WYNNSTAY

# Delivering a sustainable farming future


# Annual Report and Accounts 2022

## Contents

# Wynnstay Group Plc Company Information

| | |
|---|---|
| **DIRECTORS** | S J Ellwood - Chairman<br>P M Kirkham<br>H J Richards<br>C Bradshaw<br>G W Davies – Chief Executive<br>B P Roberts – Finance Director |
| **SECRETARY** | C A Williams |
| **COMPANY NUMBER** | 2704051 |
| **REGISTERED OFFICE** | Eagle House<br>Llansantffraid-Ym-Mechain<br>Powys<br>SY22 6AQ |
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| **NOMINATED ADVISOR & STOCKBROKER** | Shore Capital and Corporate Limited<br>Cassini House<br>57 St James's Street<br>London<br>SW1A 1LD |
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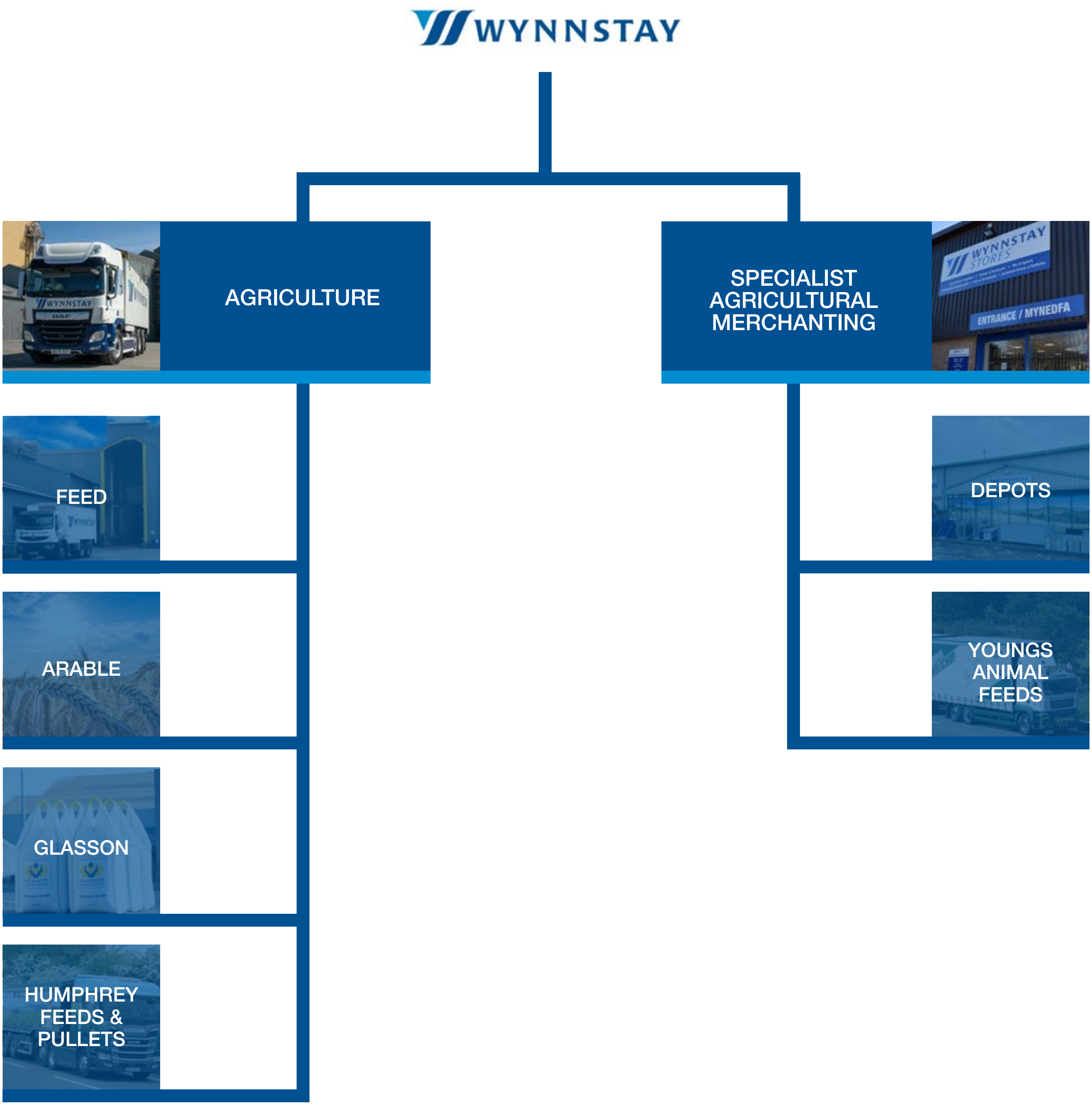
# Group Structure

Wynnstay helps livestock and arable farmers to produce food in a more sustainable, environmentally friendly and profitable way. We provide our customers with quality products, specialist advice and an efficient service that is industry leading.

The business model is aligned with the buying needs and habits of our farming customer base, which includes arable, livestock and mixed farms. The Group is committed to sustained development within the agricultural sector and strives for continued growth with a view to optimising the return to all stakeholders.



## OUR PROPOSITION

- Trusted Experts
- Product Range
- Multi-Channel Offering
- Manufacturing Capability
- Established
- Culture & Values

## WE INVEST IN SUSTAINABLE GROWTH THROUGH:

- People
- Technology
- Manufacturing
- Acqusitions

## CREATING VALUE FOR STAKEHOLDERS:

- Customers
- Employees
- Shareholders
- Suppliers
- Communities

# Our Divisions

## Agriculture

**Comprises the manufacturing and supply of a comprehensive range of agricultural inputs to customers across many parts of the UK.**

### FEED

The Group operates three feed mills and three blending plants, offering a full range of animal nutrition products to the agricultural market in bulk or bags. Third party mills are also used to satisfy additional seasonal and geographic requirements.

### GLASSON

Glasson operates from Glasson Dock, near Lancaster. It is a producer of blended fertiliser, a supplier of feed raw materials and a manufacturer of added-value products to specialist animal feed retailers.

The business operates fertiliser blending manufacturing facilities at Winmarleigh, Goole, Montrose, and Howden, and also sources from a facility at Birkenhead. It is currently the second largest fertiliser blender in the UK.

Glasson complements the Group strategy by providing a further internal hedge against commodity volatility in the agricultural supply sector.

### HUMPHREY FEED & PULLETS

Humphrey Feeds & Pullets is a leading poultry feed supplier and point of lay pullet supplier to the independent poultry farmer. The business offers both traditional and organic feeds, manufacturing from a mill in Twyford. Humphrey Feeds & Pullets specialises in offering expert knowledge on poultry nutrition and husbandry, with a primary mission of advancing poultry performance.

### ARABLE

The Group's arable activities supply a wide range of products to arable and grassland farmers, including seed, fertiliser and agro-chemicals. Seed processing facilities are located at Shrewsbury, Shropshire.

### GRAINLINK

GrainLink is the Group's in-house grain marketing company and provides farmers with an independent professional marketing service backed by the financial security of the Wynnstay Group. The Company has access to major markets for specialist milling and malting grain as well as feed into mills. GrainLink operates from offices in Shropshire and Yorkshire.


GLASSON

GrainLink

HUMPHREY
FEEDS & PULLETS

# Our Divisions

## Specialist Agricultural Merchanting

**Supplies specialist agricultural and associated sundry products to customers throughout Wales, the Midlands, North West and South West of England**

### DEPOTS

The Group's Specialist Agricultural Merchanting depots are well established and provide a comprehensive range of products for farmers and rural dwellers. The Group operates 53 depots across Wales, the Midlands, North West and South West England, supplying to farmers, smallholders and rural dwellers.

Our team is trained to help customers with technical advice and our customers can purchase via depot, click and collect or for direct delivery.

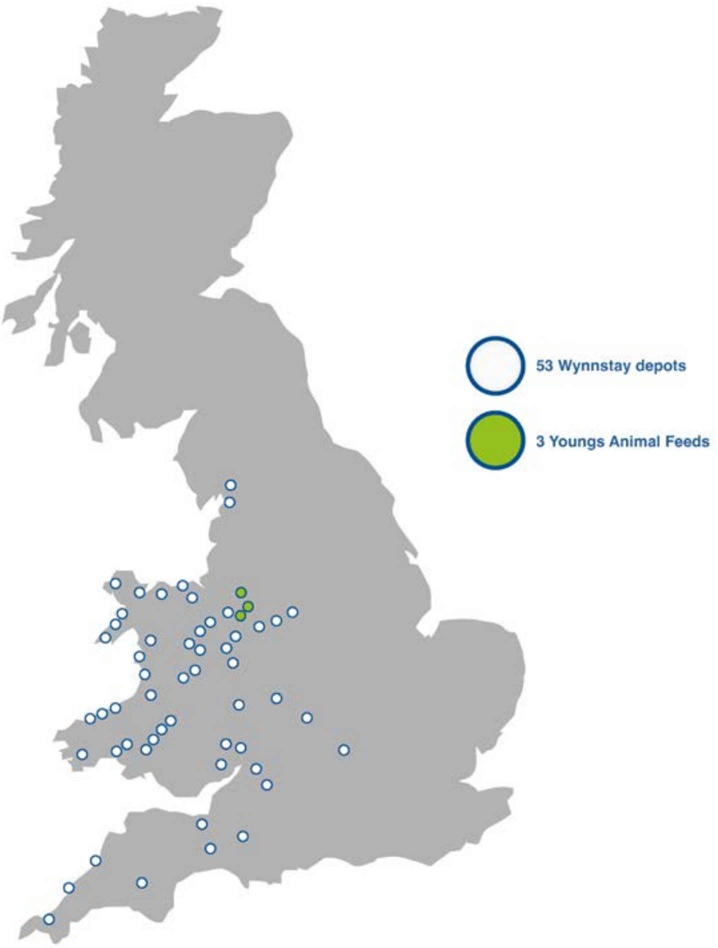
We partner with pharmaceutical companies to provide specialist advice on animal health and other agricultural products

### YOUNGS ANIMAL FEEDS

Youngs Animal Feeds operates from its production facility at Standon, Staffordshire, and two other locations, selling a range of equine and small animal feeds through to wholesalers and retailers, including our own depot network, in Wales and the Midlands. The Sweet Meadow branded equine feed range is a market leading product.

WYNNSTAY STORES

Youngs Animal Feeds



# Chairmans Statement

## 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 this Division, 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) Limited ("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 the Finance Review for a reconciliation on the calculation of this measure and the reasons for its use.

## GROWTH STRATEGY

Wynnstay's growth strategy is centred on three key pillars, organic and acquisitive growth, a multi-channel sales approach, and Environmental, Social and Governance ("ESG") principles. 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 significantly 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 Sheep and Beef 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.

- Environment, Social and Governance principles ("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 and 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, 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 (see Note 2 of the financial statements) 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 £0.46m (2021: £0.44m). 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: £2.24m).

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, which is a rise of 10.5% year-on-year. 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 profit after tax (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 in 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**
**31 January 2023**

# Chief Executive's Review

## 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 believe will 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 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. The redevelopment of this site will 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 exceptional one-off gains 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 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 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 will not 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**
**31 January 2023**

# Finance Review

## Trading Results

A summary of the trading conditions experienced by the business over the last financial year is provided in the Chief Executive's Review on pages 11-14, including details of the significant acquisition of Humphrey Poultry Holdings Limited ("Humphrey") made during the period.

The Group's operations are divided into two main divisional reporting segments, Agriculture, which encompasses the manufacturing and supply of agricultural inputs delivered to customers, and Specialist Agricultural Merchanting, which involves the supply of products, primarily to farmers, linked through the provision of expert advice of their use.

Group revenue in the period grew to £713.03m (2021: £500.39m), with this 42% increase driven by very significant commodity inflation during the year, and the acquisition of the Humphrey business. The inflation mainly occurred in the Agriculture division in which the acquisition is also now reported and these combined effects saw reported sales in this segment increase by £205.30m or 57.2% to £564.26m (2021: £358.96m). The Specialist Agricultural Merchanting division saw growth of 5.2% to £148.77m (2021: £141.43m), again reflecting the impact of inflation across many categories.

Group operating profit was £20.94m (2021: £10.61m), and profit before taxation was £21.12m (2021: £10.99m). On the Board's preferred alternative performance measure referred to as Underlying pre-tax profit, which includes the gross share of results from joint ventures but excludes share-based payments and non-recurring items, the Group achieved £22.61m (2021: £11.44m). A reconciliation with the reported income statement 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 & associates | **132** | 105 |
| Share-based payments | **262** | 343 |
| Non-recurring items | **1,094** | - |
| Underlying Pre-tax profit | **22,612** | 11,439 |

The Board uses this alternative performance measure as it believes the underlying commercial performance of the current trading activities is better reflected, and provides 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. An analysis of these charges is given in Note 5 to the accounts.

Inclusive of contributions from joint ventures our Agriculture division generated an operating profit before non-recurring items of £14.66m (2021: £4.22m), while our Specialist Agricultural Merchanting division produced £7.95m (2021: £7.15m). Other activities generated a small profit of £0.23m (2021: £0.09m loss).

Over the course of the year, the Group issued a number of trading updates to inform the market of expected improvements in the reported results for the period. These updates were mainly the result of external factors causing increases in fertiliser commodity values which subsequently resulted in one-off gains in the Glasson fertiliser raw material stock book. The combined effect of these gains has been the main driver of the increase in reported profits for period, but they are not expected to be repeated in the new financial year. Additionally, on 14 November 2022 we reported that the unusual movement in the price of wheat contracts on the London ICE Futures market on 31 October 2022 would accelerate the accounting recognition of certain derivative gains. This unusual price movement had been caused by the Russian Government's announcement over the previous weekend that they would withdraw from the Ukraine grain export agreement, a decision that was reversed within 72 hours and which effectively extinguished the gains recorded on the 31 October 2022. However, in accordance with International Financial Reporting Standard 9, the respective derivative contracts are required to be valued in accordance with the appropriate market price as at the financial year end, This non-cash accounting adjustment added approximately £434,000 to the results of the year under review, but will effectively reverse in the new financial year.

The Group's tax charge including joint ventures of £4.11m (2021: £2.16m) represents 19.4% (2021: 19.5%) of the Group pre-tax profit of £21.26m (2021: £11.09m), with the reduction related to the benefits from claiming the capital allowance super deductions available for relevant investments. A reconciliation relating to Group's tax charge and Group pre-tax profit is given below:

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Group's tax charge | | |
| Taxation | **3,982** | 2,057 |
| Share of tax incurred by associate and joint venture | **132** | 105 |
| | **4,114** | 2,162 |
| Group pre-tax profit from continuing operations | | |
| Profit before taxation from continuing operations | **21,124** | 10,991 |
| Share of tax incurred by associates and joint ventures | **132** | 105 |
| | **21,256** | 11,096 |

In accordance with Schedule 19 of the Finance Act 2016, the Group has published a Tax Strategy document on its website, which confirms that the organisation is committed to full compliance with all statutory obligations and adopts a policy of full disclosure to HMRC. The Group refrains from using offshore tax jurisdictions and will not use specifically constructed tax avoidance schemes or arrangements.

### Earnings Per Share & Dividend

Basic earnings per share were 82.72p (2021: 44.40p), based on a weighted average number of shares in issue during the year of 20.722m (2021: 20.120m). The Board proposes to recommend the payment of a final dividend of 11.60p per share to be paid on the 28 April 2023, which when added to the interim dividend of 5.40p per share paid on the 31 October 2022, makes a total of 17.00p for the year (2021: 15.50p), an increase of 9.7%. The total dividend is expected to be covered around 4.1 times (2021: 2.8 times) by profit after tax. The total dividend represents the nineteenth consecutive year of payment growth since the business was floated on the Alternative Investment Market of the London Stock Exchange in 2004. This current dividend cover remains within the range which can support the continuing progressive policy. Current Company distributable reserves amount to £16.55m, (2021: £16.47m) and are adequate to cover nearly four years of current dividend payment levels. Adequate anticipated cash resources and future cash generation assumptions also support the Board's view that the current policy is sustainable. A process of subsidiary dividend payments to the parent Company continues so as to ensure adequate liquidity and capital are available to support the progressive dividend policy.

### Working Capital, Cashflow and Net Cash

The significant commodity inflation referred to earlier in this report has created considerable challenges with the management of working capital, exacerbated by the seasonal and intra-month requirement peaks. The October year end does represent a trough in the Group's annual seasonal working capital cycle and therefore usually results in the highest reported cash position which can mask maximum requirements. Working capital, simply defined as inventories plus current trade and other receivables less current trade and other payables, stood at £62.66m at the year end compared to £46.85m the previous year. This 34% increase is a reasonable indicator of the additional cash absorption the inflationary environment has created, but the business continues to generate positive strong operational cashflow which has adequately funded this requirement.

Cash generated from operations amounted to £13.84m (2021: £10.58m), and this was supported by an equity fundraise concluded in August 2022 which raised £10.26m net, to support investment plans. The reported net cash position at the year-end was £14.15m (2021: £9.24m). Excluding the classification of land & building leases as debt, in accordance with the basis on which the Group's banking covenants are calculated, the net cash position was £18.20m (2021: £15.46m).

### Share Capital and Balance Sheet

During the year a total of 75,891 (2021: 89,687) new ordinary shares were issued for a total equivalent cash amount of £0.457m (2021: £0.439m) to existing shareholders exercising their right to receive dividends in the form of new shares. A further 1,965,689 (2021: 158,138) shares were issued for a total cash consideration of £10.580m (2021: £0.586m), of which 1,900,000 shares were issued in a private placing to institutional holders and 65,689 were issued to employees exercising rights over approved share options.

Group net assets at the year end amounted to £130.70m (2021: £105.72m), which based on the weighted average number of shares in issue during the year of 20.722m (2021: 20.120m) equated to a net asset value per share of £6.31 (2021: £5.25 per share). Based on the weighted average number of shares in issue at the year end of 22.340m (2021: 20.299m), this net asset per share value was £5.85 (2021: £5.21). During the financial year the share price traded in a range between a high of £6.45 in June 2022 and a low of £4.87 in November 2021. Based on these balance sheet values, Return on Net Assets from Underlying Pre-tax profits was 17.4% (2021: 10.8%).

Capital investment in fixed assets including right of use assets, amounted to £5.31m (2021: £5.61m) in the year, while a further £10.23m, including previously deferred consideration, was invested in acquisitions (2021: £2.21m).

### Key Performance Indicators

The performance of the business is regularly monitored against financial key performance indicators (KPI's), defined as follows:

Revenue: The invoiced value of sales from the Group's activities, measured at a fair value net of all rebates and excluding value added tax. £713.03m (2021: £500.39m).

Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, and investment property fair value adjustment, tax on joint ventures, goodwill impairment, share-based payment expenses and other non-cash charges. £28.31m (2021: £18.21m).

A reconciliation of this measure to reported IFRS profit before tax is provided below:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| IFRS reported pre-tax profit | **21,124** | 10,991 |
| Investment property fair value adjustment | **522** | - |
| Tax on joint venture and associate income | **132** | 105 |
| Net profit on disposal of assets | **(218)** | (74) |
| Interest | **490** | 190 |
| Depreciation & ROU amortisation | **6,375** | 6,139 |
| Intangible amortisation, goodwill impairment and share-based payments | **416** | 477 |
| Other non-cash charges | **(531)** | 386 |
| Adjusted EBITDA | **28,310** | 18,214 |
| Property lease payments | **(2,281)** | (2,419) |
| Adjusted EBITDA after property lease payments | **26,029** | 15,795 |

Earnings per Share: Profit for the year after taxation divided by the weighted average number of shares in issue during the year 82.72p (2021: 44.40p).

Underlying pre-tax profit: Underlying pre-tax profit includes the Group's share of pre-tax profit from joint ventures and associate investments but excludes non-recurring costs and share-based payment expense £22.61m (2021: £11.44m).

Return on net assets: Underlying pre-tax profit, with intangible amortisation added back, divided by the balance sheet net asset value. 17.4% (2021: 10.8%).

Net assets per share: The balance sheet net asset value, divided by the weighted average number of shares in issue during the year. £6.31 (2021: £5.25).

## Going Concern

As part of their normal year end processes the Board have reviewed commercial plans and budgets for the new financial year, together with assessing the principal identified risks and uncertainties for the Group. Detailed cashflow projections have been prepared and considered against available funding sources, which at the year-end included net cash of £14.2m, plus £10.5m of undrawn revolving credit facilities and £10.5m of unused overdraft facilities with HSBC Bank UK Plc. The Directors have therefore concluded that they have reasonable expectation that the Group has adequate financial resources to support the operational requirements of the business for the foreseeable future, and that it is appropriate to continue adopting the going concern concept in the preparation of financial statements.

The Board are pleased with the financial performance of the Group during a year which has presented many financial and commercial challenges which have been effectively managed, with the business continuing to demonstrate the resilience of its focused "farmer first" business model.

**Paul Roberts**
**Finance Director**
**31 January 2023**

# Principal Risks and Uncertainties

### For the year ended 31 October 2022

The Board retain overall responsibility for reviewing risk management strategies and maintains a framework to create sustainable growth over the medium to long-term by adopting an approach that is appropriate to the business activities being conducted and the scale of the enterprise. A risk register is maintained and regularly reviewed, with emerging concerns identified and overseen by the executive directors, supported by the wider executive team and the specialist knowledge available across the Group. The non-executive directors provide oversight and scrutiny in this area to ensure that risk management is appropriately aligned with commercial strategy.

