Anpario plc Annual Report 2021


Supporting Sustainable Egg Production
Three Ways Orego-Stim Supports Sustainable Egg Production:
1. Optimal Hen Performance
2. Improved Feed Efficiency
3. Reduced Mortality Rates
REDUCING THE CARBON FOOTPRINT OF EGG PRODUCTION
SUPPORTING PRODUCTION OF SUSTAINABLE EGGS
Find out more:
SCAN HERE
OREGO-STIM™
Nature's Answer from Anpario

Contents

Highlights

Anpario plc, the independent manufacturer of natural sustainable feed additives for animal health, nutrition and biosecurity is pleased to announce its full year results for the twelve months to 31 December 2021.

Financial highlights

- √ 9% increase in revenue to £33.4m (2020: £30.5m), constant currency basis increase of 13% to £34.5m.
- √ 6% increase in adjusted EBITDA[1] to £7.0m (2020: £6.6m).
- √ 7% increase in profit before tax to £5.7m (2020: £5.4m).
- √ Basic earnings per share up 11% to 22.92p (2020: 20.63p).
- √ Diluted adjusted earnings[1] per share up 10% to 23.01p (2020: 20.98p).
- √ Proposed final dividend of 7.0p (2020: 6.25p) per share, total dividend for the year 10.0p (2020: 9.0p) an increase of 11.1%.
- √ Cash balances of £15.5m at the year-end (2020: £15.8m).

Operational highlights

- √ Sales growth across all regions, Asia, Europe, Middle East & Africa (MEA) and the Americas.
- √ Strong demand for Orego-Stim® and pHorce® with sales growth of 24% and 23% respectively.
- √ Mastercube® pellet binder grew by 37%, driven by demand for natural products in aquaculture.
- √ 100% natural and sustainably sourced omega 3 supplement Optomega® Algae launched.
- √ Orego-Stim® patent granted for reducing antimicrobial resistance.

Environmental, Social and Governance (ESG) highlights

- √ Establishment of a net-zero carbon emissions target by 2030.
- √ Remuneration policy changes for the coming year that incentivise achievement of ESG objectives.
- √ Installation of solar panels to reduce carbon emissions.

> “The Board is delighted to report the Group’s continued strong operating performance against a backdrop of the Covid-19 pandemic, supply chain disruption and raw material price inflation. This excellent performance is due in no small part to all stakeholders, especially our staff around the world, who have adapted to new ways of working and put every effort into ensuring continued production and delivery of our products to customers and our subsidiaries around the world. In addition, recent investments in automation, stockholding and systems have meant the company was able to operate as near to normal as possible.
>
> Our research and development programmes over the past few years have given the Group a strong portfolio of environmentally friendly and sustainable solutions, as demonstrated by the recent granting of a patent for Orego-Stim®. It is also particularly pleasing to see our key product brands experiencing strong demand as the industry moves away from the use of harmful applications such as formaldehyde and zinc oxide for antimicrobial control in addition to the trend to reduce antibiotic use.
>
> The Company is maintaining the progress of last year, but we are acutely aware of the inflationary pressures and challenges in the food supply chain. Whilst we will monitor the effect of these issues and manage any potential impact on the business, we remain confident of continuing the profitable development of the Group with further investments in our operations, product technology and global sales channels to deliver effective solutions to the animal production industry.”
>
> ***Kate Allum, Chairman***

[1] *Adjusted profit measures for the prior year have been revised to remove adjustments for foreign exchange which are no longer felt to be appropriate, see note 6 for further commentary.*

Chairman's statement

Overview

Anpario is pleased to report a strong revenue and profit performance for the period, with sales of £33.4m and a 6% improvement in Adjusted EBITDA[1] to £7.0m, during a period of extraordinary disruption as the Covid-19 pandemic continues and re-opening of economies created supply chain challenges and significant raw material price inflation, not to mention dealing with the ongoing impact of Brexit. I am immensely proud of the way the Group planned and reacted swiftly to ensure customer orders were fulfilled with minimal disruption to deliver an excellent financial result. Strong controllable cost control helped deliver profits ahead of the previous year, whilst also returning cash to shareholders by way of double-digit growth in the total dividend subject to shareholder approval at the Annual General Meeting (AGM).

There were strong sales performances in Australasia, China, MEA and South America driven by growth in Orego-Stim® pHorce® and Mastercube® also delivered strong sales performances in the US swine industry and the Latin American aquaculture sector respectively. The Middle East region recovered strongly from a low base in 2020 with overall sales growth of 31% and China continued to benefit with sales growth also of 32% helped by the ban in the use of antibiotic growth promoters (AGP's) in animal feed.

We have, however, experienced increased logistics costs, raw material price inflation and some additional costs due to Brexit. As a result, our gross margins are not unexpectedly lower than last years, but these costs are being passed on through planned sales price increases. More recently, we have seen some encouraging signs that cost price inflation is stabilising, however some of our raw material pricing is dependent on energy prices, which may have a further impact.

We continue to invest in our sales channels and during the period set up new subsidiaries in Mexico, New Zealand and Vietnam. This localisation strategy has proved invaluable during the pandemic in supporting our end customers. We have also made additional investments at our Manton Wood production plant in raw material storage, bulk handling and the installation of solar panels to further reduce our carbon emissions. Given the global supply chain challenges we considered it necessary to increase our stockholding of both raw materials and finished goods in our subsidiaries to ensure continuity of supply, with further investment in a European stockholding hub to minimise disruption due to Brexit.

We launched a new 100% natural omega-3 supplement branded Optomega® Algae. The product has been well received in both the production animal and pet sector where customers are increasingly looking for sustainable solutions from non-animal derived sources.

Dividend

The Board is recommending a final dividend of 7.0 pence per share (2020: 6.25 pence) making a total of 10.0 pence per share for the year (2020: 9.0 pence), an increase of 11.1%. This dividend, payable on 29 July to shareholders on the register on 15 July, reflects the Board's continued confidence in the Group and its ability to generate cash.

AGM

The Board plans to hold the AGM on Thursday 16 June 2022, at 11.00am. We recognise that the AGM is a good opportunity for shareholders to meet and ask questions of the Board, especially given the recent new appointments. We will let shareholders know nearer the time the arrangements for the AGM, but these will depend on Covid-19 restrictions and government advice in place at that time.

Environmental, Social and Governance (ESG)

Anpario's philosophy has always been to provide innovative solutions for animal health challenges by working in synergy with the animal's natural biological processes to support natural immunity through improved gut health. This is complemented by our culture and ethics which we have encapsulated in our 3 Pillars: People, Planet and Promise to communicate our sustainable behaviours and objectives including achievement of net zero carbon emissions by 2030. We are committed to continual improvement and implementing strong governance and stakeholder accountability which is central to our values. More information can be found in the Environment and Social Responsibility Report and the Corporate Governance section of this Annual Report.

People

Our staff across the globe have risen to the challenge of not only the Covid-19 pandemic but also significant disruption in global supply chains to deliver an excellent performance. In addition to supporting our customers the Anpario team has also fully embraced our ESG strategy by wholeheartedly embracing targets not only preserve our planet but because in doing so we can differentiate the Group by helping our customers meet their challenges and achieve their targets through our innovative solutions and production processes.

Ukraine

We are shocked and saddened by the tragic events unfolding in Ukraine and our thoughts are with everyone affected. To support the humanitarian response Anpario is currently engaged with British Red Cross to make a £25,000 donation to the DEC Ukraine Humanitarian Appeal.

We have considered the sanctions that have been put in place against Russia and Belarus and although our products can be described as being for humanitarian purposes, we have ceased all trading with these countries. In 2021, our revenues from Russia and Belarus were less than 1% of Group revenues, with no revenues from Ukraine. We have no dependency on material supply from these countries.

Outlook

The Company is maintaining the progress of last year and the priority is to pass on raw material price inflation through planned sales price increases. We are seeing some encouraging signs that cost price inflation has begun to stabilise but given the very live events in Ukraine there could be further challenges in global supply chains and energy markets which may affect raw material prices. The significant increases in grain prices will also present difficulties for our customers, however, Anpario's products improve animal feed conversion rates through natural gut health improvement making the animal more efficient in nutrient utilisation.

We look forward to delivering profitable growth for the year, capitalising on the investments made in new products and significant market opportunities such as aquaculture. Investment and development in our sales and marketing channels will continue with the recruitment of local sales teams which will be helped by the improving international travel situation enabling our sales teams to drive business development initiatives in person.

Our geographic and product diversity does help the Group smooth out these disruptions and our strong balance sheet enables us to invest not only in innovative natural product solutions but also support our delivery service levels with good local stockholding. We remain confident in capturing the opportunities to grow the business both organically and by acquisition, should the opportunity arise, for the long-term benefit of all stakeholders.

Kate Allum
Chairman
16 March 2022

Chief Executive Officer's statement

Overview of the financial year

Group sales for the year to 31 December 2021 grew by 9% to £33.4m (2020: £30.5m) and by 13% to £34.5m on a constant currency basis, with sales growth across all regions: Asia, Europe, MEA and the Americas. Within these regions South America which includes Brazil and Chile grew sales by 42% largely due to sales of Orego-Stim® to both the aquaculture and poultry sectors. China continued to benefit from the recent ban on the use of antibiotic growth promoters (AGP's) in animal feed delivering sales growth of 32% and the Middle East recovered from its low in 2020 with 31% sales growth helped by strong performances from Iraq and India where we have recently appointed new distributors.

The Asia Pacific region, excluding Australasia and China, experienced an 11% decline in sales compared to the same period last year as continued lockdowns across the region and lack of tourism affected meat consumption. Overall Europe, including the UK, delivered sales growth of 8%, but there were notable declines from Austria and Spain as our distributors increased their stocks at the end of 2020 to prior to Brexit taking effect at the beginning of the period.

Group gross profit increased by 3% to £16.3m (2020: £15.9m) for the year to 31 December 2021 due to increased sales, however gross margins were lower at 48.7% (2020: 51.9%) compared to the same period last year impacted by increased logistics costs and significant raw material price inflation, which was partially mitigated with sales price increases during the year. The strong demand for Orego-Stim® and pHorce® with sales growth of 24% and 23% respectively compared to the same period last year has improved our value-added sales and gross profit mix and is encouraging as these products have significant market opportunities in helping customers reduce antibiotic use, and at the same time move away from using other harmful applications such as formaldehyde and zinc oxide.

Further investment has been made at our Manton Wood production plant to enable the Group to store more raw materials and finished goods as well as receive bulk deliveries of certain mineral materials which will improve both efficiency and input pricing. These investments helped maintain continuity of production during periods when production staff were absent due to Covid-19 isolation requirements.

Operational review

Asia

Overall, the region grew sales by 3% with China and Australasia delivering growth of 32% and 20% respectively, but sales for the remaining Asia Pacific countries, which account for 64% of the Asia region, were down 11%. China's strong performance benefited from the ban on the use of antibiotic growth promoters (AGP's) in animal feed with Orego-Stim® primarily replacing AGP's in piglet feed. We are also beginning to target the Chinese aquaculture industry starting with one of our acid-based eubiotic products for ammonia control and plan to recruit sales personnel to target this significant market sector.

Elsewhere in the region Bangladesh and Taiwan delivered sales growth of 121% and 96% respectively compared to the same period last year, which was a significant reversal from 2020 when these two territories were impacted severely by the Covid-19 pandemic. In contrast, Indonesia, Japan, the Philippines and South Korea suffered double digit declines as the pandemic subdued protein consumption. Despite these regional challenges business development is focused on launching a gut health programme specific to poultry broiler production and sales initiatives to the aquaculture industry which includes expanding the aquaculture sales team. We also established a new subsidiary in Vietnam during the period to support growth of direct business in the country.

We anticipate our customers in Asia will continue to experience challenges including animal feed price inflation and disruption to supply chains. However, our products are used in a variety of end markets which gives the team the opportunity to target less disrupted sectors.

Americas

Overall, the region grew sales by 13% with Latin America delivering growth of 26%, sales in the US declined by 7%. As mentioned previously group sales were higher on a constant currency basis and this affected each region, however, the impact was more pronounced in the US region where sales were flat when currency movements are excluded.

Latin America saw strong sales performances in Brazil, Chile and Ecuador with sales of Orego-Stim® to Chile increasing tenfold predominantly for the aquaculture sector. Ecuador grew sales by 82% compared to the same period last year driven by the success of our natural pellet binder for aquaculture feed, and Brazil grew by 14%, against two previous years of strong growth, as it continued to gain customers both in the egg-layer segment; where we have been able to increase the output for the producer and also the aquaculture market with Prefect®, a unique acid-based eubiotic product.

During the period we also set up a Mexican subsidiary to target larger customers on a direct basis and to support our distributors in the region with a local stockholding, which is also important to demonstrate to the larger producers we can guarantee continuity of supply.

US sales declined by 7% but were flat on a constant currency basis. Actual volumes in tonnes grew 21% driven by pHorce® which is successfully being used to mitigate the risk of virus-contaminated feed in the swine sector. This is the one area where business development was affected owing to the global shipping and supply chain issues, which limited the amount of stock we could ship to the US. These bottlenecks have been resolved and sufficient stock is now available in the US with new customers ready to start using the product. In contrast to the volume growth, the flat sales growth is due to product mix where a customer reduced its requirement for Orego-Stim®, which is a higher value-add product but is used on a lower inclusion in feed compared to pHorce® and our mycotoxin binder range.

The Middle East and Africa

The Middle East delivered the fastest growth of our main regions with sales increasing by 31% compared to the same period last year, when the region was severely impacted by the Covid-19 pandemic. Sales from our top three product groups, phytogenics, acid-based acidifiers and mycotoxin binders, grew by 46%, 44% and 86% respectively demonstrating the broad-based recovery across the region. India and Iraq experienced significant sales growth helped by the recent appointment of new distributors. Sales are still 10% below its 2019 pre-pandemic performance and challenges do remain in various territories across the region.

In addition to the poultry sector, Orego-Stim® will also be marketed to the shrimp export market where antibiotic free production is a requirement for certain export markets. We have just recruited a technical sales manager to accelerate growth in North Africa and in particular Egypt.

Europe

Sales in Europe including the UK grew by 8% compared to the same period last year, driven by strong performances from the UK, Italy and Israel. Spain and Austria experienced declines but this was due to distributors increasing their stock in anticipation of Brexit at the end of 2020. The mitigation measures put in place including the European stockholding hub have reduced the impact of the change in our trading relationship with the EU. Most of our products and deliveries have been unaffected except where veterinary health certificates are required for products containing animal products which is relevant to our omega 3 fish oil supplement, but the recently launched algal version can be substituted for the same applications.

Our phytogenics and acid-based eubiotics products grew by 20% and 5% respectively benefiting from feed hygiene and gut health applications as customers look to use more environmentally safer and sustainable solutions. From June 2022 the European Union is due to prohibit the use of therapeutic doses of zinc oxide (ZnO) in animal feeds to control post weaning diarrhoea in piglets. Orego-Stim®, pHorce® and Genex® have proven in trials not only to be natural replacements for zinc oxide but have also improved animal performance thereby bringing significant financial benefits to the producer. There is further opportunity in the US where producers are also looking to reduce zinc oxide use.

We have reviewed our distribution relationships in the North-West Europe region and made changes which will increase our presence and capability in the German market supported by our European stockholding. The Group's organic approved products offer an opportunity to increase our market share in this growing segment, which we intend to expand across a number of countries following product registration.

Anpario Direct, our online platform experienced some strong sales months towards the end of the period and has been significantly growing month on month, albeit from a low base in comparison to the rest of the business. We have recently recruited additional UK sales people to target customers where the online proposition would be most suited to their order profile to help them transition to an online ordering relationship.

Innovation and development

The recent granting of the UK patent for Orego-Stim® follows a combined and successful research programme with the University of Reading. This research shows that the natural oregano oil composition reduces the proportion of bacteria in the gut that show antimicrobial resistance, when added to the diets of young cattle. Research and development such as this is ongoing within the Group on our products where we work to address the challenges producers are experiencing. Orego-stim® is a 100% natural product comprising many additional essential oil compounds which have added benefits and is the reason why Orego-Stim® can have a beneficial effect under different challenges experienced by the producer. As such, we have an ongoing trial programme to demonstrate the capability of our products for applications across numerous challenges affecting the industry.

As mentioned earlier the EU ban on zinc oxide use at pharmacological levels in piglet diets comes into effect in June 2022. We have been undertaking trials to demonstrate that both our phytogenic and acid-based eubiotic technology is not only an effective natural replacement for zinc oxide but provides additional commercial benefits. Trials with Orego-Stim® fed to both the sow and progeny were very successful with a huge increase in weaning weights of 0.5kg and an almost doubling of piglet creep feed intake. Piglets from the Orego-Stim® litters had improved liveability pre-weaning and sows had a similar body condition score (BCS) compared to the control sows and lost approximately 10kg less in body weight over the lactation period.

During the period, we launched Optomega® Algae a new, micro-algae derived, omega-3 supplement for use in all species including aquaculture, targeted at breeding animals and producers supplying enriched meat, milk and eggs containing higher levels of omega-3 fatty acids. The product is 100% natural, from a sustainable source and has been well received in the pet sector market. Furthermore, preliminary data from an in vitro study at the University of Reading suggests that feeding dairy cows Optomega® Algae can lower methane output by at least 7% in just a 24-hour period. It is well known that feeding a source of Docosahexaenoic acid (DHA) to dairy cows supports the establishment of pregnancy, which in itself helps to lower a farm's greenhouse gas (GHG) emissions.

Sustainability and ESG

Anpario is one of the leading companies helping global livestock producers to meet environmental and sustainability challenges and contributing to the research and development progress that the agricultural livestock industry is achieving in improving its carbon footprint and lowering GHG emissions.

Anpario prides itself on being a low carbon manufacturer of animal feed additives, with two thirds of sales from products which can be described as being from sustainable sources and from non-carbon derived raw materials. These products are also the Group's fastest growing. Furthermore, our products help producers to be more efficient in the resources they use by improving animal feed conversion rates through natural gut health improvement making the animal more efficient in nutrient utilisation.

Our products replace harmful applications such as formaldehyde and zinc oxide used for antimicrobial control in the feed and help reduce antibiotic use in animal production thus improving and safeguarding both animal and human health. The patent attained for Orego-Stim® in reducing the proportion of bacteria and antimicrobial resistance, when added to the diets of young cattle, is just one example of how Anpario is providing environmentally safe and sustainable solutions for the world's population.

In aquaculture, Anpario has proven trials and customers benefiting from improved liveability and biomass in production, enabling regions around the world to return land and water resources to their natural habitat.

Anpario has signed up to '365 Vision', which is the new 10-year plan for the International Egg Commission (IEC) and supported by the United Nations. Eggs are an affordable, nutritious, and low impact food source and the plan aims to develop the nutritional reputation of the egg on an international scale and to accelerate global average egg consumption per capita to 365 eggs per annum from 165 today.

Growth Strategy

Our organic growth strategy is focused on expanding and strengthening our global sales channels through recruitment of local sales and technical teams and setting up wholly owned subsidiaries with stockholding to support direct sales to the larger end users. This structure also supports our partner distributors where appropriate. We are encouraged by the development of our online proposition supported by our UK field sales team to help drive target customers to the Anpario Direct website. Growth in our customer base and volumes will enable us to broaden the product range expand to other suitable geographic markets.

New products such as Optomega® Algae will facilitate future sales growth across all species sectors and build on our entry into the pet market. Our existing products have historically been focused on monogastrics, pig and poultry, but our technical development work enables us to cross-sell these technologies into the aquaculture and ruminant sectors for example. Aquaculture will play an increasingly important role in delivering growth as our products bring proven advantages to both shrimp and fin fish species and we look to launch these products across the Asia Pacific region.

We have attained several organic accreditations across the portfolio including for best-selling products Orego-stim®, Salkil®, Salgard® and Anpro®. This has enabled us to gain new customers focused on high quality protein production.

The recent investment in bulk storage and warehousing will support profitable growth across the Group, along with our continued search for acquisitions to complement the current product range and enhance sales channels.

We continue to identify and pursue potential acquisition targets to capitalise on potential operational synergies and for complimentary products.

Richard Edwards
Chief Executive Officer
16 March 2022

Key performance indicators

Financial

	Note	2021 £000	2020 £000	change	% change
Revenue	3	**33,367**	30,522	*+2,845*	*+9%*
Gross profit		**16,261**	15,852	*+409*	*+3%*
Gross margin		**48.7%**	51.9%	*-3.2%*	
Adjusted EBITDA	6	**6,977**	6,567	*+410*	*+6%*
Profit before tax		**5,701**	5,350	*+351*	*+7%*
Basic earnings per share	12	**22.92p**	20.63p	*+2.29p*	*+11%*
Diluted adjusted earnings per share	12	**23.01p**	20.98p	*+2.03p*	*+10%*
Total dividend for the year	11	**10.00p[1]**	9.00p	*+1.00p*	*+11%*
Cash and cash equivalents		**15,545**	15,820	*-275*	*-2%*
Net assets		**40,302**	37,505	*+2,797*	*+7%*

[1] *Includes both the interim dividend paid during the year and the proposed final dividend which is subject to approval by the shareholders at the AGM.*

Non-financial

	2021	2020	change	% change
GHG emissions[1] (tCO_2e)	**129**	156	*-27*	*-17%*
Carbon intensity[1] (tCO_2e per £m sales)	**3.8**	5.1	*-1.3*	*-24%*
Major accidents reportable to the Board	**nil**	nil		

[1] *Scope 1 and 2 Carbon emissions and defined by the GHG protocol, for more information see the environment and social report.*

Anpario have begun to monitor and report on Scope 1 and 2 carbon emissions as part of its goal to achieve net-zero carbon emissions by 2030. As such we are introducing two new related performance indicators, total carbon emissions and carbon intensity. Anpario is a growth company and as such total carbon emissions may increase, as such our carbon intensity, defined as carbon emissions divided by sales, will be a key measure in tracking our progress towards our net-zero goals.

The Group also regards growth of business in key target markets and the on-going achievement of product registrations and quality assurance accreditations as other KPIs.

Financial review

Revenue and gross profits

The Group has delivered another year of progress, on a constant exchange rate basis, revenue for the period grew by 13% to £34.5m (2020: £30.5m), at actual exchange rates the increase was 9% to £33.4m. Through the first six months we were able to match a strong comparative prior year performance. Sales in the second half of the year accelerated to £17.4m, a 21% increase over the same Covid-19 impacted period last year of £14.3m.

Growth was seen across all of the Group's four operating segments, in particular MEA and the Americas with growth of 31% and 13% respectively. China continued to benefit from a move towards feed-additive products such as Orego-Stim® following the ban on antibiotic growth promoters. The performance in the UK was also strong with a sales increase of 13%. Though the US market was behind sales expectations and the Asia Pacific region continued to suffer from the impacts of continued lockdowns. Detailed commentary on the performance of the operating segments is available in the Chief Executive Officer's Statement.

On a constant exchange rate basis, gross profit for the year grew by 8% to £17.1m (2020: £15.9m), and gross margins were 49.6% (2020: 51.9%). At actual exchange rates there was a 3% increase in gross profit to £16.3m and gross margins fell to 48.7%. The higher constant currency results for both sales and gross profits primarily relate to the increase in GBP/USD exchange rate to a weighted average of 1.373 (2020: 1.279).

