and a digital platform. The division also incorporates Youngs Animal Feeds, based in Staffordshire, which manufactures a range of equine products. These are marketed throughout Wales and the Midlands region.

Revenue from the Specialist Agricultural Merchanting Division increased by 5% to £148.77m (2021: £141.43m). Its segmental contribution rose by 11% to £7.95m (2021: £7.15m), which was well ahead of management expectations and driven by strong sales of higher-margin products, such as own-brand bagged feed, as well as increased efficiencies.

Like-for-like sales at the depots increased by 5% year-on-year. The long, dry summer affected sales of certain product categories such as crop packaging, animal health and fencing products, and spend on certain discretionary items reduced.

We continued with our depot optimisation programme, closing the Bethania depot in Ceredigion in September 2022 while retaining its trade via other depots in the area. We also continued to invest in staff training, so that customers benefit from valuable advice and guidance on products and their usage. Depot staff also continue to work closely with our on-farm specialists.

Youngs Animal Feeds has been affected by the cost-of-living increase, particularly in the second half of the year, with volumes and margins impacted by the squeeze on consumer spending. This is likely to continue into the new financial year.

JOINT VENTURES AND ASSOCIATE COMPANY

Wynnstay has three joint venture companies, Bibby Agriculture Limited, WYRO Developments Limited and Total Angling Limited, and an associate company, Celtic Pride Limited.

The combined contribution from our joint ventures and associated company was significantly higher than budgeted at £0.80m (2021: £0.68m). This reflected a strong performance from Bibby Agriculture Limited and the completion of a housing development site at WYRO Developments Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

ESG considerations are very important to us as we continue to develop the Group. Our ESG strategy has two fundamental aims. These are to achieve net carbon zero by 2040 and to help farmers feed the UK in an environmentally and sustainable way.

In order to support our ESG strategy, during the year we set up a Sustainable Farm Advisory Team, comprising industry experts. They will work with the Board and with the Environmental and Sustainability Manager and provide counsel on our strategy and delivery plans.

Over the next twelve months we will be focused on developing a roadmap to enable the Group to fully integrate the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures("TCFD"). This will improve and increase the reporting of the Group's climate-related financial information.

Internally, we have a number of programmes under way to reduce carbon emissions and energy consumption. These cover the Group's lighting, vehicle fleet, biofuel use and power requirements. A major initiative is a £1 million investment in solar photovoltaic panels at six of our sites that have high electricity usage. We intend this to be the first phase of a multi-site rollout of renewables over the next five years.

In terms of our offering to farmers, Wynnstay is well-placed to provide solutions at all points of food production. Precision farming techniques can play a significant role in reducing carbon emissions and protecting soil, water and air quality. These include precision nutrient use for crops and livestock feeding management. Careful soil management is also critical to better environmental outcomes. New Government policy and legislation in England and Wales, such as ELMS, the Sustainable Farming Scheme and Nitrate Vulnerable Zones, are also requiring farmers to adopt new practices.

We have continued to increase our offering of sustainable products during the year, and launched our Holistic Whole Farm Solution through our sales team. We also introduced into our range of ruminant feeds a methane inhibitor, which has been approved by the Carbon Trust, and are also working on other feed products.

We take our social and community responsibilities very seriously. Our 'Colleagues Forum', introduced in the last financial year, gives our staff the opportunity to more easily offer their views on how to improve the business, and we wish to see this initiative further develop. We continue to support the local communities in which we operate through projects and supporting local charities. We also support the charitable efforts of our staff, which include fundraising events for the Royal Agricultural Benevolent Institution and Children with Cancer.

As a Board, we aim to maintain very high standards of appropriate corporate and commercial governance, which will support the delivery of long-term shareholder value.

COLLEAGUES

I would like to thank all our staff for their loyalty, commitment, and dedication over the year. The Group's record results have been underpinned by their hard work in what was a challenging year, with disruption from coronavirus, supply issues, inflation, and the cost-of-living crisis. Wynnstay colleagues have continued to demonstrate our values, and I am extremely proud of them all.