In all businesses, there are some risks and uncertainties which are not able to be fully controlled. The table below sets out the principal risks and uncertainties which could have a material impact on the Group, the list is not exhaustive, and it is possible that there will be other risks or uncertainties that could have a material adverse impact. Whilst all companies are subject to some financial risk, the Group continues to have a strong balance sheet and low gearing which are priorities for the Board.

| RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS |
|---|---|---|
| Continuing | Operational: Health and safety protocols<br><br>An absolute priority for the Group remains the safety, health and welfare of our colleagues, customers, suppliers and the communities in which it operates. Causing harm to any individuals through the Group's activities or actions creates moral, reputational and financial risk to the organisation, as well as potential disruption through absence, loss of experience and other consequential implications.<br><br>While considerable experience has now been developed to manage safety concerns around coronavirus, the possibility of infection breakouts remains, both locally and nationally, and as such activities could easily be disrupted again through staffing issues or other restrictions. Coronavirus and the threat of other disease outbreaks continue to present a number of different risks to the business. | The Group has taken tangible actions over the last year to strengthen and embed the culture of mutual responsibility for health and safety matters. Initiatives have included extended training, increased dedicated resource, enhanced auditing and external system and policies reviews.<br><br>Despite the removal of many restrictions nationally, the Group has maintained some of the protocols previously used to control the pandemic as these are now believed to be good practise. These include continuing remote working and virtual meetings where appropriate, retention of certain protective equipment and a continuing isolation policy for confirmed or suspected infections. |
| Increasing | Operational: IT systems including cyber security<br><br>Much of the Group's activities rely on networked IT systems and the breakdown of any of these systems through mechanical fault, data loss, malicious activity or obsolescence could lead to failure in customer fulfilment processes together with reputational and financial damage.<br><br>The potential risk of cyber attacks has increased with the expansion of the business and the use of remote working. | The Group has internal IT support teams to manage its computer systems, including procedures for recovery from disruption.<br><br>Security training continues for relevant staff and recovery simulations have been successfully completed.<br><br>Investment has increased to update both hardware and operating software solutions. |
| Continuing | Operational: Supply chain efficiency<br><br>The Group requires access to raw materials and goods for resale and any disruption to its supply chains would damage revenue streams. | Strategic partnerships with suppliers are managed by specialist colleagues who aim to ensure inventories are kept at an optimum level. |
| Increasing | Operational: Construction projects<br><br>The Group's expansion strategy entails significant investment in manufacturing | Considerable time and effort have been invested in obtaining expert external professional support |

| | | |
|---|---|---|
| | capacity across a range of activities including feed production, seed processing and fertiliser blending. Such investment programs have failure risks associated with them together with concerns such as delays, cost overruns and other project management issues. A number of these projects have now commenced including the first phase of the capacity expansion at Carmarthen and the planning phase for the new mill for the Humphreys business. | to the design, planning and implementation phases of these projects. The Group now also has an internal engineering manger to co-ordinate and take responsibility for the delivery of these critical plans, and regular reviews take place with the individual project teams who then report to the Board on progress. |
| Increasing | Financial: Commodity prices, currency exchange rates and general inflation<br><br>The Group's raw material inputs (grain, feed inputs), along with the farmer customer outputs (dairy, meat, agricultural goods) are subject to world prices which are impacted by world supply and demand, political factors and currency exchange rates which could lead to fluctuating demand for the Group's products.<br><br>The wider economy has experienced a period of considerable volatility with higher cost inflation, increased interest rates and comparative devaluation of Sterling against other major currencies. The Group cannot be immune to such general pressures. | The Group does not engage in the taking of speculative commodity positions, and uses position reporting systems with appropriate buying limits in place to manage its forward purchasing requirements for its manufacturing operations. Position reporting systems are in place and where available, hedging tools such as commodity futures contracts are used to manage pricing decisions, while foreign currency risk is managed by entering into agreements at the time of the underlying transaction.<br><br>Various hedging strategies have been used to fix costs where possible including, in the electricity and fuel markets. Management are also tasked with seeking forward commitment arrangements utilising the Group's strong balance sheet where appropriate. |
| Increasing | Operational: Recruitment, retention and development of our key people<br><br>Recruiting and retaining the right people is crucial to the success of the Group. Very tight recent labour markets have exacerbated recruitment issues and increased employment costs across the whole spectrum of the Group's activities. | Succession planning and development of key colleagues is regularly considered at Board level. The Remuneration Committee develops policies to attract, retain and motivate the right people for the success of the Group. At the end of the financial year, the Group paid an Income Supplement of £750 per person to help with the current cost of living concerns and assist employee retention. |
| Increasing | Financial: Availability of finance and interest rates<br><br>Fluctuating commodity prices can adversely impact the Group's working capital requirements and increases in interest rates raise the Group's cost base and can limit capital availability. Recent Bank of England policy has been to increase interest rates to contribute to managing high inflationary pressures. | The Group monitors headroom in its banking facilities and maintains adequate capacity to absorb unexpected but foreseeable trading patterns and conditions. Debt facilities are in place with HSBC Bank Plc which include variable overdraft and committed revolving credit facilities and term loans, together with separate asset funding lines. The majority of existing debt facilities have floating interest rates linked to bank reference rates. The Board would review its option to fix the rates attached to such debt drawdowns through the use of interest swap derivatives if appropriate. |
| Increasing | Operational: Operating environment | |

| | | |
|---|---|---|
| | - Impact of weather conditions and climate change<br>Demand for the Group's products is affected by climatic conditions as these impact demand for animal feed and arable activities and so customer demand can be impacted by the weather which, in turn, could lead to volatility of earnings.<br><br>- Consumer awareness<br>There is growing evidence of consumer awareness and concern about sustainability of products purchased, including food.<br><br>- Avian Influenza<br>The recent increasing incidents of this highly pathogenic disease affecting farmed poultry as well as wild birds represents serious commercial risks to an important customer sector for the Group's feed business.<br><br>-Government regulation and licences<br>A number of the operating sites within the Group require specific environment regulated permits or other governmental approvals or licences. Non-compliance with the terms of such approvals could result in the withdrawal of authority to operate certain activities which could lead to volatility of earnings or loss of reputation. | The Group monitors trends and, as noted above, seeks to diversify where possible to avoid reliance on individual customer or product groups, such as offering products to arable and livestock farmers.<br><br>The Board monitors developments in consumer buying patterns in relation to sustainability and the Group is active in industry trade associations and maintains close contact with government policy development.<br><br>The Company has implemented appropriate bio-security measures to minimise the risk of contributing to the spread of the disease, including limiting farm visits, utilising single use protective clothing and disinfecting regimes for feed delivery vehicles.<br><br>The Board oversees environment and regulatory compliance by receiving regular updates from management and monitoring the results of internal reviews and external compliance audits. |
| Continuing | Financial: Credit<br><br>A significant proportion of the Group's trade is conducted on credit terms and as such the risk of non-payment is always present.<br><br>- Grain trading business<br>The grain trading business derives a significant proportion of revenue from a small number of key customers, leading to substantial customer credit balances. | Customers are credit checked and appropriate limits set up prior to goods being supplied. The Group actively monitors accounts using the credit control policy and the Board regularly monitors debtor days. The historic incidence of bad debts is low.<br><br>The Group utilises credit insurance in order to provide partial cover against default by certain large customers for grain. |
| Continuing | Operational: Industry consolidation and change<br><br>The Group operates in a fragmented market which is undergoing consolidation. Our strategy is to grow through a combination of organic and acquisition-based means in order to remain competitive and benefit from economies of scale. Consequently, it is important to successfully identify, execute and integrate growth opportunities in order to | The Group pursues a sensible growth strategy by seeking to increase its market share through geographic expansion and acquisitions. The Group continues to invest in its sales channels, capturing data through a customer relationship management tool in order to identify and manage customer sales, service, support and quality |

| | | |
|---|---|---|
| | mitigate the risk of customer loss and competition. | across our catalogue direct to farm and specialist agricultural merchanting depot network. |
| Increasing | Operational: War in Ukraine<br><br>The conflict in Ukraine caused significant disruption to global trade flows of certain agricultural commodities, both through the direct blockades on exports and through the implementation of sanctions on Russia, who was a major exporter of energy and fertiliser products. | <br><br>Whilst the initial blockade on the export of wheat, sunflower and other commodities from Ukraine had limited practical effect on the UK, it had a dramatic impact on prices. The Group's policy of forward buying mitigated the immediate impacts and enabled prices to be adjusted over the normal supply cycle. However, the sanctions on many Russian businesses closed off important sources of some fertiliser products. The Group's diverse supply chain enabled the business to react to these rapidly evolving circumstances and switch restricted supplies to alternative sources elsewhere in Europe. |
| Increasing | Operational: Brexit and the political backdrop<br><br>While the Trade and Co-operation Agreement between the UK and EU initially avoids the implementation of tariffs, the potential for adverse consequences remains for the business, both in terms of direct disruption and with the commercial prosperity of the Group's predominant farmer customer base.<br><br>Potential disruption issues include:<br>- Imported product supply chains<br>While the Group has limited direct importation activities, it does rely on smooth supply chains for certain products and raw materials which could be disrupted due to congestion and customs procedures at point of UK entry which could affect manufacturing and merchanting operations.<br>- Customer exports<br>Some of our customers export their end product, so changes in demand for whatever reason for their products could in turn affect their demand for the Group's products.<br><br>- Historic reliance of our customers on government support Our core farmer base has historically relied upon financial support provided and managed by the EU. The UK governments have implemented replacement support schemes, initially with different priorities for accessing payments going forward. A potential reduction in the funding may lead to uncertainty and impact our customer buying patterns. | <br><br>We continue to closely monitor the government's Brexit arrangements and adapt our plans to respond to the latest arrangements. New free trade agreements with countries such as Australia, have created concerns over agricultural products and the Group receives consultancy input on the implications of such arrangements.<br><br>Some of our raw material inputs and goods for resale are sourced from worldwide locations and where possible we plan to purchase from a variety of sources in order to minimise reliance on a single point of supply.<br><br>The Group diversifies where possible to avoid reliance on individual customer or product groups, such as offering products to arable and livestock farmers.<br><br>The respective government's agricultural legislative frameworks have been fully investigated and resources allocated to assist our customers to access the available funding for joint commercial benefit. The Group will adapt commercial plans and approaches to respond to the latest arrangements, particularly any change of policy direction that may result from changes in government cabinet priorities. |

# Section 172 Statement

### Financial Year ending 31 October 2022

### Background

All large companies are required to include a separate statement in their strategic report that explains how its directors have had regard to wider stakeholder needs when performing their duty under s172 of the Companies Act 2006. The introduction of this disclosure requirement has not changed the underlying statutory duties of a director, which are set out below:

> **Section 172(1) of the Companies Act 2006**
>
> A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members and in doing so have regard (amongst other matters) to:

a. The likely consequences of any decision in the long term
b. The interests of the company's employees
c. The need to foster the company's business relationships with suppliers, customers and others
d. The impact of the company's operations on the community and the environment
e. The desirability of the company maintaining a reputation for high standards of business conduct, and
f. The need to act fairly between members of the company.

The Board and its individual directors have acted in accordance with these statutory obligations while conducting their duties during the financial year to 31 October 2022, and have taken into account relevant issues, factors and wider stakeholder group concerns when considering business strategy and the decisions necessary to execute that strategy. The Directors recognise the importance of managing the business in a responsible, fair and ethical manner, and strive to engender such values in every aspect of the Group's operations.

### Stakeholders

The Group continues to identify five main stakeholder groupings associated with the business, and have produced specific outline corporate goals for each, which must be balanced to satisfy the expectations of all stakeholders and to achieve the overall strategic ambitions of the Business. Engagement channels are well developed for each grouping, which provide strong two-way communication links ensuring the Board are always cognisant of expectations. Additional information on engagement can be found in the ESG Framework section of the Annual Report.

Customers **–** where the Group seeks to excel in terms of range, value, quality, and service. The relationship nature of the Group's trading activities requires strong communication links with individual customers which are maintained through named account managers and other dedicated sales contact personnel, regular correspondence and increasingly through digital interaction channels. The Group has specialist teams who are able of offer advice on a range of agricultural matters and more details can been found within the Strategic Report.

Shareholders **–** the Board seeks to execute its strategy in a sustainable way in line with our corporate values, Wynnstay THRIVE, which is explained elsewhere in this report. We utilise the principles set out in the QCA Code to use good corporate governance and build trust, communicating updates on financial performance in a timely and appropriate manner. Directors will routinely engage with both institutional and private investors and will seek out opinions on unusual or potentially controversial matters before applying policy changes.

Colleagues **–** where the Group aims to attract, develop and reward high quality personnel, and ensure a safe, productive and interesting environment to work in, thus encouraging the highest levels of customer service. The Group has a Colleague Forum and a senior management "open-door" policy to encourage open dialogue across the business. Senior executives and Non-executive directors regularly visit operational locations and staff are routinely updated on developments through correspondence, newsletters, blogs and meetings.

Suppliers **–**the Group has a comprehensive network of reliable and supportive suppliers, and seeks to select suppliers who offer sustainable partnerships in order to offer better value to our customers. Product managers regularly engage with suppliers, developing marketing initiatives that align to the commercial objectives of the business.

Communities – where the Group aims to be an active and positive participant in the local communities in which it operates. Participation in social engagement with various community contacts is encouraged, and the Group selects certain charities to support on an annual basis.

## Key Board Decisions

During the year, certain key Board decisions and their implications on relevant stakeholder groups can be categorised as follows:

| Issue & Decision | Stakeholder Groups | Outcomes |
|---|---|---|
| **Continuing Health & Safety Improvements -** The Board's overriding priority continues to be the safety and welfare of colleagues, customers, suppliers and communities. The global Covid 19 pandemic created significant social and economic disruption, and as the pandemic waned and restrictions eased in the wider economy, the policies in place in the Company were reviewed, and many were recognised as having longer term advantages to the business and have been adapted for continued use. These include; remote working where appropriate and productive, virtual meeting scheduling and a continued policy of Covid positive isolation. Additionally, the Board commissioned an external review of existing health & safety policies across the Group to ensure necessary revisions were identified and suitably implemented. | All | Business activities have adapted well to the longer term sustainable working practises, and many colleagues have reacted positively to the productivity benefits of reduced commuting and business travel requirements.<br><br>The continuing improvement process and additional resources invested in health & safety management have produced tangible benefits in terms of the reduction in the number of incidents during the year to the benefit of all stakeholders.<br><br>Health & Safety must be embedded in the culture of the organisation, and this has undoubtedly been strengthened by the Covid response. |

Covid 19 whilst being a devastating occurrence, has undoubtedly focused attention on the critical importance of ensuring procedures and processes are fit for purposes and the Group will be in a stronger position to weather future such challenges. Embedding a culture of Health & Safety awareness is a priority for the business.

| | | |
|---|---|---|
| **Assessment and approval of Acquisitions** - In accordance with the well communicated acquisition element of the Group's strategy, the Board approved two acquisitions during the year. Both transactions involved considerable negotiation and due diligence and concluded in accordance with anticipated timeframes. Humphrey Feeds & Pullets completed in March 2022 with integration well underway, while Tamar Milling completed just after the year-end. | Customers<br>Suppliers<br>Shareholders | These transactions continue the Group's historically successful track record of identifying, negotiating with, and integrating relevant acquisitions. While it is premature to accurately assess the long term success of these specific transactions, the early signs are that they will both positively contribute to the overall performance of the business and be earnings enhancing. |

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Further acquisitions have strengthened the Group's presence in the South and South West regions of England, and enhance the Company's brand and reputation in the agricultural and farming sectors of the UK.

| | | |
|---|---|---|
| **Financial approval of, and practical commencement of Phase 1 expansion of Carmarthen Mill**<br><br>A significant element of the Group's plans to expand its feed manufacturing business has for some time been the investment in doubling the capacity of the mill in Carmarthen, South Wales. After a considerable period of planning, preparation and market analysis, the first major phase of this investment was signed off for the sum of £1.6m in the | Customers<br>Colleagues<br>Suppliers<br>Shareholders | The practical commencement of the first phase of the project has demonstrated the tangible commitment of the business to its customers, colleagues and suppliers in the South Wales area, with a noticeable positive reaction. Whilst the phase is not expected to be fully commissioned until May 2023, the initial throughput improvements expected to be seen will create the added commercial opportunities to generate a more than acceptable return for shareholders. |

summer, with work getting underway immediately.

The investment in modern and efficient manufacturing resources demonstrates the Board's commitment to this business sector in a highly visible manner with a positive sentiment being created for all those involved.

| | | |
|---|---|---|
| **Management Development and Succession Planning** – The Board support the Chief Executive Officer in regularly reviewing the quality of the Group's executive management resources and depth. Following the adoption of the expansion strategy two years ago, the need for additional resources were identified within a framework of sensible cost control. | All | During the year, a number of new roles were created and supported by the Board to facilitate and support the growth plan, including a Group Engineer and Project Executive. A Group wide Executive Management team is now well established to support the CEO and provides a wide range of commercial experience into the business. |

The continued strengthening of the Group's management team and structure sets a sound platform in place for the continued expansion and growth of the business.

Further examples of the Group's engagement with Customers, Suppliers and Colleagues are referenced in the Chairman's Statement, Chief Executive's Review and Finance Review sections of this Strategic Report.

The Strategic Report on pages 3 to 25 was approved by the Board of Directors on 31 January 2023 and signed on its behalf by Steve Ellwood and Paul Roberts.

# Environmental Strategy

## OUR ENVIRONMENT

## “Our mission is to help the farmer to feed the UK in a more sustainable way”

The Group has been progressing with its main environmental target to reach net zero carbon emissions with our own operations (scope 1 + scope 2) by 2040.

This progress has focused on internal operations across the group with investments in manufacturing efficiencies alongside low carbon technology. Further investments in low carbon electricity generation have been agreed for 2023.

**Task Force on Climate-related Financial Disclosures (TCFD):**
The Group recognises the significance of climate change and its impact as a business risk. We are on a journey to reduce our impact on the environment reducing carbon emissions in our own operations (scope 1 + scope 2) and influences a reduction in the wider supply chain (scope 3). We recognise that tackling climate change requires a long term approach, so we are supportive of the TCFD’s aims and objectives. With this in mind, we anticipate it will take time to map all risks ensuring we develop a rigorous system over the next 12 months to fully integrate the recommendations of TCFD within the way we operate and undertake business. As a requirement of an AIM-listed business, Wynnstay will be preparing a full TCFD to be reported in our 2023 Annual Report.

***INTERNAL OPERATIONS:***
Manufacturing Efficiencies:
As detailed in 2021 Annual report, an investment program in our manufacturing feed mill at Carmarthen site is underway. As a result of this continued investment to install new plant and equipment, we have seen a typical 30% energy reduction in kilowatt (kW) input to tonnes output.

Low Carbon Technology:
We are on-track with our LED lighting roll out plans and have installed LED lighting at 90% of our own sites. Our plan is to install LED lighting at all our other sites by the end of 2023. The impact of this has resulted in over 50% energy saving across the sites.

We currently have 18 hybrid engine vehicles which represents 12% of our company car fleet. With the current vehicles “on order” and no increase in company car numbers this figure will rise to 18%. We have not yet introduced full electric vehicles as there is concern over range and charging infrastructure. We have trialled an electric van and believe there are areas of the business where this type of vehicle would work.

As we progress with investments in low carbon hybrid-engine vehicles, we have installed 24 electric vehicles charging points at 6 of our sites.

With a large forklift truck (FLT) fleet across our depot and manufacturing site network, we have successfully trialled electric powered FLT’s at a high usage warehouse site. As a result of these trials, we aim to transition across to electric FLT’s in line with our fleet renewal schedule, moving from 30% of the fleet running on electric today towards 100% over the next 7-10 years.

As detailed in last year’s report, we have been utilising various blends of biofuels ranging from 7% up to 20%. Generally, these have performed well, however we do need to investigate further the impact of weather on the performance and how frequently fuel filters need changing. We aim to continue with our program of using B20 fuel in the summer and a lower blend in the winter. Availability of new heavy goods vehicles (HGV’s) has restricted the opportunity to trial any further bio-blend levels. Onwards plans for the next 2 years are to reduce the average age of the fleet, this will improve fuel usage alongside provide further scope for trial work.

The Group has a large electricity demand; this is predominantly utilised at manufacturing sites. As the Group continues to grow and decarbonise, we are mindful that our electricity requirements will increase (carbon emissions moving from Scope 1 to Scope 2).

We have recently agreed to install 1MWp of solar PV (photovoltaics) panels on six of our sites with high electricity usage. We will benefit from self-generating a portion of our own electricity, reducing reliance on the national grid infrastructure, alongside reducing our carbon emissions associated with energy usage. We expect this initial investment to reduce our scope 2 emissions by up to 5% (based on current electricity usage). This is the first stage of a multisite investment rollout of renewables over the next three to five years.

## EXTERNAL:

As we develop our Group sustainability proposition, a key part of this focuses on our primary mission centred around delivering a sustainable farming future. We aim to develop closer relationships with our farming customer base taking a Holistic Whole Farm view with any knowledge transfer or product recommendations to ensure we build profitable, efficient, resilient farm businesses that tackle climate change and reverse biodiversity loss.

### Crops and Forage:

Over the last 12 months, Wynnstay have invested in upskilling staff knowledge with more qualified personnel as FACTS qualified advisors (FQA's). FQA's promote farming methods that optimise crop nutrition alongside protecting soil, water, and air quality.

We have been progressing with our seed offering, aligning mixtures to current and future demands to integrate diversity into arable and livestock cropping rotations. We have seen increases of over 50% in sales of cover crops this year due to the greater focus on the positive impacts cover crops can have as well as reducing inputs. The affinity between good farming practice, the surrounding environment and soil health whilst focusing on productivity remains at the forefront of many conversations.

### Health:

As we work towards our mission to deliver a sustainable farming future, ensuring livestock are healthy and productive is essential in building profitable and environmentally sound farm businesses. Wynnstay have continued to invest in skill sets to facilitate this. During 2022, 14 Wynnstay specialists qualified through a 2-day training course to become qualified Cow Signals advisors. This focuses on removing bottlenecks in health and performance of livestock to increase the productive life of cows.

### Nutrition:

In 2021 we introduced a climate range of livestock feed focused on raw materials with a range of soya-free and palm-free rations. In 2022 this range has been expanded to include a methane reducing additive. This reduces methane emissions and increases livestock efficiency. We are seeing good growth in this product category with a 30% increase in sales over the last 12 months. We envision this climate ranges will continue develop as a result of further supply chain requirements from processors, retailers, and consumers and the need for farms to reduce their environmental impact.

## Streamlined Energy and Carbon Reporting (SECR) Statement 2021 / 22

We measure and report our energy and carbon data across the whole Group, giving comprehensive data to authenticate the environmental impact of the Company. Our SECR statement includes all emission sources required under the 2019 regulations for the financial year ended 31 October 2022. As this is the third year of reporting, we shall be comparing this year to the previous 2020/21 year, however the benchmark 2019/20 year is shown in the table.

Wynnstay Group used 12,832 (2021: *12,466*) carbon dioxide equivalent tonnes ($tCO_2e$) of energy during the year. 32% (2021: 31%) of energy was used in producing compound and blended feeds in our production plants, which saw the addition of Humphreys from April 2022.  A further 58% (2021: 56%) was used by our fleet of vehicles, this percentage increase being driven by an absolute rise in the litres of Derv used again reflecting the addition of the Humphrey business. Both production and transport efficiency are key to our energy savings plans, as we continue to seek efficiencies in factory throughput and miles achieved per litre for road fuel respectively.

The carbon intensity ratio we have chosen is the best reflection of our total activity across all our operations based on the total tonnage traded of agricultural inputs and grain. Our carbon intensity ratio for the year ended 31st October 2022 was 7.24$tCO_2e$ *(2021: 7.62$tCO_2e$)* per 1,000 tonnes of agricultural inputs and grain traded. For future periods we shall set reduction targets for our carbon emissions to enable us to begin the measurement of energy efficiency along with financial performance.

In order to calculate the carbon emissions, we have used the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022. One of the requirements of the SECR regulations is to report our total UK energy use in kilowatt hours (kWh); for this we have used the 2022 conversion factors. The Scope 1 and 2 emissions reported are for all operational facilities under our control and for which we have direct management responsibility.

### Streamline Energy and Carbon Reporting

| Carbon emissions ($tCO_2e$) | Current 2021/22 | Previous 2020/21 | Benchmark 2019/20 |
|---|---|---|---|
| Scope 1 Emissions | 9,682 | 9,197 | 9,086 |
| Scope 2 Emissions | 3,127 | 3,249 | 3,582 |
| Scope 3 Emissions | 23 | 20 | 42 |
| Total Emissions | 12,832 | 12,466 | 12,710 |
| Traded tonnage of agricultural inputs and grain | 1,772,821 | 1,635,788 | 1,560,895 |
| Carbon intensity ratio ($tCO_2e$/1000t traded) | 7.24 | 7.62 | 8.14 |
| **Total UK energy usage  (kWh)** | **57,910,122** | **54,499,274** | **53,320,243** |

Wynnstay helps livestock and arable farmers to produce food in a more sustainable, environmentally friendly and profitable way. We provide our customers with quality products, specialist advice and an efficient service that is industry leading.

**TEAMWORK**
Together we are more effective

**ENVIRONMENTAL SUSTAINABILITY**
A more sustainable world

**HONESTY, COMMITMENT & QUALITY**
We aim high


**VALUE CREATION**
A better tomorrow

**RESPECT**
Respect and fairness are essential

**INNOVATION**
Innovation is the future


## TEAMWORK

### Together we are more effective

We can be more effective as a business through collaboration and teamwork. This means communicating our goals well and listening to the ideas and concerns of all members of the team.

## HONESTY, COMMITMENT & QUALITY

### We aim high

By aiming high, we will succeed in creating a stronger, better business. It applies in all sorts of ways, including the quality of our products, the service we offer, the efficiency of our processes, and in the advice we provide. Ultimately, if we are a step ahead, customers will be assured of quality products, expert advice and good value.

## RESPECT

### Respect and fairness are essential

We believe that relationships flourish where there is mutual respect, and that people should be treated fairly and equitably. This is most relevant in the work place but it also cuts across all professional relationships, including with partners, suppliers and customers.

## INNOVATION

### Innovation is the future

Farming is changing and we want to provide farmers with access to the innovation that is driving sustainable and more effective farming practices. To that end we are constantly looking across the market for new products and approaches that will allow us to provide farmers with the tools they need to maximise their potential. We apply the same spirit to our business to ensure continuing development and improvement.

## VALUE CREATION

### A better tomorrow

Our objective is to generate value for shareholders and for society, as well as for our customers and people. We endeavour to run the business in such a way that we offer participation in a business model with an attractive long-term financial profile, which also contributes to society.

## ENVIRONMENTAL SUSTAINABILITY

### A more sustainable world

We consider our environmental impact when making business decisions. We are dedicated to making our supply chain more sustainable, and are working hard towards contributing to a more sustainable world.

# Corporate Governance Statement

### For the year ended 31 October 2022

On behalf of the Board, I am pleased to present our Corporate Governance Statement for the year ending 31 October 2022.

The Board continues to place the highest priority on delivering long-term shareholder value, and critical to this is maintaining a governance strategy appropriate to the activities and scale of our business. In accordance with AIM Rule 26, the Board have confirmed that they will apply the QCA Corporate Governance Code for Small and Mid-size Quoted Companies, published in April 2018 ("the Code") to the Group. I am pleased to report that the Board believe the Group have remained in compliance with the principles of the Code throughout the year, and this report describes how this was achieved. Where relevant information is contained elsewhere in this document, references are given.

The Code contains ten principles which are:

| | |
|---|---|
| **DELIVER GROWTH** | |
| Principle 1 | Establish a strategy and business model which promote long-term value for shareholders |
| Principle 2 | Seek to understand and meet shareholder needs and expectations |
| Principle 3 | Take into account wider stakeholder and social responsibilities and their implications for long-term success |
| Principle 4 | Embed effective risk management, considering both opportunities and threats, throughout the organisation |
| **MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK** | |
| Principle 5 | Maintain the board as a well-functioning, balanced team led by the chair |
| Principle 6 | Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities |
| Principle 7 | Evaluate board performance based on clear and relevant objectives, seeking continuous improvement |
| Principle 8 | Promote a corporate culture that is based on ethical values and behaviours |
| Principle 9 | Maintain governance structures and processes that are fit for purpose and support good decision-making by the board |
| **BUILD TRUST** | |
| Principle 10 | Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders |

### DELIVER GROWTH

**Principle 1**: Long term value creation is at the heart of our business; our goal is to help the farmer to feed the country in a more sustainable way. The Board updated its long term strategy in 2020 with five key growth pillars, which are laid out in Strategic Report on page 5, and which support the development of the Group's balanced business model, an overview of which is given on page 5. Key developments in the business during the year are explained in the Chief Executive Review on page 11, and the Board's major decisions during the year are highlighted within our S172 statement on page 23.