A fall in gross margins had been anticipated at the outset of the year however a number of factors contributed to higher-than-expected decline in margins. As highlighted in the half-year results, in addition to the currency impact, part of this is related to the significant increase in logistics costs that has been seen over the past year. The costs are largely passed on to our customers through increased freight selling charges and so the impact on profitability is small, however the gross margin calculation is affected.

In terms of raw material costs then as with most businesses in the current environment we have seen higher than normal inflationary pressures. In addition, across some specific material inputs we have seen significantly reduced availability and acute price increases. We have utilised our strong balance sheet to invest in working capital in terms of both raw material and finished goods in our subsidiary entities to ensure continuity of supply to our customers during these availability and logistics related challenges.

Further, we have implemented a number of price rises in the past 12 months to offset these general and specific cost increases in absolute terms. We have absorbed some of the margin pressures from the acute price rises on several inputs as described above and we continue to closely monitor raw material costs and margins. The expectation is that these prices will start to fall back closer to previous levels, though if these become normalised then we will pass on the full extent of these margin pressures through further price rises.

Administrative expenses

Administrative expenses in the period have been flat at £10.6m for both the current and prior year. As with most expense types, employment costs including bonuses have been flat year on year.

Travel and marketing expenditure have started to increase slightly as Covid-19 restrictions have eased, though the year-on-year comparison is flat as Q1 2020 spend prior to Covid-19 was at normal levels. As Covid-19 restrictions ease further we will see increases in these costs, as face to face customer contact is important in our industry. However, as previously indicated, in the long-run we do expect to see these costs normalise at a rate below their previous norms.

The Board continues to actively seek out and evaluate potential acquisition targets. Through 2020 there have been several opportunities, some closed and some on-going, that have involved more in-depth work and analysis. Activities take place internally as well as through external professional advisors and we have also incurred fees of £0.1m during the year.

There was a reduction in overall legal and professional costs of £0.3m in the year, though this was offset by higher foreign exchange losses.

Profitability and earnings per share

For this reporting period the Board have taken the decision to reduce the number of adjustments made to statutory profit for our alternative performance measures ("APM's") in line with best practice guidelines. It was decided during the time following the decision to leave the EU that it was necessary to adjust for foreign exchange profits and losses. During this volatile period for exchange rates the statutory measures saw large variances year on year due to largely unrealised foreign exchange gains and losses. It is management's view that currency fluctuations now represent more normalised patterns and as such the impact of these should no longer be adjusted for. The prior year APM's have been restated to reflect this change and more detail can be found in note 6 of the financial statements.

Adjusted EBITDA[1] for the year increased by 6% to £7.0m (2020: £6.6m) and diluted adjusted earnings per share increased by 10% to 23.01p per share (2020: 20.98p).

Profit before tax growth was slightly higher than Adjusted EBITDA with an increase of 7% to £5.7m (2020: £5.4m). Basic earnings per share grew 11% to 22.92p (2020: 20.63p).

Taxation

Changes to UK corporation tax rates occurred firstly in the prior year with planned reductions to 17% being scrapped, then in the current year on 3 March 2021 the UK government announced an increase to 25%, from 19%, from April 2023. Deferred taxes have been remeasured at these revised rates in both periods and resulted in an exceptional deferred tax charge of £0.5m (2020: £0.2m).

Another factor affecting the tax charge for the year, though in this instance positively, was the successful granting of our first patent for our market leading phytogenic product Orego-Stim®. As highlighted in the announcement in December it was anticipated that this would provide a tax benefit to the Group via the UK Patent Box scheme which allows companies to apply a lower rate of corporation tax to profits attributable to qualifying patents.

IFRS accounting standards require tax to be recognised on the most likely outcome, but as with all tax items, Her Majesty's Revenue and Customs (HMRC) reserves the right to query the Company's calculations. Work has continued with our tax and patent advisors on the matter and discussions have taken place with HMRC about the principles of the UK Patent Box Legislation. The directors consider the acceptance of our Patent Box tax computations to be more likely than not and as such we expect a material reduction in UK Corporation Tax because of the Patent Box application.

This benefit can be backdated to the date of patent application which was in April 2020 and as such there is a related prior year tax reduction of £0.1m. For 2021 the reduction in our tax charge is higher at £0.4m, this is as a result of a full year of eligibility for the reduction as well as an increase in profits associated with Orego-Stim®. The benefit for the Group moving forward will depend on a number of factors, including the number of sales attributable to the patent in any given year and the prevailing tax rates at the time.

The effective tax rate for the year was 17.9% (2020: 21.4%). However, excluding both the exceptional deferred tax charge and the prior year tax benefit from Patent Box the underlying effective tax rate for the year was significantly lower at 10.8% (2020: 18.4%).

Cash generation

Operating cash flows before changes in working capital were £7.5m (2020: £6.1m). However, due to the significant logistics challenges and reduced availability of some input materials then we utilised our strong cash position to ensure vital continuity of supply to our customers. This led to an absorption of £3.3m of cash into working capital, with most of this occurring through the first half of the year. Following this absorption of cash and after income tax payments of £1.0m (2020: £0.9m), net cash from operating activities fell to £3.1m (2020: £5.8m).

Net cash used in investing activities increased slightly in the period to £1.4m (2020: £1.2m). This increase primarily relates to increased investment in plant and machinery during the period on projects related to production efficiency and continuity of supply. This includes expansion and upgrade of on-site raw material storage, automation of some packaging processes and the conclusion of the automated pallet delivery system. Other projects include the investment in solar panels (£0.3m) to reduce carbon emissions. This project alongside a number of others are ongoing and there were capital commitments at 31 December 2021 of £0.6m (2020: £0.1m).

Net cash used in financing activities was £2.0m (2020: £2.5m). This was lower than the prior period which saw a £1.0m share buyback programme purchasing 297,346 ordinary shares at a volume weighted average price of 336.31p per share.

Overall, cash and cash equivalents decreased by £0.3m in the period to a balance of £15.5m (Dec 2020: £15.8m). The primary purpose of holding these resources is to fund future acquisitions and we continue to explore suitable opportunities.

Dividends

The Board is recommending a final dividend of 7.00 pence per share (2020: 6.25 pence) payable on 29 July to shareholders on the register on 15 July. In addition to the interim dividend already paid, this represents an increase to the total dividend for the year of 11% to 10.0 pence per share (2020: 9.0 pence).

Marc Wilson
Group Finance Director
16 March 2022

Our business model and strategy

Business model

Anpario is an independent manufacturer of natural sustainable animal feed additives for health, nutrition and biosecurity. Our products work in harmony with the natural aspects of the animal's biology and Anpario's expertise is focused on intestinal and animal health, and utilising this understanding to improve animal performance and customer profitability.

Anpario supplies its customers with quality assured products manufactured in the United Kingdom and has an established global sales and distribution network in over 70 countries.

Anpario was built up through a combination of acquisitions and organic growth by establishing wholly owned subsidiaries in a number of key meat producing countries. The portfolio of products has been developed with the customer and the animal in mind, taking into account the life stages of the animal and the periods when they will be more challenged.

Anpario is well positioned to benefit from the trends in growth of the world's population, the increasing demand for meat and fish protein in developing countries and the tightening of global regulation which favours more natural feed additive solutions. Seizing these opportunities is how Anpario intends to deliver long-term shareholder value.

Anpario acknowledges the challenges facing livestock producers in meeting environment and sustainability targets. Anpario is contributing to the research and development progress that the agricultural livestock industry is achieving in improving its carbon footprint and GHG emissions. Anpario prides itself on being a low carbon manufacturer of animal feed additives, with two thirds of sales from products which can be described as from sustainable sources and from non-carbon derived raw materials.

Our business model is based on:

- **Products** - high quality efficacious products presented well;
- **Story** - powerful value add proposition demonstrating the financial and performance benefits of our product solutions;
- **Sustainability** – our natural products help our customers to reduce their carbon footprint by improving the animal feed conversion rates;
- **Branding** - build an impeccable Anpario brand which global customers can trust as having innovative, high quality and effective solutions for customers;
- **Quality** - throughout supply chain and manufacturing processes;
- **Efficiency** - efficient automated production with high operational gearing; and
- **Channel** - control the sales channel to ensure we develop strong technical and commercial relationships with the end users of Anpario products.

Our business model and strategy continued

Strategy

Regional focus

Developing local commercial and technical relationships across the world.

Delivered through:

» regional sales structure;
» local language speakers;
» resource that understands local market needs & challenges; and
» closer relationships with key end customers.

Future plans:

» continued expansion of Anpario Direct to other suitable territories;
» establishment of new subsidiaries for better access and support to local markets; and
» further selective recruitment of high calibre regional resource.

Actions in 2021:

» sales growth achieved in all geographic operating segments;
» including continued sales growth in China and a recovery of sales in the Middle-East and Africa segment;
» continued growth of direct sales channel;
» geographic and product expansion of e-commerce sales through Anpario Direct; and
» first local sales in New Zealand and preparations to start local trade in Mexico.

Technical & products

Add value by developing products that help overcome the challenges of modern day farming.

Delivered through:

» scientific research and development, working closely with the end customers' meat protein operations, to help improve gut function leading to improved animal performance;
» support the producer through prevention rather than treatment; and
» help the customer meet disease and regulatory challenges.

Future plans:

» continue to retain and recruit technical and animal production experts;
» continued investment in research and development working closely with key global customers and respected institutions; and
» look for product opportunities which broaden our range and species opportunities.

Actions in 2021:

» received our first patent for our market leading phytogenic product, Orego-Stim®;
» launch and expansion of products available to the aquaculture market;
» further work on our natural solution to replace Zinc Oxide use which is being banned in the EU; and
» launch of Optomega® Algae a new, micro-algae derived, omega-3 supplement for use in all species including aquaculture, targeted at breeding animals and producers supplying enriched meat, milk and eggs containing higher levels of omega-3 fatty acids.

Acquisitions

Growth through complementary and earnings enhancing acquisitions.

Delivered through:

» successful integration to derive both operational and financial synergies;
» specific searches to identify suitable targets in the specialty feed additive market; and
» applying strict acquisition and valuation criteria; targets must either complement our current product range, offer market consolidation opportunities or strengthen our sales and distribution channels.

Future plans:

» continue active search for acquisition opportunities within defined criteria.

Actions in 2021:

» through the year there have been several opportunities, some closed and some on-going; and
» we have engaged a number of external professional advisors to assist in these activities.

Operations

High quality, consistent and efficient manufacturing.

Delivered through:

» further automation of production facilities;
» key industry quality accreditations; and
» quality supply partners.

Future plans:

» evaluating further production investment opportunities;
» expansion of on-site warehouse storage for powdered products; and
» developing enhanced production contingency plans.

Actions in 2021:

» increased automation of processes including projects on packaging and palletisation of products; and
» increased on-site storage of liquid materials to ensure supply of key materials.

Environmental, Social and Governance

Anpario seeks to ensure a sustainable future, conducting business in a socially, ethically and environmentally responsible manner engaging with all our key stakeholders, including the communities in which we operate

Delivered through:

» our three-pillar framework, 'our People, our Planet and our Promise';
» robust governance structures appropriate for our business size; and
» engagement with our stakeholders.

Actions in 2021:

» specific resource allocated including establishing a new role of Corporate Responsibility Director and also an internal working group;
» developed and launched our three-pillar framework;
» identification and launch of a number of R&D activities linked to reducing GHG emissions through the use of our products;
» establishment of net-zero carbon target by 2030; and
» investment in solar panels at our production site to reduce Carbon emissions.

Future plans:

» continued evaluation of ways to reduce our carbon emissions;
» linking of performance appraisals and Long-Term Incentive Plan (LTIP) awards to ESG objectives; and
» continued engagement with our stakeholders, especially with our local community through the launch of staff volunteering days and our work with our Charity of the year Weston Park Cancer Charity.

Section 172 Statement

Introduction

As a Board, collectively and as individual Directors, we recognise our obligations and our duties as Directors. Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, each Director has regard, amongst other matters to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operation on the community and the environment;
- the desirability of the Company maintaining a reputation for high standard of business conduct; and
- the need to act fairly as between members of the Company.

How the Board fulfils its Section 172 duties

We ensure that the requirements of section 172 are met and the interest of our stakeholder groups are considered through, amongst other means, a combination of the following:

- review of strategic objectives and achievement thereof;
- annual budgets and review of resource allocations;
- results presentations to shareholders and staff;
- audit and risk management processes conducted through the year;
- health and safety reports;
- reviews of employee matters;
- annual performance appraisals for all staff including personal development reviews;
- consideration of these matters in relation to major decisions made within the year;
- regular meetings with customers and key suppliers; and
- other ad-hoc engagement with stakeholders.

Stakeholders and their key interests

The table below outlines the key stakeholders the Company has identified, their key interests and where in this annual report that further details on matters such as engagement and key decisions made in the year in relation to each stakeholder group can be found.

Shareholders: Anpario recognises the importance of engaging with existing and potential investors to understand their views and objectives. This can enhance strategic and governance decision making processes of the Board. We welcome investor contact and those wishing to engage with us can email on *investor@anpario.com*.

Key interests	Key decisions made in the year
» Delivering sustainable, profitable growth over the long-term. » Robust governance and appropriate controls to mitigate risk. » ESG initiatives and responsible management practices.	» Increase in dividend per share proposed in light of results (see Chairman's statement). » Extensive work conducted by the Remuneration Committee in the year, including engagement of expert external advisors, to ensure the Group's remuneration policy reflected good practice and ensured alignment with shareholder objectives (see Report of the Remuneration Committee). » Increased focus on ESG matters with a Board level position established, Corporate Responsibility Director along with internal working groups. This has led to an ESG framework being established with specific targets set and increase related disclosures (see Environment and Social Responsibility Report).

Customers: Anpario values our customers and has extensive long-term relationships across the world. Our network of local and regional account management teams are in place to understand the needs and challenges faced by our customers so that we as a Group can deliver the product and service solutions that they require.

Key interests	Key decisions made in the year
» Innovative, high-quality products that help overcome the challenges of modern-day farming. » Reliable logistics networks with good stock availability and timely delivery.	» Established a regional logistics hub in Europe in response to Brexit. This has removed the customs burden that has resulted post-Brexit and led to faster more efficient deliveries. » In light of global logistics and raw material availability issues we have increased finished good holdings across the Group to ensure continuity of supply during these challenges. » Extended product ranges and geographic footprint to improve customer experience (see Risk Management).

Employees: Anpario has over 120 employees across the world in a range of different roles. All staff are key to delivering on the strategic plans and success of the Group and we continue to develop our HR strategy and policies.

Key interests	Key decisions made in the year
» Fair and equitable recruitment and remuneration practices and policies. » Safe working environments. » The opportunity for personal growth and career progression.	» Continued monitoring and response to Covid-19 to ensure our employees were safe (see Risk Management). » The introduction of new flexible working policies to adapt to longer-term changes to working practices as a result of Covid-19. » Introduction of a number of new internal training and development programmes for staff across the Group.

Community and Environment: Anpario seeks to ensure a sustainable future, conducting business in a socially, ethically, and environmentally responsible manner. Anpario's team seek to meet environmental challenges with sustainability at their heart and progressing on a journey of continuous evolution and progression. Further information to the below can be found in the Environment and Social Responsibility Report.

Key interests	Key decisions made in the year
» Conducting business in an ethically and environmentally responsible manner.	» Increased focus on ESG matters with a Board level position established, Corporate Responsibility Director along with internal working groups. » New ESG framework established with specific targets set and an increase in related disclosures. » The Board continued to believe that it was not appropriate to claim any form of UK government support for Covid-19. » Employees vote for the annual charity of the year. For 2021 the Charity chosen by staff was Macmillan Cancer Support. https://www.macmillan.org.uk » Introduction of a new policy that allows each member of staff to take a paid day off for volunteering in a charity or good cause.

Suppliers: Our external supply chains are critical to the success of the business and integral in our ability to deliver high-quality and consistent products to our customers.

Key interests	Key decisions made in the year
» Mutually beneficial relationships with fair business practices. » Supply chain resilience. » Prompt payment.	» Engagement with suppliers that may face disruption caused by Brexit. » Ensuring that in the current difficult economic conditions we have continued to support our supply chain by making prompt payment for supplies to ease any working capital pressure on our suppliers.

Risk management

Risk Register and Management Process

We continually examine in detail the key risks facing our business in the context of our overall business strategy and evaluate their likelihood and potential impact. The risks we have examined are the most significant but not necessarily the only ones associated with the Group and its businesses. In common with all businesses, we face risks of a generic nature for example failure of projects, foreign exchange impacts and the recruitment, development and retention of employees. In considering our risks during the year we have performed detailed assessments at a global and regional level. We assess the likelihood of their occurrence and potential impact and implement appropriate and proportionate risk mitigation measures. We have continued to monitor Covid-19 and Brexit related risks which have resulted in supply chain disruption including force majeure being declared by key raw material suppliers. As part of our continual risk management process we consider new and emerging risks. These have increasingly focused on sustainability and climate change related issues which has seen a substantial increase in consumer and investor focus on climate. In addition we consider global meat consumption patterns and the potential impact on our operations.

The Group's risk management process through engagement of the Executive Management team and global management team is conducted on at least an annual basis and reviewed by the Board, as follows:

1. Identify the risk and likelihood for each function and regional operation;
2. Analyse and assess the risk, its potential severity and the impact and priority for the business;
3. Consider risk rating and trends on a low to high scale;
4. Plan to mitigate or treat the risk and identify resources or investment required;
5. Implement mitigation procedures by obtaining resources and approvals necessary and put in place necessary actions; and
6. Monitor, measure and control the risk and its likely impacts which will change and evolve so that you we can respond and react in a timely efficient manner.

The Risk Framework below shows those risks that are more specific to our business together with details of the controls and mitigation in place to manage our exposure. More information on our approach to effective risk management can be found in the Corporate Governance section, Principle 4.

Covid-19

From March 2020 Anpario successfully implemented contingency plans with split production and operations teams, social distancing measures, remote working and technology to support our global sales teams and customers. Anpario has also built up higher raw material supplies in the UK and finished goods stocks in subsidiary warehouses globally to mitigate potential supply chain disruption.

Brexit

Brexit has remained a continuing risk since the 2016 referendum result with more certainty of our future trading relationship with Europe now enabling the planning of our EU supply chains and operations. As part of our response plans Anpario had established Irish, German and Turkish subsidiaries and we have subsequently further strengthened this with warehouse facilities in the Netherlands which directly supplies some EU customers.

What has been successful?

Key successes include:

- implementation of Board Succession plan with a new Chairman and team of Non-Executive Directors; appointment of a new Finance Director and Corporate Responsibility Director;
- continuation of effective implementation of our Covid-19 response plans including off-site working and effective global online sales and training programmes for staff;
- development of remote online sales practices;
- mitigation of Brexit impact through the establishment of new EU Irish and German subsidiaries along with a warehouse hub in the Netherlands;
- new subsidiary established in Vietnam to enable direct sales to local customer base;
- launch of new Anpario products and applications including: aqua; Optomega® Algae;
- successful patent Orego-stim®'s antimicrobial activity in calves;
- further development of non-animal plant product development and zero fossil fuel raw materials;
- launch of the 3 Pillars: 'People; Planet; and Promise' as a platform to communicate our ESG credentials and objectives;

- strengthening of our supplier partnerships with similarly aligned ethical and sustainable aspiration;
- continued growth Anpario Direct; and
- progressed 144 product registrations worldwide.

What can be improved?

We continually endeavour to improve our key control framework and processes and improve our risk management capabilities. In response to new or emerging risks and to any improvements recommended by management, external auditors and advisors we will implement appropriate measures. For 2022 our key areas of focus include:

- actioning our Climate Change commitments including Net Zero target by 2030 and wider communication of our strong ESG credentials to stakeholders and the wider community;
- progressing R & D initiatives to improving the carbon footprint and GHG emissions within the meat protein industry;
- completing the installation of solar energy at the Group's plant in Worksop, UK;
- installation of additional storage facilities including four new silos and temporary warehouse to increase raw material storage capacity;
- review subsidiary internal controls and audit requirements; and
- further development and coaching for our key managers and staff. In particular, to update Modern Slavery and anti-bribery and corruption training and awareness.

Risk management continued

Risk framework

1. Market Risk

Risks

- Gaining market entry for products and access to end users.
- Competition from global operators.
- M & A activity resulting in market consolidation.
- Human movement restrictions e.g. Covid-19, SARS.
- Animal diseases e.g. African Swine Fever, Avian Influenza, PEDv.
- Global commodity prices affecting both supply of inputs and demand for our products.
- Climate and environmental changes.
- IP theft e.g. trademark infringements.

Potential impact

- Lower sales revenue and profit.
- Reduction in customers or target customers.
- Loss of market share.
- Loss of market.

Control and mitigation

- Establishing a global marketing strategy with clearly defined product and species related goals for each region.
- Regular monitoring of sales budgets and sales prospects by the management and the Board.
- Effective disaster planning communicated on a timely basis.
- Regional and species diversity and an extensive range of products with new product development and launches.
- A clear and effective marketing strategy communicating the benefits of Anpario's sustainable solutions.
- Close customer engagement, relationships to understand and address their needs.
- Global trademark watches and pre-emptive legal action.
- Ensuring our trademark portfolio supports and is reflective of our marketing strategy.

Risk rating	Trend
Likelihood: **Medium** Impact: **Medium**	No change ⟷

2. Political and Economic Risk

Risks

- Brexit consequences.
- Exchange rate fluctuations.
- Geopolitical risks including political and economic instability.
- International and individual targeting sanctions.
- Bad debts or trade disputes.

Potential impact

- Volatility in markets. Supply chain: delays, additional costs, tariffs or lack of continuity. Regulatory changes.
- Unable to sell or transport finished goods to EU. Unable to import goods from EU.
- Border delays.
- Reduced revenue, increased costs and lower profitability.

Control and mitigation

- Increased inventory of EU sourced raw materials.
- Established a warehouse and distribution facility in the EU.
- Extended terms provided to EU distributors to ensure supply in short term.
- Limiting and hedging of foreign currency exposure.
- Wide geographic diversity reduces dependency in a single country or region.
- Rigorous customer and supplier due diligence and monitoring of regional and customer exposures.
- Use of credit insurance and letters of credit.

Risk rating	Trend
Likelihood: **Medium** Impact: **Medium**	Increasing

3. Product Development Risk

Risks

- Failure to deliver new products due to lack of innovation, pipeline delays or products not meeting commercial expectations.
- Failed or aborted trials during development or customer acceptance stages.
- Lack of significant financial, R&D and other resources.

Potential impact

- Reduction in competitiveness in the market. Lost opportunities.
- A succession of trial failures could adversely affect our ability to deliver shareholder expectations.
- Our market position in key areas could be affected, resulting in reduced revenues and profits.
- Where we are unable to develop and launch a product this would result in impairment of intangible assets.
- Valuable resources may be wasted.

Control and mitigation

- Continual monitoring and review of the lifestyle and potential return from current products. Different regions have markets that are at different points in development.
- Potential new development projects are evaluated from a commercial, financial and technical perspective. The pipeline is reviewed regularly by the Board.
- Each research project or trial is managed by qualified technical managers. Projects and trials are monitored to ensure that they are completed on time, deliver expected outcomes and provide useable data. Final review and evaluation to ensure learning.
- Multiple studies are conducted to assess the effects of a product on target species.
- In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored.