OUTLOOK

Trading in the first two months of the new financial year was in line with management expectations, and, looking further ahead, we remain confident of continuing progress against our strategic plans. We are also conscious of inflationary pressures, which will increase costs for our customers, suppliers and consumers, and have taken steps to manage these pressures. Farmgate prices are off the peaks of 2022, and although there is sector variation, especially for free-range eggs, prices are still strong against the average of the last five years.

The year's excellent financial results included substantial one-off profits that we do not believe will be repeated in the new financial year. Nonetheless, the trading performance was also strong, and the Group remains well-positioned to build on this performance.

We remain firmly focused on our long-term growth ambitions and are investing with confidence across the Group and will continue to seek complementary acquisitions.

Gareth Davies
Chief Executive Officer

WYNNSTAY GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2022

			2022	2021	
	Note	**£000**	**£000**	£000	£000
Revenue	2		**713,034**		500,386
Cost of sales			**(622,228)**		(432,493)
Gross profit			**90,806**		67,893
Manufacturing, distribution and selling costs			**(59,386)**		(50,072)
Administrative expenses			**(9,307)**		(7,096)
Other operating income			**335**		361

Adjusted operating profit[1]			**22,448**		11,086
Amortisation of acquired intangible assets, goodwill impairment and share-based payment expense	4		**(416)**		(477)
Non-recurring items	4		**(1,094)**		-
Group operating profit			**20,938**		10,609
Interest income		**166**		193	
Interest expense		**(656)**		(383)	
	3		**(490)**		(190)
Share of profits in joint ventures and associates accounted for using the equity method		**808**		677	
Share of tax incurred by joint ventures and associates		**(132)**		(105)	
	6		**676**		572
Profit before taxation			**21,124**		10,991
Taxation	7		**(3,982)**		(2,057)
Profit for the year			**17,142**		8,934
Other comprehensive (expense) / income					
Items that will be reclassified subsequently to profit or loss :					
- Net change in the fair value of cashflow hedges taken to equity, net of tax			**(2,462)**		263
- Recycle cashflow hedge to income statement			**2,336**		-
Other comprehensive (expense) / income for the period			**(126)**		263
Total comprehensive income for the period			**17,016**		9,197
Basic earnings per share	9		**82.72p**		44.40p
Diluted Earnings per share	9		**80.65p**		43.53p

[1]Adjusted operating profit are after adding back amortisation of acquired intangible assets, goodwill impairment, share-based payment expense and non-recurring items.

WYNNSTAY GROUP PLC

CONSOLIDATED BALANCE SHEET

As at 31 October 2022	Note	**2022**	2021
		£000	£000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		**16,133**	14,322
Intangible assets		**4,936**	236
Investment property		**1,850**	2,372
Property, plant and equipment		**20,840**	16,746
Right-of-use assets		**8,202**	11,043
Investments accounted for using equity method		**4,101**	3,433
Derivative financial instruments		**1**	5
		56,063	48,157
CURRENT ASSETS			
Inventories		**71,095**	50,550
Trade and other receivables		**96,575**	72,511
Financial assets - loan to joint ventures		**1,067**	3,319
Cash and cash equivalents	11	**31,177**	19,641
Derivative financial instruments		**598**	320
		200,512	146,341
TOTAL ASSETS		**256,575**	194,498
LIABILITIES			
CURRENT LIABILITIES			
[illegible]	11	[illegible]	[illegible]

Financial liabilities - borrowings	11	**(3,043)**	(672)
Lease liabilities	11	**(3,344)**	(3,995)
Derivative financial instruments		**(53)**	(53)
Trade and other payables		**(105,015)**	(76,212)
Current tax liabilities		**(1,639)**	(1,218)
Provisions		**(345)**	(243)
		(113,439)	(82,393)
NET CURRENT ASSETS		**87,073**	63,948
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	11	**(6,640)**	-
Lease liabilities	11	**(3,999)**	(5,731)
Trade and other payables		**(36)**	(38)
Derivative financial instruments		**(80)**	(140)
Deferred tax liabilities		**(1,680)**	(474)
		(12,435)	(6,383)
TOTAL LIABILITIES		**(125,874)**	(88,776)
NET ASSETS		**130,701**	105,722
EQUITY			
Share capital	10	**5,585**	5,075
Share premium		**42,130**	31,600
Other reserves		**4,267**	4,131
Retained earnings		**78,719**	64,916
TOTAL EQUITY		**130,701**	105,722