**Principle 2**: The Board appreciates that the diverse shareholder base of the Group may have differing objectives for their investment in the business, and therefore the importance of ensuring that non-executive directors ("NED") in particular, have an up to date understanding of these perspectives is well recognised.

Directors proactively engage with both institutional and private investors when appropriate and will seek out opinions on unusual or potentially controversial matters before adopting policy changes or tabling shareholder resolutions. The Board will always review written feedback reports from investors following financial results "roadshows" and will also always consider information received from institutional voter advisory firms. Philip Kirkham is the nominated independent NED who makes himself available to shareholders who may require independent Board contact.

Details on how the Board have taken the views of all stakeholders into consideration when making significant decisions in the year are contained within the S172 statement on page 23.

**Principle 3:** We create value by operating in a sustainable way, to help livestock and arable farmers grow food that is profitable, sustainable and environmentally friendly. The Directors recognise the importance of managing the business in a responsible, fair and ethical manner, and strive to engender such values in every aspect of the Group's operations. More detail on how the Group engages with sustainable farming practices is contained in the Strategic Report. During the year, the Group's Environmental and Sustainability Manager launched a number of important initiatives including a renewable energy investment strategy and the establishment of a Sustainable Farming Advisory ("SFA") team. Customer feedback is sought via both sales colleagues and senior management, and also by market research where appropriate. We regularly review customer sales related metrics using our CRM tool.

Continually improving communication between directors and colleagues is important and a number of mechanisms are used across the Group including, results Roadshows led by the Executive Team, newsletters, Colleague Forums, Health & Safety Committees, and opportunities for all Colleagues to put questions directly to the Chief Executive, who operates an "open door" policy.

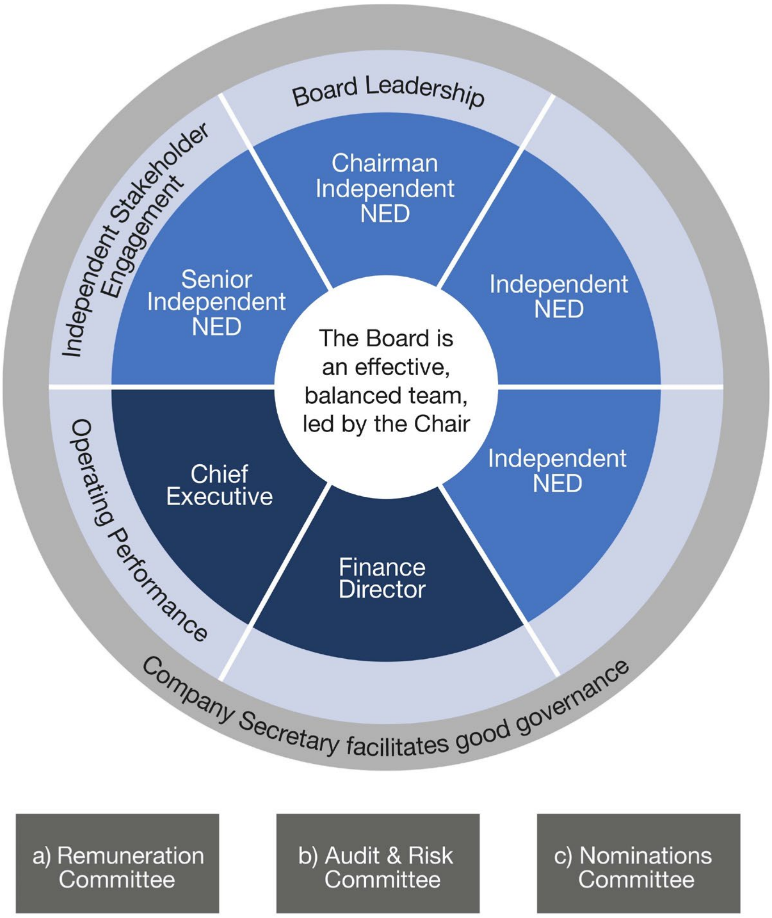
**Principle 4**: The Board's risk appetite is explained within the Principal Risks and Uncertainties Report on page 19, which also includes an analysis of significant risks and mitigations. The Board retains ultimate responsibility for determining our risk appetite and overseeing management strategies, with the support of the Audit Committee which discusses internal controls and risk management. The Committee would then make any appropriate control improvement recommendations to the Board for implementation. The Group does not currently have a formal internal audit function and at present the Board believes that existing management resource is sufficient to adequately control the Group in its current size, however this matter continues to be actively reviewed.

The key procedures within the control structure include:

- A comprehensive risk register is maintained and regularly reviewed by the Board,
- Managers at all levels in the Group have clear lines of reporting responsibility within a clearly defined organisational structure;
- Comprehensive financial reporting procedures exist, with budgets covering profits, cash flows and capital expenditure being prepared and adopted by the Board annually. Actual results are reported monthly to the Board and results compared with budgets and last year's actual. Revised forecasts are prepared as appropriate; and
- There is a structured process for appraising and authorising capital projects with clearly defined authorisation levels.

## MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

**Principle 5**: The Board composition is shown below. Continuity is an important element in the effective functionality of the Board, but equally succession planning is critical to the business to ensure smooth transition of Board composition changes to uphold the independence requirements of the Code. I was appointed Chairman in 2021 having had five years experience with the business, and following a comprehensive search process Catherine Bradshaw was appointed as a non-executive later that year. We are now planning the next phase of our Board evolution and hope to be in a position to announce changes in 2023 ensuring a good balance of experience and fresh thinking is maintained. The roles of Chairman and Chief Executive on the Board are separate, and the Chairman is elected by the whole Board on an annual basis. All Directors retire by rotation on a two or three year cycle, and where eligible are able to offer themselves for re-election at the appropriate AGM. All Board members are able to take independent professional advice on matters associated with the Company at the Company's expense. I am happy to confirm that all the non-executive directors are considered to be suitably independent and the Board is satisfied that it has an appropriate mix of capabilities, skills and personal qualities and is not dominated by one person or group of people.




Details of membership and key skills are on pages 42 to 43

A formal schedule of matters requiring Board approval is maintained and regularly reviewed and covers items such as Group strategy, approval of budgets and financial results, dividend policy, major capital expenditure, corporate governance and Board appointments and comprehensive briefing papers are circulated prior to each meeting. The Board usually meets once per month with additional meetings when necessary, and details of additional Board Committee meetings are described under Principle 9 below. The Board and its sub-committees are supported by external advisors as required, who will also offer guidance in ensuring Directors maintain an adequate skill set to satisfactorily carry out their duties. All Board members are able to call on the Company Secretary to arrange any required training, briefings or practical experiences necessary to improve their understanding of the business and its operating environment and their obligations as directors. During the year, our Company Secretary, Claire Williams, has been absent from work while she recuperates from a serious car accident, with the role being covered by Paul Roberts in an "acting" capacity. A table of meetings and attendances during the financial year is given below:

| | Board Main | Board Additional | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|---|
| Number of Meetings | 12 | 7 | 3 | 3 | 2 |
| | | | | | |
| Steve Ellwood | 12 | 7 | n/a | n/a | 2 |
| Philip Kirkham | 12 | 5 | 3 | 3 | 2 |
| Howell Richards | 12 | 5 | 1 | 2 | n/a |
| Catherine Bradshaw | 12 | 6 | 3 | 3 | n/a |
| | | | | | |
| Gareth Davies | 12 | 7 | n/a | n/a | 2 |
| Paul Roberts | 11 | 7 | n/a | n/a | n/a |

**Principle 6:** Biographical details of the Directors and their skills are included on pages 42 to 43. The executive directors all have considerable experience in the agricultural supply industry and have spent much of their careers with the Group, providing a significant degree of management continuity. The non-executives bring a range of business and commercial

expertise to the Board, including direct agriculture and specialist merchanting experience. Catherine Bradshaw is Audit Committee Chair and has considerable and relevant financial oversight and reporting experience in her executive role as Director of Group Reporting and Control at Cranswick plc. The Board is satisfied that it has an appropriate balance of sector, financial and public markets skills and experience and is not dominated by any one person or group of people

**Principle 7:** As Chairman I am responsible for the periodic performance reviews of the Board, its sub-committees and non-executive directors. Stakeholder feedback is sought and acted upon where necessary and myself and our Senior Non-Executive, Philip Kirkham, routinely make ourselves available to meet shareholders. An appraisal of the performance of the Board and each Executive Director has been undertaken at the year-end in the form of individual interviews with each Director conducted by the Chairman. The process reviewed elements in five broad categories which were :

- Clarity of Company roles and responsibilities.
- Accountability and transparency.
- Personal skills, strengths and teamwork abilities.
- Stakeholder engagement.
- Board structure and processes.

The assessed conclusions of the review were of adequate results in each category with the improvements noted in the previous year being maintained. During these discussions, any concerns over technical knowledge or sector understanding necessary to fulfil their role as a director of the Company were considered with additional support arranged as necessary. Continuing professional development support was provided to the Board during the year by specialist presentations from expert agricultural sector consultants.

The Board approves annual objectives for the Executive Directors and measures performance against these objectives when deciding whether to award a performance related bonuses, details of which are reported in the Director's Remuneration Report.

**Principle 8:** The Group promotes its Wynnstay THRIVE corporate values culture which is described on page 30. Wynnstay THRIVE involves collaboration throughout the companies within our Group structure and colleagues at all levels. The Board supports THRIVE as it facilitates our corporate culture which is based on ethical values and behaviours. The Group also has a number of policies and procedures designed to safeguard our ethical values, including Whistleblowing, Equal Opportunities, Training and continuing professional development and, where possible, colleague internal promotions. The Board receives regular feedback on these concepts through the Colleagues Forum, Annual Employee Roadshows and other senior executive interaction with the wider Company. The Board have appointed an Environmental and Sustainability Manager to lead the implementation of our environmental strategy and further details of initiatives from this plan is provided in our ESG Framework report on page 26.

**Principle 9**: The Board is supported by Shore Capital and Corporate Limited who act as Nominated Advisor and are consulted on matters when appropriate so that the Board can take their advice into account on relevant decision making requirements. Close relationships are maintained with the Group's corporate law advisors, DWF Law LLP.

The Board is responsible for the development and oversight of strategy, with implementation of that strategy and day to day management of the business delegated to the Executive Directors and Senior Management team. Each trading entity has its own divisional executive board, on which the two Executive Directors sit, and this structure ensures timely and effective decision making is made and implemented and that there is a direct link back to the Group Board. Senior Management from across the Group are routinely invited to attend Board meetings for relevant discussions.

The Board is supported by three sub-committees, membership of which is shown on pages 42 to 43.

- Audit and Risk

  The committee meets to provide oversight of the financial reporting process, the external audit process including maintaining auditor objectivity and independence in relation to non-audit services, the Group's system of internal controls, compliance with laws and regulations and risk management.

- Remuneration

  The committee meets to consider remuneration policy for executive directors and senior managers and the supervision of employee benefit structures throughout the Group.

- Nominations

  Meets as required to consider senior appointments.

The Board is satisfied that the Group's governance structures and processes are appropriate to its size, complexity and appetite and tolerance to risk and keeps these structures under review as the Group develops over time. The Board regularly monitors developments to Corporate Governance regulations and processes and will regularly review the continuing suitability of the QCA code.

## BUILD TRUST

**Principle 10:** Details of the Group's financial performance and position are provided throughout the annual report, and details on how key judgements made during the year and their impact on stakeholders are explained on page 23. The Board are pleased with the financial performance of the Group during the year, which has presented many financial and commercial challenges. The performance demonstrates the resilience of our focused "farmer first" balanced business model upon which the Group's long-term strategy is built. The directors are confident and have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future and continue to adopt the going concern basis in the preparation of the Financial Statements. These results will be communicated through all the usual channels and the arrangements for maintaining a dialogue with shareholders and other relevant stakeholders are described under Principles 2 and 3. A Directors Remuneration report is contained on page 47, and as we seek to continuously improve the level of information disclosure, a separate Audit Committee report has been prepared this year on page 36. In our Directors' Report last year we noted that the Board had decided that it was appropriate to carry out a competitive tender for the Group's audit which resulted in the appointment of RSM UK Audit LLP, and the Board consider that such a periodic rotation of auditors is a matter of confidence for stakeholders in the business.

**Steve Ellwood**
**Chairman**
**31 January 2023**

# Audit Committee Report

I am pleased to present the Audit Committee report for the year ended 31 October 2022, on behalf of the Board.

The Audit Committee provides effective oversight and governance over the financial integrity of the Group's financial reporting to ensure that the interests of the Company's shareholders are protected at all times. It assesses the quality of the external audit processes and ensures that the risks which our businesses face are being effectively managed.

A significant area of focus of the Committee this year has been on the Group's internal control environment. Progress has been made this year in strengthening the control environment and culture of the Group but improvements still need to continue and this will be a key focus in 2023. In particular, the Committee during 2022 has worked to ensure that:

- Controls in areas of particular weakness have been significantly strengthened.
- Harmonisation of hedge accounting adoption where applicable and relevant within the Group.
- Robust process is in place around acquisition purchase price allocations and intangible valuation approaches.
- Investment in talent was made within the business to enable adequate focus to be placed on processes and controls.
- The approach to audit planning has been revised and audits are getting aligned to risks identified on the Group risk register.
- A tracking tool and reviews have been introduced to ensure that actions to address control weaknesses are completed.

Priorities for the Committee in 2023 will initially focus on system improvements. Priorities will also include further standardisation of financial reporting system processes of the business, the provision of improved guidance around the reporting of accounting judgements and the extension of controls improvement into smaller operating units.

Although going concern is a matter for the whole Board (see page 18), a review is made by the Audit Committee of the Group's headroom under its covenants and undrawn facilities in relation to the Group's financial forecasts and sensitivity analyses.

Following the appointment of RSM UK Audit LLP as external auditor in July 2021 the Committee reported to the Board that they were satisfied with the initial work and recommended their reappointment for the year under review in this annual report.

## Purpose and aim

The purpose of the Committee is to make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and Group's responsibilities, providing independent monitoring, guidance and challenge to executive management in these areas.

Through this process the Committee's aim is to ensure high standards of corporate and regulatory reporting, an appropriate control environment, a robust risk management framework and effective compliance monitoring. The Committee believes that excellence in these areas enhances the effectiveness and reduces the risks of the business.

## Key responsibilities

- The accounting principles, practices and policies applied in and the integrity of the Group's Financial Statements.
- The adequacy and effectiveness of the internal control environment.
- The effectiveness of whistleblowing procedures.
- The effectiveness of the Group's finance function.
- The appointment, independence, effectiveness and remuneration of the Group's external auditor, including the policy on non-audit services.
- The supervision of any tender process for the Group's external auditor.
- External financial reporting and associated announcements.
- The Group's risk management processes and performance.

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## Audit Committee membership

As at 31 October 2022, the Committee comprised of:

| **Chair of the Committee** | **Members** | **Non-Executive Director** |
|---|---|---|
| Ms C Bradshaw | Mr P.M. Kirkham<br>Mr H.J. Richards | ☜<br>☜ |

The Board considers that each member of the Committee was throughout the year, and remains, independent within the terms of the QCA Corporate Governance Code for Small and Mid-size companies ("the Code"). The knowledge and experience of the Committee members' means that the Committee as a whole is competent in the sector in which the Company operates. The Company Secretary also attends each Committee meeting and when appropriate the Finance Director is invited to attend the Committee's meetings.

## Audit Committee structure

The Committee operates under terms of reference which are reviewed annually by the Committee and changes are recommended to the Board for approval.

The Committee has in its terms of reference the power to engage outside advisors and to obtain its own independent external advice at the Company's expense, should it be deemed necessary.

The Chairman of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee, identifying any matters on which it considers that action or improvement is needed and makes recommendations on the steps to be taken.

## Meetings

The Committee meets regularly throughout the year, and four meetings relevant to the year under review were held along with the audit close meeting in early 2023. Its agenda is linked to events in the Company's financial calendar.

The Committee addressed the following key agenda items during its four meetings in the financial period:

| 24-Sep-21 | 20-Jan-22 | 12-Jul-22 | 16-Sep-22 |
|---|---|---|---|
| ■ Review of 2021 acquisition and intangibles recognised | ■ Review of 2021 going concern basis of accounting and viability statement | ■ Review Audit Committee report | ■ Review of in year acquisition and intangibles recognised |
| ■ Review of the 2021 external auditor's year end audit plan | ■ 2021 Goodwill and intangible assets impairment review | ■ Review of Finance Change management | ■ Review of the external auditor's year end audit plan |
| ■ Group internal controls review | ■ 2021 Review of Audit Committee report | ■ Risk management and internal control review | ■ Group internal controls review |
| ■ Internal controls update | ■ Update on risk management | ■ Review of 2022 interim results and preliminary results announcement | ■ Risk register update |
| | ■ Review of 2021 audit process and results<br>■ Review of the 2021 external auditor report<br>■ Review of the 2021 Annual Report and preliminary results announcement | | |

All members of the Committee attended all meetings with the exception of Mr H.J. Richards for the July 2022 and September 2022 meetings. The Committee Chair regularly invites senior company executives to attend meetings of the Committee to discuss or present specific items and the Finance Director, Mr B.P. Roberts, attended all four of the meetings. The external auditor also attended two meetings of the Committee and has direct access to the Committee Chair. The Committee also meets with the external auditor without the Executive Directors being present. The Committee Chairman also meets with the external auditor in advance of Committee meetings. During the year, the Committee held no additional unscheduled meetings.

## Financial reporting and significant accounting matters

The Committee considered the following financial reporting and key accounting issues with regard to the 2022 Financial Statements:

### Carrying value of goodwill and intangible assets*

The carrying value of goodwill and intangible assets is systematically reviewed prior to year end. A consistent methodology is applied to the individual cash generating units, taking account of market outlook, risk-adjusted discounted future cash flows, sensitivities, and other factors which may have a bearing on impairment considerations. Specific focus has been given to Humphreys as a recent acquisition involving purchase price allocation. The Committee considered the appropriateness of the assumptions including discount and growth rates.

* *Items marked as such are areas where judgement is involved in arriving at the accounting conclusion.*

### Fair Value of Investment Property*

During the year the group instructed independent RICS qualified surveyors to assess the market value of the property resulting in a fair value loss impairment based on an assessment that the likely market rent on any lease renewals would be lower than the current passing rent. The Committee considered and accepted the conclusion that a charge should be taken to reduce the carrying value of the investment property.

### Derivatives

Hedge accounting rules were reviewed to establish if it could be applied to other operating companies within the Group where derivatives are used, including, taking due consideration of the commercial dynamics of the operations. The Committee concluded it was not possible to apply hedge accounting rules to companies other than Glasson Grain Limited, where cash flow hedges are used.

### Control improvements

Regular reports on internal control issues are presented to and discussed at the Audit Committee and a follow up process in place to assess improvement recommendations. Ongoing progress on the internal control process has continued during the year. The Group's external auditor communicated, as part of their audit of the Financial Statements several improvement points. The Board, in reviewing key control observations, can confirm that actions are being undertaken to remedy the weaknesses identified. This programme is aimed at reinforcing balance sheet ownership and control to ensure the completeness and accuracy of reconciliations. During 2023, further work will be undertaken to implement better system controls and processes in this area, establish enhanced levels of review and provide additional training where required. These changes will be supported by the senior finance team to ensure improved awareness and greater accountability.

### Going concern and longer-term viability

The Committee reviewed the Group's cash flow, net debt and leverage forecasts and note that there is sufficient headroom projected against the Group's financial covenants throughout the viability period (ie 3 years). The assessment has placed additional focus on the covenant test points (with particular reference to the working capital seasonality of the business which would ordinarily see leverage rise in second quarter. The Committee has also reviewed the Group's potential mitigating actions to reduce leverage in the short term and consider these to be achievable and commercially viable. The Committee is satisfied that the assumptions taken are appropriate.

### Corporate culture

The Committee considered measures undertaken to transform the culture of the business in the year. The Committee noted two changes in particular: firstly, significant strengthening of the technical leadership team; and secondly, through careful management, greater standardisation and embracing better ways of working. The Committee is reassured by the positive changes that have been made to date but is also mindful that transformational change will inevitably take time to embed.

### Oversight of external auditor

The Board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the Group's external auditor. The external auditor reports to the Committee on the actions taken to comply with both professional and regulatory requirements and with best practice designed to ensure its independence.

The Group has an agreed policy regarding the provision of audit and non-audit services by the external auditor, which was operated throughout the period. The policy is based on the principles that they should undertake non-audit services only where they are the most appropriate and cost-effective provider of the service and where the provision of non-audit services does not impair, or is not perceived to impair, the external auditor's independence and objectivity. It categorises such services as auditor-permitted services, auditor-excluded services and auditor-authorised services. The fees permissible for non-audit services should not exceed the average audit fees paid to the Group's external auditor in the last two consecutive financial years. The policy, which was reviewed at the September 2022 meeting defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any auditor-authorised services. In all cases, any instruction must be pre-approved by the Finance Director and the Audit Committee before the external auditors are engaged. The external auditor cannot be engaged to perform any assignment where the output is then subject to their review as external auditor.

The Committee regularly reviews an analysis of all services provided by the external auditor. The policy and the external auditor's fees are reviewed and set annually by the Committee and are approved by the Board.

The total fees payable by the Group to its external auditor for non-audit services in the period were £nil. The total fees payable to them for audit services in respect of the same period were £175,000 (2021: £119,000).

A full breakdown of external auditor fees are disclosed in Note 6 to the Financial Statements on page 73.

The external auditor reports to the Committee each year on the actions taken to comply with professional and regulatory requirements and best practice designed to ensure its independence, including the rotation of key members of the external audit team. RSM UK Audit LLP has formally confirmed its independence to the Board in respect of the period covered by these Financial Statements.

### Fair, balanced and understandable

The Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information to enable shareholders to assess the position and performance, strategy and business model of the Company.

In reaching this conclusion the Committee has considered the following:

- The preparation of the Annual Report is a collaborative process between Finance,, Human Resources and Communications functions within Wynnstay, ensuring the appropriate professional input to each section. External guidance and advice is sought where appropriate.
- The coordination and project management is undertaken by a central team to ensure consistency and completeness of the document.
- An extensive review process is undertaken, both internally and through the use of external advisors.
- A final draft is reviewed by the Audit Committee members prior to consideration by the Board.

**On behalf of the Board**
**Catherine Bradshaw**
**Chair of the Audit Committee**
**31 January 2023**

# Directors’ Responsibility Statement in Respect Of The Annual Report And Accounts, Strategic Report, Directors’ Report And The Financial Statements

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and the company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Wynnstay Group Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**On behalf of the Board**
**Paul Roberts**
**Acting Company Secretary**
**31 January 2023**

# Board of Directors and Company Secretary

RC NC

**Stephen Ellwood**
Chairman

Steve joined the Board in April 2016. He has a wealth of experience within the UK agriculture and agri-food sectors after spending 10 years as Head of Agriculture at HSBC, following on as Head of Food and Agriculture at Smith & Williamson for four years. Steve is Chairman of AH Worth and Company and NIAB and is a Non-Executive Director at Velcourt Group.

**KEY SKILLS**

Sector experience | Strategy and leadership | Mergers and acquisitions | Finance

AC RC NC

**Philip Michael Kirkham**
Vice-Chairman / Senior Independent Non-Executive Director

Philip joined the Board in April 2013. He runs a mixed farming business in the West Midlands and has significant experience in the UK livestock sector. He is also Non-Executive Chairman of Meadow Quality Limited, a multi-species livestock marketing business, and was previously Non-Executive Chairman of NMR Plc.

**KEY SKILLS**

Sector experience | Strategy and leadership

AC RC

**Howell John Richards**
Independent Non-Executive Director

Howell joined the Board in July 2014. He has significant experience within the agricultural industry and has established a large dairy enterprise business in South Wales. As a member of a number of well recognised committees, Howell promotes the UK dairy industry and supports initiatives for young entrants into UK farming.

**KEY SKILLS**

Sector experience | Strategy and leadership

AC RC

**Catherine Bradshaw**
Independent Non-Executive Director

Catherine joined the Board in July 2021. As a qualified chartered accountant, Catherine brings a wealth of experience in financial control from previous roles at Northern Foods Plc, Morrisons Plc, Greencore Plc, and currently as Director of Reporting and Controls at Cranswick Plc.

**KEY SKILLS**

Strategy and leadership | Mergers and acquisitions | Finance

NC

## Gareth Wynn Davies

Chief Executive Officer

Gareth was appointed to the Board as Chief Executive in May 2018. He joined Wynnstay in 1999 as Sales Manager for South Wales and became Head of Agriculture in 2008. He is also a Non-Executive Director at Hybu Cig Cymru - Meat Promotion Wales and Director of AIC (Agricultural Industries Confederation).