Risk rating	Trend
Likelihood: **Medium** Impact: **Medium**	Decreasing

4. Production, Quality and Logistics Risk

Risks

- Failure to source supply of raw materials.
- Inadequate or poor adherence to quality systems allow faulty product to reach customer.
- Sub-standard raw materials.
- Failure to secure timely shipping of goods to customers.
- Plant closures due to major accident or incident or disaster.
- Defective plant and equipment in our manufacturing facility.

Potential impact

- Failure or Increased lead-time to supply customers.
- Loss of production for a significant period e.g., more than one month potentially leading to loss of sales.
- Accidents, fatality leading to possible closure or fine.
- Poor product quality or product contamination.
- Damage to customer relationship, reputation and financial loss.

Control and mitigation

- Planned increase in raw material and finished good storage facilities.
- Rigorous planning of production runs and shipping container requirements.
- All products can be produced at approved toll manufacturers in the UK. Business interruption and property insurance policies arranged.
- Business Continuity Plan in place.
- Third party advisor utilised and strict management controls enforced. Employers' liability insurance arranged.
- Supplier accreditation, UFAS and FEMAS certification, HACCP and Trading Standards compliance. Public and product liability insurance arranged.

Risk rating	Trend
Likelihood: **Medium** Impact: **Medium**	Increasing

Risk management continued

5. Climate Change Risk

Risks

- Lack of Board approved strategy to meet our specific challenges.
- Lack of tangible verifiable measures and target. Failure to achieve carbon zero targets in line with government and or industry requirements.
- Failure to make required disclosures in line with TCFD and regulatory bodies.

Potential impact

- Loss of key customers, suppliers, investor base.
- Loss of raw material sources and potential income stream.
- Lower sales revenue and profit.
- Failure to attract, recruit and retain high quality and skilled employees.

Control and mitigation

- Board approved global sustainability strategy and implementation plan.
- Engagement of all senior management in understanding and implementing operational and reporting obligations.
- Executive and management performance related targets in line with Group strategic objectives.
- Investment and research on emissions reduction in animal production.
- Collaboration with suppliers and other third parties with common goals relating to climate change challenges.
- Solar energy installation and other operational improvements to reduce use of carbon.

Risk rating	Trend
Likelihood **Medium** Impact **High**	Increasing

6. Environmental, Social and Governance (ESG) Risks

Risks

- Failure to lead the feed additive market in supporting our customers producing sustainable animal protein production.
- Breach of bribery and/or corruption laws or international sanctions.
- Failure to adhere to labour laws and standards globally.
- Poor ESG ratings leading to failure to attract high quality employees.
- Unsafe, inadequate or non-compliant health and safety issue or response to environmental, infrastructure or other significant corporate failures.

Potential impact

- Loss of and negative Investor sentiment and withdrawal of support.
- Shareholder action and votes against Board re-election.
- Fines, criminal action against the Company, Directors or employees.

Control and mitigation

- Board level role responsibility with the newly appointed Corporate Development Director to specifically focus on the risks and lead appropriate action plans.
- Creation of 3 Pillars: People, Planet and Promise platform for action plans and communication.
- Specific ESG targets for all key Executive and group management.
- Established policies, procedures and training to ensure awareness of obligations and compliance.
- High standards of working conditions and market benchmarked pay exceeding the living wage.
- Code of Conduct requiring internal and third-party acceptance.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	Increasing

7. Systems Risk

Risks

- IT or communications failure, due to, accident or sabotage.
- Cyber-attack.
- Data breach.

Potential impact

- Unable to operate.
- Criminal attack could be aimed at stealing money, extortion, fraud, data theft etc.
- GDPR imposes heavy financial penalties, plus reputational damage.

Control and mitigation

- Regular back up of data, third party provider for storage and system support.
- Firewall, regular back up of data, crime and cyber insurance in place.
- Continual review and strengthening of processes, controls and security.
- Information Policy, Privacy Policy, Breach Notification Policy and Disaster Recovery Plan in place.
- Staff and partner awareness communication and training.

Risk rating	Trend
Likelihood **Medium** Impact **High**	Increasing

8. Legislation, Regulatory and Non-compliance Risk

Risks

- Changing market, legislative and regulatory needs.
- Failure to comply with export controls and sanctions.
- Failure to comply with anti-bribery and corruption legislation.
- Non-compliance with tax, legal or regulatory obligations.
- Failure to comply with regulatory requirements.

Potential impact

- Loss of market presence and or share.
- Litigation against Anpario, potential fines and reputational damage.
- Financial penalties, reputational damage, unable to operate in certain jurisdictions.
- Prevented from trading with countries even though our products are exempt from sanctions.

Control and mitigation

- Vigilance and monitoring of all appropriate notifications to ensure compliance and pre-emptive actions.
- Clear communicated policies and Code of Conduct issued to all employees and partners.
- Internal training and awareness communications.
- Support from external experts in all countries in which we operate.
- Reasonable due diligence is carried out on all customers and end users.
- Sanction checking processes are implemented and documented.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	Increasing

The strategic report was approved by the board and signed on its behalf by:

Richard Edwards
Chief Executive Officer
16 March 2022

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Shareholder information

Board of Directors | Non-Executive Directors

Kate Allum, BSc.

Non-Executive Chairman (A, N, R)

Kate has an extensive track record of senior executive and Non-Executive leadership roles in the food supply chain and agriculture industries. Her previous executive roles include Head of European Supply Chain at McDonald's Restaurants and Chief Executive of First Milk, the British farmer-owned dairy co-operative.

Kate is currently a Non-Executive Director of Cranswick plc, a leading UK food producer and Co-Op plc. Until 2022, she also held Non-Executive roles at Stock Spirit and Origin Enterprises plc, an international agri-services business.

Kate became Non-Executive Chairman in 2021.

Ian Hamilton, BSc (Hons).

Non-Executive Director (A, N, R)

Ian has an extensive track record of senior-executive and Non-Executive experience in the animal genetics and specialty feed additive industries. As a member of the founding management team of Aviagen, he played a pivotal role in building the business through organic and acquisition growth to become the world's largest poultry breeding business. Ian has supported several blue-chip investment houses targeting the Agribusiness and Agtech sector. In addition, he was a consultant to Anitox Ltd, a formaldehyde pathogen control business for raw material and animal feed hygiene applications.

Matthew Robinson, MA, ACA.

Non-Executive Director (A, N, R)

Matthew Robinson was appointed to the Board in January 2021. Matthew has spent much of his career working with and advising growth companies and is currently Non-Executive Chairman of AIM listed Goldplat plc. Matthew started his career as a Chartered Accountant and was previously a Corporate Finance Director at finnCap and Panmure Gordon.

Board of Directors | Executive Directors

Richard Edwards, B Eng (Hons), C Eng, MBA.

Chief Executive Officer (N)

Richard Edwards joined the Board in November 2006 as Chief Executive following the acquisition of Agil. He was appointed Executive Vice-Chairman in April 2011 with specific responsibility for implementing acquisition strategy. In January 2016, Richard was appointed to the position of CEO.

Richard has extensive general management and corporate strategy experience gained in the sales and distribution sector both in the UK and internationally. Previously he was Director and General Manager of WF Electrical, a £140 million turnover division of Hagemeyer (UK) plc, a distributor of industrial products, and gained significant experience in corporate development at Saint Gobain UK building materials business.

Marc Wilson, BSc (Hons), ACMA.

Group Finance Director

Marc is a member of the Chartered Institute of Management Accountants and currently Group Finance Director as part of the Executive Management team for Anpario. Marc joined Anpario in 2010 and his responsibilities have included the development and rollout of Anpario's global ERP system along with the accounting and integration of acquisitions during this time.

Marc Wilson joined the Board as Group Finance Director with effect from 1 July 2021.

Karen Prior, BSc (Hons), FCA.

Corporate Responsibility Director & Company Secretary

Karen joined the board in October 2009, originally as Group Finance Director until 1 July 2021 when she relinquished the role and became Corporate Responsibility Director. Previously, Karen has had roles as Finance Director of Town Centre Securities PLC, a listed property group and UK Finance Director of Q-Park, where she was instrumental in its establishment and growth in the UK.

Karen has also been Financial Controller of train builders Bombardier Transportation and spent 10 years of her early career with Ernst and Young specialising in providing audit and business services to entrepreneurial businesses.

Key

A: Audit Committee N: Nomination Committee R: Remuneration Committee

The Terms of Reference of the Audit, Nomination and Remuneration Committees are available on the Company's website: *www.anpario.com/aim-26/.*

Corporate governance

Chairman's introduction

The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. Anpario applies the Quoted Companies Alliance Corporate Governance Code ("QCA Code").

Anpario offers natural solutions to the food farming industry which work in harmony with the natural aspects of an animal's biology to promote healthy growth at the least cost to the environment and the producer. Our products enable the production of top quality protein that partners future farming practice around the world. This objective and our engagement with stakeholders, ensures that we act in a manner that is responsible and beneficial to all.

The board and staff at the Company are committed to behaving professionally and responsibly to ensure that the highest standards of honesty, integrity and corporate governance are maintained. Enshrining these values through the Company's culture, objectives and processes is essential to support the success of the Company in creating long-term shareholder value.

Anpario is committed to conducting business in a socially, ethically and environmentally responsible manner. We do this by focusing on a 3 Pillars framework: 'Our People; Our Planet; and Our Promise'.

Principle 1: Our strategy and business model to promote long-term value for shareholders

Anpario is well positioned to benefit from the trends in growth of the world's population, the increasing demand for meat and fish protein in developing countries and the tightening of global regulation favouring more natural feed additive solutions. Seizing these opportunities is how Anpario intends to deliver long-term shareholder value. More information is included in the Strategic Report.

Anpario has specific resource and processes in place to proactively identify and manage risk to protect the continued growth and long-term future that is possible as outlined above. Our annual report details specific financial and non-financial risks and uncertainties facing the business and measures in place to mitigate them.

Principle 2: Understanding and meeting shareholder needs and expectation

Communications with shareholders are given high priority and Anpario recognises the importance and value in reciprocal and open communication with its many investors. This is key to ensure alignment between the motivations and expectations of our shareholders and our strategy and business model.

This communication takes place in many forms to serve different purposes. Our Interim Statements and Annual Reports contain detailed information for shareholders to understand our performance, strategy and future plans. Between these disclosures, the Company also issues RNS announcements, as required, which serve to keep shareholders updated about regulatory matters or changes that they should be notified of. These RNS announcements, as well as wider news articles about the Company, are available on our website *www.anpario.com/investor/.*

The Annual General Meeting ("AGM") is the main opportunity for all shareholders to engage with Anpario. Shareholders are notified in advance of the date and location of the meeting as well as the resolutions that are to be voted on. At the meeting, the Board and key personnel give a presentation about the most recent published results and our strategy. They are also available to answer any questions that shareholders may have. Due to Covid-19 restrictions during 2020 and 2021 the AGM's had restricted attendance with proxy voting and submission of questions encouraged by email. We will be updating the Company's articles to enable the holding of virtual meetings in future.

The Directors actively seek to build strong relationships with institutional investors and investment analysts. Presentations are given immediately following Interim Statement and Annual Report announcements. Feedback directly from shareholders via the Company's advisers after these regular analyst and shareholder meetings ensures that the Board understands shareholder views. The Board as a whole are kept informed of the views and concerns of major shareholders and are made aware of any significant investment reports from analysts.

Shareholders are encouraged to contact the Company should they have any questions or concerns and can do so using a dedicated email address *investor@anpario.com*. This is actively used by our Shareholders and successfully enables them to engage with the Board in addition to attaining assistance on individual shareholder specific matters with which we may be able to help. The Chairman and other Directors will meet or have contact with major shareholders as necessary. Where appropriate on specific matters the Board or its Committees will conduct shareholder consultations.

The Executive Directors hold shares and participate in incentive plans in the Company which ensures that their interests are fully aligned with those of other shareholders.

Principal 3: Corporate social responsibilities and wider stakeholders

Anpario seeks to ensure a sustainable business, behaving with social, ethical and environmental responsibility and engaging with all of its key stakeholders, including the communities in which the Group operates, its people and the environment. As noted we have launched the 3 Pillars: 'Our People, Our Planet and Our Promise' as a framework to focus our behaviours with respect to sustainability and our ESG objectives. Full details of the Group's approach to these matters are included in a new Environmental and Social Responsibility Report later in this annual report and on the website: *www.anpario.com/about/sustainability/.*

Principle 4: Effective risk management

Anpario has specific resource and processes in place to proactively identify and manage risk to protect its continued growth and long-term future. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Company and that they balance exploiting opportunities and protecting against threats. The Risk management section of this annual report details specific financial and non-financial risks and uncertainties facing the business and where possible the measures in place to mitigate them.

Risk management and control

Effective risk analysis is fundamental to the execution of Anpario's business strategy and objectives and our risk management and control processes are designed to make management of risk an integrated part of the organisation. The framework is used to identify, evaluate, mitigate and monitor significant risks and to provide reasonable but not absolute assurance that the Group will be successful in achieving its objectives. The focus is on significant risks that, if they materialise, could substantially and adversely affect the Group's business, viability, prospects and share price.

The requirement for an Internal Audit function is not felt to be appropriate for the Group at the current time due to its size and robust internal control systems but this is kept under review.

Risk management process

We recognise that a level of risk taking is inherent within a commercial business. Our risk management process is designed to identify, evaluate and mitigate the risks and uncertainties we face.

The CEO is the ultimate Risk Manager. The Board establishes our risk appetite, oversees the risk management and internal control framework and monitors the Group's exposure to principal risks.

The Executive Management Board (EMB) owns the risk management process and is responsible for managing specific risks. The EMB members are also responsible for embedding rigorous risk management in operational processes and performance management and review.

The EMB members are responsible for the risk analysis, controls and mitigation plans for their individual section of the business.

The Audit Committee reviews the effectiveness of the risk management process and the internal control framework and ensures appropriate executive ownership for all key risks.

These processes ensure that all Directors receive detailed reports from management and are able to discuss the risks, controls and mitigations in place and therefore satisfy themselves that key risks are being effectively managed.

Internal control framework

Anpario's internal control framework is designed to ensure the:

- effectiveness and efficiency of business operations;
- reliability of financial reporting;
- compliance with all applicable laws and regulations; and
- assignment of Authority and Responsibility.

Anpario's values underpin the control framework and it is the Board's aim that these values drive the behaviours and actions of all employees. The key elements of the control framework are:

Management structure

The Board sets formal authorisation levels and controls that allow it to delegate authority to the EMB and other Managers in the Group. The management structure has clearly defined reporting lines and operating standards.

Strategy and business planning

- Anpario has a strategic plan which is developed by the EMB and endorsed by the Board;
- Business objectives and performance measures are defined annually, together with budgets and forecasts; and
- Monthly business performance reviews are conducted at both Group and business unit levels.

Policies and procedures

Our key financial, legal and compliance policies and procedures that apply across the Group are:

- Code of Conduct;
- Designated authorities and approvals;
- Ways of Working (WOWs);
- Anti-Bribery and Corruption Policy;
- GDPR and Privacy Policy; and
- Due diligence processes including rigorous sanctions checks.

Technical standards and operational controls

Our operational control processes include:

- **Product pipeline review:** product pipeline is reviewed regularly to consider new product ideas and determine the fit with our product portfolio. We assess if the products in development are progressing according to plan and evaluate the expected commercial return on new products;
- **Lifecycle management:** lifecycle management activities are managed and reviewed for our key products to meet the changing needs of our customers, environmental and regulatory standards;
- **Quality assurance:** a manufacturing facility with an established Quality Management System operating under FEMAS and UFAS and designed to ensure that all products are manufactured to a consistently high standard in compliance with all relevant regulatory requirements;
- **Product registration:** a robust system operated by our regulatory team to ensure all products are correctly registered within the jurisdiction in which they are sold; and
- **Pricing:** a pricing structure which is managed and monitored to provide equitable pricing for all customer groups and compliance with regulatory authorities.

Financial controls

Our financial controls are designed to prevent and detect financial misstatement or fraud. This provides reasonable, but not absolute, assurance against material misstatement or loss. They include:

- a formalised reporting structure which incorporates the setting of detailed annual budgets and key performance indicators which are updated on a regular basis to form forecasts;
- management and Board meetings where all key aspects of the business are presented, reviewed and discussed including comparison of current and historical performance as well as budgets and forecasts;
- defined authorisation levels for expenditure; the placing of orders and contracts; and signing authorities;
- transactional level controls operated on a day-to-day basis;
- daily reconciliation and monitoring of cash movements by the finance department and the Group's cash flow is monitored;
- segregation of accounting duties;
- reconciliation and review of financial statements and judgements;
- internal and external training to ensure staff are aware of the latest standards and best practice; and
- membership of professional bodies and compliance with associated code of ethics.

Principle 5: The Board

The Board of Directors is collectively responsible and accountable to shareholders for the long-term success of the Company. The Board provides leadership within a framework of prudent and effective controls designed to ensure strong corporate governance and enable risk to be assessed and managed.

The Board regularly reviews the operational performance and plans of the Company and determines the Company's strategy, ensuring that the necessary financial and human resources are in place in order to meet the Company's objectives. The Board also sets the Company's values and standards, mindful of its obligations to shareholders and other stakeholders.

Full details and biographies of the Board are available on our website, the Board comprises of four independent Non-Executive Directors and two Executive Directors.

Executive Directors

Name	Role	Qualifications	Key Committees Audit	Nom.	Rem.
Richard Edwards	Chief Executive Officer	*B Eng (Hons), C Eng, MBA.*	-	M	-
Marc Wilson	Group Finance Director	*BA (Hons), ACMA.*	-	-	-
Karen Prior	Corporate Responsibility Director'	*BSc (Hons), FCA.*	-	-	-

Independent Non-Executive Directors

Name	Role	Qualifications	Key Committees Audit	Nom.	Rem.
Kate Allum	Non-Executive Chairman	*BSc.*	M	M	M
Matthew Robinson	Senior Independent Director	*MA, ACA.*	C	M	C
Ian Hamilton	Non-Executive Director	*BSc (Hons).*	M	C	M

Audit = Audit Committee, Nom. = Nomination Committee, Rem. = Remuneration Committee, C = Chair, M = Member

The Board considers that the Non-Executive Directors are independent.

All Directors are subject to reappointment by shareholders at the first AGM following their appointment and thereafter by rotation.

The Board delegates its authority for certain matters to its Audit, Remuneration and Nomination Committees. The Board approves and reviews the terms of reference of each of the Committees which are available on the Company's website, *www.anpario.com/aim-26/.*

The Board meets formally at least four times per annum. All Board members receive agendas and comprehensive papers prior to each Board meeting. The Corporate Responsibility Director is also the Company Secretary and is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are adhered to.

In addition to formal Board and Committee meetings, ad hoc decisions of the Board and Committees are taken after discussion throughout the financial year as necessary through the form of written resolutions.

All Directors in office at the time of the various committee meetings were in attendance for all of the meetings convened during 2021. A list of the meetings convened during the year is set out below.

The Chief Executive Officer and Group Finance Director work full time for the Group. The Corporate Responsibility Director worked two to three days a week in the year and ensures the roles and responsibilities of the position are fully met. The Non-executive Directors have commitments outside of Anpario plc. They are summarised on the Board biographies available from www.anpario.com/investor/aim-26/. All the Non-Executive Directors give the appropriate amount of time required to fulfil their responsibilities to Anpario.

Principal 6: Ensuring Directors have between them the necessary up-to-date experience, skills and capabilities

The Nomination Committee aims to ensure that composition of the Board reflects appropriate balance of skills and experience required to ensure long-term shareholder value and manage risk. Details of the role of the Nomination Committee and the activities it performs in relation to these matters is included in the "Maintaining governance structures" section later on in this document.

The Board biographies available on the website give an indication of their breadth of skills and experience. Each member of the Board takes responsibility for maintaining their own skill set, which includes roles and

	Number of meetings convened	Full attendance of meeting
Board meetings	5	Yes
Audit Committee meetings	2	Yes
Remuneration Committee meetings	2	Yes

experience with other boards and organisations as well as formal training and seminars.

Principal 7: Evaluating board performance

The performance of the Board is evaluated formally on an annual basis, following the conclusion of the annual Audit and finalisation of the Annual Report. The Chairman leads this process which looks at the effectiveness of both the Board as a unit and its individual members.

When addressing overall Board performance the factors considered, include but are not limited to, underlying group financial performance, the success of new strategy implementation and the effectiveness of risk and control measures. This process further looks at the performance of each member and considers their individual successes, commitment and alignment to the overall Group strategy. As appropriate, it will also look to confirm that members have maintained their independence.

The Nomination Committee is responsible for determining Board level appointments, details of its role and terms of reference are provided later in this document. The Executive Board members determine the appointments to the Executive Management team, in line with Board approval procedures.

Succession planning is a key part in ensuring the long-term success of the Company. The Executive team ensure that potential successors are in place within the business and are given the required support and guidance to develop further. At the required time, it is the Nomination Committee's role to make decisions about future appointments to the Board.

Principal 8: Promoting a corporate culture based on ethical values and behaviours

Anpario has a strong ethical culture, the Board is responsible for setting and promoting this throughout our processes and behaviours. The policies related to these matters are regularly reviewed and updated and distributed to employees and other stakeholders as appropriate. Further, specific training is given to keep staff updated on relevant changes, these sessions are often recorded for future reference and new staff induction.

A copy of our Code of Conduct is available on our website, *www.anpario.com/code-of-conduct/.* Anpario has stated policies on Corporate Social Responsibility, Anti-Bribery and Corruption and Whistleblowing Policy that are applicable to all our employees, other workers, suppliers and those providing services to our organisation.

Principal 9: Maintaining governance structures

Anpario is confident that the governance structures in place in the Company are appropriate for its size and individual circumstances whilst ensuring they are fit for purpose and support good decision making by the Board.

The Board defines a series of matters reserved for its decision. These include strategy, finance, corporate governance, approval of significant capital expenditure, appointment of key personnel and compliance with legal and regulatory requirements.

There is clear segregation of responsibility within the Board. The Non-Executive Chairman is responsible for providing leadership to and managing the business of the Board, in particular ensuring strong corporate governance policies and values. The role of Chief Executive Officer is concerned with the formulation and implementation of the strategy of the Company and is responsible for all operational aspects of the business. The role of the Group Finance Director is to provide strategic and financial guidance and to develop the necessary policies and procedures to ensure sound financial management and control of the Company. The Corporate Responsibility Director also acts as Company Secretary and is further responsible for advising on corporate governance matters and ensuring compliance with relevant legislative and legal requirements.

Details of the key committees are set out below, the terms of reference for each are available on our website as part of the committee section of the AIM 26 disclosures *www.anpario.com/aim-26/.*

Audit Committee

Details are contained within the Audit Committee Report section of this Annual Report.

Remuneration Committee

Details are contained within the Remuneration Committee Report section of this Annual Report.

Nomination Committee

The Nomination Committee is comprised of the two Non-Executive Directors and the Chief Executive Officer and is chaired by Ian Hamilton. Meetings are held as required by the Chairman. The role of the committee is as follows:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for Directors and other senior executives taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- review and approve selection procedures for potential Board members, whether executive or non-executive, whether for immediate appointment to the Board or after a probationary period;
- be responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as they arise;
- ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- ensure that following appointment to the Board, Directors undergo an appropriate induction programme; and
- make recommendations to the Board on membership of the Board's committees, in consultation with the chair of such committees, the reappointment of any non-executive at the conclusion of their specified term of office, the reappointment by shareholders of Directors under the Company's rotation requirements taking into account the need for progressive refreshing of the Board.

Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

For the appointment of a Chairman or other Non-Executive, the committee shall produce a job specification, including the time commitment expected. A proposed Non-Executive's other significant commitments should be disclosed to the Board before appointment and any changes to commitments should be reported to the Board as they arise.

Prior to the appointment of a Director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interests and be required to report any future business interests that could result in a conflict of interest.

Full due diligence is undertaken by the Company and NOMAD.

New appointments made in the year have gone through the processes as described above and more information can be found in the Board Changes section of the Chairman's Statement.

Principal 10: Communicating governance and performance matters with shareholders and wider stakeholders

Communications with shareholders are given high priority and we proactively promote engagement through a range of measures. More details of which are provided earlier in this document about how Anpario seek to engage with and understand Shareholders and wider Stakeholders.

The most recent AGM took place on 17 June 2021, full details of which are included in the 2020 annual report available from our Website. The results of the AGM are set out below. None of the resolutions had a significant number of votes cast against it.

No.	Resolution	Result
1	Accept Financial Statements and Statutory Reports	Passed
2	Approve Final Dividend	Passed
3	Re-elect Richard Edwards as Director	Passed
4	Re-elect Kate Allum as Director	Passed
5	Re-elect Matthew Robinson as Director	Passed
6	Re-elect Ian Hamilton as Director	Passed
7	Re-appoint BDO LLP as Auditors	Passed
8	Authorise the Directors to agree the auditor's remuneration	Passed
9	Authorise Issue of Equity with Pre-emptive rights	Passed
10	Authorise Issue of Equity without Pre-emptive rights	Passed
11	Authorise Market Purchase of Ordinary Shares	Passed

Corporate governance continued

Our Company website includes historical Annual Reports and Interim Statements; both in RNS format as part of its News section, and the published documents are available from *www.anpario.com/investor/annual-reports/.* Included within these documents are the notices of previous AGMs, the results of which are released as RNS announcements and can be found in the News Releases section of our website *www.anpario.com/investor/.*

Environment and Social Responsibility Report

Environmental responsibility

Anpario seeks to ensure a sustainable future, conducting business in a socially, ethically and environmentally responsible manner engaging with all our key stakeholders, including the communities in which we operate. The key issue of climate change has highlighted the critical part played by agriculture and food production and the necessity for collective action to achieve a net-zero emissions economy for a world that prioritises the health of people and our planet.

Anpario's team seek to meet environmental challenges with sustainability at their heart and pursuing a journey of continuous evolution and progression. We recognise that it is our responsibility to identify problems faced by producers globally and find effective sustainable solutions and as we continue to grow on the strong foundations built over the past four decades. We aim to be a leading light now and in the future.

We are leaders in the field of speciality feed additives, our products capture natures ingenuity and work in harmony with the animals' biology to deliver sustainable and natural solutions. It is through our products that we can have the greatest positive impact, empowering global animal protein producers to produce more from less, preserving vital resources, safeguarding food production and human health, whilst protecting the planet. We promise to seek new ways of operating that protect valuable resources and remain committed to high environmental standards and robust health and safety measures.

We believe that through our product innovation, management of our operations and aligning with stakeholders who share our values and sustainability objectives, we can help our global customers to achieve their own sustainable goals faster.

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDG's) provide a globally accepted roadmap for addressing many of the most urgent global, economic, environmental and social challenges. Agreed at international level in September 2015, the achievement of these 17 goals by 2030 requires extensive participation and creates a key role for businesses in delivering entrepreneurial solutions that can help meet these challenges. Anpario aligns with several SDG's and the goals highlighted below are those where we recognise that we can play our part in creating positive impact for people and the planet, now and into the future.

SDG 2: Zero hunger – end hunger, achieve food security and improved nutrition and promote sustainable agriculture

Agriculture and fisheries can provide nutritious food for all and generate decent incomes, while supporting people-centred rural development and protecting the environment. Anpario's products work in tune with nature's inherent processes within each of the animal species to support production of safe and affordable food for a growing population and can help to:

- conserve, protect and enhance natural resources;
- improve rural livelihood, equity and social well-being through productive farming; and
- enhance resilience of people, communities and ecosystems.

SDG 3: Good health and well-being – ensure healthy lives and promote wellbeing for all at all ages

We are leading work in collaboration with major feed producers to successfully reduce the unnecessary use of antibiotics and other substances such as zinc oxide and urea-formaldehyde. The misuse of antibiotics in agricultural production is a significant threat to animal and human health. Anpario provides products and guidance to support farmers to:

- improve animal gut health;
- defend against mycotoxins;
- reduce and where possible remove the unnecessary use of antibiotics; and
- safeguard the use of antibiotics for effective treatment of sick animals.

SDG 12: Responsible consumption and production - ensure sustainable consumption and production patterns

Anpario's phytogenic and organic acid products help improve biosecurity and prevent animal diseases, which can eliminate significant animal populations, leading to devastating losses of food producing animals (e.g. Coccidiosis, Necrotic Enteritis, Porcine Epidemic Diarrhoea (PEDv), and African Swine Fever (ASF). Anpario's products are proven to work effectively alongside vaccines to aid in disease control.

SDG 13: Climate action: take urgent action to combat climate change and its impacts

Anpario is tackling climate change through establishing energy reduction initiatives and making renewable energy investments and commitments including Net Zero Carbon by 2030. Our products help farmers to feed more nutritious diets with a lower environmental footprint to their animals which reduces negative environmental impacts such as:

- nutrient loss;
- greenhouse gas and ammonia emissions; and
- degradation of ecosystems.

SDG 14: Life below water - conserve and sustainably use the oceans, seas and marine resources for sustainable development

Anpario works to protect and enhance marine life by working with aquaculture producers globally to improve production systems, sourcing responsibly and reducing marine waste. Our 100% natural, aquaculture products work on the same principles as for land animals and are effective for shrimp and other farmed fish such as salmon and tilapia. We are progressing with aquaculture experts new formulations for sustainable and antibiotic free fish production.

SDG 17: Partnerships for the Goals: strengthen the means of implementation and revitalise the global partnership for sustainable development

Anpario works collaboratively with other organisations and stakeholders with the common goal of sustainable food production. To achieve optimal circular sustainability means educating distribution networks, employees, partners and working with customers, our supply chain and leading global universities who share our goals to lead initiatives to replace unsustainable practices. It means leading by example and actively demonstrating how we apply and achieve sustainable objectives to our partners to inspire positive change.

Our Commitment and 3 Pillars

Anpario is committed to conducting business in a socially, ethically and environmentally responsible manner. We will do this by focusing on 3 Pillars: 'Our **People**; Our **Planet**; and Our **Promise**'.

Sustainability is a core focus for Anpario and driven by our people to deliver leading product innovations, operational excellence and engagement with key stakeholders. We are building on strong foundations and are committed to continuous responsible development that will help to safeguard the planet now and for future generations. Alongside our customers we work responsibly to identify problems faced by protein producers globally and we collaborate with leading industry and research partners to find effective sustainable solutions.

Our People

Anpario is committed to:

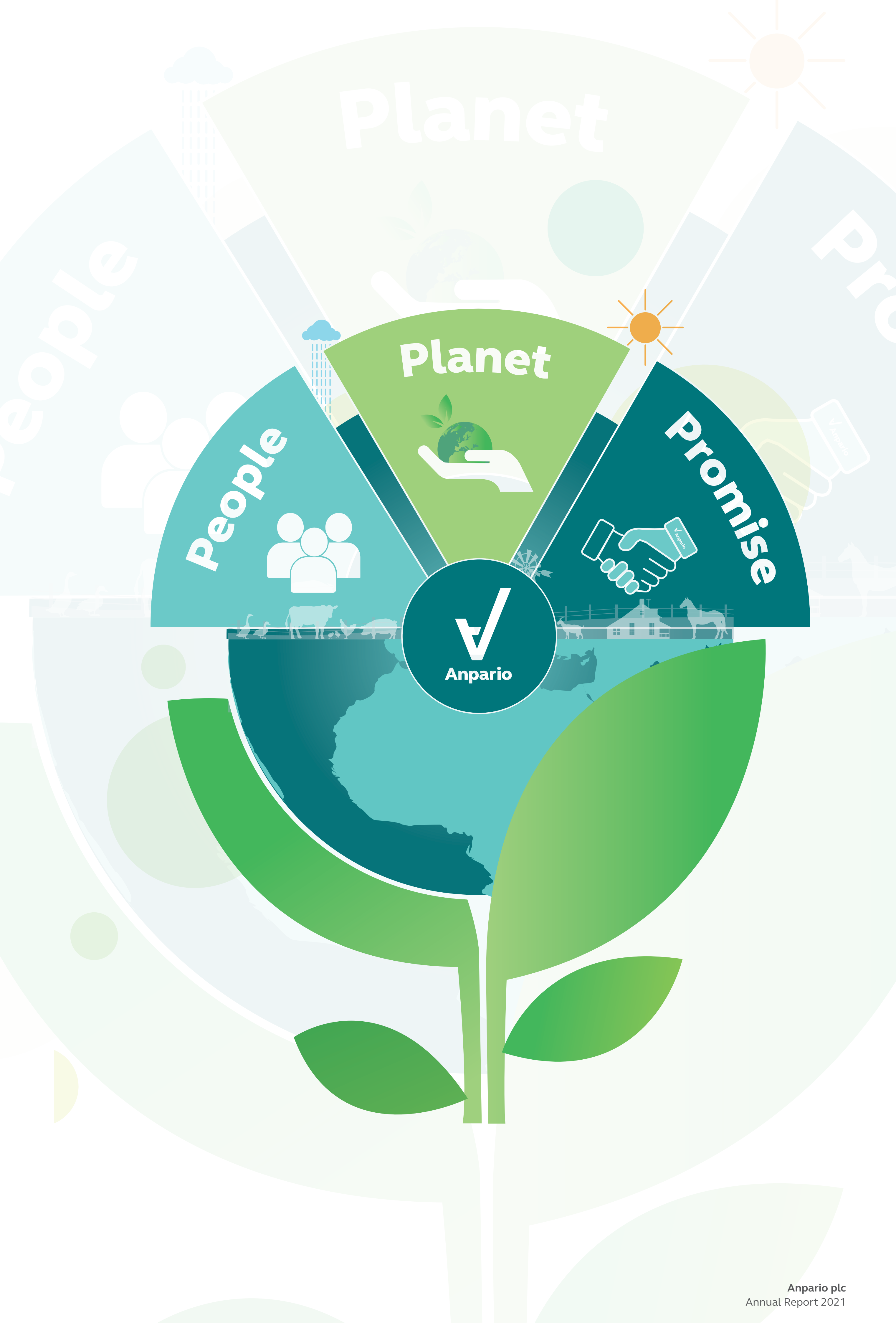
- protecting and empowering employees;
- embracing diversity, equality and inclusion of our employees and their communities; and
- working with our customers, suppliers and other stakeholders for a better tomorrow.

At Anpario we recognise the importance of nurturing and developing lasting relationships with customers and suppliers. Building and continually developing a stable, highly motivated and skilled workforce is key to our approach. Anpario is an inclusive organisation where everyone is treated equally irrespective of gender, nationality, marital status, colour, race, ethnic origin, creed, sexual orientation or disability. Together we drive a positive culture with employee well-being prioritised and setting high standards to ensure we effectively manage risk and health, safety and ensuring a safe working environment. Our employees embody Anpario's key values of "Integrity, Teamwork, Innovation and Leadership".

It is Anpario's policy to involve colleagues in the business and to ensure that matters of concern to them, our aims, objectives and financial performance are communicated in an open way. Where appropriate and permitted, employees are offered the opportunity to become shareholders to promote active participation and commitment to our success.

The Employee handbook applies globally and includes detailed policies and guides for employees which cover:

- **Behaviour:** Equal Opportunities and Dignity at Work, Anti-Bribery and Anti-Corruption, Communications and Privacy.
- **Family:** Parental, Dependents, Maternity, Paternity, Flexible working, Adoption.
- **General:** Grievance, Whistle blowing, Discrimination and Bullying, and Disciplinary.
- **Safety:** Health and Safety handbook, Occupational Health Policy, Drug and Alcohol abuse.


People
Planet
Promise
Anpario

Environment and Social Responsibility Report continued

Gender and diversity

124 employees work for Anpario in the UK and its global operations. Employees are recruited from local communities which has helped us build a very ethnically diverse team of which we are very proud. The team includes 13 nationalities speaking 22 languages with 43% of positions of manager and above being held by non-white. Females represent 3 out of 7 the Executive Management team and 2 out of 6 of the Board are women including the role of Chairman. Specific training is given to all employees in respect of key policies including online training videos and in person equal opportunities and diversity and health and safety training. An analysis of Directors, managers and other employees by gender as at 31 December 2021 is as follows:

	Male	Female
Directors	4	2
Group Management	18	12
Production	28	2
Administration	5	11
Sales and Technical	23	19
Total	**78**	**46**

Equal opportunities

Anpario is committed to equality of opportunity for all of its current and prospective employees, and we ensure that we treat people in a fair and equitable manner.

The Group considers applications for employment from disabled persons equally with those of other applicants having regard to their ability, experience, and the requirements of the job. Where existing employees become disabled, appropriate efforts are made to provide them with continuing suitable work within the Group and to provide retraining if necessary.

Training and development

Anpario support a motivated and highly skilled workforce, where talent is nurtured, and opportunities created for all. Our belief in solving problems from new perspectives using science, experience and technology continues to drive positive change to our ways of working.

We recognise the importance of developing talent within our business through continuous learning and development. This is a key part of our succession planning and preparing our business for the future to ensure that we retain key individuals, develop high potential and future business leaders. We aim to develop and promote from within where possible and three members of our Executive team commenced at Anpario straight from school or university.

Employees are encouraged to further develop their skills and we provide appropriate training to support our people and grow our organisational capabilities. Anpario currently:

- recruits graduates and doctorates in disciplines such as biosciences, accountancy, law and HR;
- works closely with several global universities on joint scientific initiatives;
- provides ongoing professional training support, extensive coaching and management development programmes;
- provides financial and study leave for professional and work related qualifications; and
- has several apprentice places.

We value long service and retaining staff is fundamental to our success and the creation of a strong, robust business. Anpario has a wealth of long serving employees across its global operation, these key staff continue to advance and develop within the business and play a major part in nurturing future Anpario talent.

Percentage of Employees with Extended Length of Service:

Length of Service	%
5 years +	35
10 years +	17
15 years +	6

Community Engagement

We believe in contributing and enriching the communities in the which we operate by employing and offering development opportunities to local people. We encourage active participation by our employees in initiatives that support our local communities, through social, educational, and charitable contributions. Anpario supports charities and local communities through donations and volunteering. We believe it is important to give back and serve local people and their communities, contributing to positive and measurable social change. We have launched our ‘Give Something

Back' volunteer days, to allow all employees to take a day each year during the working week to volunteer at their chosen charity within their local area.

Anpario and its staff are proud to have been able to support the local community over the course of the pandemic, having donated £10,000 to the Nottingham Hospitals Charity "NHS Heroes Appeal run" and donated £10,000 towards Doncaster and Bassetlaw Teaching Hospitals Rainbow Garden Appeal. The latter aimed to create a memorial garden in honour of those lost to Covid-19, providing a place of comfort and contemplation for its visitors. Anpario staff volunteered their time to work on the Rainbow Garden Memorial during the build, creating a valuable outdoor space for the friends, family and loved ones of those who sadly passed away, as well as for staff working within the hospital.

During the height of the PPE shortages in 2020, Anpario were able to use their logistics expertise and business contacts to source 50,000 medical grade face masks. These were donated and distributed, with the help of staff volunteers, to more than 12 local care homes, hospices and community care providers surrounding our Manton Wood head office.

In recognition of the community work undertaken Anpario was awarded the "Giving Back: Community Business Hero Award" at the Sage Impact Awards.

Our charity of the year for 2021 was Macmillan Cancer Charity. Macmillan provides financial, physical and emotional support to those patients and families with a cancer diagnosis. They also provide training to specialist nurses who work within the community to support cancer patients. Macmillan are also very active in fundraising, from holding coffee mornings and organising fundraiser sports events, to providing help lines and a free will writing service. Anpario worked with Macmillan throughout 2021 to raise awareness and funds for the cause. This included a company raffle and a bake sale.

Our staff have voted to support Weston Park Cancer Charity in 2022. This local charity provides financial, physical, and emotional support to patients and families facing a cancer diagnosis and an experimental cancer research centre which conducts vital research and clinical trials run by exceptional medical experts every year. The results are shared, helping to influence cancer treatments both nationally and globally.

The Anpario Green Team

Our staff are key to advancing processes and initiatives that improve our ways of working and protect the planet. Through our "Green Team" activities we encourage participation and raise awareness across our entire workforce to initiate more sustainable ways of working throughout the business. Through ongoing commitment of our team and cross functional projects we aim to improve our sustainable practice with current objectives including: production efficiency improvements, identify new "Ways of Working" to reduce waste in manufacturing our products and office wastage reduction.

Working Together During the Covid-19 Pandemic

Throughout the pandemic, our people have demonstrated great commitment, collaboration and resilience to help each other, serve customers and support their local communities. This has been facilitated by our focus on health and safety, flexible and remote working, and use of digital technologies. Our priority is the well-being of employees, their families and our customers. We have monitored and followed local public health guidance in every country where we operate, while local teams have supported each other working split shift working patterns and covering different roles when colleagues have been self-isolating. Our procurement and customer service teams have been proactive in finding creative ways of continuing shipments to customers, despite the challenges and complexities created by Covid-19 and also Brexit and other logistics and supply chain difficulties.

Planet

Our Planet

In aligning with UN SDG's Anpario is committed to:

- Driving global protein production and support our customers to build strong sustainable businesses, without negatively impacting future generations.
- Minimise impact of our global operations on the environment.
- Continuous product innovation.
- Improving our supply chain's environmental, social and ethical practices.

Anpario seeks to optimise animal protein production by using sustainable natural resources for the benefit of animals, our customers and human health. Our ongoing commitment is to support, influence, and assist farmers and food chain producers to switch to healthier more sustainable feed ingredients, which will deliver greater global food security and a reduction in feed poverty. We partner with government, industry and leading research bodies globally. Together we advance product innovation and create long-term sustainable solutions, helping to maintain animal health and optimise nutrition throughout the supply chain. Combatting diseases that can destroy animals, impact welfare and livelihoods, without negatively impacting the environment, is key to our approach.

Our innovative products work in harmony with the animals' biology to promote healthy growth and demonstrate value to the animals fed directly throughout all life stages and indirectly to their progeny; and ultimately within the human food chain. This contributes to the more efficient use of feed ingredients, reduces environmental impact and supports responsibly produced food.

Underpinning our Planet objectives is a core strategy "Anpario's 4R's" a programme to reduce antibiotic use in animal production through "Review, Reduce, Replace, Responsibly" which supports our customers to reduce reliance on antibiotics, whilst maintaining efficient production using natural sustainable solutions. Our products replace harmful applications such as formaldehyde and zinc oxide used for antimicrobial control in the feed, and help reduce antibiotic use in animal production thus improving and safeguarding both animal and human health. The patent attained for Orego-Stim® in reducing the proportion of bacteria and antimicrobial resistance, when added to the diets of young cattle, is just one example of how Anpario is providing environmentally safe and sustainable solutions for the world's population.

Helping Customers to Reduce Carbon Footprint

Anpario is one of the leading companies helping global livestock producers to meet environmental and sustainability challenges and contributing to the research and development progress that the agricultural livestock industry is achieving in improving its carbon footprint and greenhouse gas emissions (GHG's). Anpario prides itself on being a low carbon manufacturer of animal feed additives, with two thirds of sales from products which can be described as from sustainable sources and from non-carbon derived raw materials. These products are also the Group's fastest growing. Furthermore, our products help producers to be more efficient in the resources they use by improving animal feed conversion rates through natural gut health improvement making the animal more efficient in nutrient utilisation.

Anpario's 100% natural oregano essential oil product, Orego-Stim, can help to support greener egg production by improving liveability and feed efficiency, naturally optimising hen performance and helping to produce more eggs per hen.

The recently launched Optomega® Algae is a new, micro-algae derived, omega-3 supplement for use in all species including aquaculture, targeted at breeding animals and producers supplying enriched meat, milk and eggs containing higher levels of omega-3 fatty acids. The product is 100% natural, from a sustainable source. Furthermore, preliminary data from an in vitro study at the University of Reading suggests that dairy cows fed Optomega® Algae can lower methane output by at least 7% in just a 24-hour period. It is well known that feeding a source of Docosahexaenoic acid to dairy cows supports the establishment of pregnancy, which in itself helps to lower a farm's GHG's.

In aquaculture, Anpario has proven trials and customers benefiting from improved liveability and biomass in production, enabling regions around the world to return land and water resources to their natural habitat.

Partnerships and Accreditations

Anpario partners with organisations that work to inspire and enable cutting edge science and sustainable farming that is prosperous, enriches the environment and engages communities. These partnerships help to assist with our goals and work with our customers to achieve optimum animal performance through sustainable, natural solutions.

We hold organic farming approvals in numerous global territories, required by regional certifying bodies to permit the use of several of our key products in organic production systems.

Anpario has signed up to 365 Vision, which is the new 10-year plan for the International Egg Commission (IEC) and supported by the United Nations and aligned with SDG's. Eggs are an affordable, nutritious, and low impact food source and the plan aims to develop the nutritional reputation of the egg on an international scale and to accelerate global average egg consumption per capita to 365 eggs per annum from 165 today.

We work with suppliers who share our aspiration to deliver high quality, economic products without exploiting or damaging the environment. Our key partners share the same ethos and commitment to natural based farming solutions, including circularity in production with no use of external resources except rainwater, green energy and zero use of chemical pesticides. Anpario's ambition is to cease to consume finite materials that cannot be renewed or replenished, using only raw materials from common minerals and plants with plentiful natural resources. For example:

- Oregano oil used in the production of Orego-Stim® is derived from cultivars of Origanum vulgare spp.

hirtum that are specific to Anpario and grown using organic, pesticide-free principles;

- Microalgae used in the production of Optomega® Algae is grown using sustainable principles from natural waste of existing sugarcane production processes. The waste sugarcane is also used to produce energy to power the factory; and
- Fish and marine oils used are sourced from farmed fish produced for the human food chain or sourced from suppliers certified for sustainable fishing.

Anpario will only engage with suppliers operating within international regulations who are capable of meeting our high specification and operate rigorous quality standards quality standards. Due diligence is undertaken for assurance that all applicable ethical labour, trade laws and regulations are complied with including the requirements of the UK Bribery and Modern Slavery Acts. Anpario's employees and partners are contractually bound by its Code of Conduct.

Operational Impact

We are focused on minimising the impact of our operations on the Planet and aim to reduce our own carbon emissions, whilst also helping our stakeholders to do the same. Working with the UK Government and the Environment Agency our industry trade association, Agricultural Industries Confederation (AIC), has set out a road map for a sustainable food chain and an open partnership across the industry to achieve the transition to Net Zero Carbon (NZC) by 2050. Anpario's ambition is even more ambitious to achieve NZC by 2030* and have started to implement plans to achieve this.