YNNSTAY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 October 2022

Group	**Share capital £000**	**Share premium account £000**	**Other reserves £000**	**Cashflow hedge reserves £000's**	**Retained earnings £000**	**Total £000**
At 1 November 2020	5,013	30,637	3,525	-	59,003	98,178
Profit for the year	-	-	-		8,934	8,934
Net change in the fair value of cashflow hedges taken to equity, net of tax	-	-	-	263	-	263
Total comprehensive income for the year	-	-	-	263	8,934	9,197
Transactions with owners of the Company, recognised directly in equity:						
Shares issued during the year	62	963	-	-	-	1,025
Dividends	-	-	-	-	(3,021)	(3,021)
Equity settled share-based payment transactions	-	-	343	-	-	343
Total contributions by and distributions to owners of the Company	62	963	343	-	(3,021)	(1,653)
At 31 October 2021	5,075	31,600	3,868	263	64,916	105,722
Profit for the year	**-**	**-**	**-**	**-**	**17,142**	**17,142**
Net change in the fair value of cashflow hedges taken to equity, net of tax	**-**	**-**	**-**	**(2,462)**	**-**	**(2,462)**
Recycle cashflow hedge to income statement	**-**	**-**	**-**	**2,336**	**-**	**2,336**
Total comprehensive income for the year	**-**	**-**	**-**	**(126)**	**17,142**	**17,016**
Transactions with owners of the Company, recognised directly in equity						
Shares issued during the year	**510**	**10,530**	**-**	**-**	**-**	**11,040**
Dividends	**-**	**-**	**-**	**-**	**(3,339)**	**(3,339)**
Equity settled share-based payment transactions	**-**	**-**	**262**	**-**	**-**	**262**
Total contributions by and distributions to owners of the Company	**510**	**10,530**	**262**	**-**	**(3,339)**	**7,963**
At 31 October 2022	**5,585**	**42,130**	**4,130**	**137**	**78,719**	**130,701**

WYNNSTAY GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Cash generated from operations	12	**13,839**	10,577
Interest received	3	**166**	193
Interest paid	3	**(399)**	(102)
Net movement in provisions		**-**	(96)
Tax paid		**(3,342)**	(1,462)
Net cash generated from operating activities		**10,264**	9,110
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**264**	340
Purchase of property, plant and equipment		**(3,560)**	(1,563)
Acquisition of business and assets, net of cash acquired	13	**(98)**	(2,156)
Acquisition of subsidiary undertaking, net of cash acquired	13	**(10,136)**	(82)
Decrease in short term loans to joint ventures		**2,252**	570
Disposal of investments		**7**	-
Dividends received from joint ventures and associates		**4**	753
Net cash used by investing activities		**(11,267)**	(2,138)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**11,040**	1,025
Proceeds from new bank loan		**9,485**	-
Lease repayments		**(4,229)**	(4,392)
Repayment of borrowings		**(474)**	(900)
Dividends paid to shareholders	8	**(3,339)**	(3,021)
Net cash generated from / (used in) financing activities		**12,483**	(7,288)
Net increase in cash and cash equivalents		**11,480**	(316)
Effects of exchange rate changes		**56**	(23)
Cash and cash equivalents at the beginning of the period		**19,641**	19,980
Cash and cash equivalents at the end of the period	11	**31,177**	19,641

WYNNSTAY GROUP PLC

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of this approved financial information.

Basis of Preparation

The Group's financial statements have been prepared in accordance with international accounting standards in accordance with UK-adopted International Accounting Standards and applicable law. The Group financial statements have been prepared under the historical cost convention other than certain assets which are at deemed cost under the transition rules, share-based payments which are included at fair value and certain financial instruments which are explained in the relevant section below. A summary of the material Group accounting policies is set out below and have been applied consistently.