**KEY SKILLS**

Sector experience · Sales and marketing · Strategy and leadership · Mergers and acquisitions

## Bryan Paul Roberts

Finance Director

Paul joined the Board in 1997. He joined Wynnstay in 1987 having previously worked in the animal feed industry. He is a Fellow of the Chartered Institute of Management Accountants.

**KEY SKILLS**

Sector experience · Company secretarial · Mergers and acquisitions · Finance

## Claire Alexander Williams

Company Secretary

Claire became Company Secretary in January 2020. She joined Wynnstay in 2017 as Group Financial Controller. She is a member of the Institute of Chartered Accountants in England and Wales.

**KEY SKILLS**

Company secretarial · Finance

**COMMITTEE MEMBERSHIP**

AC Audit Committee · NC Nominations Committee · RC Remuneration Committee · Committee chair

# Directors' Report

## For the year ended 31 October 2022

The Directors present their report together with the audited financial statements of the Parent Company ("the Company") and the Group for the year ended 31 October 2022.

### Results and dividends

| | **2022** | 2021 |
|---|---|---|
| | | |
| Interim dividend per share paid | **5.40p** | 5.00p |
| Final dividend per share proposed | **11.60p** | 10.50p |
| Total dividend | **17.00p** | 15.50p |
| | | |
| | **£000** | £000 |
| Group revenue | **713,034** | 500,386 |
| Group profit after tax | **17,142** | 8,934 |
| | | |

Subject to approval at the Annual General meeting, the final dividend will be paid on 28 April 2023 to shareholders on the register at the close of business on 31 March 2023. The share price will be marked ex dividend with effect 30 March 2023. In accordance with the rules of the Company's scrip dividend scheme, eligible shareholders will be entitled to receive their dividend in the form of additional shares. New mandate forms for this scheme should be signed and lodged with the Company Secretary 14 days before the dividend payment date of 28 April 2023.

Details of authorised and issued share capital and the movement in the year is detailed in note 27 to the financial statements.

### Directors and their interests

The Directors who held office during the year and as at 31 October 2022 had the following interests in the ordinary shares of the Company:

| | 25p ordinary shares | | SAYE options | | Discretionary options | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Gareth Davies | **40,113** | 32,761 | **1,309** | 7,795 | **45,715** | 45,715 |
| Steve Ellwood | **4,700** | 4,700 | **-** | - | **-** | - |
| Philip Kirkham | **11,203** | 11,137 | **-** | - | **-** | - |
| Catherine Bradshaw | **-** | - | **-** | - | **-** | - |
| Howell Richards | **2,810** | 2,810 | **-** | - | **-** | - |
| Paul Roberts | **98,998** | 98,998 | **5,236** | 6,857 | **36,574** | 36,574 |

Further information on the Directors' discretionary options, including the performance criteria, can be found in the Directors' Remuneration Report, with the numbers shown in the above table representing the maximum available to vest.

In addition to the above shareholdings, Gareth Davies and Paul Roberts are trustees of the Company's Employee Share Ownership Plan trust which at the year end held 16,834 shares (2021: 16,834 shares). Accordingly, these directors were deemed to hold an additional non-beneficial holding in such shares.

No director at the year end held any interest in any subsidiary or associate company.

Further details on related party transactions with Directors are provided in note 32 to the financial statements.

Under Article 91, Paul Roberts and Howell Richards retire from the Board by rotation at the Annual General Meeting on 21 March 2023 and being eligible, offer themselves for re-election.

During the year, the Company purchased and maintained liability insurance for its Directors and Officers which remained in force at the date of this report.

### Substantial shareholdings

At 31 October 2022, the following shareholders held 3% or more of the issued share capital of the Company:

| Registered shareholder | Beneficial holder | Number of shares | % of issued share capital |
|---|---|---|---|
| Lion Nominees Limited | Discretionary managed funds of Close Asset Management Limited | 2,485,656 | 11.4 |
| Rock Nominees Limited | Discretionary managed funds of Charles Stanley & Co | 2,218,499 | 9.9 |

| | | | |
|---|---|---|---|
| Luna Nominees Limited | Discretionary managed funds of Cazanove Capital | 889,350 | 4.0 |
| Rulegale Nominees Limited | Discretionary managed funds of James Sharp & Co | 670,436 | 3.0 |

The Directors are not aware that any other person, Company or Group of Companies held 3% or more of the issued share capital of the Company, and no new notifications of substantial shareholdings have been received between 31 October 2022 and the date of this report.

### Shareholder resolutions

At the Annual General Meeting held on the 22 March 2022 the Directors received authority from the shareholders to:

- Allot shares

This gives Directors the authority to allot shares and maintains flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting to be held on 21 March 2023 is limited to £450,000. This authority will expire on 20 March 2023, but the Directors intend to seek to renew the same.

- Disapplication of rights of pre-emption

This disapplies rights of pre-emption on the allotment of shares by the Company and the sale of treasury shares. This authority allows the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, and to sell treasury shares for cash without a pre-emptive offer to existing shareholders, up to an aggregate amount of £450,000. This authority will expire on 20 March 2023, but the Directors intend to seek to renew the same.

- To buy own shares

This authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 500,000 ordinary shares. The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and would only plan to do so if they were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. This authority will expire on 20 March 2023, but the Directors intend to seek to renew the same.

### Colleagues

The Group has procedures for keeping its colleagues informed about the progress of the business, which include, bi-monthly newsletters, annual roadshows, financial results presentations and an active colleague forum.

The Group continues to encourage employee involvement in the Group by operating a Savings Related Share Option Scheme open to all employees.

The Group provides training and support for all employees where appropriate and gives a full and fair consideration to disabled applicants in respect of duties which may be effectively performed by a disabled person. Where existing employees become disabled, the Group will seek to continue employing them, bearing in mind their disability and provided suitable duties are available. Failing this, all attempts will be made to provide a continuing income.

Health and Safety matters are a high priority issue for the Board, who consider a monthly report on developments and any incidents that may have occurred, including accidents and near misses.

### Engagement with customers, suppliers and others

Details of the identified main stakeholder groupings associated with the business are provided in the s172 Statement of the Strategic Report, but the continuing relationship nature of the Group's trading activities requires strong communication links with individual customers and suppliers. This is achieved through dedicated personnel contacts, regular correspondence and increasingly through digital interaction channels.

### Payment of suppliers

The Group agrees terms and conditions with suppliers before business takes place and, while there is no formal Group code or standard it is not Group policy to extend supplier payment terms beyond that agreed. There are no suppliers subject to special arrangements. The average credit terms for the Group as a whole based on the year end trade payables figure and a 365 day year is 54 days (2021: 56 days).

### Financial instruments and risks

The Group has a number of financial instruments and these are detailed, together with the risk management objectives and policies relating to these instruments in Note 25 to the financial statements. The main financial risks for the Group come from customer credit, foreign exchange, commodity price volatility, intertest rate movements, cash liquidity and capital management. The Board's approach to managing these risks are detailed in Note 25 of the financial statement.

### Land and buildings

In the opinion of the Directors, the current open market value of the Group's interest in land and buildings exceeds the book value at 31 October 2022 as provided in note 16 to the financial statements by approximately £9,578,000 (2021: £6,460,000). The director's opinion is supported by a valuation exercise carried out by BNP Paribas Real Estate in July 2022.

## Political and charitable donations

Details of support to the community is given in ESG report. There were no political donations during the year (2021: none).

## Events after the period end

Details of the acquisition of Tamar Milling Limited on 17 November 2022 are provided in Note 36 of the financial statements.

## Corporate governance

The Corporate governance report on pages 31 to 35 forms part of the Directors' Report and is incorporated by cross reference.

## Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 42 to 43.

Having made enquires of fellow Directors each of these Directors, at the date of this report, confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Independent auditors

RSM UK Audit LLP have indicated their willingness to continue in office and accordingly a resolution proposing their reappointment will be submitted to the Annual General Meeting.

## Other Matters

The Company has chosen in accordance with Companies Act 2006, s414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of strategy and future developments and principal risks and uncertainties, and carbon and energy reporting.

**By order of the Board**
**Paul Roberts**
**Acting Company Secretary**
**31 January 2023**

# Directors’ Remuneration Report

## For the year ended 31 October 2022

## BOARD REMUNERATION

### INTRODUCTORY STATEMENT

As Chair of the Remuneration Committee and on behalf of the Board of Directors, I am delighted to present our report on Board remuneration for the Financial Year ended 31 October 2022.

### General approach to remuneration

The Committee’s approach to remuneration is to provide a competitive but not excessive reward package for Executive Directors that aligns their pay with the strategy of the Group, encouraging, incentivising and motivating behaviours which we believe will deliver long-term success for the Group. The interests of Executive Directors should align with those of shareholders, and our Policy seeks to adopt practices to achieve this while complying with all relevant laws and corporate governance regulations, giving the Group a sound basis for long-term growth and progression.

With regard to Executive Directors, the Committee will seek to ensures that:

i. the remuneration packages offered are competitive within the marketplace that the Company operates, allowing it to attract and retain the talent necessary to deliver the results demanded by the Board and the Company’s shareholders;

ii. the performance-based elements of remuneration are aligned with the Group’s strategic objectives, with measures that reward exceptional achievement whilst avoiding rewarding poor performance; and

iii. the remuneration structures provide the mechanisms to protect shareholders where necessary and adopt a sufficiently long-term basis for aligning the interests of Executive Directors with those of investors.

### Committee decisions on remuneration

During the financial year, the Committee carried out a benchmarking pay review exercise in relation to the Executive Directors with adjustments to basic pay implemented with effect from November 2021. A review of Non-Executive Director’s fees was carried out towards the end of the financial year with adjustments implemented with effect from November 2022. The details of these individual changes are provided later in this report within the respective remuneration sections.

The Committee have been conscious of the general inflationary pressures evident in the wider economy and been particularly concerned about the cost-of-living challenges faced by colleagues across the business. In considering the budgeted pay review proposal for the year commencing November 2022, the Committee were keen to support colleagues and were pleased to announce the payment of a one-off Income Supplement payment of £750 per person paid in October 2022. Taking this in addition to a five per cent general increase for the new financial year, the Committee believed that this represented a sound targeted use of available resources offering the most support to our lower paid colleagues.

The Remuneration Committee remains fully committed to an open and honest dialogue with our shareholders, and we welcome your views on any aspects of remuneration at any time.

## BOARD REMUNERATION POLICY

All matters relating to remuneration of the Directors of the Company are determined by the Remuneration Committee whose decisions are made with a view to achieving the broad objective of rewarding individuals for the nature of their work and the contribution they make towards the Group achieving its business objectives. Proper regard is given to the need to recruit and retain high quality and motivated staff at all levels and to ensure the effective management of the business. The Committee will be cognisant of comparative pay levels after taking into account geographic location and the operations of the business and takes appropriate external professional advice where considered necessary.

The remuneration policy for Directors is set so as to achieve the above objectives and is broadly split into Executive and Non-Executive categories, and consists of the following components in each sub category:

**Executive Directors:**

<table>
<tr><td>Basic Salary</td><td> Purpose: To provide an appropriate amount of basic fixed income to enable the recruitment and retention of effective management to implement Group strategy.
Operation: The Committee reviews base salaries on an annual basis, consistent with the reviews conducted for other employees. The review takes into account:
<ul>
<li>absolute and relative Group profitability;</li>
<li>any changes to the scope of each role and responsibilities;</li>
<li>any changes to the size and complexity of the Group;</li>
<li>salaries in comparable organisations;</li>
<li>the general economic conditions prevalent in the country:</li>
<li>pay increases elsewhere in the Group; and</li>
<li>the impact of any increases to base salary on the total remuneration package.</li>
</ul>
Maximum opportunity: The Remuneration Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for Executive Directors and other employees.
Performance measures: None, although individual performance, skills and experience are taken into consideration by the Remuneration Committee when setting salaries. </td></tr>
<tr><td>Annual Performance Bonus (APB)</td><td> Purpose: To incentivise the Executive Directors to deliver the Group's corporate strategy by focusing on annual goals that are consistent with longer-term strategic objectives.
Operation: Bonus targets are reviewed and set on an annual basis. Pay-out levels are determined by the Remuneration Committee after the year-end, after completion of the audit, based upon a rigorous assessment of performance against the targets.
Malus provisions apply for the duration of the performance period and any deferral period allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply to cash amounts paid and shares or cash released for three years following payment or release, allowing the Remuneration Committee to claim back all or any amount paid or released.
The circumstances in which malus and/or clawback provisions may be triggered include:
<ul>
<li>if the assessment of any performance condition was based upon erroneous or inaccurate or misleading information;</li>
<li>if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or</li>
<li>in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.</li>
</ul>
Maximum opportunity: The maximum annual bonus opportunity that can be earned for any year is capped at 100% of base salary for all Executive Directors. Payments at or approaching these levels would require an exceptional level of performance.
Performance measures: The payment of awards under the APB is dependent upon performance conditions based upon:
<ul>
<li>profit before tax (PBT) after accrual for bonus payments (75% weighting);</li>
<li>stretching, specific and measurable strategic and/or individual objectives. (25% weighting).</li>
</ul></td></tr>
</table>

| | |
|---|---|
| | The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return. |
| Wynnstay Profit Related Pay | **Purpose**: An all-employee scheme in which the Executive Directors participate on the same basis as all other employees, designed to encourage achievement of profit budgets within main trading subsidiaries.<br><br>**Operation**: An employee scheme to reward all staff with a pro-rata profit share, based on a pre-set formula. Paid in February following the announcement of the financial results for the previous year, after completion of the annual audit.<br><br>**Performance measures**: Based upon the pre-tax profit of two trading subsidiaries, as a net percentage of revenues adjusted for commodity inflation and subject to a total cap on the overall all-employee pay-out of 10% of profits of the participating companies. |
| Performance Share Plan (PSP) | **Purpose**: To incentivise Executive Directors to focus on the long-term strategic objectives of the Group and to deliver substantial shareholder value, aligning their interests with the interests of shareholders.<br><br>**Operation**: Awards may be granted annually under the PSP and will consist of rights over shares with a value calculated as a percentage of base salary. Vesting is subject to the Group's performance, measured over three years and is followed by a holding period in respect of 50% of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period. Malus provisions apply for the duration of the performance period and shares held under deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply until two years after the date upon which any entitlement becomes unconditional, allowing the Remuneration Committee to claim back all or part of the value of any shares vested.<br><br>The circumstances in which malus and/or clawback provisions may be triggered are as stated in relation to the APB above.<br><br>The principal terms of the PSP were approved by shareholders at the 2018 AGM.<br><br>**Maximum opportunity**: The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100% of base salary.<br><br>**Performance measures**: The vesting of all awards made under the PSP is dependent upon performance conditions based upon:<br>• EPS growth (75% weighting)<br>• Return on capital employed (25% weighting)<br><br>The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return. |
| All-employee share plans | **Purpose:** To align the interests of the broader employee base with the interests of shareholders and to assist with recruitment and retention.<br><br>**Operation**: The Group currently operates a HM Revenue & Customs-approved Save As You Earn plan. In accordance with the relevant tax legislation, the Executive Directors are entitled to participate on the same basis (and subject to the same maximums) as other Group employees.<br><br>**Maximum opportunity**: As determined by the statutory limits in force from time to time. |

| | |
|---|---|
| | **Performance measures:** None. |
| Pension | **Purpose**: To provide an income for Executive Directors during their retirement and enable the Group to recruit and retain suitable individuals.<br><br>**Operation**: Fixed company contributions expressed as a percentage of current basic salary for each individual are paid into a personal pension scheme held in that individual's name. In addition, death in service cover provides for four times current annual salary paid into trust, where death occurs during the term of the Director's employment contract. |
| Benefits | **Purpose**: To attract and retain suitable Executive Directors and assist Executive Directors in the performance of their duties.<br><br>**Operation**: The benefits provided by the Group to Executive Directors are currently restricted to the provision of a company car and private medical insurance.<br><br>**Maximum opportunity:** Dependent upon the cost of providing the relevant benefits and the individual's personal circumstances. The Remuneration Committee examines the cost of benefit provision and will only agree to provide benefits that are in line with market practice and cost-effective for the Group.<br><br>**Performance measures**: None. |

The executive director's remuneration terms are detailed in individual contracts of employment and associated amendment documentation, which amongst other points contain standard details as follows:

- Notice period to be given by the Company is twelve months.
- Notice period to be given by the Director is six months.
- Paid holiday entitlement of 23 days plus bank holidays.
- Post employment restrictive covenants lasting twelve months.
- Standard non-compete restrictions during employment.

### Non-Executive Directors:

| | |
|---|---|
| Basic Annual Fee | **Purpose**: To attract and retain a balanced skill set of individuals to ensure strong stewardship and governance of the Group.<br><br>**Operation**: Fees are set so as to reflect the factors pertinent to respective positions, taking into account the anticipated amount of time commitment, and comparative rates paid by other companies of a similar size. The Non-Executive Directors do not participate in share option awards, performance bonuses or pension arrangements. Fees are reviewed by the Remuneration Committee on an annual basis. |
| Supplemental Committee Chair Fees | **Purpose:** To acknowledge the additional time and input commitment of chairing two of the important Board sub-committees, being Audit and Remuneration.<br><br>**Operation:** An additional annually reviewed premium is added to the Basic Annual Fee for the appointed Non-Executive holding the chair of the respective committee for that relevant financial year. |
| Travelling Expenses | **Purpose**: To reimburse legitimately incurred costs of attending necessary Board and associated meetings.<br><br>**Operation**: Pre-set rates used to reimburse mileage, travel, accommodation and other incurred expenses in line with those used for other employees. |

| | |
|---|---|
| Medical Insurance Benefit | **Purpose**: To assist Directors in the completion of their duties.<br><br>**Operation**: Benefits restricted to the provision of private medical insurance for those directors who do not have alternative arrangements in place. |

The non-executive director's remuneration terms are detailed in individual letters of appointment, which amongst other points contain standard details as follows :

- Initial appointment for a period of twelve months.
- Renewal of appointment for a fixed period of three years after initial twelve months.
- Post employment restrictive covenants lasting twelve months.

## REMUNERATION REPORT
### Executive Director Remuneration

In line with the above policy, the Remuneration Committee have approved the following details of executive director remuneration, which are designed to ensure both the continued competitiveness of remuneration levels, and the satisfaction of current investor expectations with regard to governance arrangements for Long Term Incentive Plans :

- Basic Salaries. A current annual salary effective from November 2022, is shown in the table below in column A. The previous annual salary, where relevant, is shown in column B, with the actual amounts received during the last financial year shown in column C.

| **Basic Salary** | **Column A** | **Column B** | **Column C** |
|---|---|---|---|
| **Executive Director.** | **Current Basic Salary** | **Previous Basic Salary** | **Actual Salary as a Director Nov 2021 – Oct 22** |
| | **£000's** | **£000's** | **£000's** |
| G W Davies | 278 | 265 | 265 |
| B P Roberts | 186 | 177 | 177 |

- Annual Performance Bonuses & Profit Related Pay. The bonus payments made to executive directors in March 2022, and therefore during the financial year under review, were in relation to the performance of the business for the financial year 2020/21. These payments were made under the auspices of the Annual Performance Bonus scheme which includes potential payments of up to 75% of basic salary based on the Group's financial performance, and up to 25% based on stretching, specific and measurable strategic and/or individual objectives. The respective bonus payments made for the financial years ending October 2021 and October 2020, received in the following March, are shown in the table below in columns A & B respectively.

  The Executive Directors also participate in the Wynnstay Profit Related Pay Scheme, ("PRP") which is a scheme for employees of Wynnstay Group plc and Grainlink Limited, and which pays an annual bonus based on a formula which produces a percentile result which is then applied to the relevant individual's prior year earnings. The formula calculation is the aggregate of the pre-tax profit of Wynnstay (Agricultural Supplies) Limited and Grainlink Limited divided by the aggregate of the combined revenues. The scheme is subject to a limiting factor preventing the total paid under the arrangements from exceeding 10% of the profits of the participating companies. The relevant rate for 2021, paid in February 2022, was 3.1% (2021: 2.7%), with the actual PRP paid to each individual executive shown in Column C below. The anticipated rate for 2022, to be paid in February 2023 relating to the last financial year is 2.7% of relevant earnings.

| **Bonuses £000's** | **Column A** | **Column B** | **Column C** | |
|---|---|---|---|---|
| Executive Director | Total | **Total** | **PRP received** | |
| | 2021 | **2020** | **Feb 22** | **Feb 21** |
| G W Davies | 206 | 103 | 10 | 6 |
| B P Roberts | 158 | 77 | 8 | 4 |

- Pension and death in service life cover. Individual Company contributions to personal pension plans are based on the value of the Executive Directors basic salary only. The annual defined Company contributions to a personal pension scheme held in the individual's name, expressed as a percentage of basic salary, and the amounts paid on behalf of each individual for their period of service as a director during the last financial year, are shown in the table below under column A and column B respectively. The death in service life assurance cover is provided in a Group policy covering all members, with individual costs attributed to separate members being unavailable. However, the scheme to which both of the executive directors belong, had a total renewal cost at November 2021 of £108,575 (2020: £85,707), and there were 583 (2020: 599) members covered, equating to an average cost of £186 per person (2020: £143).

| **Pension** | **Column A** | **Column B** |
|---|---|---|
| **Executive Director** | **Pension %** | **Pension Contribution £000's** |
| G W Davies | 11.2% | 28 |
| B P Roberts | 11.2% | 20 |

- Benefits in kind. G W Davies was supplied with a company car during the financial year, primarily for the furtherance of his duties. However, this vehicle was available for the executive's private use and as such has a taxable benefit in kind value calculated in accordance with HMRC rules. The value for the tax year ending April 2022 is shown in the table below in column A. The cost of fuel used for private motoring is refunded on a monthly basis. Additionally, the Company pays the cost of providing private medical insurance for the executives to ensure that should they require treatment this is provided as quickly as possible and minimises any period of potential absence from their duties. The cost to the Company of this cover for each individual in 2022 is shown below in column B. B P Roberts receives a monthly car allowance of £600 in lieu of the provision of a vehicle and he therefore received a total of £7,200 during the financial year to October 2022 which is shown in Column C above.

| **Benefits in kind** | **Column A** | **Column B** | **Column C** |
|---|---|---|---|
| **Executive Director** | **Company Car Value** | **Private Medical Cover** | **Cash Settled Car Allowance** |
| G W Davies | £9,577 | £1,152 | N/A |
| B P Roberts | N/A | £649 | £7,200 |

- Long Term Incentives. The Remuneration Policy provides for a Performance Share Plan (PSP) to incentivise executive directors to focus on the long-term strategic objectives of the Group and to deliver substantial shareholder value, aligning their interests with the interests of shareholders. This PSP is intended to grant option awards annually, with rights over shares to a value calculated as a percentage of base salary. Other conditions are explained in the Remuneration Policy above. No grants of options under this arrangement were made in the financial year ending October 2022 with the last grant having been made in April 2021, details of which are shown in the option table below. which shows all outstanding options open at the year end.

  The performance criteria of the relevant options are tested at the end of the third financial year after the respective grant as follows :

- Awards granted January 2020 – Performance tested for Financial Year Oct 2022.
- Awards granted April 2021 – Performance tested for Financial Year Oct 2023.

The performance criteria attached to the current PSP options are as follows :

1. 75% of the Award Shares will vest if the Company's Earnings Per Share ("EPS") grows at an annual rate exceeding the rate of growth of the Retail Price Index ("RPI") plus 8%. Where this growth is not met, provided EPS grows at an annual rate of at least RPI plus 1%, 30% of the Award Shares tested under the EPS target will vest. Between these criteria, the Award Shares will vest on a straight-line basis.

2. 25% of the Award Shares will vest if the Company's Return on Capital Employed ("ROCE") increases to at least 12.6% for the respecting testing financial year. Where this target is not met, provided a minimum ROCE employed of 10% is met, the Award Shares will vest between these two criteria on a straight-line basis.

Outstanding options as at Oct 2022 for directors who had served during the year.

| Executive Director | PSP Scheme Maximum Award | | SAYE |
|---|---|---|---|
| | No. of Options Granted Jan 20 | No. of Options Granted Apr 21 | No. of Options |
| G W Davies | 27,896 | 17,819 | 1,309 |
| B P Roberts | 22,318 | 14,256 | 5,236 |

Further information relating to the PSP is set out in the Rules of the scheme which are published on the Group's website at https://www.wynnstay.co.uk/corporate-governance/wynnstay-performance-share-plan/

- Other Share Schemes. The executive directors are eligible to participate in Save As You Earn (SAYE) option invitations, subject to the scheme and legislative limitations. Such options held by the executive directors, as at October 2022 are shown in the table above which do not have any performance criteria attached to them and are exercisable between September 2023 and February 2024, with further details provided in the Director's Report on page 44 and in Note 9 to the accounts. During the year G W Davies exercised 6,486 SAYE options at a price of £3.70 each. Using the market price on the day of exercise, a gain of £15,631 was generated although Mr Davies retained the shares.