Operational practices are kept under continuous review to drive further improvements in efficiency, to eliminate waste, reduce energy consumption and our carbon footprint. Examples include:

- The installation and commissioning of solar panels generating electricity for use at our plant in Nottinghamshire reducing our reliance upon fossil fuels;
- almost all of our carrier materials are supplied in bulk and directly added from silos to minimise packaging waste;
- liquid ingredients are stored in bunded storage silos;
- pre-used reconditioned and cleaned intermediate bulk containers (IBC's) used for packaging and supply of bulk liquids;
- product and material waste is collected by a waste contractor and environmentally recycled;
- our bottling plant produces liquids in 100% recyclable plastic bottles;
- packaging design is constantly reviewed resulting in improvements such as a recent reduction box size;
- dust extraction system minimises dust in the production area and prevents emission into the environment;
- automated palleting system has reduced forklift movements; and
- investment in additional warehousing on site to reduce packaged raw material movements in and out of third party storage.

We are dedicated to driving continuous improvement and targeting operational efficiency though our production facility and committed to developing and monitoring carbon reducing measures throughout our operations, benchmarking to reduce waste, and emissions to land, air and water. Positive environmental impact assessments are expected for any new operational investments submitted for approval and alignment with our clear goals and ESG strategy which is focused on:

- Net Zero Operations by 2030*;
- 100% Sustainable Products;
- Zero Finite Material; and
- Zero Waste.

**Scopes 1 and 2 plus Scope 3 relating to group business travel & waste.*

This is our first full year of monitoring carbon emissions, water usage and waste and Anpario is already delivering on our promise to reduce our impact on the planet. Overall reductions in 2021 compared to 2020 were:

- Electricity consumption down 9.7%
- Gas consumption down 2.6%
- Fresh water loss down 47%
- Waste produced down 3.5%

As overall tonnage produced increased by 10.2% in 2021, the reductions per ton achieved over the year were:

- Electricity consumption per ton down 18.1%
- Gas consumption per ton down 11.6%
- Fresh water loss per ton down 55.4%
- Waste produced down 12.6%

Energy Consumption & Carbon Emissions

This was the first year in which consolidated data for the Group's use of energy, waste and water was collated. The exercise has helped to identify key areas of focus and is assisting the Group in drafting an action plan to reduce our impact. Measurement of energy consumption & carbon emissions by businesses is made universal by categorising into 3 areas:

Scope 1 – This relates to emissions relating to: stationary consumption i.e. fuel consumption used in our operations (to produce electricity, steam, heat or power) and mobile consumption by our own vehicles, and emissions to the air.

Scope 2 – These are the emissions we create indirectly – like the electricity or energy use for heating and cooling buildings, being produced on our behalf by energy suppliers.

Scope 3 – In this category go all the emissions associated, not within the business itself, but those emissions for which the organisation is indirectly responsible in its supply chain. e.g., associated with the products from our suppliers and to the use of our products by our customers. This is an area in which we are in the process of gathering data and setting targets in collaboration with our stakeholders.

	2019	2020	change	% change	2021	cumulative change	cumulative % change
Scope 1	15	11	*(1)*	*(7%)*	10	*(5)*	*(38%)*
Scope 2	164	145	*(26)*	*(18%)*	119	*(45)*	*(27%)*
GHG emissions in tCO_2e	**179**	**156**	***(27)***	***(17%)***	**129**	***(50)***	***(28%)***
Group sales £m	29.0	30.5	*2.9*	*9%*	33.4	*4.4*	*15%*
Intensity (t tCO_2e: per £m sales)	**6.2**	**5.1**	**(1.3)**	**(24%)**	**3.8**	**(2.4)**	**(38%)**
Energy use in kWh:							
Natural Gas	*51,433*	*41,670*	*(1,068)*	*(3%)*	*40,602*	*(10,831)*	*(21%)*
Electricity	*641,366*	*620,134*	*(60,551)*	*(10%)*	*559,583*	*(81,783)*	*(13%)*

Business Travel

Whilst we have always sought to minimise travel and flights to essential multi-purpose trips, Covid-19 restrictions have taught us valuable lessons in how much more we can do to reduce our carbon footprint by adapting our ways of working through homeworking, e-conferencing, internet based training, a significant reduction in physical visits and movements, and a paperless office becoming our new normal.

Waste and packaging

Our aim is to maximise the value of the resources we use and rely on, reduce all waste being generated across the Group and divert waste away from landfill. We place specific emphasis on the type of packaging used to protect our products and ensure as far as possible the use of recyclable materials. The Group continues to invest in infrastructure and management systems to reduce waste and packaging.

Water

Our water consumption is low compared to manufacturing industries due to the nature of our formulations and production systems. With increasing pressure on this shared resource, we are mindful of the importance of protecting water sources and are committed to using water as efficiently as possible. We exercise extreme care to ensure that all waste water complies with relevant legislation and the Group continues to invest in infrastructure and management systems to minimise potential spillages or other forms of water contamination. We continuously look for ways to conserve and re-use our water volumes and are currently investigating initiatives to further reduce our reliance on water resources.

Delivery and Freight

Anpario's products are delivered through distribution channels and direct to customer's using third party haulage and global freight services. We note that there are carbon emissions associated with the delivery of our products, however, this is offset by the feed efficiency and improved liveability gains that our products make for our customers.

Our Promise

Anpario is committed to:

- Honest, ethical, and responsible practice.
- Positive engagement and partnerships.
- Best practice, governance and stewardship.
- Helping customers build strong and sustainable businesses.

Anpario recognises the importance of corporate social responsibility. It is essential to our reputation that our team offer honest and open advice, matched by the integrity and provenance of our products. Anpario's positive culture ensures honesty, ethical practice and responsibility is instilled into all activity across the business. "Do the Right Thing" is a fundamental message that creates a sound base to communicate our cultural guidance and code of conduct throughout the entire group. Our Code of Conduct represents our commitment to our values, to doing the right thing, personally and professionally, and outlines the expected standards by which Anpario leaders and employees should work in the delivery of their duties, across all job functions, departments, and global locations in which we operate.

Policies and guidance are provided to all staff on expected behaviours at the point of induction and fortified through training and appraisal procedures. Compliance to the Anpario Code of Conduct is required from all employees and businesses partners alike with a zero-tolerance policy to transgressions whilst also facilitating whistleblowing internally and externally.

Anpario assures safety of its products, absolute transparency and traceability of raw materials, and compliance with international regulations through rigorous internal control processes and quality standards. We retain key industry quality accreditations in particular, UFAS and FEMAS certifications.

Leadership

Anpario promises to lead by example and consistently promote a culture of integrity by making ethical decisions and acting responsibly and honestly in everything we do whilst striving for excellence in our business objectives. Our leaders understand the importance of our ethics framework to safeguard best practice and excellence in governance and stewardship. The following measures help to ensure compliance:

- the Board sets overall business strategy and plans which include key ESG initiatives;
- the Board identifies key risks and opportunities which are regularly reviewed and updated;
- Anpario's Board structure is in line with best practice and Corporate Governance Codes, including independent Chair and Senior Independent Director;
- the Board has clear and transparent division of roles;
- performance related incentives are dependent on achievement of strategic business and ESG objectives; and
- business continuity and emergency response plans are in place and regularly reviewed by the Board to ensure effective action and communications.

Shareholder Delivery and Stewardship

We maintain strong relationships with shareholders, ensuring they understand our strategy, progress and performance and that we understand their views and address any concerns. Anpario's Promise to our shareholders is to consistently strive to increase corporate value via best business practices and to produce healthy returns and profit growth and ensure:

- regular informative communication through investor roadshows, meetings and presentations;
- regular news flow on key developments in the business;
- engagement with investors regarding executive remuneration, sustainability issues and Board changes;
- adherence to Aim Rules for Companies and compliance with Quoted Companies Alliance Corporate Governance Code;
- appointment of external auditors who are tendered on a periodic basis and report to the Audit Committee;
- Anpario's Board and its committees are chaired by independent non-executive directors; and
- regular Board training on AIM Rules and Market Abuse Regulation.

Group Policies

Anti-Bribery and Corruption policy

We are transparent and compliant with all applicable laws and we ensure that our employees and our external business partners are aware of their responsibilities. We expect each individual acting on Anpario's behalf to be responsible for maintaining our reputation by conducting business honestly, transparently, professionally and ethically. Our Anti-Bribery and Corruption policy and training outlines our zero tolerance and articulates that no employee or representative of any Group business is to offer or accept any bribe, including facilitation payments, or engage in any form of corrupt practice.

Human Rights

We are committed to respecting human rights and labour practices in our operations and supply chains and recognise the importance of operating in an ethical and responsible manner. The Group has procedures including a requirement for suppliers to accept our stance in relation to preventing Modern Slavery. Employees are given awareness training as part of their induction programme with updates provided to all employees as appropriate. We do not tolerate the use of forced or child labour, in any operations connected with the Group.

Whistle-blower facilitation

It is our policy to encourage colleagues or external business partners to speak up if they have any concerns about wrongdoing in the workplace. Any employee who raises their concerns in good faith will be supported for doing so and will be protected from retaliation. We have a number of reporting channels through which concerns can be confidentially raised both informally or formally through our grievance procedure and to our In-house Counsel, Human Resources Team or any Board member. In the event of a concern being raised we promise to take it extremely seriously and carry out an independent investigation as appropriate to validate the complaint, following which the relevant process is implemented, with oversight and reporting through to the case being resolved or closed.

Anpario plc has had no formal whistleblowing cases reported during the year.

In addition to the Code of Conduct the Group's Policies which are available on the website and internal server include:

- Sustainability Policy
- Anti-bribery and Anti-Corruption Policy &
- Modern Slavery Policy
- Whistleblowing Policy
- Supplier Selection and Procurement Policy
- Health and Safety Policy
- Equal Opportunity and Dignity at Work
- Dealing with Claims of Unlawful Discrimination Policy

Directors' report

The Directors present their Annual Report and audited consolidated financial statements for the year ended 31 December 2021.

The Directors believe that some of the requisite components of this report are set out elsewhere in the Annual Report and/or on the Company's website, https://www.anpario.com/. The detail below sets out where the necessary disclosures can be found.

Incorporation

Anpario plc is a public company traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales, 03345857. The Company's registered office is Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, England.

Principal activity

Anpario plc ("the Company") and its Subsidiaries (together "the Group") produce and distribute natural feed additives for animal health, hygiene and nutrition. A review of the performance and future development of the Group's business is contained in the Chairman's Statement, Chief-Executive Officer's Statement and Financial Review set out earlier in this Annual Report.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operation for the foreseeable future. The Group is profitable and expects to continue to be so, with a significant level of cash resources.

Accordingly, the financial statements have been prepared on a going concern basis, more detail can be found in note 2.1 of the Group financial statements.

Results and dividends

The financial results for the year ended 31 December 2021 are set out in the consolidated financial statements later in this Annual Report and summarised in the Financial Review earlier in the Annual Report. The profit for the year after tax was £4.7m (2020: £4.2m).

The Directors propose a final dividend of 7.00p per share (2020: 6.25p) making a total of 10.00p per share for the year (2020: 9.00p), amounting to a total dividend of £2.1m (2020: £2.0m). More information can be found in note 11 to the financial statements.

Group research and development activities

The Group is continually researching and developing new products. Details of expenditure incurred and impaired or written off during the year are shown in the note 4 of the Group financial statements.

Directors

The Directors during the year under review were:

Non-Executive Directors

Peter Lawrence	Non-Executive Chairman *(resigned 17 June 2021)*
Richard Wood	Senior Independent Director *(resigned 31 January 2021)*
Kate Allum	Non-Executive Chairman *(appointed 1 February 2021)*
Matthew Robinson	Non-Executive Director *(appointed 11 January 2021)*
Ian Hamilton	Non-Executive Director *(appointed 1 April 2021)*

Executive Directors

Richard Edwards	Chief Executive Officer
Karen Prior	Corporate Responsibility *Director and Company Secretary**
Marc Wilson	Group Finance Director *(appointed 1 July 2021)*

* *Karen Prior was succeeded as Group Finance Director by Marc Wilson on 1 July 2021.*

The Board regards the Non-Executive Directors as being independent. The biographies and roles of all Directors and their roles on the Audit, Remuneration and Nomination Committees are set out earlier in this report.

Details of the Directors' interests in the shares of the Company are provided in the Directors' remuneration report.

Employees

Details of how the Directors have engaged with employees are set out in the Section 172 report. The Group's policies in relation to equal opportunities are explained in the people section of the Environment and Social Responsibility Report.

Stakeholder engagement

Details of how the Directors have engaged with its stakeholder groups are set out in the Section 172 report.

Indemnities

By virtue of, and subject to, Article 172 of the current Articles of Association of the Company, the Company has granted an indemnity to every Director, alternate Director, Secretary or other officer of the Company. Such provisions remain in force at the date of this report. The Group has arranged appropriate insurance cover for any legal action against the Directors and officers.

Share capital

During the year 35,048 (2020: 137,918) Ordinary shares of 23p each were issued pursuant to the exercise of share options. During the year the Company issued 50,000 (2020: nil) Ordinary shares of 23p at market price to the Trustees of the Anpario plc Employees' Share Trust.

A Special Resolution will be proposed at the AGM to renew the Directors' limited authority last granted in 2021 to make market purchases of Ordinary shares in the capital of the Company.

As at 31 December 2021, the Company holds 440,388 (2020: 440,388) Ordinary shares of 23p in treasury.

Substantial shareholdings

At 28 February 2022, analysis of the share register showed the following holdings of 3 per cent or more of its issued share capital:

	Ordinary Shares (000)	% held
JTC plc	2,800	12.1
Investec Wealth & Investment	2,419	10.4
Unicorn Asset Management	2,258	9.7
Gresham House Asset Management	1,399	6.0
Interactive Investor	1,137	4.9
BlackRock Investment Management	1,025	4.4
Hargreaves Lansdown Asset Management	991	4.3
Downing	925	4.0
BMO Global Asset Management	904	3.9
BGF	811	3.5

Independent auditor

The auditor, BDO LLP, has indicated its willingness to continue in office and a resolution seeking to re-appoint BDO LLP as the Group's auditor will be proposed at the AGM.

Stockbrokers

Peel Hunt LLP are the Company's stockbroker and nominated adviser.

The closing share price on 31 December 2021 was 616p per share (2020: 480p per share).

Financial risk management

Details of the Company's financial risk management policy are set out in note 2.21 of the financial statements.

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

- In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with UK adopted IFRS, subject to any material departures disclosed and explained in the financial statements;

- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure to auditor

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and

- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' report was approved by the Board of Directors on 16 March 2022 and is signed by order of the board:

Karen Prior
Company Secretary
16 March 2022

Report of the Remuneration Committee

Foreword

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 December 2021.

The Committee continuously seeks to ensure alignment of the strategy and values of the Company and the interests of all shareholders. This includes the need to recruit, retain and appropriately incentivise high calibre directors and managers to deliver the Group's strategy.

During the year the Committee has undertaken several key activities, including shareholder engagement, with a view to ensuring our remuneration practices reflect what our shareholders consider good practice and to provide transparency in reporting to ensure that our approach is clear to all our stakeholders.

In particular I would like to highlight the following changes that will come into effect for the coming year:

- the adoption a new dilution limit policy that is more aligned with current market practice.
- the approval of a new long-term incentive plan ("LTIP") structure to take affect for the 2022 financial year, including the introduction of a Performance Share Plan ("PSP").

Membership and attendance in the year

The Committee comprises solely of independent Non-Executive Directors. Executive Directors and external advisors are invited to attend meetings as required if thought advantageous for consideration of a particular agenda item.

The Committee is chaired by Matthew Robinson, Non-Executive Director, who took over this role on 19 April 2021 from Peter Lawrence. The other Committee members are Kate Allum, Non-Executive Chairman, and Ian Hamilton, Non-Executive Director who each joined the Committee on appointment as directors. Richard Wood resigned from the Board and this Committee on the 31 January 2021.

The Remuneration Committee meets as necessary to fulfil its objectives but as a minimum, at least once a year. The Committee met twice during the year ended 31 December 2021 with full attendance by the Committee members. In addition the Committee chose to consult with shareholders on changes to Remuneration Policy to ensure alignment with their interest as well as Group strategy

Key responsibilities

The Committee is responsible for reviewing the performance of Executive Directors as well as determining the scale and structure of their remuneration, their terms and conditions of service and the grant of share awards, having due regard to the interests of shareholders.

The Committee is also responsible for reviewing the overall policy in respect of remuneration of all other employees of the Company and establishing the Company's policy and operation of share incentive schemes.

In determining the remuneration of senior executives, the Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Committee also makes recommendations to the Board concerning the allocations of options to executives under the long-term incentive plan and for the administration of the scheme.

The terms of reference of the Remuneration Committee can be found on the Company's website *www.anpario.com/aim-26/.*

Key activities in the year

During the course of the year, the main activities of the Committee were:

- evaluation of Directors' remuneration, particularly inline with Board changes that occurred in the year;
- review of remuneration packages of management across the Group, including a number of changes to ensure competitiveness and alignment with shareholder objectives;
- comprehensive review of the Group remuneration policy for implementation in 2022;
- review of compliance with good practice in terms of remuneration structures and disclosures;
- engaged with external consultants including FIT Remuneration Consultants on a number of policy matters; and
- approved awards under the existing LTIP structures for new Executive Board members.

Changes for the coming year

Further to the above, there were a number of activities that were concluded in the period after 31 December

2021 that relate to policy matters for the coming year. The Committee engaged with several shareholders in January 2022 on the implementation of changes to the Group's remuneration policy. The changes are set out below.

Dilution limit policy

The current policy, which was set out in Anpario's announcement of 16 September 2016, had no rolling time horizon when looking back at the dilutive effect of option awards and so introduced a permanent finite limit (of 16.3%) that had been reached. This in turn meant there was no capacity to implement incentive plans to create shareholder alignment and incentivisation to members of the Executive Board, Management Team and other employees who will take the business forward in the coming years.

Following advice from FIT Consulting and a consultation process with shareholders, Anpario plans to introduce a new policy on dilution limits in which, whilst it will initially increase the potential dilution limit (including all awards made since Jan 2015) to 18%, will by 2025 reduce the potential dilution from shares awarded under all incentive plans to below 15% of the ordinary share capital of the Company viewed over a 10-year rolling period.

Long-term incentive structure

Anpario plans to introduce a new long-term incentive structure that will apply to Executive Directors and Senior Management. Following a review of current market practices and considering the merits of different awards structures, Anpario will introduce a Performance Share Plan ("PSP") Scheme to work alongside the existing Joint Share Ownership Plan (JSOP) Share scheme.

It is felt that the two schemes will complement each other and both award beneficiaries and benefit shareholders. The JSOP plan works better for the beneficiary over a longer-time frame than PSP awards. By combining them, the goal is to create a mix of medium (PSP) and longer-term (JSOP) motivation for the beneficiary to achieve shareholder goals. We also believe this approach will achieve an expected longer term retention benefit to ensure we retain the best talent.

The JSOP plan will operate as previously, with the specific purpose of incentivising longer-term share-price appreciation. It is the intention to issue new awards to the Executive Management team, critical to Anpario's future growth, under this plan in the near term. Richard Edwards and Karen Prior will not participate at the present time and will continue to be aligned with shareholders and motivated by virtue of their previous JSOP awards received in 2015 and 2016.

The Anpario PSP award will create a maximum opportunity for Executive Directors equivalent to 100% of salary, Executive Management 40% of salary and other key management 20% of salary.

Vesting will be based on two performance measures and weighted as follows:

- 75% weighted on achievement of diluted adjusted earnings per share targets.
- 25% weighted on achievement of range of ESG related targets, including progress towards net-zero goals.

These will be subject to a three-year vesting period and subject to malus and clawback provisions.

Other minor policy changes:

- **In-employment shareholding requirements:** The Executive Directors are expected to build and maintain a holding of shares to the value of 100% of salary. Executive Directors are expected to retain all of the net of tax number of shares they receive through share incentive plans until the 100% of salary shareholding requirement has been met.
- **Post-employment shareholding requirements:** For the first 12 months following cessation of employment, an Executive Director must retain shares equal to 100% of the in-employment guideline and in the following 12 months, retain shares equal to 50% of the in-employment guideline.
- **Employee Share Trust Award recycling:** Anpario operates an Employee Share Trust. When awards issued under the Trust are exercised then any shares retained by the trustee shall not be included for dilution purposes if re-issued for further awards. This is because they have already been included for dilution purposes at the date of initial grant.

Remuneration policy for the year in review

Changes outlined above will come into effect for the 2022 year, and the Remuneration policy for the year ended 31 December 2021 is set out below.

The objectives of the remuneration policy are to ensure that the overall remuneration of senior executives is aligned with the performance of the Company and preserves an appropriate balance of annual profit delivery and longer-term shareholder value.

The Committee keeps the remuneration policy, in particular the need for share ownership guidelines for Executive Directors, regularly under review and will take action whenever deemed necessary to ensure that remuneration is aligned with the overall strategic objectives of the Company.

The Committee seeks advice, if appropriate, from independent advisors where required on remuneration related matters.

Executive Directors

Element and purpose	Operation
Base Salary	
» To provide a competitive base salary to attract and retain Executive Directors of a suitable calibre to deliver the Group's growth strategy.	Base salaries are usually reviewed on an annual basis and consider: • individual experience and skills; • development in the role; • changes in responsibilities or the size or complexity of the business; and • competitive salary levels and market forces.
Benefits	
» To provide a competitive benefits package as part of total remuneration.	Executive Directors receive private medical insurance, critical life and death in service insurance and a company car allowance. Other benefits may be provided based on individual circumstances as considered appropriate by the Committee.
Pension	
» To provide a competitive retirement benefit.	Executive Directors are entitled to receive contributions towards defined contribution pension plans of up to 10% of their base salary. It may be permitted to take the benefit as cash in lieu of pension contributions where appropriate. The Company will also pass on part of the Employers' National Insurance savings made that result from any pension salary sacrifice's made by Executive Directors, in the form of increased pension contributions.
Annual bonus	
» The incentivise and reward based on the achievement of annual financial objectives.	Executive Directors' annual bonuses are based on financial performance targets which are set by the committee. The target for the year in review was to achieve a minimum of consensus market adjusted EBITDA targets (after the provision of the cost of bonus payments), which gives an award equivalent to 40% of their base salary. Performance above this target gives rise to higher awards up to a maximum of 100% of base salary. In-line with that structure and award calculation the Committee has approved a bonus of 60% of base salary for 2021. The Committee has discretion over the amounts awarded and may make consideration to other corporate activities such as acquisitions and disposals aligned with shareholder returns.

Share awards	
To incentivise and reward achievement of sustained and long-term business performance and create alignment with shareholders.	The Executive Directors currently receive LTIP awards under the following incentive plans: Enterprise Management Scheme ("EMI" which is now closed; Joint Share Ownership Plan ("JSOP"); and Save As You Earn Scheme ("SAYE"). These award structures all have a three-year vesting period and are market value option plans and as such reward growth in the share price from the date of the award. In the case of the JSOP scheme the final exercise price is equivalent to share price on the date of grant plus an additional carrying cost, equivalent to simple interest, of 4.5 per cent per annum. As such this scheme only rewards growth in excess of expected equity market returns.

Non-Executive Directors

The table below sets out the elements of Non-Executive Directors' remuneration as well as the purpose and operation.

Element and purpose	Operation
Fees	
To attract and retain Non-Executive Directors of a suitable calibre with the required skills and experience.	Remuneration of the Non-Executive directors is determined by the Chairman and the Chief Executive Officer. The Non-Executive Directors are not entitled to annual bonuses or employee benefits and their fees are subject to annual review. The Chairman's remuneration is determined by Remuneration Committee in conjunction with the Chief Executive Officer. However, the Chairman is not entitled to vote on the matter. Fees are reviewed on an annual basis and consider: • individual experience and skills; • changes in responsibilities or the size or complexity of the business; and • competitive salary levels and market forces. Reimbursements are made for business related expenses.