The preparation of financial statements in accordance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going Concern

The directors have prepared the financial information presented for Group and Company on a going concern basis having considered the principal risks to the business and the possible impact of plausible downside trading scenarios. The Board have concluded that they have a reasonable expectation that the entity has adequate resources to continue in operational existence for the foreseeable future. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report of the Group's Annual Report. The financial position of the Group and the principal risks and uncertainties are also described in the Strategic report.

The Group has a sound financial base and forecasts that show profitable trading and sufficient cash flow and resources to meet the requirements of the business, including compliance with banking covenants and on-going liquidity. In assessing their view of the likely future financial performance of the Group, the Directors consider industry outlooks from a variety of sources, and various trading scenarios. This analysis showed that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. More detail on outlook is contained within the Group's Annual Report.

In conclusion, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. SEGMENTAL REPORTING

IFRS 8 requires operating segments to be identified on the basis of internal financial information about the components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Board of Directors ("the Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined that the operating segments, based on these reports are Agriculture, Specialist Agricultural Merchanting and Other.

The Board considers the business from a product/service perspective. In the Board's opinion, all of the Group's operations are carried out in the same geographical segment, namely the United Kingdom.

Agriculture - manufacturing and supply of animal feeds, fertiliser, seeds and associated agricultural products.

Specialist Agricultural Merchanting- supplies of a wide range of specialist products to farmers, smallholders, and pet owners.

Other - miscellaneous operations not classified as Agriculture or Specialist Agricultural Merchanting.

The Board assesses the performance of the operating segments based on a measure of operating profit. Non-recurring costs and finance income and costs are not included in the segment result that is assessed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements. No segment is individually reliant on any one customer.
All revenue during the year has arisen from revenue recognised at a point in time, and there were no revenues from transactions in 2022 or 2021 with individual customers which amounted to 10% or more of Group revenues.in that period.

The segment results for the year ended 31 October 2022 are as follows:

Year ended 31 October 2022	**Agriculture £000**	**Specialist Agricultural Merchanting £000**	**Other £000**	**Total £000**
Revenue from external customers	**564,263**	**148,771**	**-**	**713,034**
Segment result				
Group operating profit before non-recurring items	**14,108**	**7,939**	**(15)**	**22,032**
Share of results of joint ventures before tax	**553**	**8**	**247**	**808**
	14,661	**7,947**	**232**	**22,840**
Non-recurring items				**(1,094)**
Interest income				**166**
Interest expense				**(656)**
Profit before tax from operations				**21,256**
Income taxes (includes tax of joint ventures and associates)				**(4,114)**
Profit for the year attributable to equity shareholders from operations				**17,142**
Other Information:				
Depreciation and amortisation	**3,772**	**2,591**	**12**	**6,375**
Non-current asset additions	**13,490**	**1,260**	**-**	**14,750**
Segment assets	**146,008**	**75,099**	**4,212**	**225,319**
Segment liabilities	**(80,906)**	**(24,544)**	**-**	**(105,450)**
				119,869
Add corporate net cash (note 11)				**14,151**
Less corporate and deferred tax liabilities				**(3,319)**
Net assets				**130,701**
Included in the segment assets above are the following investments in joint ventures and associates	**2,746**	**117**	**1,150**	**4,013**

2. SEGMENTAL REPORTING (continued)

The segment results for the year ended 31 October 2021 are as follows:

Year ended 31 October 2021	**Agriculture £000**	**Specialist Agricultural Merchanting £000**	**Other £000**	**Total £000**
Revenue from external customers	358,961	141,425	-	500,386
Segment result				
Group operating profit before non-recurring items	3,697	7,120	(208)	10,609
Share of results of joint ventures before tax	524	33	120	677
	4,221	7,153	(88)	11,286