## Non-Executive Director Remuneration

The remuneration of the Non-Executive Directors is and has been paid in accordance with the policy outlined above and has been set so as to reflect the factors pertinent to their respective positions. Details of the amounts received during the last financial year and the current levels of Basic Annual Fees being paid are given in the table below :

| | Received Financial Year ending Oct 2022 | | | |
|---|---|---|---|---|
| Non-Executive Director | Basic Fee £000's | Supplemental Fee £000's | Benefits in kind £000's | Travelling Expenses £000's |
| S J Ellwood – Chairman | 71 | 0 | 0 | 1 |
| P M Kirkham | 40 | 1 | 1 | 1 |
| H J Richards | 40 | 0 | 1 | 1 |
| C Bradshaw | 40 | 2 | 0 | 1 |
| | Payable Financial Year ending Oct 2023 | | | |
| S J Ellwood – Chairman | 75 | 0 | 0 | 1 |
| P M Kirkham | 42 | 2 | 1 | 1 |
| H J Richards | 42 | 0 | 1 | 1 |
| C Bradshaw | 42 | 2 | 0 | 1 |

**Philip M. Kirkham**
**Vice-Chairman & Chairman of Remuneration Committee**
**31 January 2023**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WYNNSTAY GROUP PLC

## Opinion

We have audited the financial statements of Wynnstay Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2022 which comprise the consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated and company cash flow statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | **Group**<br>• Business combination<br>**Parent Company**<br>None |
| **Materiality** | **Group**<br>• Overall materiality: £820,000 (2021: £549,000)<br>• Performance materiality: £615,000 (2021: £412,000)<br>**Parent Company**<br>• Overall materiality: £1,410,000 (2021: £108,800)<br>• Performance materiality: £1,050,000 (2021: £81,600) |
| **Scope** | Our audit procedures covered 99% of revenue, 93% of total assets and 95% of absolute profit. |

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Business combination

| | |
|---|---|
| **Key audit matter description** | The relevant related disclosures are given in note 35 of the financial statements.<br>A business combination was undertaken in the period with the acquisition of Humphreys Poultry Holdings Limited<br>Judgement is applied by management in estimating the fair value of the consideration transferred, and the assets and liabilities acquired, in the business combination. The consideration transferred included contingent consideration of £2.0m and significant fair value adjustments were made in respect of a freehold property (valued at £1.83m) and to recognise intangible assets; Brand (£3.76m) and Key and other customer accounts (£1.1m).<br>Due to the level of estimation uncertainty, we determined this to be a key audit matter. |
| **How the matter was addressed in the audit** | Our audit procedures included:<br>• Confirming that the acquisition met the definition of a business combination in accordance with IFRS3 Business combinations;<br>• Reviewing management's accounting paper, and the relevant aspects of the SPA, to verify<br>  o the nature and amount of the Purchase price, and<br>  o that the Purchase price met the definition of consideration, in accordance with IFRS 3;<br>• Challenging the assumptions underpinning the estimation of the contingent consideration;<br>• Utilising a property valuation expert to review the valuation of the freehold property;<br>• Utilising a valuation expert to review<br>  o the valuation methodology applied by management,<br>  o the models used to value the intangible assets, and<br>  o the discount rates used in the models;<br>• Challenging the inputs and assumptions underlying the methodology and models;<br>• Challenging the judgements made by management in respect of the useful life attributed to each intangible asset; and<br>• Considering whether the disclosures in the financial statements provide sufficient understanding of the business combination and are in accordance with IFRS 3. |

## Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

| | Group | Parent company |
|---|---|---|
| **Overall materiality** | £820,000 (2021: £549,000) | £1,410,000 (2021: £108,800) |
| **Basis for determining overall materiality** | 5% of average adjusted profit before tax over a 2-year period. | 1.7% of total assets. |
| **Rationale for benchmark applied** | Profit before tax is considered to be the key benchmark of the group. This has been adjusted for non-recurring items .<br>A 2-year average has been applied given the impact of current year inflation in the industry and consequential volatility. | Total assets is considered to be the key benchmark of the parent company as the entity relies on its primarily asset of investments as a non-revenue generating entity. |
| **Performance materiality** | £615,000 (2021: £412,000) | £1,050,000 (2021: £81,600) |
| **Basis for determining performance materiality** | 75% of overall materiality | 75% of overall materiality |
| **Reporting of misstatements to the Audit Committee** | Misstatements in excess of £41,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. | Misstatements in excess of £70,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. |

Overall and performance materiality, in respect of the parent company, was significantly lower in the prior year. This was due to it being designated as a significant component for the group audit, requiring the application of a component materiality.

### An overview of the scope of our audit

The group consists of 13 components, all of which are based in the UK.

| | Number of components | Revenue | Total assets | Absolute Profit before tax |
|---|---|---|---|---|
| **Full scope audit** | 3 | 95% | 89% | 95% |
| **Specific audit procedures** | 2 | 4% | 4% | - |
| **Total** | **5** | **99%** | **93%** | **95%** |

The specific audit procedures on revenue were limited to testing the identified fraud risk of cut-off in relation to one component. In addition, specific audit procedures were also performed on another component in order to obtain sufficient and appropriate coverage over the group's property, plant and equipment, investment property and borrowings.

Analytical procedures at group level were performed for the remaining 8 components. None of the full scope audits were undertaken by component auditors.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- A review of the groups trading and cashflow forecasts, including challenge of key assumptions applied in forming these forecasts and assessment of the reasonableness of those key assumptions;
- Sensitivity analysis of the above forecasts;
- Consideration of the finance facilities available to the group during this period in line with the above forecasts and whether these are sufficient to meet the groups finance needs;

- Review of minutes of board meetings with a view to identifying any matters which may impact the going concern assessment and contradict the findings from the procedures above;
- Review of the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

| **Legislation / Regulation** | **Additional audit procedures performed by the Group audit engagement team included:** |
|---|---|
| **UK-adopted IAS, AIM Listing Rules and Companies Act 2006** | Review of the financial statement disclosures and testing to supporting documentation;<br>Completion of disclosure checklists to identify areas of non-compliance. |
| **Tax compliance regulations** | Inspection of advice received from internal tax advisors. |
| **Operational regulations in respect of the agricultural industry** | ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any. |

The areas that we identified as being susceptible to material misstatement due to fraud were:

| Risk | Audit procedures performed by the audit engagement team: |
|---|---|
| **Revenue recognition** | Testing a sample of revenue transactions either side of the balance sheet date to determine whether the transaction has been appropriately recognised in the correct accounting period. |
| **Management override of controls** | Testing the appropriateness of journal entries and other adjustments;<br>Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and<br>Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. |

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Graham Bond FCA (Senior Statutory Auditor)**
**For and on behalf of RSM UK Audit LLP, Statutory Auditor**
**Chartered Accountants**
**20 Chapel Street**
**Liverpool**
**L3 9AG**
**31 January 2023**

# Consolidated Statement of Comprehensive Income

For the year ended 31 October 2022

| | Note | 2022 £000 | 2022 £000 | 2021 £000 | 2021 £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 | 4 | | **335** | | 361 |
| Adjusted Operating Profit [*1] | | | **22,448** | | 11,086 |
| Intangible amortisation, goodwill impairment and share-based payments | 5 | | **(416)** | | (477) |
| Non-recurring items | 5 | | **(1,094)** | | - |
| **GROUP OPERATING PROFIT** | 6 | | **20,938** | | 10,609 |
| Interest income | 3 | **166** | | 193 | |
| Interest expense | 3 | **(656)** | **(490)** | (383) | (190) |
| Share of profits in joint ventures accounted for using the equity method | 18 | **808** | | 677 | |
| Share of tax incurred by joint ventures | 7 | **(132)** | **676** | (105) | 572 |
| **PROFIT BEFORE TAXATION** | | | **21,124** | | 10,991 |
| Taxation | 10 | | **(3,982)** | | (2,057) |
| **PROFIT FOR THE YEAR** | | | **17,142** | | 8,934 |
| **OTHER COMPREHENSIVE (EXPENSE) / INCOME** | | | | | |
| Items that will 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 25p share** | 12 | | **82.72p** | | 44.40p |
| **Diluted Earnings per 25p share** | 12 | | **80.65p** | | 43.53p |

The notes on pages 65 to 103 form part of these financial statements.

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

# Consolidated and Company Balance Sheet

For the year ended 31 October 2022
Registered Number 2704051

| | Note | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Goodwill | 13 | **16,133** | 14,322 | **-** | - |
| Intangible assets | 14 | **4,936** | 236 | **-** | - |
| Investment property | 15 | **1,850** | 2,372 | **1,850** | 2,372 |
| Property, plant and equipment | 16 | **20,840** | 16,746 | **9,333** | 8,919 |
| Right-of-use assets | 16 | **8,202** | 11,043 | **-** | - |
| Investment in subsidiaries | 17 | **-** | - | **55,108** | 41,961 |
| Investments accounted for using equity method | 17 | **4,101** | 3,433 | **191** | 191 |
| Derivative financial instruments | 25 | **1** | 5 | **-** | - |
| | | **56,063** | 48,157 | **66,482** | 53,443 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 19 | **71,095** | 50,550 | **-** | - |
| Trade and other receivables | 20 | **96,575** | 72,511 | **111** | - |
| Amounts owed by subsidiary undertakings | 20 | **-** | - | **13,023** | 1,127 |
| Loans to joint venture | 18 | **1,067** | 3,319 | **1,067** | 3,319 |
| Cash and cash equivalents | 23 | **31,177** | 19,641 | **5** | 7 |
| Derivative financial instruments | 25 | **598** | 320 | **-** | - |
| | | **200,512** | 146,341 | **14,206** | 4,453 |
| **TOTAL ASSETS** | | **256,575** | 194,498 | **80,688** | 57,896 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Borrowings | 23 | **(3,043)** | (672) | **(3,043)** | (672) |
| Lease liabilities | 24 | **(3,344)** | (3,995) | **-** | - |
| Derivative financial instruments | 25 | **(53)** | (53) | **-** | - |
| Trade and other payables | 21 | **(105,015)** | (76,212) | **(2,722)** | (294) |
| Amounts owed to subsidiary undertakings | 21 | **-** | - | **(59)** | - |
| Current tax liabilities | | **(1,639)** | (1,218) | **-** | (84) |
| Provisions | 22 | **(345)** | (243) | **-** | - |
| | | **(113,439)** | (82,393) | **(5,824)** | (1,050) |
| **NET CURRENT ASSETS** | | **87,073** | 63,948 | **8,382** | 3,403 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Borrowings | 23 | **(6,640)** | - | **(6,640)** | - |
| Lease liabilities | 24 | **(3,999)** | (5,731) | **-** | - |
| Trade and other payables | 21 | **(36)** | (38) | **-** | - |
| Derivative financial instruments | 25 | **(80)** | (140) | **-** | - |
| Deferred tax liabilities | 26 | **(1,680)** | (474) | **-** | - |
| | | **(12,435)** | (6,383) | **(6,640)** | - |
| **TOTAL LIABILITIES** | | **(125,874)** | (88,776) | **(12,464)** | (1,050) |
| **NET ASSETS** | | **130,701** | 105,722 | **68,224** | 56,846 |
| **EQUITY** | | | | | |
| Share capital | 27 | **5,585** | 5,075 | **5,585** | 5,075 |
| Share premium | | **42,130** | 31,600 | **42,130** | 31,600 |
| Other reserves | | **4,267** | 4,131 | **3,961** | 3,699 |
| Retained earnings | | **78,719** | 64,916 | **16,548** | 16,472 |
| **Total Equity** | | **130,701** | 105,722 | **68,224** | 56,846 |

Steve Ellwood – Director

Paul Roberts - Director

The Company generated profit after tax of £3,415,000 (2021: profit of £3,670,000). The financial statements were approved by the Board of Directors on 31 January 2023 and signed on its behalf. The notes on pages 65 to 103 form part of these financial statements.

# Consolidated Statement of Changes in Equity

As at 31 October 2022

| Group | Share capital £000 | Share premium account £000 | Other reserves £000 | Cash flow hedge reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 31 October 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** |

All values are derived from continuing operations.

The notes on pages 65 to 103 form part of these financial statements.

# Company Statement of Changes in Equity

As at 31 October 2022

| Company | Share capital £000 | Share premium account £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| At 31 October 2020 | 5,013 | 30,637 | 3,356 | 15,823 | 54,829 |
| Profit for the year | - | - | - | 3,670 | 3,670 |
| **Total comprehensive income for the year** | - | - | - | 3,670 | 3,670 |
| **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 | 3,699 | 16,472 | 56,846 |
| **Profit for the year** | **-** | **-** | **-** | **3,415** | **3,415** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **3,415** | **3,415** |
| **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** | **3,961** | **16,548** | **68,224** |

The notes on pages 65 to 103 form part of these financial statements.

There was no other comprehensive income during the current and prior years.

# Consolidated and Company Cash Flow Statement

As at 31 October 2022

| | Note | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 33 | **13,839** | 10,577 | **(12,185)** | (1,098) |
| Interest received | 3 | **166** | 193 | **-** | 55 |
| Interest paid | 3 | **(399)** | (102) | **(171)** | (4) |
| Net movement in provisions | 22 | **-** | (96) | **-** | - |
| Tax paid | | **(3,342)** | (1,462) | **-** | (103) |
| **Net cash generated from / (used) from operating activities** | | **10,264** | 9,110 | **(12,356)** | (1,150) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of property, plant and equipment | | **264** | 340 | **-** | - |
| Purchase of property, plant and equipment | 16 | **(3,560)** | (1,563) | **(905)** | (427) |
| Acquisition of business and assets, net of cash acquired | 35 | **(98)** | (2,156) | **-** | - |
| Acquisition of subsidiary undertakings, net of cash acquired | 35 | **(10,136)** | (82) | **(11,147)** | - |
| Decrease in short term loans to joint ventures | | **2,252** | 570 | **2,252** | 570 |
| Disposal of investments | | **7** | - | **-** | - |
| Dividends received from joint ventures | | **4** | 753 | **4** | 753 |
| Dividends received from subsidiaries | | **-** | - | **5,438** | 3,150 |
| **Net cash (used in) / generated by investing activities** | | **(11,267)** | (2,138) | **(4,358)** | 4,046 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from the issue of ordinary share capital | 27 | **11,040** | 1,025 | **11,040** | 1,025 |
| Proceeds from new loans | 23 | **9,485** | - | **9,485** | - |
| Lease payments | 24 | **(4,229)** | (4,392) | **-** | - |
| Repayment of borrowings | 34 | **(474)** | (900) | **(474)** | (900) |
| Dividends paid to shareholders | 11 | **(3,339)** | (3,021) | **(3,339)** | (3,021) |
| **Net cash generated from / (used in) financing activities** | | **12,483** | (7,288) | **16,712** | (2,896) |
| | | | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **11,480** | (316) | **(2)** | - |
| Effects of exchange rate changes | | **56** | (23) | **-** | - |
| Cash and cash equivalents at the beginning of the period | | **19,641** | 19,980 | **7** | 7 |
| **Cash and cash equivalents at the end of the period** | 23 | **31,177** | 19,641 | **5** | 7 |

The notes on pages 65 to 103 form part of these financial statements.

# Principal Accounting Policies

## GENERAL INFORMATION

Wynnstay Group Plc has a number of operations. These are described in the segmental analysis in note 2.

Wynnstay Group Plc is a company incorporated and domiciled in the United Kingdom. The address of its registered office is Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ. The Company has its primary listing on AIM, part of the London Stock Exchange.

## ACCOUNTING POLICIES

The Group's principal accounting policies adopted in the preparation of these financial statements are set out below.

### BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with UK adopted International Accounting Standards. 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 conformity 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.

The Group has taken advantage of the audit exemption available under section 479(c) of the Companies Act 2006 for five of its subsidiaries, Glasson Group (Lancaster) Limited (company number 03230345), Youngs Animal Feeds Limited (company number 04128486), Humphrey Poultry (Holdings) Limited (company number 13882065), Humphrey Feeds Limited (company number 00884405) and Humphrey Pullets Limited (company number 06780228). The Company has provided parent guarantees to these subsidiaries which have taken advantage of the exemption from audit.

### GOING CONCERN

The Directors have prepared the financial information presented for the 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 Group and Company has adequate resources to continue in operational existence for the foreseeable future, and that the going concern assumption is appropriate. The impact of the Covid-19 pandemic has been considered and while the situation continues to evolve, the likely effect on sales, profits and cashflows is considered unlikely to be significant.

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 on pages 3 to 25. 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 Strategic Report on page 3-25.

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.

### BASIS OF CONSOLIDATION

The Group's consolidated financial statements incorporate the financial statements of Wynnstay Group Plc ('the Company') and entities controlled by Wynnstay Group Plc (its 'subsidiaries') together with the Group's share of the results of its joint ventures and associates.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the company and by other parties;
- other contractual arrangements; and
- historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The fair value of contingent consideration is assessed using management judgement to reflect the likelihood of the pertinent matters being achieved. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control. Investments in joint ventures and associates are accounted for using the equity method. In the Company financial statements, investments in subsidiaries, joint ventures and associates are accounted for at cost.

## REVENUE RECOGNITION

Revenue is income arising for the sale of goods and services in the ordinary course of the Group's activities, net of value added taxes and discounts. Revenue is recognised when performance obligations are satisfied, and control has transferred to the customer. Although the Group does provide some services (agronomy, such as analysis of nutritional content of silage samples), the majority of the revenue relates to sale of goods and consequently the level of judgement required to determine the transaction price or the timing of transfer of control is low. All revenue is derived from UK operations. The Group uses two main operating segments which relate to how our customers purchase products, as described below:

### Agriculture

For feed, seed, fertiliser and other agricultural products sold in bulk to farmer customers, revenue is recognised on collection by, or delivery to, the customer and the Group had evidence that all criteria for acceptance have been satisfied.

### Specialist Agricultural Merchanting

For goods sold in depots, revenue is recognised at the point of sale. For goods sold through catalogues or online, revenue is recognised on collection by, or delivery to, the customer. Some contracts provide customers with a limited right of return, but historical experience has shown that the value of these returns is immaterial.

Additionally the Group recognises an "Others" segment for any minor peripheral activities not readily attributable to either of the main segments.

## GRANT INCOME

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants relating to an asset set where the grant is treated as deferred income or by deducting it from the carrying amount of the asset. The Group only recognises grant income when the performance conditions for receiving the grant are met and there is a more than 50% likelihood that the grant will not require repayment in a subsequent period.

## FINANCE INCOME

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## AMORTISATION OF INTANGIBLE ASSETS, SHARE-BASED PAYMENTS AND NON-RECURRING EXPENSE ITEMS

Amortisation of acquired intangible assets, share-based payment expense and non-recurring items that are material by size and/or by nature are presented within their relevant income statement category but highlighted separately on the face of the consolidated statement of comprehensive income and within a note to the financial statements, see note 5. The separate disclosure of profit before these items helps provide a better indication of the Group's underlying business performance as discussed in the non-IFRS alternative performance measure 'Underlying pre-tax profit' in the Finance Review on page 15.

Events which may give rise to non-recurring items include, but are not limited to, gains or losses on the disposal of subsidiaries/businesses, gains or losses on the disposal or revaluation of properties, gains or losses on the disposal of investments, the restructuring of the business, the integration of new businesses, acquisition related costs, changes to estimates in relation to deferred and contingent consideration for prior period business combinations and asset impairments including impairment of goodwill.

## EMPLOYMENT BENEFIT COSTS

The Group operates a defined contribution pension scheme. Contributions to this scheme are charged to the Group Statement of Com- prehensive Income as they are incurred, in accordance with the rules of the scheme.

## GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing. Goodwill is recognised as an asset and assessed for impairment annually. Any impairment is recognised immediately in the Group Statement of Comprehensive Income. Once recognised, an impairment of goodwill is not reversed.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is considered for each individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

## INVESTMENT PROPERTY

Investment property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently stated at fair value at the reporting date, as determined by the directors and is periodically supported by external valuers. Gains or losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise.

Gains or losses on disposal of an investment property are recognised in the income statement on the unconditional completion of the sale.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets over their expected useful lives as follows:

- freehold property 2.5% - 5% per annum straight line;
- leasehold land and building and right of use assets is over the period of the lease;
- plant and machinery and office equipment 10% - 33% per annum straight line; and
- motor vehicles 20% - 30% per annum straight line.

If the expenditure provides incremental future benefits so that it improves the earning capacity or extends the life of the non-current asset beyond its originally intended useful economic life, then it is treated as capital expenditure. This is usually the case with non-climate compliant assets where the Group seeks to modify appropriate assets where possible as it works towards its zero-carbon footprint commitment which is detailed in the strategic report. Climate uncertainty does not have a material impact on the assessment of useful lives as the assets are considered to be fit for purpose over the assessed useful economic lives with reasonable repairs and maintenance.

The impact of historical climate related incidents indicates that any financial impact on physical assets, including adapting them for use is addressed by our existing capital programme. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Gains and losses on disposals are calculated by comparing proceeds with carrying amount and are included in the income statement.

## INTANGIBLE ASSETS

Following initial recognition of an intangible asset, the cost model is applied requiring the asset to be held at cost less any accumulated amortisation and impairment. Amortisation begins when the asset is ready for use.

This type of expenditure primarily relates to internally developed, computer operating and financial software and website projects for the Group and are amortised on a straight-line basis over their useful eco- nomic lives of three to seven years.

The cost of an intangible asset acquired in a business combination with a definite useful life (three to eight years) is amortised on a straight-line basis, with the carrying value being its fair value at the acquisition date. Where intangibles (including brands) have an indefinite life, they are not amortised, but assessed for impairment during the year. See Note 13 for details on intangibles movement during the period.

## FINANCIAL INSTRUMENTS

### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in ac- cordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contract cash flow characteristics of the financial asset.

### Subsequent measurement of financial assets

### Financial assets and liabilities at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below), and will be charged through cost of sales in the income statement.

### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expect- ed credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the asset.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a prob- ability-weighted estimate of credit losses over the expected life of the financial asset. For large one-off balances where there is no historical experience, analysis is completed in respect of several reasonably possible scenarios.

### Other Investments

Investments are measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the Group has specifically elected to present fair value changes are then shown in 'other comprehensive income'. Cost is used as an appropriate estimate of the fair value for investments where in limited cases there is insufficient, recent information available to measure fair value.

### Trade and other receivables and loans to joint ventures

Trade receivables are initially recognised at their transaction price. When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against costs in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

The Group uses its historical experience, external indicators and for- ward-looking information to calculate the expected credit losses.

The Group assess impairment of trade receivables on a collective basis where they possess shared credit risk characteristics, they have been grouped based on sector industry global default rates. Refer to Note 13 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities. Equity instruments is- sued by the Group are recorded as the proceeds received, net of direct issue costs.

### Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, derivative financial instruments and financial lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

### Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the Group Statement of Consolidated Income over the period of the borrowings on an effective interest basis.

Prepaid fees in relation to issuance of debt are held on the statement of financial position on the basis that such issuance is considered probable. If issues do not occur, or are deemed not to be probable, such fees are recognised in the income statement.

### Financial guarantees

Composite financial guarantees (not within the definition of IFRS 9) over the general bank obligations of subsidiaries for debt instruments held at amortised cost.

### Trade and other payables

Trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest method.

### Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by Wynnstay are foreign exchange forward contracts and futures. The Group does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative financial assets and liabilities are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

### Hedge accounting

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives designated as hedging instruments are classified at inception of hedge relationship as cash flow hedges. Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred in full to the income statement.

Both the ineffective portions and recycled amounts from OCI are put through cost of sales, as management consider these to be integral to commercial operations, rather than finance related.

### Accounting for changes in credit risk

Accounting standards require that the fair value of financial instruments reflects their credit quality and also changes in credit quality where there is evidence that this has occurred. The credit risk associated with the Group's derivatives is reviewed at Treasury Management Committee meetings monthly where the impact is not material, due to the Group strong financial position.

## INVENTORIES

Inventories (covering raw materials, consumables, finished goods and goods for resale) are stated at the lower of cost and net realisable value. Biological inventories are measured at fair value less estimated cost to sell at the point of harvest. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise, inventories are valued using the first-in-first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

## CASH AND CASH EQUIVALENTS

For the purposes of the Statement of financial position, cash and cash equivalents comprise cash at bank, cash in hand, money market funds and short-term deposits with an original maturity of three months or less. For the Consolidated and Company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## LEASES

The Group as a lessee, accounts for all leases by recognising a right-of-use asset and a lease liability. At inception, the Group assess whether the contract contains a lease or is a lease. A lease is determined when the contract conveys the right to control an identified asset for a period of time in exchange for consideration. The Group recognises a right-of- use asset and a corresponding lease liability for all lease agreements in which the Group is the lessee at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial lease liability adjusted for any lease payment made at or before the commencement date, plus any indirect initial costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are then subsequently depreciated using the straight-line method or reducing balance method from the commencement date to the earlier of the lease term or useful life of the underlying asset. Right-of-use assets are reviewed for indicators of impairment on an annual basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease, or, if the rate cannot be determined, the Group's incremental borrowing rate.