Report of the Remuneration Committee continued

Remuneration in the year

Executive Directors

The remuneration of each Director for the year ended 31 December 2021 and the prior year is set out in the table below.

	R Edwards		K Prior[1]		M Wilson[2]	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Base salary	**250**	250	**81**	155	**70**	-
Taxable benefits	**10**	42	**8**	24	**5**	-
Pension	25	25	**8**	15	**9**	-
Annual bonus	**150**	250	**49**	155	**65**	-
Share-based payment	**2**	1	**2**	12	**5**	-
Total remuneration	**437**	568	**148**	361	**154**	-
Of which:						
Fixed remuneration	***285***	*317*	***97***	*194*	***84***	-
Variable remuneration	***152***	*251*	***51***	*167*	***70***	-

1 K Prior worked four days a week through to 1 July 2021, after which, upon taking on her new role as Corporate Responsibility Director this reduced to two days per week

2 Remuneration shown for M Wilson relates to amounts since the date of appointment as a Director on 1 July 2021

Non-Executive Directors

The remuneration of each Non-Executive Director for the year ended 31 December 2021 and the prior year is set out in the table below.

	Fees	
	2021 £000	2020 £000
P Lawrence[1]	**19**	40
R Wood[2]	**9**	35
K Allum[3]	32	-
M Robinson[4]	**34**	-
I Hamilton[5]	**26**	-

1 resigned 17 June 2021 2 resigned 31 January 2021 3 appointed 1 February 2021 4 appointed 11 January 2021
5 appointed 1 April 2021

Ad hoc payments

There were no ad hoc payments to any Directors for the year ended 31 December 2021.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2021.

Loss of office

There were no loss of office payments made for the year ended 31 December 2021.

Director’s share interests and awards

Share interests

The interests of the Directors who served during the period, as at 31 December 2021, in the Ordinary shares of 23p each in the Company were as follows: -

	31 Dec 2020 Number	Interests acquired in the year	Interests disposed in the year	**31 Dec 2021 Number**	Share-holding guidelines	Guidelines met
P Lawrence[1]	57,950	-	(57,950)	**-**	-	-
R Edwards	210,702	2,694	(125,000)	**88,396**	100%	Yes
K Prior	74,751	2,694	-	**77,445**	100%	Yes
M Wilson[2]	6,826	2,850	-	**9,676**	100%	No

1 *P Lawrence retired from the Board on 17 June 2021*

2 *M Wilson was appointed on 1st July 2021 and had a beneficial holding at that date of 9,676 shares*

There have been no changes in Directors’ interests between 31 December 2021 and 16 March 2022.

Share awards

The Executive Directors receive remuneration under three long term incentive plans: Enterprise Management Scheme (“EMI”) which is now closed; JSOP; and SAYE.

The JSOP and the Anpario plc Employees Shares Trust (“the Trust”) were established and approved by resolution of the Non-Executive Directors on 26 September 2011. The JSOP provides for the acquisition by employees, including Executive Directors, of beneficial interests as joint owners (with the Trust) of Ordinary Shares in the Company upon the terms of a Joint Ownership Agreement (“JOA”).

The terms of the JOAs provide, inter alia, that if jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating Director receives an amount equal to any growth in the market value of the jointly owned Ordinary shares above the initial market value, less a “carrying cost” over the vesting period (equivalent to simple interest at 4.5 per cent per annum on the initial market value) and the Trust receives the initial market value of the jointly owned shares plus the carrying cost. Jointly owned Ordinary shares will become vested if the participant remains with the Company for a minimum period of 3 years.

Awards granted in the year are as follows.

Director	Award plan	Date of grant	Normal vesting period	Option price (pence per share)	Carrying cost
M Wilson	JSOP	11 October 2021	3 years	620.00	4.5% simple interest on the option price for the vesting period

Report of the Remuneration Committee continued

Under the Company's LTIP's the following Directors have the right to acquire Ordinary shares of 23p each as follows.

Director	Award plan	Option price (pence per share)	31 Dec 2020 Number[1]	Options exercised in year	Options forfeited in year	Options granted in year	**31 Dec 2021 Number**
R. Edwards	EMI	158.50	80,000	-	-	-	**80,000**
	EMI	290.00	42,400	-	-	-	**42,400**
	JSOP[2]	290.00	609,781	-	-	-	**609,781**
	JSOP[2]	245.00	740,219	-	-	-	**740,219**
	SAYE	334.00	2,694	(2,694)	-	-	**-**
	SAYE	322.72	5,577	-	-	-	**5,577**
K. Prior	JSOP[3]	79.00	86,956	-	-	-	**86,956**
	EMI	158.50	80,000	-	-	-	**80,000**
	EMI	290.00	42,400	-	-	-	**42,400**
	JSOP[2]	290.00	347,825	-	-	-	**347,825**
	JSOP[2]	245.00	590,219	-	-	-	**590,219**
	JSOP[2]	375.00	175,000	-	-	-	**175,000**
	SAYE	334.00	2,694	(2,694)	-	-	**-**
	SAYE	322.72	5,577	-	-	-	**5,577**
M. Wilson	JSOP[2]	330.00	20,000	-	-	-	**20,000**
	SAYE	322.72	5,577	-	-	-	**5,577**
	JSOP[2]	620.00	-	-	-	50,000	**50,000**

1 *Awards for M Wilson are shown from the date of appointment as a Director on 1st July 2021*

2 *The exercise price also includes a carrying cost equivalent to simple interest at 4.5% per annum on the option price for three years*

3 *The exercise price also includes a carrying cost equivalent to simple interest at 4.5% per annum on the option price until exercised*

Directors' service contracts

The Executive Directors are employed under service contracts with the Group, these are available to view at the Company's Registered Office. The key terms of the services contracts are set out below.

			Notice period	
Executive Director	Position	Contract Date	From Company	From Director
R Edwards	Chief Executive Officer	5 November 2006	12 months	6 months
K Prior	Corporate Responsibility Director	1 October 2009	12 months	6 months
M Wilson	Group Finance Director	1 July 2021	12 months	6 months

Non-Executive Directors' terms of appointment

Each of the Chairman and Non-Executive Director have a letter of appointment stating their annual fee and termination terms.

The appointments are terminable on three months written notice at any time by either the Company or the Non-Executive Director.

		Notice period	
Executive Director	Date of current appointment	From Company	From Director
K Allum	1 February 2021	3 months	3 months
M Robinson	11 January 2021	3 months	3 months
I Hamilton	1 April 2021	3 months	3 months

Matthew Robinson

Remuneration Committee Chairman

16 March 2022

Audit Committee report

Composition and meetings of the Audit Committee

The Audit Committee is comprised of the two Non-Executive Directors, whom the Board considers to be independent and is chaired by Matthew Robinson. Meetings are also attended, by invitation, by the Group Finance Director, external auditors and other management as appropriate.

The auditor, BDO LLP, has indicated its willingness to continue in office and a resolution seeking to reappoint BDO LLP as the Group's auditor will be proposed at the AGM.

The Committee meets at least twice each financial year with the external auditors and considers any issues that are identified during the course of their audit work. The Board is satisfied that the Committee members have recent and relevant financial experience.

The Committee met twice during the year ended 31 December 2021 with full attendance by the Committee members.

Role, responsibilities and terms of reference

The Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting and internal control. The Audit Committee's responsibilities include:

Financial reporting

Monitor the integrity of the financial statements of the Company, and to assist the Board in ensuring that the financial statements and any formal announcements relating to financial performance, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Ensuring that reviews are undertaken on the significant financial reporting judgments contained in financial statement focusing particularly on:

- the consistency of and any changes to accounting policies and practices;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor; and
- the clarity of disclosure in the Company's financial reports and the context in which statements are made.

Internal controls and risk management

- keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems:
- keep under review the requirement for an internal audit function; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

Compliance, whistleblowing and fraud

- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- review the Company's systems and controls for the detection of fraud and prevention of bribery.

External audit

Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required. Oversee the relationship with the external auditor including (but not limited to):

- recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assessing annually the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship as a whole, including the provision of any non-audit services;
- satisfying itself that there are no relationships (such

as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner;
- assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services;
- discuss with the external auditor(s) before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- review the findings of the audit, discussing any major issues which arose during the audit, any problems and reservations arising from the Interim and Final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary); and
- review the external auditor's management letter and management's response.

The Committee regularly reviews its terms of reference and makes recommendations to the Board for any changes as appropriate. The current terms of reference are available on the Company's website.

Independence of external auditor

The Committee reviews the independence of the external auditor, BDO LLP on an annual basis. It receives a detailed audit plan, from BDO LLP, identifying their assessment of the key risks. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting it receives from BDO LLP.

Judgements and significant risks considered in respect to the Annual Report

Management override of controls

The Committee considered the inherent risk of management override of internal controls as defined by auditing standards. In doing so the Committee continue to review the overall robustness of the control environment, including consideration of the Group's whistleblowing arrangements and the review by the external auditor.

Recognition and measurement of product development

The Group holds assets on the statement of financial position in relation to both current research and development projects and developed products that have resulted in commercial launches. These assets are subject to judgements such as whether costs are eligible for capitalisation, the amortisation periods and impairment reviews. The Committee was satisfied with the accounting policy in force and with the estimates and judgements applied by management in employing this policy.

Revenue recognition

The Committee considered the inherent risk of fraud in revenue recognition as defined by auditing standards and was satisfied that there no issues arising.

Matthew Robinson
Audit Committee Chairman
16 March 2022

Independent auditors' report

Opinion on the financial statements

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 December 2021 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Anpario Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company statement of financial position and Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the 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.

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 and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances;
- Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging management on the key estimates and assumptions within the forecasts around the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals;
- Performing data verification and logic checks to confirm the mathematical accuracy of the forecast model;

- Reviewing 'stress tested' sensitivity analysis to assess the quantum of adverse variance against forecast that could be sustained without creating material uncertainties over the going concern assessment;
- Analysing post year end trading results compared to forecast and current year to evaluate the accuracy and achievability of forecasts
- Evaluating the adequacy of disclosures in relation to going concern.

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 and 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.

Overview

Key audit matters	Existence and valuation of brands and developed products intangible assets and development cost intangible asset.	2021 Yes	2020 Yes
Materiality	*Group financial statements as a whole* £285,000 (2020:£235,000) based on 5% (2020: 5%) of Profit before tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined that the Parent Company was the only significant component within the group and a full scope audit was performed by the Group engagement team.

The remaining 15 components were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed in accordance with the Group audit approach. The 15 components act as sales offices and all purchases are made from the Parent Company, therefore, through specific risk-focussed audit procedures over inventories and cash, along with analytical review procedures relating to we had the evidence needed to form our opinion on the financial statements as a whole. All work was conducted by the Group engagement team, with the exception of year-end inventory count attendance procedures at locations in Brazil, China, Indonesia the Netherlands, Thailand and the United States of America. Overseas inventory count procedures were performed by other BDO network firms, operating in accordance with instructions issued by the Group engagement team.

Key audit matters

Key audit matter		How the scope of our audit addressed the key audit matter
Existence and valuation of Brands and developed products intangible assets and development cost intangible asset. (See accounting policies and Note 13 intangible assets)	The Group has material balances for brands acquired in business combinations and costs capitalised for internally developed products of £3.6m (2020 - £3.7m). Included within this balance is £1.5m in relation to the acquired Optivite brand, which has an indefinite useful life. In addition the Group has capitalised development costs of £0.8m (2020 - £0.6m) for products in development at the year-end date. Under accounting standards to capitalise development costs management is required to make certain judgements, including the stage of development, the technical feasibility of completing the product development and the commercial viability of the products For developed products and acquired brands an assessment is required of the future cash flows generated by the assets and over what period of time the assets will generate returns. These judgements determine whether development costs are eligible for capitalisation and the period of time over which assets will be amortised. They also form the basis of the forecasts used in impairment reviews of the intangible assets. There is also a risk of fraud through manipulation in respect of the assessment made by management of which costs are eligible for capitalisation Owing to the magnitude of the brand and product development intangibles, and the level of estimation and judgement involved in determining both the eligibility of costs for capitalisation and recoverable amount, we determined the existence and valuation of brand and developed products and the development costs intangible assets to be a key audit matter.	We have tested, on a sample basis, that costs capitalised in the year were valid business expenses related to the development of the relevant product and that they met the eligibility criteria in IAS 38 to be capitalised by corroborating the costs to supporting evidence. We also made enquiries of staff involved in the development of the products outside of the finance function including the technical director to gain an understanding of the development process. As part of this testing we checked that products classified in development costs were still in the development phase and should not be amortised and fully developed products generating revenue had been correctly transferred to the Brands and developed products category and amortised. We have analysed the level of revenue and gross profits generated historically by developed products through review of trading results including those subject to audit procedures in the year and compared to the carrying value of the relevant intangible asset, in order to identify evidence of a fall in demand or other indicators of impairment. This process allowed us to challenge management's assessment of the expected future returns and the anticipated life of the products. We substantiated the continued investment in new products relating to the acquired brand through our detailed review of new product development to support the assessment of an indefinite useful life. We assessed the reasonableness of forecast future trading assumptions by reference to current year results and budgets and considered the sensitivity of the estimates of future performance to material changes in the net realisable value of each of the developed products. We ensured that the anticipated performance of the developed products was consistent with the overall group forecasts prepared for the basis of going concern. We reviewed the impairment assessment models against the requirements set out within the relevant accounting standard and tested the integrity of the mathematical calculations in the model. We consulted with our valuation experts on the appropriateness of the models for assessing the value in use for the nature of the intangible assets and the reasonableness of the discount rate applied through benchmarking. **Key observations** We found the estimates and judgements made by management in valuing the brand and development intangibles were reasonable and costs had been capitalised appropriately.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Materiality	**285**	**235**	**257**	**212**
Basis for determining materiality	5% of pre-tax profit	5% of pre-tax profit	Capped at 90% of Group materiality given the assessment of aggregation risk (4.5% of Parent Company pre-tax profit)	Capped at 90% of Group materiality given the assessment of aggregation risk (3.4% of Parent Company pre-tax profit)
Rationale for the benchmark applied	Profit before tax remains the key driver of the business' value and is the underlying driver for management's key measure of performance			
Performance materiality	199	141	180	127
Basis for determining performance materiality	Set at 70% of materiality	Set at 60% of materiality	Set at 70% of materiality	Set at 60% of materiality

We concluded that it was appropriate to set performance materiality at 70% of materiality in recognition that 2021 was the second year that we had audited the Group. We considered a number of factors including the expected total value of known and likely misstatements, our risk assessment and knowledge of the group's internal controls and management's attitude towards proposed adjustments

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5.7k (2020:£4.7k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to compliance with the Companies Act 2006, the AIM listing rules Animal Feed product regulatory requirements, the principles of the Quoted Companies Alliance Corporate Governance Code and accounting standards.

- We focused on areas that could give rise to a material misstatement in the Group financial statements which, alongside the key audit matter, included a fraud risk in relation to revenue recognition and the risk of management override of controls. Our testing included, but was not limited to:
- enquiries of management of non compliance with laws and regulations or fraud in the period and other unusual transactions. We corroborated our enquires through a review of minutes of Board meetings throughout the year;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- challenge of key estimates and judgements, including those applied to key audit matters by management in the financial statements to check that they are free from management bias;
- identifying and testing a sample of journal entries for the following journal types:
- any journals outside of the normal course of business or indicative of manipulation of the financial statements;
- all journals posted to revenue to ascertain if any unusual transactions exist which are outside the normal course of business; and
- any manual or late journals posted at a consolidated level
- performing the following revenue tests:
- review the revenue nominal accounts for any unusual transactions;
- testing a sample of transactions posted to the nominal ledger in December 2021 to check that revenue had been recorded in the correct period;
- review of the elimination of intra-group revenue and associated unrealised profit within inventories at consolidation level; and
- review of transfer prices applied on a sample of intra-group revenue transactions to verify that arm's length prices had been applied.
- Verification, on a sample basis, of costs capitalised as product development to ensure that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- consideration of management's assessment of related parties and any other unusual transactions and evaluating the process for identifying and monitoring any such transactions, and
- consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: *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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
16 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	3	**33,367**	**30,522**
Cost of sales		(17,106)	(14,670)
Gross profit		**16,261**	**15,852**
Administrative expenses		(10,610)	(10,585)
Operating profit	4	**5,651**	**5,267**
Depreciation and amortisation	4	1,273	1,233
Adjusting items	6	53	67
Adjusted EBITDA	6	**6,977**	**6,567**
Net finance income	9	50	83
Profit before tax		**5,701**	**5,350**
Income tax	10	(1,018)	(1,145)
Profit for the year		**4,683**	**4,205**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations		(12)	(65)
Cashflow hedge movements (net of deferred tax)	19	(124)	68
Total comprehensive income for the year		**4,547**	**4,208**
Basic earnings per share	12	22.92p	20.63p
Diluted earnings per share	12	21.16p	19.89p
Adjusted earnings per share	12	24.92p	21.75p
Diluted adjusted earnings per share	12	23.01p	20.98p

Consolidated statement of financial position
as at 31 December 2021

	Note	2021 £000	2020 £000
Intangible assets	13	11,295	11,522
Property, plant and equipment	14	4,603	4,142
Right-of-use assets	15	81	85
Deferred tax assets	16	1,352	987
Derivative financial instruments	19	108	641
Non-current assets		**17,439**	**17,377**
Inventories	17	7,578	4,902
Trade and other receivables	18	6,873	6,053
Derivative financial instruments	19	335	327
Current income tax assets		214	-
Cash and cash equivalents	20	15,545	15,820
Current assets		**30,545**	**27,102**
Total assets		**47,984**	**44,479**
Lease liabilities	21	(17)	(7)
Derivative financial instruments	19	(157)	-
Deferred tax liabilities	16	(2,264)	(1,662)
Non-current liabilities		**(2,438)**	**(1,669)**
Trade and other payables	22	(5,172)	(5,007)
Lease liabilities	21	(68)	(83)
Derivative financial instruments	19	(4)	-
Current income tax liabilities		-	(215)
Current liabilities		**(5,244)**	**(5,305)**
Total liabilities		**(7,682)**	**(6,974)**
Net assets		**40,302**	**37,505**
Called up share capital	23	5,446	5,426
Share premium	23	11,547	11,148
Other reserves	24	(6,788)	(6,506)
Retained earnings	25	30,097	27,437
Total equity		**40,302**	**37,505**

The financial statements were approved by the Board and authorised for issue on 16 March 2022.

Richard Edwards
Chief Executive Officer

Marc Wilson
Group Finance Director

Company Number: 03345857

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 Jan 2020		**5,394**	**10,849**	**(5,650)**	**24,961**	**35,554**
Profit for the period		-	-	-	4,205	4,205
Currency translation differences		-	-	(65)	-	(65)
Cash flow hedge reserve	19	-	-	68	-	68
Total comprehensive income for the year		-	-	3	4,205	4,208
Issue of share capital	23	32	299	-	-	331
Purchase of treasury shares	23	-	-	(1,004)	-	(1,004)
Share-based payment adjustments	26	-	-	46	-	46
Deferred tax regarding share–based payments		-	-	99	-	99
Final dividend relating to 2019		-	-	-	(1,144)	(1,144)
Interim dividend relating to 2020	11	-	-	-	(585)	(585)
Transactions with owners		32	299	(859)	(1,729)	(2,257)
Balance at 31 Dec 2020		**5,426**	**11,148**	**(6,506)**	**27,437**	**37,505**
Profit for the period		-	-	-	4,683	4,683
Currency translation differences		-	-	(12)	-	(12)
Cash flow hedge reserve	19	-	-	(124)	-	(124)
Total comprehensive income for the year		-	-	(136)	4,683	4,547
Issue of share capital	23	20	399	-	-	419
Joint-share ownership plan	26	-	-	(310)	-	(310)
Share-based payment adjustments	26	-	-	36	-	36
Deferred tax regarding share-based payments		-	-	128	-	128
Final dividend relating to 2020	11	-	-	-	(1,372)	(1,372)
Interim dividend relating to 2021	11	-	-	-	(651)	(651)
Transactions with owners		20	399	(146)	(2,023)	(1,750)
Balance at 31 Dec 2021		**5,446**	**11,547**	**(6,788)**	**30,097**	**40,302**

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Operating profit for the year		5,651	5,267
Depreciation, amortisation and impairment	4	1,273	1,233
Loss on disposal of property, plant and equipment	14	(2)	3
Share-based payments	7	36	46
Fair value adjustment to derivatives		533	(406)
Operating cash flows before changes in working capital		**7,491**	**6,143**
Increase in inventories		(2,759)	(1,000)
Increase in trade and other receivables		(915)	(636)
Increase in trade and other payables		375	2,233
(Increase)/decrease in working capital		**(3,299)**	**597**
Cash generated by operations		**4,192**	**6,740**
Income tax paid		(1,047)	(910)
Net cash from operating activities		**3,145**	**5,830**
Purchases of property, plant and equipment	14	(917)	(593)
Proceeds from disposal of property, plant and equipment		6	-
Payments to acquire intangible assets	13	(506)	(663)
Interest received	9	54	88
Net cash used in investing activities		**(1,363)**	**(1,168)**
Purchase of treasury shares		-	(1,004)
Joint share ownership plan	26	(310)	-
Proceeds from issuance of shares		419	331
Cash payments in relation to lease liabilities		(89)	(117)
Lease interest paid		(4)	(5)
Dividend paid to Company's shareholders		(2,023)	(1,729)
Net cash used in financing activities		**(2,007)**	**(2,524)**
Net (decrease)/increase in cash and cash equivalents		**(225)**	**2,138**
Effect of exchange rate changes		(50)	(160)
Cash and cash equivalents at the beginning of the year		15,820	13,842
Cash and cash equivalents at the end of the year		**15,545**	**15,820**

Notes to the financial statements
for the year ended 31 December 2021

1. General information

Anpario plc ("the Company") and its Subsidiaries (together "the Group") produce and distribute natural feed additives for animal health, hygiene and nutrition. Anpario plc is a public company traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS. The presentation currency of the Group is pounds sterling. For details of the basis of consolidation see note 2.2.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Group has presented its financial statements in accordance with UK adopted International Financial Reporting Standards ("IFRSs").

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of 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 estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods. More information is available in note 2.22.

The principal accounting policies of the Group are set out below, and have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operation for the foreseeable future.

The Group has a strong balance sheet, with no debt and a strong cash position and has traded profitably and cash generatively through the financial year. The Group's forecasts and projections, taking into account reasonable estimate of a possible downturn in trading performance arising from the ongoing and potential impact of Covid-19, show that the Group has sufficient financial resources, both from the Group's robust balance sheet and its expected cash flow generation, sufficient for the going concern period. Accordingly, the Directors have adopted the going concern basis in preparing these consolidated financial statements.