Non-recurring items				-
Interest income				193
Interest expense				(383)
Profit before tax from operations				11,096
Income taxes (includes tax of joint ventures and associates)				(2,162)
Profit for the year attributable to equity shareholders from operations				8,934
Other Information:				
Depreciation and amortisation	3,463	2,676	-	6,139
Non-current asset additions	3,860	2,094	-	5,954
Segment assets	101,812	66,237	6,808	174,857
Segment liabilities	(56,547)	(20,139)	-	(76,686)
				98,171
Add corporate net cash (note 11)				9,243
Less corporate and deferred tax liabilities				(1,692)
Net assets				105,722
Included in the segment assets above are the following investments in joint ventures and associates	2,386	115	840	3,341

3. FINANCE COSTS

	2022 £000	2021 £000
Interest expense:		
Interest payable on borrowings	**(399)**	(102)
Interest payable on finance leases	**(257)**	(281)
Interest and similar charges payable	**(656)**	(383)
Interest income from banks deposits	**66**	57
Interest income from customers	**100**	136
Interest receivable	**166**	193
Finance costs	**(490)**	(190)

4. AMORTISATION OF ACQUIRED INTANGIBLE ASSETS, IMPAIRMENT OF GOODWILL, SHARE-BASED PAYMENTS AND NON-RECURRING ITEMS

	2022 £000	2021 £000
Amortisation of acquired intangible assets and share-based payments		
Amortisation of intangibles_	**154**	39
Impairment of goodwill	**-**	95
Cost of share-based reward	**262**	343
	416	477
Non-recurring items		
Business combination costs	**572**	-
Fair value movement in Investment property	**522**	-
	1,094	-

Non-recurring items in relation to 2022 were:

- Business combination costs relating to the acquisition of Humphrey Poultry (Holdings) Limited.
- The fair value movement in investment property followed a professional valuation carried out by BNP Paribas Real Estate in July 2022.

5. GROUP OPERATING PROFIT

The following items have been included in arriving at operating profit:

	2022 £000	2021 £000
Staff costs	**37,724**	31,085
Cost of inventories recognised as an expense	**617,170**	431,423
Depreciation of property plant and equipment:		
- owned assets	**2,290**	2,165
Amortisation of right-of-use assets	**4,085**	3,974
Amortisation of intangibles	**154**	39
Fair value (gains) / losses on derivative financial instruments	**(627)**	23
Hedge ineffectiveness for the period	**104**	114
(Profit) on disposal of fixed assets	**(132)**	(86)
(Profit) on disposal of right of use assets	**(86)**	(14)
Other operating lease rentals payable	**349**	205

Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditor:

	2022 £000	2021 £000
Audit services - statutory audit	**175**	119

6. SHARE OF POST-TAX PROFITS OF JOINT VENTURES

	2022	2021
	£000	£000
Total share of post-tax profits of joint ventures	**676**	572

7. TAXATION

	2022	2021
Analysis of tax charge in year	**£000**	£000
Current tax		
- Operating activities	**3,627**	1,901
- Adjustments in respect of prior years	**136**	(4)
Total current tax	**3,763**	1,897
Deferred tax		
- Accelerated capital allowances	**(76)**	57
- other temporary and deductible differences	**295**	103
Total deferred tax	**219**	160
Tax on profit on ordinary activities	**3,982**	2,057

8. DIVIDENDS

	2022	2021
	£000	£000
Final dividend paid for prior year	**2,134**	2,007
Interim dividend paid for current year	**1,205**	1,014
	3,339	3,021

Subsequent to the year end it has been recommended that a final dividend of 11.60p net per ordinary share (2021: 10.50p) be paid on 28 April 2023. Together with the interim dividend already paid on 29 October 2022 of 5.40p net per ordinary share (2021: 5.00p) this will result in a total dividend for the financial year of 17.00p net per ordinary share (2021: 15.50p).