The incremental borrowing rate is based on the (i) reference rate, (ii) financing spread and (iii) lease specific adjustments. The reference rate is based on the UK Nominal Gilts aligned with the tenor of the lease observed at the time of signing the contract. The financing spread is based on the term of the debt, level of indebtedness, entity and economic environment.
Lease payments included in the measurement of lease liabilities includes the following:

- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and

- The amount expected to be payable by the lessee under residual value guarantees

The Group remeasures the lease liability when there is a change in the future lease payments arising from a change in rate or index or, a modification to the lease that is not accounted for as a separate lease. In the latter case, the lease liability is remeasured by using a revised discount rate. When the lease liability has been remeasured, a corresponding adjustment is made to the carrying amount of the right- of-use asset or is recorded in the profit or loss account if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has opted not to recognise right-of-use assets and lease liabilities for low value assets and short-term leases (defined as a lease with a lease term of 12 months or less). Instead, the lease payments are recognised as an operating expense on a straight-line basis over the length of the lease term or on a systematic basis.

## CURRENT AND DEFERRED INCOME TAX

The tax charge/credit for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

Current tax assets and current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Group relief claimed/surrendered between UK companies is paid for at the applicable tax rate of 19% (2021: 19%) for the year.

Deferred income taxation is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements, at rates expected to apply when they reverse, based on current tax rates and law. Deferred income taxation is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred income tax assets are recognised to the extent that there are future taxable temporary differences from the unwind of the deferred income tax liabilities, against which these deductible temporary differences can be utilised or other future taxable profits. Deferred tax assets and liabilities are not discounted. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantively enacted during the year and are expected to apply in the periods in which the related deferred tax asset or liability is reversed. No material uncertain tax positions exist as at 31 October 2022.

## DEFERRED INCOME

Amounts received prior to the delivery of goods and services are recorded as deferred income and released to the income statement as they are provided.

## PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted, where material, to present value using a current, pre-tax rate that reflects, where appropriate, the risks specific to the liability.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

## SHARE CAPITAL

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs, allowing for any reductions in the par value. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

## DIVIDEND DISTRIBUTION

A dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the shareholders' right to receive payment of the dividend is established.

## FOREIGN CURRENCY

The consolidated financial statements are presented in Sterling, which is the parent company's functional currency.

Transactions denominated in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rates of exchange ruling at the reporting date. Differences arising on translation are charged or credited to the income statement.

## SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes certain judgements and assumptions about the measurement of certain assets, liabilities, revenues and expenses. These assessments are continually evaluated based on historic experience and expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions, however we believe these are not significant nor likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Business combinations = Valuation techniques are used to determine the fair value of certain assets and liabilities acquired in a business combination, including the fair value of contingent consideration which is dependent on the outcome of variables such as future profitability.

Useful lives and residual values = A review of useful lives and residual values of tangible and intangible assets is made at each reporting date based on the expected utility of those assets. Uncertainties may exist in relation to indefinite life, technological obsolescence and climate related issues that may change the utility of the relevant asset.

Climate change
The Group has considered climate change as part of the cashflow projections within going concern, impairment assessments and viability, and the impact of climate change is not deemed to have a significant impact on these assessments currently and therefore they are not deemed to be a key source of estimation uncertainty. The Group will continue to monitor the impacts of climate change over the coming years.

# Notes to the Financial Statements



## 1. GENERAL INFORMATION & 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 these approved financial statements.

### Changes in accounting policies and disclosures

#### a) New standards, interpretations and amendments effective from 31 October 2021

New standards impacting the Group adopted in the annual financial statements for the year ended 31 October 2022, and which have given rise to changes in the Group's accounting policies but have not had any significant impact on adoption are as follows:

| | |
|---|---|
| • Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) | 1 January 2021 |
| • Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) | 1 January 2021 |
| • Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) | 1 April 2021 |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### b) New accounting pronouncements, that are not yet effective and have not been adopted early by the Group, to be adopted on or after 1 January 2023

| | |
|---|---|
| • Amendments to IFRS 17 Insurance Contracts (issued on 18 May 2017 and including amendments issued on 25 June 2020) | 1 January 2023 |
| • Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 27 August 2020) | 1 January 2023 |
| • Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) | 1 January 2023 |
| • Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued 7 May 2021) | 1 January 2023 |
| • Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Comparative Information (issued 9 December 2021) | 1 January 2023 |

The new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

## 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 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 current and prior financial years have arisen from revenue recognised at a point in time.

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

| | Agriculture | Specialist Agricultural Merchanting | Other | Total |
|---|---|---|---|---|
| **Year ended 31 October 2022** | **£000** | **£000** | **£000** | **£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) | | | | **(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 including acquisitions | **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 23) | | | | **14,151** |
| Less corporate and deferred tax liabilities | | | | **(3,319)** |
| Net assets | | | | **130,701** |
| Included in segment assets above are the following investments in joint ventures and associates | **2,746** | **117** | **1,150** | **4,013** |

There were no revenues from transactions in the year with individual customers which amount to 10% or more of Group revenues.

## 2. SEGMENTAL REPORTING continued

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

| Year ended 31 October 2021 | Agriculture | Specialist Agricultural Merchanting | Other | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £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 and associates 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 including acquisitions | 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 23) | | | | 9,243 |
| Less corporate and deferred tax liabilities | | | | (1,692) |
| Net Assets | | | | 105,722 |
| Included in segment assets above are the following investments in joint ventures and associates | 2,386 | 115 | 840 | 3,341 |

There were no revenues from transactions in the year with individual customers which amount to 10% or more of Group revenues.

## 3. FINANCE INCOME AND COSTS

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| **Interest expense:** | | |
| Interest payable on borrowings | **(399)** | (102) |
| Interest payable on leases | **(257)** | (281) |
| | **(656)** | (383) |
| **Interest receivable:** | | |
| Interest received from bank deposits | **66** | 57 |
| Interest received from customers | **100** | 136 |
| | **166** | 193 |
| **Net finance costs** | **(490)** | (190) |

## 4. OTHER OPERATING INCOME

| | 2022<br>£000 | 2021<br>£000 |
|---|---|---|
| Rental income | **333** | 361 |
| Investment income | **2** | - |
| | **335** | 361 |

## 5. AMORTISATION OF INTANGIBLE ASSETS, IMPAIRMENT OF GOODWILL, SHARE-BASED PAYMENTS AND NON-RECURRING EXPENSE ITEMS

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Amortisation of acquired intangible assets, goodwill impairment 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 expenses | **572** | - |
| Fair value change in Investment property | **522** | - |
| | **1,094** | - |

Non-recurring items in 2022 consisted of:

- Business combination expenses in relation to the acquisition of Humphreys Poultry (Holdings) Limited in March 2022.
- The fair value change in investment property followed a professional valuation carried out by BNP Paribas Real Estate in July 2022.

## 6. 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** | 431,424 |
| Depreciation of property plant and equipment | **2,290** | 2,165 |
| Depreciation 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** | 46 |
| (Profit) on disposal of fixed assets | **(132)** | (86) |
| (Profit) on disposal of right-of-use asset | **(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 |

Included in the Group audit fee are fees of £25,000 (2019: £5,304) paid to the Group's auditor in respect of the Parent Company. The fees relating to the Parent Company are borne by one of the Group's subsidiaries and not recharged.

## 7. SHARE OF POST-TAX PROFITS OF JOINT VENTURES AND ASSOCIATES

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

## 8. STAFF COSTS

The aggregate payroll costs, including Directors' emoluments, charged in the financial statements for the Group were as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Wages and salaries | **32,688** | 27,053 |
| Social security costs | **3,318** | 2,672 |
| Pension and other costs | **1,456** | 1,017 |
| Cost of share-based reward | **262** | 343 |
| | **37,724** | 31,085 |

The average number of employees, including Directors, employed by the Group during the year was as follows:

| | 2022 No. | 2021 No. |
|---|---|---|
| Administration | **120** | 106 |
| Production | **139** | 143 |
| Sales, distribution and depots | **684** | 661 |
| | **943** | 910 |

The parent company did not have any employees in the current or prior year other than executive directors who are remunerated by other Group Companies, and four non-executive directors with a gross cost categorised as fees of £220,000 (2021: £210,000) not included in the above sums.

## 9. DIRECTORS' REMUNERATION

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Directors' emoluments | **1,039** | 854 |
| Social security costs | **142** | 97 |
| Company contributions to money purchase pension schemes | **48** | 37 |
| Aggregate gains made on the exercise of Approved options | **16** | 18 |
| | **1,245** | 1,006 |

Details of the Directors' interest in the share capital of the company, including outstanding share options at the year end, are provided in the Directors' Report. The following remuneration detail is provided in accordance with AIM Rule 19.

| **Name of Director** | 2022 £000 | 2021 £000 |
|---|---|---|
| **Executives** | | |
| Gareth Davies | **492** | 327 |
| Paul Roberts | **352** | 254 |
| Andrew Evans (retired from the Board 1 December 2020) | **n/a** | 86 |
| **Non-Executives** | | |
| Jim McCarthy (retired from the Board 31 July 2021) | **n/a** | 35 |
| Steve Ellwood (appointed Chairman 1 March 2021) | **71** | 56 |
| Philip Kirkham | **42** | 41 |
| Howell Richards | **40** | 40 |
| Catherine Bradshaw (appointed to the Board 1 July 2021) | **42** | 15 |
| | **1,039** | 854 |

## 9. DIRECTORS' REMUNERATION continued

Retirement benefits are accruing to the following number of directors:

| | 2022 No. | 2021 No. |
|---|---|---|
| Money purchase pension scheme | 2 | 3 |
| | £000 | £000 |
| Contribution paid by the Group to money purchase pension schemes in respect of such directors were: | | |
| Gareth Davies | 28 | 20 |
| Paul Roberts | 20 | 16 |
| Andrew Evans | n/a | 1 |
| | 48 | 37 |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Gains made on the exercise of approved share options schemes in respect of such directors were: | | |
| Gareth Davies | 16 | 9 |
| Paul Roberts | - | 9 |
| | 16 | 18 |

## 10. TAXATION

Analysis of tax charge in year:

| | 2022 £000 | 2021 £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 |
| **Total tax charge for the year** | 3,982 | 2,057 |

Factors affecting tax charge for the year

The tax assessed for the year is lower (2021: lower) than the standard rate of Corporation Tax in the UK applicable to the Group 19% (2021: 19%) and is explained as follows:

| | | |
|---|---|---|
| **Current tax** | | |
| Profit on activities before tax | 21,124 | 10,991 |
| Profit on activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | 4,014 | 2,088 |
| **Effects of:** | | |
| Tax effect of share of profit of joint ventures and associates | (132) | (105) |
| Expenses not deductible for tax purposes | 273 | 3 |
| Adjustment to tax charge in respect of prior years | 136 | (4) |
| Short term timing differences | 3 | - |
| Accelerated capital allowances | (76) | 57 |
| Movement on unrecognised deferred tax | (366) | 22 |
| Other items | 130 | (4) |
| **Total tax charge for year** | 3,982 | 2,057 |

### Factors that may affect future tax charges

In the Budget in November 2022, the new Chancellor confirmed that the main rate of Corporation Tax will rise from 19% to 25% with effect from April 2023 as had been substantively enacted in May 2021. This will increase the Group's future tax charge accordingly.

## 11. DIVIDENDS

| | 2022 £000 | 2021 £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 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).

## 12. 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 operating activities 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.

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Earnings** | **Weighted average number of shares (number '000)** | **Earnings per share** | Earnings | Weighted average number of shares (number '000) | Earnings per share |
| Earnings per ordinary 25p share (pence) | **17,142** | **20,722** | **82.72** | 8,934 | 20,120 | 44.40 |
| Effect of dilutive securities | | | | | | |
| Share options | **-** | **532** | **(2.07)** | - | 404 | (0.87) |
| Diluted Earnings per ordinary 25p share (pence) | **17,142** | **21,254** | **80.65** | 8,934 | 20,524 | 43.53 |

## 13. GOODWILL

After initial recognition, goodwill is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36.

| Group | £000<br>Cost | £000<br>Impairment | £000<br>Net book value |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2020 | 16,276 | (1,909) | 14,367 |
| Additions – Business Combinations | 50 | - | 50 |
| Impairment Charged | - | (95) | (95) |
| At 31 October 2021 | 16,326 | (2,004) | 14,322 |
| **Additions- Business Combination** | **1,811** | **-** | **1,811** |
| **At 31 October 2022** | **18,137** | **(2,004)** | **16,133** |

### Goodwill impairment

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash generating units according to the level at which management monitor that goodwill.

Recoverable amounts for cash generating units are based on the higher of value in use and fair value less costs to sell. Value in use is calculated from cash flow projections for the next 5 years using data from the Group's latest internal forecasts, the results of which are reviewed by the Board.

Goodwill is allocated to specific cash generating units ("CGU's") as it arises, and the Group has a number of CGUs in both the Agriculture and the Specialist Agricultural Merchanting sectors. The CGU's are assessed as legal entities and the only change from the prior year has been the addition of a Humphrey CGU within the Agriculture segment for the acquisition of Humphrey Poultry (Holdings) Limited.

The carrying amount of goodwill allocated to each CGUs is Glasson £786,000 (2021: £786,000), Agricultural Supplies £9,930,000 (2021: £9,930,000), Grainlink £3,606,000 (2021: £3,606,000) and Humphrey £1,811,000 (2021: Nil).

Annual impairment reviews were performed by comparing the carrying value of the cash generating unit with its recoverable amount.

**Key assumptions** for the value in use calculations are those regarding discount rates, growth rates and cashflows to be achieved expected changes in margins. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market. Given the current economic climate, a sensitivity analysis has been performed in assessing the recoverable amounts of goodwill.

A pre-tax discount rate of 7.13% was applied for all CGUs (2021: 7.35%) except Humphrey where a rate of 7.69% was used, with these rates being derived from the Group's weighted average cost of capital of 7.17% (2021: 7.35%) taking into account any specific risks relating to each CGU.

The forecasted cash flows are extrapolated based on a 2 to 5 year average growth rate of 1% (2021:2%) and perpetuity growth rate of 1.5% (2021: 2.0%) for both Agriculture and Specialist Agricultural Merchanting segmental CGU's, both of which are considered prudent under current uncertain economic conditions.

All calculations indicated adequate headroom in these results for the value in use compared to the carrying value.

**Sensitivity analysis** has been considered for the key assumptions by applying a 100 basis point reduction to both the perpetuity growth rate and the 2 to 5 year growth rate, and by applying 100 basis point increase to the pre-tax discount rate. This had no impact on the result of the impairment tests for the continuing Agriculture and Specialist Agricultural Merchanting CGU's. However, for the in-year acquisition, Humphrey, where the pre-tax discount and the growth rates were increased and decreased respectively by 100 basis points, an impairment of £1.35m was identified where all other variables remained constant, with the recoverable amount being £11.00m and the carrying value being £12.35m. The pre-tax discount rate would need to increase to 7.78% before headroom was extinguished in the Humphrey CGU.

Current general inflationary conditions are not considered an added risk factor for the impairment calculations, as the Group's business model ensures input cost increases are passed on as appropriate.

The impairment within the Agricultural segment during the previous year of £95,000 relates to the carrying goodwill held within Glasson Grain Ltd relating to Horti Stores, which was acquired in 2015 and which ceased trading during that year

### 14. INTANGIBLE ASSETS

| Group | Brand £000 | Key and other customer accounts £000 | Customer books £000 | Trademarks £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as at 1 November 2020 | - | - | 345 | 10 | 355 |
| Additions | - | - | 50 | - | 50 |
| At 31 October 2021 | - | - | 395 | 10 | 405 |
| **Additions- Business Combination (see note 35)** | **3,759** | **1,095** | **-** | **-** | **4,854** |
| **At 31 October 2022** | **3,759** | **1,095** | **395** | **10** | **5,259** |
| **Aggregate amortisation** | | | | | |
| Balance at 1 November 2020 | - | - | 126 | 4 | 130 |
| Charge for the year | - | - | 37 | 2 | 39 |
| At 31 October 2021 | - | - | 163 | 6 | 169 |
| **Charge for the year** | **-** | **113** | **39** | **2** | **154** |
| **At 31 October 2022** | **-** | **113** | **202** | **8** | **323** |
| | | | | | |
| **Net book value At 31 October 2022** | **3,759** | **982** | **193** | **2** | **4,936** |
| Net book value At 31 October 2021 | - | - | 232 | 4 | 236 |

The additions in the year relate to the acquisition of Humphrey Poultry (Holdings) Limited with the intangible items identified following a purchase price analysis review which included Brands valued using the relief from royalty method and key and other accounts identified using the multiple excess earnings method.

## 15. INVESTMENT PROPERTY

Investment property relates to a redeveloped retail property in Pwllheli. The amount of rent receivable from the Investment property in the year was £211,000 (2021: £205,000). Direct operating expenses associated with this investment property amounted to £17,082 in the year (2021: £18,206).

| Group and Company | 2022<br>£000 |
|---|---|
| Balance as at 1 November 2021 | **2,372** |
| Fair value movement | **(522)** |
| Balance as at 31 October 2022 | **1,850** |

An Investment property valuation was carried out by BNP Paribas Real Estate on 24 June 2022 which concluded the property had an open market valuation of £1,850,000. The market valuation of the investment property was based on a level 2 category valuation where use has been made of: sale prices per square metre of similar properties in similar locations, observable current market rents per square metre for similar properties in similar locations, and property yields derived from recent transactions.

Consequentially, the Group and Company have recognised a fair value movement charge of £521,941 in the period which has been charged to non-recurring items in the Income Statement, refer to Note 5.

## 16. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land and buildings £000 | Freehold land and buildings £000 | Plant, machinery and office equipment £000 | Motor vehicles £000 | Right-of-use assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 November 2020 | 1,298 | 15,507 | 23,068 | 3,862 | 17,067 | 60,802 |
| Additions | 153 | 333 | 989 | 88 | 4,050 | 5,613 |
| Acquisitions | - | - | - | - | 241 | 241 |
| Disposals | (149) | - | (333) | (816) | (588) | (1,886) |
| At 31 October 2021 | 1,302 | 15,840 | 23,724 | 3,134 | 20,770 | 64,770 |
| **Additions** | **172** | **755** | **2,552** | **81** | **1,749** | **5,309** |
| **Acquisitions (see note 35)** | **-** | **1,895** | **386** | **285** | **210** | **2,776** |
| **Reclassifications** | **219** | **-** | **27** | **284** | **(2760)** | **(2,230)** |
| **Disposals** | **-** | **-** | **(830)** | **(204)** | **(873)** | **(1,907)** |
| **Obsolete asset disposals** | **-** | **(446)** | **(6,234)** | **(2,292)** | **(994)** | **(9,966)** |
| **At 31 October 2022** | **1,693** | **18,044** | **19,625** | **1,288** | **18,102** | **58,752** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | |
| At 1 November 2020 | 414 | 6,032 | 16,396 | 3,348 | 5,827 | 32,017 |
| Charge for the year | 102 | 388 | 1,441 | 234 | 3,974 | 6,139 |
| On disposals | (52) | - | (287) | (762) | (74) | (1,175) |
| At 31 October 2021 | 464 | 6,420 | 17,550 | 2,820 | 9,727 | 36,981 |
| **Charge for the year** | **113** | **424** | **1,516** | **237** | **4,085** | **6,375** |
| **Reclassifications** | **219** | **-** | **-** | **-** | **(2,449)** | **(2,230)** |
| **Disposals** | **-** | **-** | **(790)** | **(191)** | **(469)** | **(1,450)** |
| **Obsolete asset disposals** | **-** | **(446)** | **(6,234)** | **(2,292)** | **(994)** | **(9,966)** |
| **At 31 October 2022** | **796** | **6,398** | **12,042** | **574** | **9,900** | **29,710** |
| **Net book value at 31 October 2022** | **897** | **11,646** | **7,583** | **714** | **8,202** | **29,042** |
| Net book value at 1 November 2021 | 838 | 9,420 | 6,174 | 314 | 11,043 | 27,789 |

During the period a detailed review of historic records contained in the Group's fixed asset registers were conducted which identified all obsolete items which have been removed from the accounting records and treated as obsolete asset disposals, and reclassification of certain assets. As the net book value of these items were zero, there has been no impact on the carrying fair value of the Group's property, plant and equipment assets.

### 16. PROPERTY, PLANT AND EQUIPMENT continued

| Company | Leasehold land and buildings £000 | Freehold land and buildings £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2020 | 664 | 13,967 | 14,631 |
| Additions | 99 | 327 | 426 |
| At 31 October 2021 | 763 | 14,294 | 15,057 |
| **Additions** | **150** | **755** | **905** |
| **At 31 October 2022** | **913** | **15,049** | **15,962** |
| **Depreciation** | | | |
| At 1 November 2020 | 285 | 5,409 | 5,694 |
| Charge for the year | 78 | 366 | 444 |
| At 31 October 2021 | 363 | 5,775 | 6,138 |
| **Charge for the year** | **89** | **402** | **491** |
| **At 31 October 2022** | **452** | **6,177** | **6,629** |
| | | | |
| **Net book value at 31 October 2022** | **461** | **8,872** | **9,333** |
| Net book value at 31 October 2021 | 399 | 8,520 | 8,919 |

The Company has no right of use assets in either the year ended 31 October 2022 or 31October 2021.