The Directors also note the current crisis in Ukraine and we have clarified more on the impact of this to Anpario in the Chairman's statement. The Group will cease trade with Belarus and has no active trade in Russia. Revenues to Belarus represented less than 1% of sales in 2021 and as such it is expected that stopping supply to this country will not have a material impact on the performance of the Group or it's going concern. The inflationary impact on commodity prices such as wheat, gas and oil will be monitored and any potential impacts on the business managed, however, the directors are satisfied that even potential extreme scenarios do not create uncertainties in relation to going concern in light of the resources of the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries drawn up to 31 December 2021.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a Subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of Subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Revenue recognition

The Group applies IFRS 15 'Revenue from Contracts with Customers'. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns and discounts and after eliminating sales within the Group. Revenue is derived principally from the sales of goods.

The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled to in exchange for those goods or services. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods has transferred from Anpario to the buyer. In most instances, control passes and sales revenue is recognised at the point in time when the product is delivered to the vessel or vehicle on which it will be transported once loaded, the destination port or the customer's premises.

In some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which Anpario has lost control of the goods. Anpario considers revenue related to the shipping and insurance service element of the contract to be immaterial and does not consider there to be separate performance obligations.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are included in the profit or loss for the period.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in pounds sterling, which is the Group's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses and is allocated to the appropriate cash-generating unit for the purpose of impairment testing. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

Brands

Brands are stated at cost less accumulated amortisation and impairment. Brand names acquired in a business combination are recognised at fair value based on an expected royalty value at the acquisition date. Useful lives of brand names are estimated and amortised over 20 years on a straight-line basis and included in administrative expenses in the income statement, except where they are deemed to have an indefinite life and consequently are not amortised. Brands with an indefinite useful life are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. However, they are allocated to appropriate cash-generating units and subject to impairment testing on an annual basis. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships are deemed to have a finite useful life and are carried at original fair value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years and included in administrative expenses in the income statement.

Patents, trademarks and registrations

Separately acquired patents, trademarks and registrations are shown at historical cost. Patents, trademarks and registrations have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and registrations over their estimated useful lives of 5 to 20 years and included in administrative expenses in the income statement.

Development costs

Development costs are stated at cost less accumulated amortisation and impairment. Development costs are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset.

The assets are amortised when available for use on a straight-line basis over the period over which the Group expects to benefit from these assets and included in administrative expenses in the income statement. Research expenditure is written off to the income statement in the year in which it is incurred.

Where appropriate, once development work has been completed the asset(s) generated is reclassified to the Developed Products intangible asset category and is amortised over a period of 10 years.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the development employee costs and an appropriate portion of relevant overheads.

Software and licenses

Software and licenses are stated at cost less accumulated amortisation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Amortisation is calculated using the straight-line method to allocate the cost of software and licenses over their estimated useful lives of 5 to 7 years and included in administrative expenses in the income statement.

2.7 Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, if so the asset's recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For intangible assets that are not yet available for use, goodwill or other intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation and or amortisation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life using the straight-line method, as follows:

Buildings ....*50 years or period of lease if shorter*

Plant and machinery .... *3–10 years*

Fixtures, fittings and equipment .... *3–10 years*

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment and an impairment loss is recognised in the income statement where appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provision is recognised in the income statement as an administrative expense.

The Group applies the simplified approach when using the expected credit loss (ECL) impairment model for trade receivables. Under the simplified approach the Group always measures the loss allowance at an amount equal to the lifetime ECL for trade receivables.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The ECL's are updated each reporting period to reflect changes in credit risk since initial recognition. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost. Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits that are readily convertible into cash.

2.13 Financial instruments

The Group's principal financial instruments comprise derivatives and cash and cash equivalents. These financial instruments are used to manage currency exposures, funding and liquidity requirements. Other financial instruments which arise directly from the Group's operations includes trade and other receivables (note 18) and trade and other payables (note 22). The main risks arising from the Group's financial instruments and related policies are detailed in note 2.21.

Financial instruments, excluding derivatives, are held at amortised cost. Derivative financial instruments are detailed in note 2.14.

The Group uses the following valuation hierarchy to determine the carrying value of financial instrument that are measured at fair value:

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

2.14 Derivative financial instruments

The Group applies IFRS 9 'Financial Instruments'. Where qualifying for hedge accounting, derivative financial instruments are held at fair value through other comprehensive income, non-qualifying derivatives are held at fair value through profit or loss.

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, these have been designated as qualifying cash flow hedges.

IFRS 9 removed the requirement to demonstrate hedge effectiveness between a range of 80-125% and instead requires that you can demonstrate an economic relationship between the hedged item and hedging instrument. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

2.15 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.16 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's Subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in Subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

Share-based payments

The Group issues equity-settled share-based payments and shares under the Joint Share Ownership Plan ("JSOP"), Company Share Option Plan ("CSOP") and Unapproved schemes to certain employees. These are measured at fair value and along with associated expenses are recognised as an expense in the income statement with a corresponding increase (net of expenses) in equity. The fair values of these payments are measured at the dates of grant using appropriate option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The grant by the Company of options over its equity instruments to the employees of Subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in Subsidiary undertakings, with a corresponding credit to equity in the Parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Pension obligations

The Group operates a defined contribution pension scheme and contributes a percentage of salary to individual employee schemes. Pension contributions are recognised as an expense as they fall due and the Group has no further payment obligations once the contributions have been paid.

2.18 Equity and reserves

Share capital

Share capital is determined using the nominal value of Ordinary shares that have been issued.

Share premium

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issue of shares are deducted from the share premium account, net of any related income tax benefits.

Treasury shares

Treasury shares represents consideration paid, including any directly attributable incremental costs, to acquire shares held by the Company in Anpario plc.

Joint Share Ownership Plan

The JSOP shares reserve arises when the Company issues equity share capital under the JSOP, which is held in trust by Anpario plc Employees' Share Trust ("the Trust"). The interests of the Trust are consolidated into the Group's financial statements and the investment in the Company's shares is deducted from equity as if they were treasury shares.

Merger reserve

The premium arising on the issue of consideration shares to acquire a business is credited to the merger reserve.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective as cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised only when the hedged transaction impacts the profit or loss.

Share-based payment reserve

The share-based payment reserve is credited with amounts charged to the income statement in respect of the movements in the fair value of equity-settled share-based payments and shares issued under the JSOP.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into the Parent Company's functional currency, being pounds sterling, are recognised directly in the foreign exchange reserve.

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets relating to the Group's leasing activities are recognised in the consolidated statement of financial position at an amount equal to the lease liability on initial measurement and any subsequent adjustments such as modifications to lease terms. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

2.21 Financial risk management

The Group is exposed to a number of financial risks, including credit risk, liquidity risk, exchange rate risk and capital risk.

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 deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Where possible, risk is minimised through settlement via letters of credit and purchase of credit insurance. The Group's investment policy restricts the investment of surplus cash to interest bearing deposits with banks and building societies without high credit ratings.

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's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

Exchange rate risk

The Group's principal functional currency is pounds sterling. However, during the year the Group had exposure to Euros, US dollars and other currencies. The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure and put in place hedging instruments as considered appropriate to mitigate the risk.

Capital 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 for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of equity of the Group, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 25. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders or issue new shares.

2.22 Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Critical accounting judgements

Indefinite useful life Brand

One Brand asset held by the Group has been determined as having an indefinite useful life since there is no foreseeable limit to the period over which it is expected to generate net cash inflows not least because the brand has existed for decades. Indefinite life assets are not amortised, but subject to an impairment review at least once a year per the Group's accounting policy note 2.7 and is subject to the same judgements as part of this process as other intangible assets as outlined below. Goodwill is presented in note 13.

Capitalisation of development costs

Development costs are capitalised as per the Group accounting policy outlined in note 2.6, which identifies several criteria to be met in order for capitalisation to occur in accordance with IAS 38. Inherently due to the nature of developing new products and applications there is uncertainty as to the outcome and judgements are required to make a determination as to the suitability of costs for capitalisation.

Key sources of estimation uncertainty

Estimated impairment value of intangible assets

The Group tests annually whether intangible assets have suffered any impairment. Impairment provisions are recorded as applicable based on Directors' estimates of recoverable values. Following the assessment of the recoverable amount of goodwill and intangibles of the Group that totalled £11.3m as per note 13 of the financial statements, the Directors consider the recoverable amount of goodwill and intangibles to be supported by their value in use calculation. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage aspects of costs, the revenue projections are inherently uncertain due to the short term nature of business and unstable market conditions driven by external factors. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 13.

Deferred tax recognition

Deferred tax is provided in full on temporary differences under the liability method using substantively enacted rates to the extent that they are expected to reverse. Provision is made in full where the temporary differences result in liabilities, but deferred tax assets are only recognised where the Directors believe it is probable that the assets will be recovered. Judgement is required to determine the likelihood of reversal of temporary differences in establishing whether an asset should be recognised.

Patent Box Scheme

The UK Patent Box scheme allows companies to apply a lower rate of corporation tax to profits attributable to qualifying patents. IFRS accounting standards require tax to be recognised on the most likely outcome, but as with all tax items, HMRC reserves the right to query the Company's calculations. We have consulted with our tax and patent advisors and discussions have taken place with Her Majesty's Revenue and Customs (HMRC) about the principles of the UK Patent Box Legislation. The directors consider the acceptance of our Patent Box tax computations to be more likely than not and as such we expect a material reduction in UK Corporation Tax because of the Patent Box application.

2.23 Impact of accounting standards and interpretations

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2021, none of which had any significant impact, and those which are relevant to these financial statements are listed below:

3. Operating segments

Management has determined the operating segments based on the information that is reported internally to the Chief Operating Decision Maker, the Board of Directors, to make strategic decisions. The Board considers the business from a geographic perspective and is organised into four geographical operating divisions: Americas, Asia, Europe, Middle-East and Africa (MEA) and Head Office.

All revenues from external customers are derived from the sale of goods and services in the ordinary course of business to the agricultural markets and are measured in a manner consistent with that in the income statement.

for the year ended 31 Dec 2021	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	**Total £000**
Total segmental revenue	8,264	12,074	20,523	3,521	-	44,382
Inter-segment revenue	-	-	(11,015)	-	-	(11,015)
Revenue from external customers	**8,264**	**12,074**	**9,508**	**3,521**	**-**	**33,367**
Depreciation and amortisation	(3)	(57)	(11)	(3)	(1,199)	(1,273)
Net finance income	-	6	(1)	-	45	50
Profit/(loss) before income tax	**3,149**	**3,406**	**3,838**	**1,212**	**(5,904)**	**5,701**

for the year ended 31 Dec 2020	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	**Total £000**
Total segmental revenue	7,384	11,664	16,567	2,668	-	38,283
Inter-segment revenue	-	-	(7,761)	-	-	(7,761)
Revenue from external customers	**7,384**	**11,664**	**8,806**	**2,668**	**-**	**30,522**
Depreciation and amortisation	(3)	(63)	(3)	(4)	(1,160)	(1,233)
Net finance income	-	(1)	-	1	83	83
Profit/(loss) before income tax	**1,473**	**4,100**	**3,906**	**828**	**(4,957)**	**5,350**

Included in the Europe category above is revenue from the UK of £5,931,000 (2020: £5,239,000). Revenue derived from other individual countries is not significant in the context of the group revenue and therefore has been grouped by geographic region. No customer accounts for more than 10% of revenue.

Management review and control the Net and Total assets of the Group, however, these are not monitored by Operating Segment and as such they are not presented as such above.

4. Operating profit

Operating profit for the year has been arrived at after charging/(crediting) the following items:

	Note	2021 £000	2020 £000
Cost of inventories recognised as an expense		11,508	10,267
Employment costs	7	7,277	7,278
Share-based payment charges	6	53	67
Amortisation of intangible assets	13	733	655
Depreciation of property, plant and equipment	14	451	459
Depreciation of right-of-use assets	15	89	119
(Gain)/loss on disposal of tangible and intangible assets		(2)	3
Research and development expenditure		42	43

Our specialist technical team includes experts in poultry, swine, ruminant & aquaculture species. During the year we have capitalised internal costs of £223,000 (2020: £213,000) and expended a further £137,000 (2020: £247,000) on external trials in respect of current development projects.

5. Auditor's remuneration

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

	2021 £000	2020 £000
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	92	89
Fees payable to Company's auditor for other services:		
Other non-audit services	-	5
The audit of Company Subsidiaries	5	5
Total fees payable to Company's auditor	**97**	**99**

6. Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group.

The Board considers that adjusted EBITDA is the most appropriate profit measure by which users of the financial statements can assess the ongoing performance of the Group. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation. The Group makes further adjustments to remove items that are non-recurring or are not reflective of the underlying operational performance either due to their nature or level of volatility. EBITDA is often used as a proxy for cash flows and accordingly the Group adjusts for share-based payment charges which are a non-cash measure.

For this reporting period the Board have taken the decision to reduce the number of adjustments made to statutory profit for our alternative performance measures ("APM's") in line with best practice guidelines. It was decided during the time following the decision to leave the EU that it was necessary to adjust for foreign exchange profits and losses. During this volatile period for exchange rates the statutory measures saw large variances year on year due to largely unrealised foreign exchange gains and losses. It is management's view that currency fluctuations now represent more normalised patterns and as such the impact of these should no longer be adjusted for. The prior year APM's have been restated to reflect this change.

	2021 £000	2020 £000
Operating profit	**5,651**	**5,267**
Share-based payments	53	67
Total adjustments	**53**	**67**
Adjusted operating profit	**5,704**	**5,334**
Depreciation and amortisation	1,273	1,233
Adjusted EBITDA	**6,977**	**6,567**

	2021 £000	2020 £000
Adjusted operating profit	**5,704**	**5,334**
Income tax expense	(1,018)	(1,145)
Impact of changes in tax rates on deferred tax	540	158
Impact of prior year Patent Box tax reduction	(137)	-
Income tax impact of adjustments	3	88
Adjusted profit after tax	**5,092**	**4,435**

7. Employment costs

	Note	2021 £000	2020 £000
Wages and salaries		6,204	6,354
Social security costs		734	695
Other pension costs		339	229
Share-based payment charges	26	53	67
Employment costs		**7,330**	**7,345**

The key management of the Group is deemed to be the Board of Directors who have authority and responsibility for planning and controlling all significant activities of the Group.

Director's remuneration is shown below and more information can be found in the Remuneration Committee Report.

	2021 £000	2020 £000
Directors' emoluments	808	951
Company contributions to defined contribution pension schemes	42	40
Share-based payment charges	9	13

During the year retirement benefits were accruing to 3 Directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration as outlined below.

	2021 £000	2020 £000
Directors' emoluments	410	542
Company contributions to defined contribution pension schemes	25	25
Share-based payment charges	2	1

8. Number of employees

The average monthly number of employees, including Directors, during the year was:

	2021 Number	2020 Number
Directors	5	4
Production	32	29
Administration	23	23
Sales and Technical	61	64
Average headcount	**121**	**120**

In addition to employees, sales and technical specialists are engaged on a consultancy basis in several countries.

9. Net finance income

	2021 £000	2020 £000
Interest receivable on short-term bank deposits	54	88
Finance income	**54**	**88**
Lease interest paid	(4)	(5)
Finance costs	**(4)**	**(5)**
Net finance income	**50**	**83**

10. Income tax

	Note	2021 £000	2020 £000
Current tax on profits for the year		591	1,026
Adjustment for prior years		48	29
Current tax		**639**	**1,055**
Origination and reversal of temporary differences		(165)	101
Effect of change in deferred tax rate		540	158
Adjustment for prior years		4	(169)
Deferred tax	16	**379**	**90**
Income tax expense charged to the income statement		**1,018**	**1,145**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard domestic tax rate applicable to profits of the Company as follows:

	2021 £000	2020 £000
Profit before tax	**5,701**	**5,350**
Tax at the UK domestic rate 19% (2020: 19%)	**1,083**	**1,017**
Prior year tax adjustments	189	18
Patent Box reductions - Prior year	(137)	-
Patent Box reductions - Current year	-	-
Non-deductible expenses	(372)	109
Losses not recognised for deferred tax	64	156
Research and development tax credits	(172)	(191)
Tax credit recognised directly in equity	158	83
Effect of change in deferred tax rate	540	158
Difference in overseas tax rates	(175)	(113)
Deferred tax impact of share options	(108)	(90)
Other tax adjustments	(52)	(2)
Tax adjustments	**(65)**	**128**
Income tax expense charged to the income statement	**1,018**	**1,145**

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. The UK government announced on 3 March 2021 that the government are intending to increase the corporation tax rate from 19% to 25% from April 2023. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements which has resulted in a deferred tax charge of £540,000 in the current year.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income.

	Note	2021 £000	2020 £000
Current tax on profits for the year		(19)	(12)
Current tax		**(19)**	**(12)**
Origination and reversal of temporary differences		(139)	(70)
Deferred tax	16	**(139)**	**(70)**
Income tax recognised in other comprehensive income		**(158)**	**(82)**

11. Dividends

Amounts recognised as distributions to equity holders for the year ended 31 December:

	2021 per share pence	2021 total £000	2020 per share pence	2020 total £000
Interim dividend - Paid	**3.00p**	**651**	**2.75p**	**585**
Final dividend - Paid	-	-	6.25p	1,372
Final dividend - Proposed	7.00p	1,456	-	-
Final dividend	**7.00p**	**1,456**	**6.25p**	**1,372**
Total dividend	**10.00p**	**2,107**	**9.00p**	**1,957**

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these financial statements.

The total amount of dividend paid to shareholders in the year was £2,023,000 (2020: £1,729,000), being the final dividend for the year prior and the interim dividend for current year.

Under the Joint Share Ownership Plan ("JSOP") the proceeds of dividends received on jointly owned shares will be divided between the employees and the Trust according to any growth in the market value. Dividend amounts due to the Trust are waived. The calculation of the split is made at the time of payment and the estimated dividend amount shown above includes an estimate of the amounts to be waived.

12. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data, both adjusted and non-adjusted for its ordinary shares. Basic EPS is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares fully outstanding during the period. Potential ordinary shares and shares held in the Joint Share Ownership Plan ("JSOP") are only treated as dilutive when their conversion to ordinary shares would decrease EPS.

The calculation of the basic and diluted earnings per share is based on the following data:

	2021 £000	2020 £000
Profit for the year attributable to owners of the Parent (£000's)	4,683	4,205
Weighted average number of shares in issue	20,429,730	20,387,477
Number of dilutive shares	1,697,602	755,047
Weighted average number for diluted earnings per share	22,127,332	21,142,524
Basic earnings per share	**22.92p**	**20.63p**
Diluted earnings per share	**21.16p**	**19.89p**

The calculation of the adjusted and diluted adjusted earnings per share is based on the following data:

	Note	2021 £000	2020 £000
Adjusted profit attributable to owners of the Parent (£000's)	6	5,092	4,435
Weighted average number of shares in issue		20,429,730	20,387,477
Number of dilutive shares		1,697,602	755,047
Weighted average number for diluted earnings per share		22,127,332	21,142,524
Adjusted earnings per share		**24.92p**	**21.75p**
Diluted adjusted earnings per share		**23.01p**	**20.98p**

13. Intangible assets

	Goodwill £000	Brands and developed products £000	Customer relationships £000	Patent Trademarks & registrations £000	Development Costs £000	Software & Licenses £000	Total £000
Cost							
As at 1 January 2020	5,960	3,673	786	1,786	866	708	13,779
Additions	-	-	-	127	460	76	663
Reclassifications	-	767	-	-	(767)	-	-
Disposals	-	-	-	(137)	-	-	(137)
Foreign exchange	-	-	-	(3)	-	-	(3)
As at 31 December 2020	5,960	4,440	786	1,773	559	784	14,302
Additions	-	-	-	133	360	13	506
Reclassifications	-	113	-	-	(113)	-	-
Disposals	-	-	-	(99)	-	-	(99)
As at 31 December 2021	**5,960**	**4,553**	**786**	**1,807**	**806**	**797**	**14,709**
Accumulated amortisation							
As at 1 January 2020	-	549	600	744	-	369	2,262
Charge for the year	-	182	61	283	-	129	655
Disposals	-	-	-	(137)	-	-	(137)
As at 31 December 2020	-	731	661	890	-	498	2,780
Charge for the year	-	261	61	277	-	134	733
Disposals	-	-	-	(99)	-	-	(99)
As at 31 December 2021	**-**	**992**	**722**	**1,068**	**-**	**632**	**3,414**
Net book value							
As at 1 January 2020	5,960	3,124	186	1,042	866	339	11,517
As at 31 December 2020	5,960	3,709	125	883	559	286	11,522
As at 31 December 2021	**5,960**	**3,561**	**64**	**739**	**806**	**165**	**11,295**

The reclassification to Brands and Developed Products represents newly created products from Development projects.

Goodwill related to previously acquired operations is reviewed on a global basis with a further consideration of the sales attributable to each of the trading brands as identified in the table below.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond a five-year period are extrapolated using estimated growth rates of 2.5% per annum (2020: 2.5%).

The discount rate used of 12% (2020: 12%) is pre-tax and reflects specific risks relating to the operating segments.

Based on the calculations of the recoverable amount of each CGU, no impairment to goodwill was identified.

The Group has conducted a sensitivity analysis on the impairment test of each CGU and the group of units carrying value. A cut in the annual growth rate of 14.6 percentage points to a negative growth of minus 12.1 percentage points would cause the carrying value of goodwill to equal its recoverable amount.

Goodwill is allocated as follows:

	£000
Acquisition of Kiotechagil operations	3,552
Acquisition of Optivite operations	592
Acquisition of Meriden operations	1,346
Acquisition of Cobbett business	470
Goodwill as at 31 December 2020 and 31 December 2021	**5,960**

Brands relate to the fair value of previously acquired brands. The Optivite brand was acquired in 2009 and has a net book value at 31 December 2021 of £1,501,000 (2020: £1,501,000). The Meriden brand was acquired in 2012 and has a net book value at 31 December 2021 of £363,000 (2020: £398,000). These are deemed to have between 20 years and an indefinite useful life due to the inherent intellectual property contained in the products, the longevity of the product lives and global market opportunities. Brands with indefinite useful lives are assessed for impairment with goodwill in the annual impairment review as described above.

14. Property, plant and equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2020	1,857	3,296	583	-	5,736
Additions	-	61	53	479	593
Disposals	(3)	(2)	(1)	-	(6)
As at 31 December 2020	1,854	3,355	635	479	6,323
Additions	16	119	39	743	917
Transfer of assets in construction	51	327	-	(378)	-
Disposals	-	-	(148)	-	(148)
As at 31 December 2021	**1,921**	**3,801**	**526**	**844**	**7,092**
Accumulated depreciation					
As at 1 January 2020	253	1,135	337	-	1,725
Charge for the year	30	340	89	-	459
Disposals	-	(2)	(1)	-	(3)
As at 31 December 2020	283	1,473	425	-	2,181
Charge for the year	30	338	83	-	451
Disposals	-	-	(144)	-	(144)
Foreign exchange	-	-	1	-	1
As at 31 December 2021	**313**	**1,811**	**365**	**-**	**2,489**
Net book value					
As at 1 January 2020	1,604	2,161	246	-	4,011
As at 31 December 2020	1,571	1,882	210	479	4,142
As at 31 December 2021	**1,608**	**1,990**	**161**	**844**	**4,603**

Held within land and buildings is an amount of £500,000 (2020: £500,000) in respect of non-depreciable land.