9. EARNINGS PER SHARE

	Basic earnings per share		Diluted earnings per share	
	2022	2021	**2022**	2021
Earnings attributable to shareholders (£000)	**17,142**	8,934	**17,142**	8,934
Weighted average number of shares in issue during the year (number '000)	**20,722**	20,120	**21,254**	20,524
Earnings per ordinary 25p share (pence)	**82.72**	44.40	**80.65**	43.53

Basic earnings per 25p ordinary share is calculated by dividing profit for the year from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares (share options) taking into account their exercise price in comparison with the actual average share price during the year.

10. SHARE CAPITAL

	2022		2021	
	No. of shares	**£000**	No. of shares	£000
	000		000	
Authorised				
Ordinary shares of 25p each	**40,000**	**10,000**	40,000	10,000
Allotted, called up and fully paid				
Ordinary shares of 25p each	**22,340**	**5,585**	20,299	5,075

During the year 75,891 shares (2021: 89,687) were issued with an aggregate nominal value of £19,000 (2021: £22,000) and were fully paid up for equivalent cash of £459,000 (2021: £439,000) to shareholders exercising their right to receive dividends under the Company's dividend scrip scheme. A further 1,965,689 (2021: 158,138) shares with a nominal value of £491,000 (2021: £40,000) were issued for a cash value of £10,581,000 (2021: £586,000), with 65,689 being to satisfy the exercise of employee options and 1,900,000 shares issued in a private placing to institutional shareholders.

11. CASH AND CASH EQUIVALENTS, BORROWINGS AND LEASE LIABILITIES

	2022	2021
	£000	£000
Current		
Cash and cash equivalents per balance sheet and cash flow	**31,177**	19,641
Bank loans and other loans due within one year or on demand:		
Secured loans	**(2,371)**	-
Loanstock (unsecured)	**(672)**	(672)
	-	-
Financial liabilities - borrowings	**(3,043)**	(672)
Net obligations under finance leases:		
Non-property leases	**(1,647)**	(1,626)
Property leases	**(1,697)**	(2,369)
Lease liabilities	**(3,344)**	(3,995)
Total current net cash and lease liabilities	**24,790**	14,974
Non-current		
Bank loans:		
Secured loans	**(6,640)**	-
Financial liabilities - borrowings	**(6,640)**	-
Net obligations under leases:		
Non-property leases	**(1,645)**	(1,881)
Property leases	**(2,354)**	(3,850)
Lease liabilities	**(3,999)**	(5,731)
Total non-current net debt and lease liabilities	**(10,639)**	(5,731)
Total net cash and lease liabilities	**14,151**	9,243
Memo: total net cash and lease liabilities excluding property leases	***18,202***	*15,462*

• Cash and cash equivalents

Cash and cash equivalents are all cash at bank and held with HSBC UK Bank Plc, except for £1,652,000 (2021: £585,000) which is held at International FC Stones for wheat futures hedging. HSBC UK Bank Plc's credit rating per Moody's is Aa3 (2021: Aa3) for long term deposits. £3,623,000 (2021: £412,000) of the cash and cash equivalent balances is denominated in foreign currencies (EUR (99%) and USD (1%)) (2021: (90%) and USD (10%)). All other amounts are denominated in GBP and are at booked at fair value.

• Borrowings

Bank loans and overdrafts are secured by an unlimited composite guarantee of all trading entities within the Group. During the year, a new bank loan of £9,485,000 was drawn structured as a term facility with quarterly repayments of 5% of the original loan amount. Interest on this loan is 1.75% over the daily SONIA rate up to the point of repayment.

Loan stock is redeemable at par at the option of the Company or the holder. Interest of 1.5% (2021: 0.5%) per annum is payable to the holders.