### 17. FIXED ASSET INVESTMENTS

| Group | Joint Ventures & Associates £000 | Other unlisted investments £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2020 | 3,522 | 90 | 3,612 |
| Share of profit or investment income | 572 | 2 | 574 |
| Dividend distribution | (753) | - | (753) |
| At 31 October 2021 | 3,341 | 92 | 3,433 |
| Share of profit or investment income | **676** | **2** | **678** |
| Dividend distribution | **(4)** | **-** | **(4)** |
| Disposal | **-** | **(6)** | **(6)** |
| **At 31 October 2022** | **4,013** | **88** | **4,101** |
| Provision for impairment | | | |
| **At November 2021 and 31 October 2022** | **-** | **-** | **-** |
| **Net book value at 31 October 2022** | **4,013** | **88** | **4,101** |
| Net book value at 31 October 2021 | 3,341 | 92 | 3,433 |

| Company | Share in Group Undertakings £000 | Joint Ventures & Associates £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2021 | 42,562 | 191 | 42,753 |
| Additions – Business combination (see note 35) | **13,147** | **-** | **13,147** |
| **At 31 October 2022** | **55,709** | **191** | **55,900** |
| **Provision for impairment** | | | |
| At 1 November 2021 | (601) | - | (601) |
| **At 31 October 2022** | **(601)** | **-** | **(601)** |
| **Net book value at 31 October 2022** | **55,108** | **191** | **55,299** |
| Net book value at 31 October 2021 | **41,961** | **191** | **42,152** |

## 18. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES SUBSIDIARIES

Subsidiary undertakings represent the following limited companies, all of which were incorporated in the UK:

| Company name | Proportion of shares held (Ordinary) % | Nature of business | Registered office address |
|---|---|---|---|
| Glasson Group (Lancaster) Limited | 100 | Holding company | West Quay, Glasson Dock, Lancaster, Lancs, LA2 0DB |
| Glasson Grain Limited | 100 | Feed and Fertiliser merchant | |
| Wynnstay (Agricultural Supplies) Limited | 100 | Agricultural merchant | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Woodheads Seeds Limited | 100 | Dormant company | |
| Youngs Animal Feeds Limited | 100 | Equine and pet products distributor | |
| GrainLink Limited | 100 | Grain merchant | |
| Humphrey Poultry (Holdings) Limited | 100 | Holding company | |
| Humphrey Feeds Limited | 100 | Agricultural merchant | |
| Humphrey Pullets Limited | 100 | Pullet supplier | |
| Wrekin Grain Limited | 100 | Dormant company | |
| Eifionydd Farmers Limited | 100 | Dormant company | |
| Shropshire Grain Limited | 100 | Dormant company | |
| Welsh Feed Producers Limited | 100 | Dormant company | |
| Banbury Farm and General Supplies Limited | 100 | Dormant company | |
| Stanton Farm Supplies Limited | 100 | Dormant company | |

Investments in the subsidiaries listed above are held directly by Wynnstay Group Plc, with the exception of the following, which are direct subsidiaries of the respective following companies:

| Wynnstay Agricultural (Supplies) Limited | Youngs Animal Feeds Limited | Glasson Group (Lancaster) Limited | Humphrey Poultry (Holdings) Limited |
|---|---|---|---|
| Stanton Farm Supplies Limited | Eifionydd Farmers Limited | Glasson Grain Limited | Humphrey Feeds Limited<br>Humphrey Pullets Limited |

### JOINT VENTURES

Interests in joint ventures are represented by the following limited companies, all of which were incorporated in the UK:

| Company name | Interest | Nature of business | Registered office address |
|---|---|---|---|
| Bibby Agriculture Limited | 50% -Ordinary | Distribution of animal feeds | Montgomery Way,Carlisle, CA1 2UY |
| Wyro Developments Limited | 50% - Ordinary | Property development | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Total Angling Limited | 50% - Ordinary | Retailer of angling products | |

Investments in the joint ventures listed above are all held directly by Wynnstay Group Plc. Joint ventures are accounted for using the equity method. The aggregate amounts of the Group's share of joint venture assets and liabilities are :

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Non-current assets | **710** | 713 |
| Current assets | **6,032** | 6,379 |
| Cash and cash equivalents | **177** | 78 |
| Current liabilities | **(2,247)** | (1,987) |
| Financial liabilities | **(700)** | (1,862) |
| Non-current liabilities | **-** | (21) |
| **Net Assets** | **3,972** | 3,300 |

## 18. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

The aggregate amount of the Group's share of joint venture revenue and expenses not included in these financial statements are:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Revenue | 24,198 | 20,147 |
| Expenses | (23,350) | (19,427) |
| Net finance costs | (40) | (43) |

The aggregate amount of the Group's share of pre-tax profits included in these financial statements is:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Group's share of joint ventures profit before tax | 808 | 677 |

## ASSOCIATE

The interest in associates is represented by the following limited company, which is incorporated in the UK

| Company name | Interest | Nature of business | Registered office address |
|---|---|---|---|
| Celtic Pride Limited | 33.3% | Production and marketing of premium Welsh beef | Castell Howell Foods Ltd, Celtic Pride Ltd Cross Hands Food Park, Cross Hands, Llanelli, Carmarthenshire, Wales, SA14 6SX |

Summarised financial information in respect of the Group's associates are as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Total assets | 297 | 285 |
| Total liabilities | (174) | (162) |
| Net assets | 123 | 123 |
| Group's share of associates' net assets | 41 | 41 |
| Total revenue | - | - |
| Profit for the period | - | - |
| Group's share of associates' profit before tax | - | - |

For the purposes of consolidation, the following accounting periods have been used for each of the associated undertakings and joint ventures:

| Company | Accounting period |
|---|---|
| Wyro Developments Limited | 31 October 2022 |
| Bibby Agriculture Limited | 31 August 2022 |
| Total Angling Limited | 31 October 2022 |
| Celtic Pride Limited | 31 January 2022 |

## 18. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

### TRADING TRANSACTIONS

During the year, the Group and Company entered into the following trading transactions with subsidiaries, joint ventures and associates:

| Transactions and balances with subsidiaries | Company 2022 £000 | Company 2021 £000 |
|---|---|---|
| **Amounts due from subsidiary undertakings:** | | |
| Loans | **13,023** | 1,127 |
| | **13,023** | 1,127 |
| **Amounts due to subsidiary undertakings:** | | |
| Loans | **-** | - |
| | **-** | - |
| **Transactions reported in the statement of comprehensive income:** | | |
| Income received | **492** | 444 |
| Purchases | **134** | 159 |

| Transactions and balances with joint ventures | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|
| Amounts due from joint ventures: | | | | |
| Trade receivables | **555** | 1,268 | **-** | - |
| Loans | **1,067** | 3,319 | **1,067** | 3,319 |
| | **1,622** | 4,587 | **1,067** | 3,319 |
| Trade payables | **(70)** | (2) | **-** | - |
| | **(70)** | (2) | **-** | - |
| Transactions reported in the statement of comprehensive income: | | | | |
| Revenue | **8,526** | 6,254 | **-** | - |
| Purchases | **(280)** | (139) | **-** | - |

## 19. INVENTORIES

| | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|
| Raw materials and consumables | **20,416** | 13,837 | **-** | - |
| Finished goods and goods for resale | **49,971** | 36,713 | **-** | - |
| Biological assets | **708** | - | **-** | - |
| | **71,095** | 50,550 | **-** | - |

Inventories are stated after a provision for impairment of £846,000 (2021: £400,000) (Company £nil (2021: £nil)). During the period, the sum of £406,000 (2021: £4,000) was charged to the provision for impairment.
£1,824,000 of inventories relates to the acquisition during the year which is included in the total year end balance. See Note 35.

## 20. TRADE AND OTHER RECEIVABLES

| | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Amounts owed by subsidiary undertakings | **-** | **-** | **13,023** | 1,127 |
| Trade receivables, net of loss allowance | **94,823** | 70,320 | **-** | - |
| Prepayments and accrued income | **1,084** | 1,161 | **-** | - |
| Other receivables | **668** | 1,030 | **111** | - |
| | **96,575** | 72,511 | **13,134** | 1,127 |

The carrying value of trade and other receivables classified at amortised cost approximates to their fair value. No receivables are pledged as collateral or sold to discounting or debt factoring services. Assets in the course of construction had a value of £Nil (2021: £627,000) included within Other Receivables. Amounts owed by subsidiary undertakings are repayable in line with standard company credit terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the UK.

If the expected credit loss was to increase or decrease by 25 basis points across each category the impact on the income statement would be £240,000 loss or gain, respectively.

The lifetime expected loss provision for trade receivables is as follows:

| | Current £000 | More than 30 days past due £000 | More than 60 days past due £000 | More than 90 days past due £000 | Total £000 |
|---|---|---|---|---|---|
| **31 October 2022** | | | | | |
| **Expected loss rate** | **0.14%** | **0.17%** | **0.42%** | **17.83%** | **1.19%** |
| **Gross carrying amount** | **68,482** | **16,242** | **5,681** | **5,559** | **95,964** |
| **Loss provision** | **(99)** | **(27)** | **(24)** | **(991)** | **(1,141)** |
| **Trade receivables, net of loss allowance** | **68,383** | **16,215** | **5,657** | **4,568** | **94,823** |
| 31 October 2021 | | | | | |
| Expected loss rate | 0.22% | 0.62% | 1.32% | 19.60% | 1.48% |
| Gross carrying amount | 45,643 | 12,977 | 8,879 | 3,878 | 71,377 |
| Loss provision | (100) | (80) | (117) | (760) | (1,057) |
| Trade receivables, net of loss allowance | 45,543 | 12,897 | 8,762 | 3,118 | 70,320 |

| Movements in the impairment allowance for trade receivables are as follows: | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|
| Opening provision for impairment of trade receivables | **1,057** | 693 | **-** | - |
| Increase during the year | **495** | 609 | **-** | - |
| Receivables written off during the year as un-collectible | **(411)** | (245) | **-** | - |
| At 31 October 2022 | **1,141** | 1,057 | **-** | - |

## 21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| **Current** | | | | |
| Trade payables | **85,694** | 68,923 | **-** | **-** |
| Amounts owed to subsidiary undertakings | **-** | - | **59** | **-** |
| Other payables | **5,922** | 945 | **319** | 294 |
| Accruals and deferred income | **10,242** | 5,518 | **403** | - |
| Other taxes and social security | **1,083** | 654 | **-** | - |
| Contingent consideration | **2,074** | 172 | **2,000** | - |
| | **105,015** | 76,212 | **2,781** | 294 |
| **Non-current** | | | | |
| Contingent consideration | **25** | 25 | **-** | - |
| Government grants | **11** | 13 | **-** | - |
| | **36** | 38 | **-** | - |
| **Total trade and other payables** | **105,051** | 76,250 | **2,781** | 294 |

The carrying value of trade and other payables classified as financial liabilities is measured at amortised cost which approximates to fair value. Contingent consideration is measured at fair value, refer to business combinations note 35.

## 22. PROVISIONS

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Balance as at 1 November 2021 | **243** | 146 |
| **Charge for the year** | **282** | 193 |
| **Utilised / reversed** | **(180)** | (96) |
| **At 31 October 2022** | **345** | 243 |

Provision has been made for the outcome of potential legal disputes where it is both probable that the Company will suffer an outflow of funds and it is possible to make a reliable estimate of that outflow, and for the outstanding rental costs on a vacated property and site closures. The closing provisions are expected to be realised in the next 12 months.

| | **2022 £000** | 2021 £000 |
|---|---|---|
| **Legal provision** | **193** | 193 |
| **Onerous rent** | **108** | - |
| **Site closure** | **44** | 50 |
| **At 31 October** | **345** | 243 |

The legal provision of £193,000 (2021: £193,000) relates to disputes over the classification of certain types of grain where the achieved out-turn prices have been lower than initially expected. The provision for onerous rent relates to the reclassification of a prior year charge from accruals in relation to the vacation of a leased property. The site closure provision relates to the closure of the Selby seed plant during 2020 where certain relocation costs remain outstanding. All provisions are deemed to be current.

## 23. CASH, CASH EQUIVALENTS, BORROWINGS AND LEASE LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 |
| **Current** | | | | |
| Cash and cash equivalents per balance sheet | **31,177** | 19,641 | **5** | 7 |
| Cash and cash equivalents per cash flow statement | **31,177** | 19,641 | **5** | 7 |
| Bank loans and other loans due within one year or on demand: | | | | |
| Secured loans | **(2,371)** | - | **(2,371)** | - |
| Loan stock (unsecured) | **(672)** | (672) | **(672)** | (672) |
| **Borrowings** | **(3,043)** | (672) | **(3,043)** | (672) |
| Non-property leases | **(1,647)** | (1,626) | **-** | - |
| Property leases | **(1,697)** | (2,369) | **-** | - |
| **Lease liabilities** | **(3,344)** | (3,995) | **-** | - |
| **Total current net cash/(borrowings) and lease liabilities** | **24,790** | 14,974 | **(3,038)** | (665) |
| **Non-current** | | | | |
| Bank loans | **(6,640)** | - | **(6,640)** | - |
| **Borrowings** | **(6,640)** | - | **(6,640)** | - |
| Non-property leases | **(1,645)** | (1,881) | **-** | - |
| Property leases | **(2,354)** | (3,850) | **-** | - |
| **Lease liabilities** | **(3,999)** | (5,731) | **-** | - |
| **Total non-current net (borrowings) and lease liabilities** | **(10,639)** | (5,731) | **(6,640)** | - |
| **Total net cash/(borrowings) and lease liabilities** | **14,151** | 9,243 | **(9,678)** | (665) |
| ***Total net cash/(borrowings) and lease liabilities, excluding property leases*** | **18,202** | 15,462 | **(9,678)** | (665) |

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are all non-restricted balances and 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 purposes. HSBC UK Bank Plc's credit rating per Moody's for long-term deposits is Aa3 (2021: Aa3).

£3,623,000 of the cash and cash equivalent balances are denominated in foreign currencies, EUR (99%) and USD (1%) (2021: £412,000, in EUR (99%) and USD (1%)). All other amounts are denominated in GBP and are at booked fair value.

### BORROWINGS

Bank loans and overdrafts are secured by an unlimited composite guarantee of all the 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 repayable. 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.

## 24. LEASES

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties, certain items of plant and equipment and vehicles. The table below shows the number of leases at 31 October 2022.

| Group | Number of lease Contracts at November 2021 | Additions | Additions Business Combinations | Expired or Disposed | Number of Lease Contracts at October 2022 | Fixed Payment % |
|---|---|---|---|---|---|---|
| Property leases | 48 | - | - | (9) | 39 | 18% |
| Plant and equipment leases | 21 | 3 | - | (6) | 18 | 10% |
| Vehicle leases | 121 | 52 | 17 | (36) | 154 | 72% |
| **Total** | 190 | **55** | **17** | **(51)** | **211** | **100%** |

| Group | Land and buildings £000 | Plant, machinery and motor vehicles £000 | Total £000 |
|---|---|---|---|
| **Right-of-use assets** | | | |
| At November 2021 | 6,113 | 4,930 | 11,043 |
| **Additions** | **-** | **1,749** | **1,749** |
| **Additions - Business combination (see note 35)** | **-** | **210** | **210** |
| **Reclassification to PPE** | **-** | **(311)** | **(311)** |
| **Amortisation** | **(2,194)** | **(1,891)** | **(4,085)** |
| **Disposal** | **-** | **(404)** | **(404)** |
| **At 31 October 2022** | **3,919** | **4,283** | **8,202** |

| Group | Land and buildings £000 | Plant, machinery and motor vehicles £000 | Total £000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| At 1 November 2021 | 6,220 | 3,506 | 9,726 |
| **Additions** | **-** | **1,749** | **1,749** |
| **Additions - Business combination (see note 35)** | **-** | **210** | **210** |
| **Interest expense** | **113** | **144** | **257** |
| **Lease payments** | **(2,281)** | **(1,948)** | **(4,229)** |
| **Disposal** | **-** | **(370)** | **(370)** |
| **At 31 October 2022** | **4,052** | **3,291** | **7,343** |

| Group | 2022 £000 | 2021 £000 |
|---|---|---|
| **Short-term lease expense** | **341** | 180 |
| **Low value lease expense** | **8** | 25 |
| | **349** | 205 |

## 24. LEASES continued

**Lease aging**

| 2022 Group | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 | Total £000 |
|---|---|---|---|---|---|
| Lease liabilities | **3,344** | **1,824** | **2,175** | **-** | **7,343** |

| 2021 Group | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 | Total £000 |
|---|---|---|---|---|---|
| Lease liabilities | 3,995 | 2,821 | 2,910 | - | 9,726 |

## 25. FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group's principal financial instruments (other than derivatives) comprise loans, cash and short-term deposits; the main purpose of these instruments is to raise finance for the Group's operations; and additionally include trade and other receivables, trade and other payables and lease liabilities.

The Group also enters derivative transactions, principally foreign exchange contracts and wheat futures to manage commodity price and currency risks arising from the Group's operations.

The Group's policy does not permit use of derivatives for speculative purposes. However, some derivatives do not qualify for hedge accounting, or are specifically not designated as a hedge where gains and losses on the hedging instrument and the hedged item naturally offset in the Group's income statement. Treasury operates on a centralised basis, where Derivatives are only used for economic hedging purposes and not as speculative investments and are classified as 'held for trading', other than designated and effective hedging instruments and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current.

#### (i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade receivables
- Trade and other payables
- Borrowings
- Forward foreign currency contracts
- Wheat futures contracts

#### (ii) Financial instruments by category

| | Group | | Company | |
|---|---|---|---|---|
| **Financial Assets** | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 |
| Cash and cash equivalents | **31,177** | 19,641 | **5** | 7 |
| Amounts owed by subsidiary undertakings | **-** | - | **13,023** | 1,127 |
| Trade receivables, net of loss allowance | **94,823** | 70,320 | **-** | - |
| Loan to joint venture | **1,067** | 3,319 | **1,067** | 3,319 |
| Derivative financial instruments | **599** | **325** | **-** | **-** |
| | **127,666** | 93,605 | **14,095** | 4,453 |

| **Financial Liabilities** | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 |
| Bank loans and other borrowings | **9,683** | 672 | **9,683** | 672 |
| Finance lease liabilities | **7,343** | 9,726 | **-** | - |
| Amounts owed to subsidiary undertakings | **-** | - | **59** | - |
| Trade payables and other payables | **91,616** | 69,868 | **319** | 294 |
| Accruals | **10,242** | 5,518 | **403** | - |
| Contingent consideration | **2,099** | 197 | **2,000** | - |
| Derivative financial instruments | **133** | 193 | **-** | - |
| | **121,116** | 86,174 | **12,464** | 966 |

## 25. FINANCIAL INSTRUMENTS continued

### (iii) Financial instruments carrying value

Financial instruments not measured at fair value includes trade and other receivables, trade and other payables and loans and borrowings.

| Group Financial assets | Fair value 2022 £000 | Fair value 2021 £000 | Amortised cost 2022 £000 | Amortised cost 2021 £000 |
|---|---|---|---|---|
| Trade receivables, net of loss allowance | - | - | 94,823 | 70,320 |
| Loan to joint venture | - | - | 1,067 | 3,319 |
| Derivative financial instruments | 599 | 325 | - | - |
| | 599 | 325 | 95,890 | 73,639 |

| Group Financial liabilities | Fair value 2022 £000 | Fair value 2021 £000 | Amortised cost 2022 £000 | Amortised cost 2021 £000 |
|---|---|---|---|---|
| Bank loans and other borrowings | - | - | 9,683 | 672 |
| Lease liabilities | - | - | 7,343 | 9,726 |
| Trade payables and other payables | - | - | 91,616 | 69,868 |
| Accruals | - | - | 10,242 | 5,518 |
| Contingent consideration | 2,099 | 197 | - | - |
| Derivative financial instruments | 133 | 193 | - | - |
| | 2,232 | 390 | 118,884 | 85,784 |

| Company Financial assets | Fair value 2022 £000 | Fair value 2021 £000 | Amortised cost 2022 £000 | Amortised cost 2021 £000 |
|---|---|---|---|---|
| Amounts owed by subsidiary undertakings | - | - | 13,023 | 1,127 |
| Loan to joint venture | - | - | 1,067 | 3,319 |
| | - | - | 14,090 | 4,446 |

| Company Financial liabilities | Fair value 2022 £000 | Fair value 2021 £000 | Amortised cost 2022 £000 | Amortised cost 2021 £000 |
|---|---|---|---|---|
| Bank loans and other borrowings | - | - | 9,683 | 672 |
| Amounts owed to subsidiary undertakings | - | - | 59 | - |
| Trade payables and other payables | - | - | 319 | 294 |
| Accruals | - | - | 403 | - |
| Contingent consideration | 2,000 | - | - | - |
| | 2,000 | - | 10,464 | 966 |

### (iv)Derivative Financial instruments classification by type, level and non-current and current split

Derivative financial instruments specifically have been broken into their current and non-current component and by derivative instrument type under hedge accounting and fair value through profit and loss.

| Asset derivative financial instruments: | Fair value 2022 £000 | Fair value 2021 £000 | Current 2022 £000 | Non-Current 2022 £000 | Current 2021 £000 | Non-Current 2021 £000 |
|---|---|---|---|---|---|---|
| Forward FX contracts- designated cash flow hedge instruments | 46 | 206 | 46 | - | 206 | - |
| Wheat futures contracts- designated cash flow hedge instruments | 39 | 119 | 38 | 1 | 114 | 5 |
| Wheat futures contracts- fair value through profit or loss | 514 | - | 514 | - | - | - |
| | 599 | 325 | 598 | 1 | 320 | 5 |

### 25. FINANCIAL INSTRUMENTS continued

| Liability derivative financial instruments: | Fair value 2022 | 2021 | Current 2022 | Non-Current 2022 | Current 2021 | Non-Current 2021 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Forward FX contracts- designated cash flow hedge instruments | 53 | - | 53 | - | - | - |
| Wheat futures contracts- fair value through profit or loss | 80 | 193 | - | 80 | 53 | 140 |
| | 133 | 193 | 53 | 80 | 53 | 140 |

The valuation techniques and significant unobservable inputs related to determining the fair value of derivatives (level 1) and deferred and contingent consideration which is classified at level 3 in the fair value hierarchy, where the valuation techniques are explained in the table below.

| Financial instrument | Valuation techniques used | Significant unobservable inputs (level 3 only) | Inter-relationship between key unobservable inputs and fair value (level 3 only) |
|---|---|---|---|
| Forward foreign exchange contracts | Spot price at reporting date including forward swap points based off the appropriate interest rate curve over 12 months | Not applicable | Not applicable |
| Wheat Futures Contracts | Market prices published by ICE Futures Europe, MIC Code: IFLX | Not applicable | Not applicable |
| Contingent consideration | Realisation of net assets on completion and target earnings | Management accounts information | Any adjustments to net assets or profitability of management accounts |

The fair value hierarchy of financial instruments measured at fair value is provided below. There were no transfers between levels during the period.

| | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Financial assets | £000 | £000 | £000 | £000 | £000 | £000 |
| Derivative financial assets (designated hedging instruments) | 85 | 325 | - | - | - | - |
| Derivative financial assets (fair value through profit or loss) | 514 | - | - | - | - | - |
| | 599 | 325 | - | - | - | - |

| | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Financial liabilities | £000 | £000 | £000 | £000 | £000 | £000 |
| Derivative financial liabilities (designated hedging instruments) | 53 | - | - | - | - | - |
| Derivative financial liabilities (fair value through profit or loss) | 80 | 193 | - | - | - | - |
| Contingent consideration | - | - | - | - | 2,099 | 197 |
| | 133 | 193 | - | - | 2,099 | 197 |

## 25. FINANCIAL INSTRUMENTS continued

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

**Contingent consideration**

| | Group £000 | Company £000 |
|---|---|---|
| As at 31 October 2020 | 229 | - |
| Payments of contingent consideration in year | (82) | - |
| New contingent consideration in year | 50 | - |
| **As at 31 October 2021** | 197 | - |
| Payments out of contingent consideration in year | **(98)** | **-** |
| Contingent consideration recognised in year | **2,000** | **2,000** |
| As at 31 October 2022 | **2,099** | **2,000** |

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding all other inputs constant within level 3 financial instruments is not provided as the item above only has one input as described in the valuation table.

### Hedging strategy

The objective of Wynnstay's Treasury activity is to minimise the post-tax net cost of financial operations and reduce its volatility to benefit earnings and cash flows. Wynnstay uses only a few financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise of foreign exchange forward contracts and wheat futures contracts. These financial instruments reduce the uncertainty of foreign currency transactions and wheat prices.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Hedge ratios are monitored on a monthly basis at Board level in line with the Group's risk management policies and procedures where the hedged item exposure is hedged with derivatives within an 90% to 100% range.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates and ineffectiveness, including timing differences between the cash flows of the hedged item and the hedging instruments.

### Foreign Exchange Contracts and Wheat Futures designated under cash flow hedges

During 2022, the Group entered into forward foreign exchange contracts which have been designated as cash flow hedges. These were entered into to hedge the foreign exchange exposure arising on cash flows from Euro and USD denominated wheat physical purchase transactions. The Group manages its cash flow wheat price risk by entering into offsetting futures contracts on ICE Futures Europe.

The notional value of foreign exchange forward contracts and wheat futures is the absolute total of outstanding positions at the balance sheet date. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

During the year total hedge ineffectiveness arising from forward foreign exchange contracts amounted to £104,000 (2021: £46,000) at the balance sheet date.

| Hedge Type | Hedging Instrument | Hedged Item | Nominal Value £000 | Average contracted derivatives prices | Maturing |
|---|---|---|---|---|---|
| Cash flow hedge | Forward FX GBP/EUR | Physical Wheat Grain & Fertiliser | **16,107** | GBP/EUR 1.1587 | Group Qrt 1 to Qrt 2 2023 |
| Cash flow hedge | Forward FX GBP/USD | Physical Wheat Grain & Fertiliser | **4,420** | GBP/USD 1.1491 | Group Qrt 1, 2023 |
| Cash flow hedge | UK Feed Wheat futures contract-IFLX | Physical Wheat Grain | **570** | £271.32 | Group Qrt 3, 2023 |
| Cash flow hedge | UK Feed Wheat futures contract-IFLX | Physical Wheat Grain | **189** | £269.43 | Group Qrt 1, 2024 |
| | | | **21,286** | | |

### 25. FINANCIAL INSTRUMENTS continued

#### Set-off of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position is shown when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. According to the enforceable master netting agreements with the financial counterparties, in the event of default, derivative financial instruments with the same counterparty can be net settled. In the event of default, subject to payment enforcements £40,000 (2021: £108,000) of assets and liabilities, respectively of the derivative financial instruments are subject to right for offsetting, under ISDA (International Swaps and Derivatives Association) agreements.

There were no other material amounts offset in the consolidated statement of financial position or associated with enforceable master netting agreements.

| Gross and net presentation of derivatives | 2022 Gross Position | 2022 Right of offset to net settle | 2022 Balance Sheet Net Position | 2021 Gross Position | 2021 Right of offset to net settle | 2021 Balance Sheet Net Position |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Asset derivative financial instruments | 639 | (40) | 599 | 433 | (108) | 325 |
| Liability derivative financial instruments | 173 | (40) | 133 | 301 | (108) | 193 |

### RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The main risks arising for the Group are credit risk, foreign currency, commodity price risk, intertest rate risk, liquidity risk and capital management risk. The Board approves prudent treasury policies for managing each of the risks which are summarised below:

#### i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. A significant proportion of the Group's trade is conducted on credit terms and as such a risk of non-payment is potentially always present.

Detailed credit approval before initial supply, the operation of credit limits and active credit control monitoring and policy, help to minimise the incidence of bad debt risk. The Group's grain trading activities is exposed to substantial customer credit limits and to assist in mitigating such riskier limits, a credit insurance policy is put in place to provide partial cover against default by customers.

The overdue accounts are reviewed monthly at divisional management meetings to mitigate exposure to credit risk and make provisions accordingly. Concentration of credit risk with respect to trade receivables is limited due to the Group's diverse customer base being large and unrelated.

#### ii) Foreign currency risk

The main currency related risk to the Group comes from the forward purchasing of imported raw materials for our Grain business. This risk is managed by entering into forward foreign exchange contracts to coincide at the same time as when the underlying transaction is priced and agreed for future delivery. The fair value of the contracts was £46,000 as an asset and £53,000 as a liability with a net liability of £7,000 (2021: £206,000) with the principal nominal amounts of the forward purchased currency, based in sterling of £20,527,000 (2021: £25,104,000).