12. CASH GENERATED FROM OPERATIONS

	2022	2021
	£000	£000
Profits for the year from operations	**17,142**	8,934
Adjustments for:		
Tax	**3,982**	2,057
Investment and goodwill impairment	**-**	95
Fair value movement in Investment property	**522**	-
Depreciation of tangible fixed assets	**2,289**	2,165
Amortisation of right-of-use assets	**4,086**	3,974

Amortisation of other intangible fixed assets	**154**	39
Profit on disposal of property, plant and equipment	**(132)**	(86)
Profit on disposal of right-of-use asset	**(86)**	(14)
Loss on relinquishment of property leases	**-**	26
Interest income	**(166)**	(193)
Interest expense	**656**	383
Share of post-tax results of joint ventures	**(676)**	(572)
Share-based payments	**262**	343
Derivative held at fair value	**(627)**	23
Hedge ineffectiveness	**104**	46
Government grant	**(2)**	-
Movement in provisions	**(6)**	193
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):		
(Increase) in inventories	**(18,401)**	(14,583)
(Increase) in trade and other receivables	**(18,467)**	(16,730)
Decrease in payables	**23,205**	24,477
Cash generated from operations	**13,839**	10,577

13. BUSINESS COMBINATIONS

Humphrey Poultry (Holdings) Limited

On 18 March 2022, Wynnstay plc entered a business combination and acquired 100% of the shares of Humphreys Poultry Holdings Limited, which in turn owns 100% of the shares in two commercial and operational entities Humphreys Feeds Limited and Humphreys Pullets Limited.

The consideration is £13.147m inclusive of cash and cash equivalents of £1.011m.

	Current £'000	Non-Current £'000	Total £'000
Trade Debtors	5,003	-	5,003
Other Debtors	595	-	595
Inventories	2,144	-	2,144
Cash and cash equivalents	1,011	-	1,011
Trade Creditors	(3,469)	-	(3,469)
Other Creditors	(368)	-	(368)
Leases	(146)	(64)	(210)
Deferred tax	-	(104)	(104)
Net Current Assets and Non-Current Liabilities	4,770	(168)	4,602
Tangible fixed assets	-	1,545	1,545
Net Assets	4,770	1,377	6,147

The provisional consideration payable is dependent on future product volumes of the commercial business acquired. The fair value of the contingent consideration has been based on management's expectation of the future performance of the business and that could range from £nil to £2.000m.

A full analysis of the provisional consideration is provided in the table below which includes the break-down of the tangible fixed assets which incorporates freehold land and buildings for the amount of £1.830m, which reflects the current fair value assessment carried out by an independent third-party valuation, which has not impacted the consideration, but only the analysis. The goodwill balance represents the assembled workforce and future sales opportunities and is not expected to be deductible for tax purposes.

	Fair Value of Net Assets £'000
Fair value of net assets acquired	
Goodwill	1,811
Intangible - Brands	3,759
Intangible - Key and other accounts	1,095
Property, plant and equipment	2,566
Right of use assets	210
Trade Debtors	5,003
Other Debtors	595
Inventories	2,144
Cash and cash equivalents	1,011
Trade payables	(3,469)
Other payables	(368)
Lease liabilities	(210)

Deferred tax	(1.000)
Acquisition date - fair value of total net assets acquired	**13,147**

Represented by:	**£'000**
Cash settled to vendor during the period	11,147
Contingent as at 31 October 2022	2,000
Provisional Consideration	**13,147**

Cashflow Statement:	**£'000**
Cash settled to vendor during the period	11,147
less cash and cash equivalents acquired	(1,011)
plus, cash settled to vendors during the period for prior acquisition	98
Acquisition date - fair value of total net assets acquired	**10,234**

Directly attributable acquisition costs of £0.563m were incurred with the transaction, and these have been recognised as non-recurring expenses in the income statement for the period and included in operating activities in the cash flow statement. During the last available audited accounts of the acquired entities, for the period to February 2021, the annual aggregate revenues on a non-consolidated basis amounted to £41.446m and profit before tax was £1.634m. Business combination accounting is expected to be finalised within 12 months from the completion date of the acquisition.

Amounts included in the Consolidated Statement of Comprehensive Income in the period to 31 October 2022 in relation to the acquired business are revenues of £31.567m and profit before tax of £0.643m.

Contingent consideration of £0.098m was paid during the period to 31 October 2022 relating to other prior period acquisitions, resulting in a total gross cash outflow of £11.245m or £10.234m net of cash acquired with the Humphrey transaction.

14. POST BALANCE SHEET EVENT

Acquisition of Tamar Milling Limited

On 17 November 2022, Wynnstay Group PLC announced that Wynnstay (Agricultural Supplies) Ltd had acquired the entire share capital of Tamar Milling Ltd, a manufacturer and supplier of blended feed products ("Tamar"), for an initial consideration of up to £1.5m (inclusive of up to £0.1m of contingent consideration based on future product volumes).

Based in Whitstone, Cornwall, Tamar is a highly complementary acquisition to the Group, which strengthens the Company's presence in the south-west of England, adds a new farming customer base and provides good cross selling opportunities for other Group activities. The acquisition establishes the Group's first south-western feed manufacturing facility which enables the provision of its own bulk feed offering for the first time.

In the year ended 30 September 2021, Tamar generated revenues of £6.40m, and a profit before tax of £0.42m. Net assets at 30 September 2021 were £0.92m. The transaction initially appears to satisfy the IFRS 3 requirements of a business combination, and the Group intends to account for the acquisition in the year ended 31 October 2023 where IFRS 3 criteria have been satisfied. As of the date of this report, insufficient information is available to complete the business combination accounting as transaction completion accounts have not been completed by the vendors.

15. ALTERNATIVE PERFORMANCE MEASURE

Using the Board's preferred alternative performance measured referred to as Underlying pre-tax profit, which includes the gross share of results from joint ventures and associates but excludes share-based payments and non-recurring items, the Group achieved £22.61m (2020: £8.37m). A reconciliation with the reported income statements and this measure, together with the reasons for its use is given below:

	2022	2021
	£000	£000
Profit before tax	**21,124**	**10,991**
Share of tax incurred by joint ventures and associates	**132**	**105**
Share-based payments	**262**	**343**
Non-recurring items	**1,094**	**-**
Underlying pre-tax profit	**22,612**	**11,439**

The Board provides this alternative performance measure as it believes it provides a view of the underlying commercial performance of the current trading activities, providing investors and other users of the accounts with an improved view of likely future performance by making the following adjustments to the IFRS results for the following reasons:

- The add back of tax incurred by joint ventures and associates. The Board believes the incorporation of the gross result of these entities provides a fuller understanding of their combined contribution to the Group performance.
- The add back of share-based payments. This charge is a calculated using a standard valuation model, with the assessed non-cash cost each year varying depending on new scheme invitations and the number of leavers from live schemes. These variables can create a volatile non-cash charge to the income statement, which is not directly connected to the trading performance of the business.
- Non-recurring items. The Group's accounting policies include the separate identification of non-recurring material items on the face of the income statement, which the Board believes could cause a misinterpretation of trading performance if not disclosed. See note 4.

16. RESPONSIBILITY STATEMENT

16. RESPONSIBILITY STATEMENT

The Directors below confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

S J Ellwood
P M Kirkham
B P Roberts
G W Davies
H J Richards
C A Bradshaw

17. CONTENT OF THIS REPORT

The information in this announcement has been extracted from the audited statutory financial statements for the year ended 31 October 2022 and as such, does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006 as it does not contain all the information required to be disclosed in the financial statements prepared in accordance with UK-adopted International Accounting Standards.

Statutory accounts for 2021 have been delivered to the Registrar of Companies. The auditor, RSM UK Audit LLP, has reported on the 2021 accounts; the report (i) was 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.

The statutory accounts for 2022 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditor, RSM UK Audit LLP, has reported on these accounts; their report is unqualified, does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and; does not include a statement under either section 498(2) or (3) of the Companies Act 2006.

The Annual Report and full Financial Statements will be available to shareholders during February 2023. Further copies will be available to the public, free of charge, from the Company's Registered Office at Eagle House, Llansantffraid, Powys, SY22 6AQ or on the Company's website at www.wynnstay.co.uk.

18. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday 21 March 2023 at 11.45am in the Sovereign Suite at Shrewsbury Town Football Club, Oteley Road, Shrewsbury, Shropshire, SY2 6ST. Further details will be published on the Company's website www.wynstayplc.co.uk.