The Group is primarily exposed to foreign exchange risk in relation to Sterling against movements in US Dollar and Euro. Foreign exchange risk arises from the translation of financial assets and liabilities that are not in the functional currency of the entity that holds them. Based upon the carrying value of the Group's net financial assets and liabilities denominated in a foreign currency as at 31 October 2022 and 31 October 2021, the exposure is minimal.

#### iii) Commodity market risk

Whilst the Group does not speculatate in commodity trading, it does have to make significant forward purchases of certain raw materials, particularly for use within its animal feed manufacturing operations. Position reporting systems and controls are in place to ensure the Board is informed of exposure level via the Treasury Management Committee on a regular basis, where the hedging of wheat contracts via a commodities broker is transacted on the Inter-Continental Exchange (ICE) futures market to manage commercial pricing decisions and prevent margin erosion.

If the ICE futures price quoted in sterling pound was to increase or decrease by £1, with all other variables held constant this would result in a £145 gain or loss (2021: £4,000), respectively which would feature in other comprehensive income.

#### iv) Interest rate risk

The Group's debt terms, historically have generally been floating rate interest. The Treasury Committee presents to the Board their view and option to fix interest rates attached to such variable rate debt through utilising interest rate swaps. However, where possible fixed rate term asset finance is used for the acquisition of property, plant and equipment.

## 25. FINANCIAL INSTRUMENTS continued

The Group raises borrowings in sterling only. During the year the Company repaid its debt borrowing of £474,000 (2021; £900,000). The Group has been largely unaffected by phase 1 and 2 of the Interest rate benchmark reform, under IFRS9.

At 31 October 2022, if interest rates had been 150 basis points higher or lower with all variables held constant, profit after tax and net assets would have been £135,000 (2021: £34,000) lower or higher, respectively mainly as a result of higher/ lower interest expense on sterling floating rate borrowings. The directors consider that 150 basis points increase is the maximum likely change in sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

### v) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has overdraft and revolving credit facilities in place of £10.5m and £7.5m respectively (2021: £10.5m and £7.5m) to manage liquidity needs. The overdraft facility is renewable in April 2023, priced at 1.4% over base rate and the revolving credit facility is committed to June 2023, priced at 1.6% over SONIA and the Board believes these are adequate to provide prudent liquidity management.

The Board regularly receives monthly cash flow projections as well as information regarding net cash/(debt), where these monthly projections have indicated that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. Refer to note 23 on net cash position.

The following table analyses the Group and Company's financial liabilities that will be settled on a net basis, where there is legal and constructive obligation to do so, based on agreed contractual settlement dates, as shown within time buckets in the table below. Interest projections for both bank loans and other borrowings and lease liabilities, have been calculated using the future effective rate of interest applicable to each instrument type and then discounted using the appropriate UK gilt rate to derive the present value of interest.

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Total** | **Within one year** | **One to two years** | **Two to five years** | Total | Within one year | One to two years | Two to five years |
| | **£000** | **£000** | **£000** | **£000** | £000 | £000 | £000 | £000 |
| Bank loans and other borrowings | **9,683** | **3,043** | **3,794** | **2,846** | 672 | 672 | - | - |
| Bank loans and other borrowings - interest projections | **991** | **345** | **303** | **343** | 53 | 6 | 9 | 38 |
| Finance lease liabilities | **7,343** | **3,344** | **1,824** | **2,175** | 9,726 | 3,995 | 2,821 | 2,910 |
| Finance lease liabilities – interest projections | **602** | **213** | **178** | **211** | 882 | 249 | 223 | 410 |
| Derivatives | **133** | **53** | **80** | **-** | 193 | 53 | 140 | - |
| Trade payables and other payables | **91,616** | **91,616** | **-** | **-** | 69,868 | 69,868 | - | - |
| Accruals | **10,242** | **10,242** | **-** | **-** | 5,518 | 5,518 | - | - |
| Contingent consideration | **2,099** | **2,074** | **25** | **-** | 197 | 172 | 25 | - |
| | **122,709** | **110,930** | **6,204** | **5,575** | 87,109 | 80,533 | 3,218 | 3,358 |

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Total** | **Within one year** | **One to two years** | **Two to five years** | Total | Within one year | One to two years | Two to five years |
| | **£000** | **£000** | **£000** | **£000** | £000 | £000 | £000 | £000 |
| Bank loans and other borrowings | **9,683** | **3,043** | **3,794** | **2,846** | 672 | 672 | - | - |
| Bank loans and other borrowings - interest projections | **991** | **345** | **303** | **343** | 53 | 6 | 9 | 38 |
| Amounts due to subsidiary undertakings | **59** | **59** | **-** | **-** | - | - | - | - |
| Trade payables and other payables | **319** | **319** | **-** | **-** | 294 | 294 | - | - |
| Accruals | **403** | **403** | **-** | **-** | - | - | - | - |
| Contingent consideration | **2,000** | **2,000** | **-** | **-** | - | - | - | - |
| | **13,455** | **6,169** | **4,097** | **3,189** | **1,019** | **972** | **9** | **38** |

## 25. FINANCIAL INSTRUMENTS continued

### vi) Capital management risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefits to shareholders' whilst principally maintaining an efficient capital structure to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group adjusts the amount of dividends to, or to be paid to shareholders', the return of equity capital to shareholders', the issuance of new shares (that could also possibly take the form of bonus script ordinary shares), the disposal of cash generative assets to settle the Group's debt exposure.

The Group monitors its gearing ratio for the purpose of capital management. This ratio is calculated as net cash/(debt) divided by total equity. Net cash/ (debt) is calculated as cash and cash equivalents less total borrowings (both current and non-current borrowings) and lease liabilities. Total equity is as shown in the consolidated balance sheet.

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Cash and cash equivalents | **31,177** | 19,641 |
| Loans and borrowings | **(9,683)** | (672) |
| Lease liabilities | **(7,343)** | (9,726) |
| **Net cash** | **14,151** | 9,243 |
| **Total equity** | **130,701** | 105,722 |
| **Net cash to equity ratio (%)** | **10.83%** | 8.74% |

The Group monitors cash balances and net (cash)/debt on a daily basis to ensure adequate headroom exists on banking facilities and that it is compliant with banking covenants, where relevant.

## 26. DEFERRED TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| At 1 November 2021 | **474** | 276 | **-** | - |
| Tax equalisation | **2** | (24) | - | **-** |
| Business combination (see note 35) | **1,000** | - | **-** | **-** |
| Charge for the year in Statement of Income | **219** | 160 | **-** | **-** |
| Charge for the year in Statement of Changes in Equity | **(15)** | 62 | **-** | **-** |
| **At 31 October 2022** | **1,680** | 474 | **-** | **-** |

The provision for deferred taxation is made up as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| Accelerated capital allowances | **373** | 449 | **-** | - |
| Other temporary and deductible differences | **1,307** | 25 | **-** | **-** |
| | **1,680** | 474 | **-** | **-** |

A deferred tax asset has not been recognised at Group or Company level in respect of the movement in fair value on investment property (see Note 15) as there is uncertainty as to whether an expected future capital gain will crystallise to offset the capital loss.

## 27. SHARE CAPITAL

| | **2022 No. of shares 000** | 2022 Nominal Value £000 | **2021 No. of shares 000** | 2021 Nominal Value £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 shares being to satisfy the exercise of employee options and 1,900,000 shares issued in a private placing to institutional shareholders.

## 28. SHARE-BASED PAYMENTS

The Group has three share-based payment schemes in operation at 31 October 2022. The executive directors and certain employees participate in a performance share plan (PSP) under which the vesting of all awards made under the PSP is subject to an earnings per share ("EPS") and Return on Capital Employed ("ROCE") growth target measured against average annual increases over a three-year period.

Certain senior employees participate in the discretionary Approved Company Share Option Plan (CSOP). Such schemes have no performance criteria attached to their operation.

All employees, subject to eligibility criteria, may participate in the Save As You Earn plan. The scheme does not have any performance criteria attached to its operation.

The following options were exercised, lapsed and outstanding at the year end:

| | Exercise Price per share £ | Exercisable by | As at 01 November 2021 | (Exercised)/ Issued in year | Lapsed in year | As at 31 October 2022 |
|---|---|---|---|---|---|---|
| **Discretionary Share Option Schemes** | | | | | | |
| CSOP Granted October 2014 | 5.4750 | Oct 2017 - Oct 2024 | 151,000 | **(30,575)** | **-** | **120,425** |
| PSP Granted January 2020 | Nil cost | Oct 2022 - Mar 2023 | 146,647 | **-** | **(4,882)** | **141,765** |
| PSP Granted April 2021 | Nil cost | Oct 2023 - Mar 2024 | 84,728 | **-** | **(3,119)** | **81,609** |
| CSOP Granted April 2021 | 4.6250 | Apr 2024 - Apr 2031 | 174,000 | **-** | **(20,000)** | **154,000** |
| | | | 556,375 | **(30,575)** | **(28,001)** | **497,799** |
| **Savings Related Option Schemes** | | | | | | |
| Granted July 2016 | 3.7000 | Aug 2021 - Jan 2022 | 25,613 | **(23,182)** | **(2,431)** | **-** |
| Granted September 2018 | 4.0000 | Oct 2023 - Mar 2024 | 128,520 | **(562)** | **(15,788)** | **112,170** |
| Granted August 2020 | 2.7500 | Sep 2023 - Feb 2024 | 433,187 | **(11,370)** | **(31,324)** | **390,493** |
| Granted August 2022 | 5.5000 | Sep 2025 - Feb 2026 | - | **142,710** | **(1,568)** | **141,142** |
| | | | 587,320 | **107,596** | **(51,111)** | **643,805** |
| | | | 1,143,695 | **77,021** | **(79,112)** | **1,141,604** |

During the year 30,575 (2021: 24,000) Discretionary Share Options and 35,114 (2021: 134,138) Savings Related Options were exercised and satisfied by the allotment of 65,689 (2021: 158,138) new shares by the Company. The other changes in the number of Discretionary and Savings Related Options relate to members withdrawing from the scheme by leaving employment, exercise conditions not being met or by employees closing their savings contracts. During the period 142,710 new options were granted following a new SAYE invitation to all eligible employees (2021: 258,728 options granted to certain executives under the terms of the Group's Performance Share Plan and approved CSOP scheme).

The weighted average market share price at the time of exercise of options exercised during the year was £6.08 (2021: £5.48).

### Fair Value of Options

During the year, the Group charged £262,000 (2021: £343,000) of share based remuneration cost to its Consolidated Statement of Comprehensive Income based on a movement in the fair value of outstanding options granted after November 2002. The fair value of these options were estimated by using the Black Scholes option pricing model and the following assumptions:

| Weighted average assumptions | 2022 | 2021 |
|---|---|---|
| Share price at year end | **£6.11** | £4.90 |
| Average share price | **£5.84** | £4.58 |
| Weighted average exercise price | **£3.32** | £2.60 |
| Expected volatility | **24.40%** | 33.20% |
| Weighted average remaining contractual life | **1.09 years** | 1.83 years |
| Number of options | **1,021,179** | 963,977 |
| Risk free interest rate at inception | **0.10% - 3.07%** | 0.10% - 0.75% |
| Number of options exercisable - CSOP options | **120,425** | 151,000 |

The expected volatility used was the standard deviation of the daily share price over the previous year and the risk fee interest rate was based on bank base rate at the inception of each scheme.

## 29. CAPITAL COMMITMENTS

At 31 October 2022 the Group and Company had capital commitments as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** **£000** | 2021 £000 | **2022** **£000** | 2021 £000 |
| Contracts placed for future capital expenditure not provided in the financial statements | **1,590** | 263 | **-** | - |

## 30. PENSION COMMITMENTS

Following the acquisition of Humphrey Poultry (Holdings) Limited, the Group operates three defined contribution pension schemes which are administered on separate bases. The pension and other associated costs charge for the year £1,456,000 (2021: £1,017,000). The liability owed to the pension schemes at 31 October 2022 was £169,000 (2021: £147,000).

## 31. EMPLOYEE SHARE OWNERSHIP TRUST

The Company operates an employee share ownership trust (ESOP). As at 31 October 2022, 16,834 ordinary 25p shares (2021: 16,834 ordinary 25p shares) were held by the trust with an aggregate market value at the year end of £102,855 (2021: £82,486). The assets, liabilities, income and costs of the ESOP are incorporated into the financial statements of the Group.

## 32. RELATED PARTY TRANSACTIONS

The Board confirms that they consider the Directors of the Company to be the only key management personnel. During the year sales and purchases took place between the Group and a number of its directors. All transactions were carried out on an arm's length basis. Directors and their remuneration is disclosed within the Director's Remuneration disclosure (note 9).

| | Total sales | | Balance outstanding | |
|---|---|---|---|---|
| | **2022** **£000** | 2021 £000 | **2022** **£000** | 2021 £000 |
| Gareth Davies | **3** | 5 | **-** | - |
| Steve Ellwood | **-** | - | **-** | - |
| Andrew Evans (retired 1 December 2020) | **n/a** | 21 | **n/a** | n/a |
| Philip Kirkham as a director of M&R Kirkham & Sons Ltd | **542** | 383 | **90** | 114 |
| Jim McCarthy (retired 31 July 2021) | **-** | - | **-** | - |
| Howell Richards as a director of Cwrtmalle Ltd | **4,268** | 3,248 | **1,277** | 1,124 |
| Paul Roberts | **2** | 1 | **-** | - |
| Catherine Bradshaw | **-** | - | **-** | - |
| | **4,815** | 3,658 | **1,367** | 1,238 |

During the year Group companies entered into the following transactions with related parties who are not members of the Group:

| | Total sales | | Balance outstanding | |
|---|---|---|---|---|
| **Group** | **2022** **£000** | 2021 £000 | **2022** **£000** | 2021 £000 |
| Purchases from NIAB, a company of which S J Ellwood is a director | **70** | 62 | **10** | - |

## 33. CASH GENERATED FROM OPERATIONS

| | Group 2022 £000 | Group 2021 £000 | Company 2022 £000 | Company 2021 £000 |
|---|---|---|---|---|
| **Profit for the year from operations** | **17,142** | 8,934 | **3,415** | 3,670 |
| Adjustments for: | | | | |
| Tax | **3,982** | 2,057 | **(187)** | 69 |
| Dividend received from subsidiaries | **-** | - | **(5,438)** | (3,150) |
| Dividends from Joint ventures and associates | **-** | - | **(4)** | (753) |
| Depreciation of tangible fixed assets | **2,289** | 2,165 | **492** | 444 |
| Amortisation of right-of-use assets | **4,086** | 3,974 | **-** | - |
| Investment and goodwill impairment | **-** | 95 | **-** | - |
| Fair value movement in investment property | **522** | - | **522** | - |
| Equity investment revaluation | **-** | 2 | **-** | - |
| 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 lease | **-** | 26 | **-** | - |
| Derivative held as FVPL | **(627)** | 23 | **-** | - |
| Hedge ineffectiveness | 104 | 46 | **-** | - |
| Government grant | **(2)** | (2) | **-** | - |
| Movement in provisions made | **(6)** | 193 | **-** | - |
| Interest on lease liabilities | **257** | 281 | **-** | - |
| Net Interest expense / (income) | **233** | (91) | **171** | (51) |
| Share of post-tax results of joint ventures | **(676)** | (572) | **-** | - |
| Share-based payments | **262** | 343 | **262** | 343 |
| **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) | **(11,905)** | (1,127) |
| Increase in payables | **23,205** | 24,477 | **487** | (543) |
| Cash generated from / (used in) operations | **13,839** | 10,577 | **(12,185)** | (1,098) |

## 34. RECONCILIATION OF LIABILITIES FROM FINANCING

| | Group Non-Current £000 | Group Current £000 | Group Total £000 | Company Non-Current £000 | Company Current £000 | Company Total £000 |
|---|---|---|---|---|---|---|
| **As at 1 November 2020** | 6,509 | 5,055 | 11,564 | - | 1,572 | 1,572 |
| **Cash-flows** -Repayments of borrowings | - | (900) | (900) | - | (900) | (900) |
| -Payments of IFRS 16 lease liabilities | - | (4,392) | (4,392) | - | - | - |
| **Non-cash flows** | | | | | | |
| - Lease movements: additions, disposals and interest, net | (778) | 4,904 | 4,126 | - | - | - |
| **As at 31 October 2021** | 5,731 | 4,667 | 10,398 | - | 672 | 672 |
| **Cash flows** | | | | | | |
| - Receipt of borrowings [1] | **7,588** | **1,897** | **9,485** | **7,588** | **1,897** | **9,485** |
| - Repayments of borrowings | **-** | **(474)** | **(474)** | **-** | **(474)** | **(474)** |
| - Business combination (see note 35) | **148** | **62** | **210** | **-** | **-** | **-** |
| - Payments of lease liabilities | **-** | **(4,229)** | **(4,229)** | **-** | **-** | **-** |
| **Non cash flows** | | | | | | |
| - Lease movements: additions, disposals and interest, net | **1,413** | **223** | **1,636** | **-** | **-** | **-** |
| - Loans and borrowings reclassified | **(4,241)** | **4,241** | **-** | **(948)** | **948** | **-** |
| **As at 31 October 2022** | **10,639** | **6,387** | **17,026** | **6,640** | **3,043** | **9,683** |

1 – Used for Business Combination funding, see Note 35.

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Non-Current | Current | Total | Non-Current | Current | Total |
| 2022 | £000 | £000 | £000 | £000 | £000 | £000 |
| Lease Liabilities | 3,999 | 3,344 | 7,343 | - | - | - |
| Loan Stocks | - | 672 | 672 | - | 672 | 672 |
| Borrowings | 6,640 | 2,371 | 9,011 | 6,640 | 2,371 | 9,011 |
| | 10,639 | 6,387 | 17,026 | 6,640 | 3,043 | 9,683 |
| 2021 | | | | | | |
| Lease Liabilities | 5,731 | 3,995 | 9,726 | - | - | - |
| Loan Stocks | - | 672 | 672 | - | 672 | 672 |
| Borrowings | - | - | - | - | - | - |
| | 5,731 | 4,667 | 10,398 | - | 672 | 672 |

## 35. 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 purpose of the business combination is to strengthen the Group's presence in the poultry feed market and expand its geographical coverage.

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

| | Current | Non-Current | Total |
|---|---|---|---|
| | £'000 | £'000 | £'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 acquired | Fair Value of Net Assets £'000 |
|---|---|
| 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 liabilites | (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 consideration 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.

## 36. 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.

# Notice of Annual General Meeting

Notice is hereby given that the thirty-first Annual General Meeting (the "Meeting") of Wynnstay Group plc (the "Company") will be held in the Sovereign Suite, Shrewsbury Town Football Club, Oteley Road, Shrewsbury, Shropshire, SY2 6ST on Tuesday 21 March 2023 at 11.45 am to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the Company's annual accounts for the financial year ended 31st October 2022 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend for the year ended 31 October 2022.
3. To re-appoint the following Director who retires by rotation under Article 91:
    i. Bryan Paul Roberts
4. To re-appoint the following Director who retires by rotation under Article 91:
    i. Howell John Richards
5. To re-appoint RSM UK Audit LLP as auditors, to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company at a remuneration to be determined by the Directors.
6. That, the Rules of the Wynnstay Group Plc Approved Company Share Option Plan (CSOP) submitted to this meeting, marked for the purposes of identification “Document A”, and signed by the Chairman of the Company, and the Rules of the Wynnstay Group Plc Save As You Earn Share Option Plan (SAYE) submitted to this meeting, and marked for the purposes of identification “Document B” and signed by the Chairman of the Company, be adopted and implemented by the Company with immediate effect and to remain in place until the expiry of their registration with HMRC in January 2033.

### SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions which will be proposed as Special Resolutions :

7. That, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot equity securities up to an aggregate nominal amount of £500,000 provided that this authority shall, unless renewed, varied or revoked by the Company in General Meeting, expire on the earlier of the next Annual General Meeting of the Company and 15 months from the date of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the Companies Act 2006, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

8. That, subject to passing Resolution 7 earlier, the Directors be and they are empowered pursuant to Section 570 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by the previous Resolution as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:-

   i) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   ii) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £500,000, and shall expire on the earlier of the next Annual General Meeting of the Company and 15 months from the date of this Resolution save that the Company many, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

9. That, the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693 of the Act) on the London Stock Exchange of Ordinary Shares of £0.25 each in the capital of the Company provided that:-

   i. the maximum aggregate number of Ordinary Shares authorised to be purchased is 500,000 (representing approximately 2.5% of the Company's issued ordinary share capital);

   ii. the minimum price which may be paid for such shares is £0.25 per share;

   iii. the maximum price which may be paid for an Ordinary Shares shall not be more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;

   iv. unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of passing this Resolution, if earlier; and

   v. the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

**By Order of the Board**

**Paul Roberts**
**Acting Company Secretary**
**Wynnstay Group plc**
**Eagle House**
**Llansantffraid-ym-Mechain**
**Powys, SY22 6AQ**

**Dated: 31 January 2023**

# Notes to the Notice of Annual General Meeting

1. Meeting format

   As at the date of this Notice, the Board intend to hold the 2023 AGM as a physical meeting and shareholders are therefore invited to attend a traditional meeting in person. However, Government guidance around public gatherings can be changed at short notice and it may be necessary to change arrangements and shareholders are encouraged to check prior to the meeting.

   - All resolutions will be decided on a show of hands unless a poll of members is/has been requested.

   - Shareholders may submit questions to be addressed during the meeting by emailing their question to shareholder-communications@wynnstay.co.uk no later than 7 days before the meeting.

2. Appointment of proxies

   A member of the Company is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Meeting. A form of proxy accompanies this document and if it is to be used, it must be deposited at the Companies Head Office not less than 24 hours before the meeting.

3. Adoption of share option schemes

   Ordinary resolution 6 is put forward because the rules of both the existing CSOP and SAYE share option schemes are due to lapse in March 2023. The Directors consider it appropriate for these schemes to be renewed on the same terms as the previous schemes and they are intended to take effect from the end of the existing schemes by which time approval of their registration with HMRC is anticipated. Copies of both schemes are available for inspection without charge at the Registered Office of the Company during normal business hours and will be available at the Meeting.

4. Authority to allot shares

   Special resolutions 7 & 8 are put forward to give the directors authority to allot new shares (including to those shareholders exercising their preference to receive dividends in the form of Scrip shares). The resolutions limit the requested authority to the stated maximum as an added shareholder protection. These authorities give the directors the flexibility in financing possible business opportunities and are normal practise for a company of this size, and are routinely put to shareholders.

5. Authority to purchase shares

   Special resolution 9 is put forward to give the directors the ability to buy back and cancel existing shares if they feel that such action would benefit all remaining shareholders and are normal practise for a company of this size, and are routinely put to shareholders.

6. Documents on display

   Copies of necessary documents will be available on the Company's website prior to and during the Meeting.

7. Enquiries relating to the Meeting

   Members are welcome to contact the Acting Company Secretary with any enquiries relating to the Meeting or the Agenda during normal business hours at any time prior to the Meeting. Enquiries concerning shareholdings should be directed to the Company's external registrar at the following address : Neville Registrars, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD (Tel. 0121 585 1131)

### SHAREHOLDER FRAUD WARNING

Shareholders are advised that as the Company's share register is a public document, details concerning individual shareholdings may be available to people who may try to use such information for fraudulent, scam or other criminal purposes. Extreme diligence is recommended whenever you receive any un-solicited contact about your Wynnstay Group plc shares or any other investment holding. Fraudsters can be very persuasive and will use high pressure tactics to try to scam investors they believe to have disposable resources. Such contact may be used to sell shares or other investments which may be fake or worthless, or to try to persuade you to dispose of existing investments for below their market value.

The Financial Conduct Authority (FCA) has a very useful website providing information on known frauds and scams, and identifying companies that may be operating in an unauthorised or illegal manner, which is likely to increase the risk associated with doing business with them. Please visit http://scamsmart.fca.org.uk/.

Some simple advice to avoid investment scams and share frauds include :

1. Hang up on cold calls – if you are cold called in relation to investment opportunities there is a high risk that it may involve an attempted scam. The safest thing to do is to hang up.
2. Check out any firm – before considering any relationship with a new individual or firm offering financial services, check them out on the Financial Services Register on the FCA website. Generally all businesses legally authorised to offer such services will be regulated by the FCA.
3. Get impartial advice – before handing over any money in relation to new investments, think about seeking advice from someone unconnected to the new contact or entity that would receive your funds.
4. Report a scam – if you suspect you have been approached by attempted fraudsters, then please report it to the FCA by using the reporting form available on the FCA website. If you have actually lost money to an investment fraud, you should report it to the police using the Action Fraud National Reporting scheme on 0300 123 2040 or http://www.actionfraud.police.uk/.

**REMEMBER, IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS!**

# Financial Calendar

| | |
|---|---|
| 01 February 2023 | Announcement of 2022 Results |
| 21 March 2023 | Annual General Meeting |
| 31 March 2023 | Dividend Record Date |
| 28 April 2023 | Payment of Final 2022 Dividends |
| June 2023 | Announcement of 2023 Interim Results |