15. Right-of-use assets

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
As at 1 January 2020	304	47	28	379
Additions	10	-	-	10
Modification to lease terms	7	1	-	8
Disposals	-	(22)	(21)	(43)
As at 31 December 2020	321	26	7	354
Additions	28	-	-	28
Modification to lease terms	56	-	-	56
Disposals	(139)	(26)	(4)	(169)
Foreign exchange	4	-	-	4
As at 31 December 2021	**270**	**-**	**3**	**273**
Accumulated depreciation				
As at 1 January 2020	134	38	23	195
Charge for the year	107	9	3	119
Modification to lease terms	(2)	-	-	(2)
Disposals	-	(22)	(21)	(43)
As at 31 December 2020	239	25	5	269
Charge for the year	87	1	1	89
Modification to lease terms	-	-	(5)	(5)
Disposals	(139)	(26)	-	(165)
Foreign exchange	4	-	-	4
As at 31 December 2021	**191**	**-**	**1**	**192**
Net book value				
As at 1 January 2020	170	9	5	184
As at 31 December 2020	82	1	2	85
As at 31 December 2021	**79**	**-**	**2**	**81**

Land and building right-of-use assets relate to leased offices, other assets are less material and various in nature that are required for the Group to conduct its activities.

Further information about the lease liabilities that relate to the right-of-use assets above are contained in note 21. Details of cash outflow for those leases are contained in the Consolidated Statement of Cash Flows.

There are no material short-term or low value leases.

16. Deferred tax

	Note	2021 £000	2020 £000
As at 1 January		675	640
Income statement charge/(credit)	10	379	90
Deferred tax (credited)/charged directly to equity	10	(139)	(70)
Foreign exchange		(3)	15
As at 31 December		**912**	**675**

	Note	Accelerated tax allowances £000	Fair value gains £000	Cashflow hedge £000	Losses £000	Other timing differences £000	Total £000
As at 1 January 2020		805	551	28	(337)	(407)	640
Income statement credit	10	142	120	-	(161)	(11)	90
Deferred tax charge/(credit) directly to equity		-	-	16	-	(86)	(70)
Foreign exchange		-	-	-	15	-	15
As at 31 December 2020		947	671	44	(483)	(504)	675
Income statement charge	10	497	134	-	53	(305)	379
Deferred tax charged directly to equity		-	-	(29)	-	(110)	(139)
Foreign exchange		-	-	-	(3)	-	(3)
As at 31 December 2021		**1,444**	**805**	**15**	**(433)**	**(919)**	**912**

	2021 £000	2020 £000
Deferred income tax asset	(1,352)	(987)
Deferred income tax liability	2,264	1,662
Net deferred income tax liability	**912**	**675**

Included in ‘Other timing differences’ above is £675,000 (2020: £389,000) that relates to the tax impact of the elimination of intercompany unrealised profit held in inventory.

The UK government announced on 3 March 2021 that the government are intending to increase the corporation tax rate from 19% to 25% from April 2023. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements which has resulted in a deferred tax charge of £540,000 in the current year.

A deferred tax asset has been recognised for US tax losses carried forward on the grounds that sufficient future taxable profits are forecast to be realised. No deferred tax asset is recognised in respect of losses incurred in other overseas subsidiaries, due to the uncertainty surrounding the timing of the utilisation of those losses.

17. Inventories

	2021 £000	2020 £000
Raw materials and consumables	2,366	1,932
Finished goods and goods for resale	5,212	2,970
Inventory	**7,578**	**4,902**

18. Trade and other receivables

	2021 £000	2020 £000
Trade receivables - gross	**6,076**	**5,398**
Less: expected credit losses	(237)	(157)
Trade receivables - net	**5,839**	**5,241**
Taxes	543	198
Other receivables	49	51
Prepayments	442	563
Total trade and other receivables	**6,873**	**6,053**

The carrying amount of gross trade receivables are denominated in the following currencies:

	2021 £000	2020 £000
Pounds sterling	1,828	2,100
US dollars	2,740	1,366
Euros	764	744
Other currencies	744	1,188
Trade receivables - gross	**6,076**	**5,398**

No interest is charged on trade receivables if balances are paid in full and to terms, there has been no interest charged in the current or previous financial year. There is no security held against outstanding balances.

The Group applies the simplified approach to provisioning for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provisioning for all trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss "ECL". The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group will also, using this and all other information available, make specific judgements about receivables which may need to be individually assessed for impairment. Where required these are marked as Credit Impaired amounts and detailed analysis undertaken to assess the amount likely to be recovered including consideration of the effect of credit enhancements.

The Group seeks to mitigate credit risk, in so far as possible, through the use of credit insurance. The Group has historically suffered low levels of credit losses, whilst there are no guarantees on future performance, the credit losses experienced in the past have come from customers that we were unable to obtain specific credit insurance for. The credit insurance in place allows for the recovery of 90% of trading debt with a customer according to a pre-agreed insured limit. The Group sometimes trades beyond this credit insured limit according to internal approval procedures.

Accordingly, the Group have segmented customers according to their credit insurance status. The following table details the risk profile of trade receivables based on the Group's provision matrix and individual assessments as at 31 December 2021. The expected loss rates are the same for the Group and Company.

	Not past due £000	1-60 days past due £000	61-120 days past due £000	>121 days past due £000	Credit impaired £000	Total £000
Specifically insured customers	3,977	381	-	26	-	4,384
Uninsured customers	1,351	149	15	5	-	1,520
Credit impaired	-	-	-	-	172	172
Trade receivables - gross	**5,328**	**530**	**15**	**31**	**172**	**6,076**
Expected loss rates:						
Specifically insured customers	*0%*	*1%*	*5%*	*7%*	-	*1%*
Uninsured customers	*2%*	*6%*	*23%*	*33%*	-	*3%*
Credit impaired	-	-	-	-	*100%*	*100%*
Specifically insured customers	16	5	-	2	-	23
Uninsured customers	28	9	3	2	-	42
Credit impaired	-	-	-	-	172	172
Expected credit losses	**44**	**14**	**3**	**4**	**172**	**237**
Trade receivables - net	**5,284**	**516**	**12**	**27**	**-**	**5,839**

The comparative table below shows the Group's provision matrix and individual assessments as at 31 December 2020.

	Not past due £000	1-60 days past due £000	61-120 days past due £000	>121 days past due £000	Credit impaired £000	Total £000
Specifically insured customers	3,604	499	-	-	-	4,103
Uninsured customers	996	156	13	-	-	1,165
Credit impaired	-	-	-	-	130	130
Trade receivables - gross	**4,600**	**655**	**13**	**-**	**130**	**5,398**
Expected loss rates:						
Specifically insured customers	*0%*	*1%*	-	-	-	*1%*
Uninsured customers	*2%*	*6%*	*23%*	-	-	*3%*
Credit impaired	-	-	-	-	*79%*	*79%*
Specifically insured customers	15	6	-	-	-	21
Uninsured customers	21	9	3	-	-	33
Credit impaired	-	-	-	-	103	103
Expected credit losses	**36**	**15**	**3**	**-**	**103**	**157**
Trade receivables - net	**4,564**	**640**	**10**	**-**	**27**	**5,241**

The movement in expected credit losses under IFRS 9 are as follows:

	Collectively assessed £000	Individually assessed £000	Total £000
As at 1 January 2020	8	103	111
Provisions for receivables created	46	45	91
Amounts written off as unrecoverable	-	(4)	(4)
Amounts recovered during the year	-	(46)	(46)
Foreign exchange gains	-	5	5
As at 31 December 2020	**54**	**103**	**157**
Provisions for receivables created	11	115	126
Amounts recovered during the year	-	(48)	(48)
Foreign exchange gains	-	2	2
As at 31 December 2021	**65**	**172**	**237**

19. Financial instruments and risk management

Carrying amount of financial instruments

As at 31 December 2021	Note	Measured at amortised cost £000	Derivatives designated as hedging instruments £000	Derivatives not designated as hedging instruments £000	Total £000
Derivative financial instruments		-	108	-	108
Non-current		**-**	**108**	**-**	**108**
Trade and other receivables	18	6,873	-	-	6,873
Derivative financial instruments		-	206	129	335
Cash and cash equivalents	20	15,545	-	-	15,545
Current		**22,418**	**206**	**129**	**22,753**
Financial assets		**22,418**	**314**	**129**	**22,861**
Lease liabilities	21	(17)	-	-	(17)
Derivative financial instruments	19	-	(93)	(64)	(157)
Non-current		**(17)**	**(93)**	**(64)**	**(174)**
Trade and other payables	22	(5,172)	-	-	(5,172)
Lease liabilities	21	(68)	-	-	(68)
Derivative financial instruments	19	-	-	(4)	(4)
Current		**(5,240)**	**-**	**(4)**	**(5,244)**
Financial liabilities		**(5,257)**	**(93)**	**(68)**	**(5,418)**

As at 31 December 2020	Note	Measured at amortised cost £000	Derivatives designated as hedging instruments £000	Derivatives not designated as hedging instruments £000	Total £000
Derivative financial instruments		-	305	336	641
Non-current		**-**	**305**	**336**	**641**
Trade and other receivables	18	6,053	-	-	6,053
Derivative financial instruments		-	-	327	327
Cash and cash equivalents	20	15,820	-	-	15,820
Current		**21,873**	**-**	**327**	**22,200**
Financial assets		**21,873**	**305**	**663**	**22,841**
Lease liabilities	21	(7)	-	-	(7)
Non-current		**(7)**	**-**	**-**	**(7)**
Trade and other payables	22	(5,007)	-	-	(5,007)
Lease liabilities	21	(83)	-	-	(83)
Current		**(5,090)**	**-**	**-**	**(5,090)**
Financial liabilities		**(5,097)**	**-**	**-**	**(5,097)**

Hedge relationships

The Group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments. The Group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

Fair values of financial instruments

Financial instruments are measured in accordance with the accounting policy set out in note 2.13. Derivative financial instruments, consisting of foreign exchange forward and options contracts, are considered Level 2. There were no transfers between levels in the period and the valuation technique used to measure the instruments are forward exchange rates at the reporting date. The carrying value of the financial instruments is at amortised cost and is deemed to be approximate to fair value.

Credit risk

Trade receivables and cash are financial instruments deemed subject to credit risk. Note 18 details credit risk relating to trade receivables. Cash balances are invested with banks and financial institutions that have a minimum credit rating to mitigate the credit risk. The Directors do not consider any losses from non performance of these institutions. The carrying value of the trade receivables and cash balances represents the maximum exposure to credit risk at the end of the year.

Liquidity risk

The Group maintains cash balances and monitors working capital to ensure it has sufficient available funds for operations and planned investment activity. The amounts due in more than one year are immaterial.

The derivative financial assets are all net settled; therefore, the maximum exposure to credit risk at the reporting date is the fair value of the derivative assets which are included in the consolidated statement of financial position.

Financial liabilities with a maturity of more than 3 months are immaterial and comprise of lease liabilities, disclosed in note 21 and derivative financial liabilities details in the exchange rate section below. For all other financial liabilities the maturity is less than three months and therefore the carrying value is the same as the fair value.

Currently management consider liquidity risk to be minimal.

Exchange rate risk

The Group is exposed to foreign currency exchange rate risk mainly as a result of trade receivables and intercompany balances that will be settled in US dollars.

The Group seeks to minimise the effects of exchange rate risk using various methods, including entering into foreign currency forward and option contracts. Where applicable these are designated as cash flow hedges against highly probable forecast foreign currency sales. If cash flow hedge accounting is not applicable then the value is taken through profit or loss.

Included within other comprehensive income is the movement in the cash flow hedge reserve as outlined below.

	2021 £000	2020 £000
Change in value of cash flow hedges	(153)	84
Deferred tax asset/(liability)	29	(16)
Cash flow hedge movements (net of deferred tax)	**(124)**	**68**

The financial instruments in place are to mitigate the risks associated with net future US dollar receipts. The Group uses two types of hedging instrument: fixed forwards and participating forwards. The fixed forward contracts are fixed agreements to exchange currency at the hedged rate. The participating forwards provide protection at the hedged rate, each contract is divided into monthly windows, at the end of each month the Group has the right but not the obligation to sell at the hedged rate, however if spot trades below the barrier rate in the month then the Group must sell USD at the hedged rate. This means that Anpario has protection at the hedged rate, but may also benefit from exchange between the barrier rate and hedged rate. The details of the notional amounts, hedged rate and spot rate at 31 December are outlined below. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position.

	2021	2020
GBP/USD spot rate at 31 December	**1.3536**	**1.3663**
Fixed forward contracts		
Weighted average forward rate	1.3822	1.3295
Maturing in the next year (Notional amount in US dollars 000's)	270	1,200
Maturing between one and two years (Notional amount in US dollars 000's)	2,370	-
Maturing between two and three years (Notional amount in US dollars 000's)	2,550	-
Notional amount (US dollars 000's)	**5,190**	**1,200**
Participating forward contracts		
Weighted average forward rate	1.3145	1.3018
Weighted average barrier rate	1.2128	1.2017
Maturing in the next year (Notional amount in US dollars 000's)	8,674	7,548
Maturing between one and two years (Notional amount in US dollars 000's)	6,600	8,674
Maturing between two and three years (Notional amount in US dollars 000's)	2,500	6,000
Notional amount (US dollars 000's)	**17,774**	**22,222**

The hedged ratio is 1:1.

20. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by Group companies. The carrying amount of these assets approximates to their fair value.

	2021 £000	2020 £000
Cash and cash equivalents	**15,545**	**15,820**

21. Lease Liabilities

At 31 December the Group had lease liabilities with maturities as follows:

	2021 £000	2020 £000
Less than one year	68	83
Current lease liabilities	**68**	**83**
Between one and five years	17	7
Non-current lease liabilities	**17**	**7**
Lease Liabilities	**85**	**90**

22. Trade and other payables

	2021 £000	2020 £000
Trade payables	2,604	2,586
Taxes and social security costs	150	229
Other payables	101	75
Accruals	2,317	2,117
Trade and other payables	**5,172**	**5,007**

There is no interest payable on trade payables and no security against outstanding balances.

23. Share capital and share premium

The authorised share capital is made up of:

	Number	£000
Ordinary shares of 23p each	86,956,521	20,000
'A' Shares of 99p each	1,859,672	1,841
Authorised share capital		**21,841**

The allotted, called up and fully paid share capital is made up of Ordinary shares of 23p each as follows:

	Note	Number	Share capital £000	Share premium £000	Total £000
As at 1 January 2020		23,453,215	5,394	10,849	16,243
Exercise of share options	26	137,918	32	299	331
As at 31 December 2020		23,591,133	5,426	11,148	16,574
Exercise of share options	26	35,048	8	101	109
Issue of shares to JSOP	26	50,000	12	298	310
As at 31 December 2021		**23,676,181**	**5,446**	**11,547**	**16,993**

The company holds shares in treasury as follows:

	Number	£000
As at 1 January 2020	143,042	185
Purchase of treasury shares	297,346	1,004
As at 31 December 2020 and 31 December 2021	**440,388**	**1,189**

The Anpario plc Employees' Share Trust holds shares in relation to the Joint Share Ownership Plan as follows:

	Number
As at 1 January 2020	2,650,000
Purchase of shares	100,000
As at 31 December 2020	2,750,000
Purchase of shares	50,000
As at 31 December 2021	**2,800,000**

24. Other reserves

	Note	Treasury shares £000	Joint Share Ownership Plan £000	Merger reserve £000	Share-based payment reserve £000	Cashflow hedge reserve £000	Translation reserve £000	Total £000
As at 1 January 2020		185	7,530	(228)	(1,972)	(117)	252	5,650
Purchase of treasury shares	23	1,004	-	-	-	-	-	1,004
Share-based payment charge	26	-	-	-	(46)	-	-	(46)
Share-based payment tax adjustments		-	-	-	(99)	-	-	(99)
Movement in fair value (net of tax)	19	-	-	-	-	(68)	-	(68)
Currency translation differences		-	-	-	-	-	65	65
As at 31 December 2020		1,189	7,530	(228)	(2,117)	(185)	317	6,506
Joint-share ownership plan	23	-	310	-	-	-	-	310
Share-based payment charge	26	-	-	-	(36)	-	-	(36)
Share-based payment tax adjustments		-	-	-	(128)	-	-	(128)
Movement in fair value (net of tax)	19	-	-	-	-	124	-	124
Currency translation differences		-	-	-	-	-	12	12
As at 31 December 2021		**1,189**	**7,840**	**(228)**	**(2,281)**	**(61)**	**329**	**6,788**

The nature and purpose of other reserves' items are disclosed in note 2.18.

25. Retained earnings

	£000
As at 1 January 2020	24,961
Profit for the year	4,205
Dividends	(1,729)
As at 31 December 2020	27,437
Profit for the year	4,683
Dividends	(2,023)
As at 31 December 2021	**30,097**

26. Share-based payments

The Group operates, or has operated previously, a number of equity-settled share based remuneration schemes for employees. Including the following: Enterprise Management Incentive ("EMI") scheme; Save As You Earn ("SAYE") scheme; Company Share Option Plan ("CSOP") and an unapproved scheme. All the schemes are subject to only one vesting condition being that the individual remains an employee of the Group for a period of either 3 or 5 years.

Movements in the number of share options outstanding are as follows:

	Number of options 2021	Weighted average exercise price (p) 2021	Number of options 2020	Weighted average exercise price (p) 2020
Outstanding at 1 January	592,469	254	641,292	241
Granted during the year	10,000	565	91,504	323
Lapsed during the year	(4,579)	334	(2,409)	224
Exercised during the year	(35,048)	308	(137,918)	240
Outstanding at 31 December	**562,842**	**255**	**592,469**	**254**
Exercisable at 31 December	**441,338**	**228**	**383,800**	**219**

Share options outstanding at the end of the year have the following expiry dates and weighted average exercise prices:

	Number of options 2021	Weighted average exercise price (p) 2021	Number of options 2020	Weighted average exercise price (p) 2020
2021	-	-	30,165	334
2022	538	334	-	-
2023	160,000	159	160,000	159
2024	109,000	245	114,000	245
2025	84,800	290	84,800	290
2026	70,000	240	75,000	240
2027	91,504	323	91,504	323
2028	37,000	403	37,000	403
2031	10,000	565	-	-
Total outstanding share options	**562,842**	**255**	**592,469**	**254**

The range of exercise prices of outstanding share options at the year end was 159p to 565p (2020: 159p to 403p) and their weighted average remaining contractual life was 4 years (2020: 4 years).

The fair value of services received in return for share options granted and the shares which have been issued into the joint beneficial ownership of the participating Executive Directors and the Trustee of The Anpario plc Employees' Share Trust is calculated based on the Black-Scholes valuation model. The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of the grant.

The charge for the year in respect of share options granted and associated expenses amounts to £53,000 (2020: £67,000) of which a charge of £17,000 (2020: £21,000) relates to professional fees.

During the year options totalling 50,000 were awarded under incentive schemes listed in the schedule below. For which, the weighted average fair value of options granted was determined based on the following assumptions using the Black-Scholes pricing model. Expected volatility was determined by management using historical data.

Plan	JSOP
Grant date	11 Oct 2021
Number of options granted	50,000
Grant price (p)	620.0
Exercise price (p)	4.5%
Vesting period (years)	3.0
Option expiry (years)	10.0
Expected volatility of the share price	25.0%
Dividends expected on the shares	1.5%
Risk-free rate	0.5%
Fair value (p)	79.9

27. Related party transactions

The Group considers the Directors to be the key management personnel. There were no transactions within the year in which the Directors had any interest. The Remuneration Committee Report contains details of the Board emoluments.

None of the Group's shareholders are deemed to have control or significant influence and therefore are not classified as related parties for the purposes of this note.

28. Capital commitments

The Group had authorised capital commitments as at 31 December as follows:

	2021 £000	2020 £000
Property, plant and equipment	615	135
Capital commitments	**615**	**135**

Company statement of financial position
as at 31 December 2021

	Note	2021 £000	2020 £000
Intangible assets	33	10,767	10,984
Property, plant and equipment	34	4,592	4,126
Right-of-use assets		4	27
Investment in subsidiaries	35	12,196	9,586
Deferred tax assets	36	302	192
Derivative financial instruments	19	108	641
Non-current assets		**27,969**	**25,556**
Inventories	37	3,219	2,516
Trade and other receivables	38	13,889	12,167
Derivative financial instruments	19	335	327
Current income tax assets		295	-
Cash and cash equivalents		11,657	13,324
Current assets		**29,395**	**28,334**
Total assets		**57,364**	**53,890**
Lease liabilities		(1)	(1)
Derivative financial instruments	19	(157)	-
Deferred tax liabilities	36	(2,264)	(1,662)
Non-current liabilities		**(2,422)**	**(1,663)**
Trade and other payables	39	(8,660)	(8,433)
Lease liabilities		(4)	(27)
Derivative financial instruments	19	(4)	-
Current income tax liabilities		-	(172)
Current liabilities		**(8,668)**	**(8,632)**
Total liabilities		**(11,090)**	**(10,295)**
Net assets		**46,274**	**43,595**
Called up share capital	40	5,446	5,426
Share premium		11,547	11,148
Other reserves	41	(4,438)	(4,168)
Retained earnings		33,719	31,189
Total equity		**46,274**	**43,595**

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Parent Company income statement. The profit for the Parent Company for the year was £4,553,000 (2020: £5,040,000).

The financial statements were approved by the Board and authorised for issue on 16 March 2022.

Richard Edwards
Chief Executive Officer

Marc Wilson
Group Finance Director

Company Number: 03345857

Company statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 Jan 2020		**5,394**	**10,849**	**(3,377)**	**27,878**	**40,744**
Profit for the period		-	-	-	5,040	5,040
Cash flow hedge reserve		-	-	68	-	68
Total comprehensive income for the year		-	-	68	5,040	5,108
Issue of share capital	23	32	299	-	-	331
Purchase of treasury shares		-	-	(1,004)	-	(1,004)
Share-based payment adjustments	26	-	-	46	-	46
Deferred tax regarding share-based payments		-	-	99	-	99
Final dividend relating to 2019		-	-	-	(1,144)	(1,144)
Interim dividend relating to 2020	11	-	-	-	(585)	(585)
Transactions with owners		32	299	(859)	(1,729)	(2,257)
Balance at 31 Dec 2020		**5,426**	**11,148**	**(4,168)**	**31,189**	**43,595**
Profit for the period		-	-	-	4,553	4,553
Cash flow hedge reserve		-	-	(124)	-	(124)
Total comprehensive income for the year		-	-	(124)	4,553	4,429
Issue of share capital	23	20	399	-	-	419
Joint-share ownership plan	26	-	-	(310)	-	(310)
Share-based payment adjustments	26	-	-	36	-	36
Deferred tax regarding share-based payments		-	-	128	-	128
Final dividend relating to 2020	11	-	-	-	(1,372)	(1,372)
Interim dividend relating to 2021	11	-	-	-	(651)	(651)
Transactions with owners		20	399	(146)	(2,023)	(1,750)
Balance at 31 Dec 2021		**5,446**	**11,547**	**(4,438)**	**33,719**	**46,274**

29. Significant accounting policies

Please refer to note 1 for full details of the Company's incorporation, registered office, operations and principal activity.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies, and critical accounting judgements and key sources of estimation uncertainty adopted are the same as those set out in note 2 to the Group financial statements except as noted below. These have been applied consistently throughout the period and the preceding period.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Receivables from Subsidiary undertakings

The Company holds intercompany receivables with subsidiary undertakings subject to terms of less than one year. If a significant change in credit risk occurs following initial recognition then an impairment assessment is carried out. The Directors assess periodically and at each period end whether there has been a significant increase in credit risk. Where there has been a significant increase in credit risk an impairment assessment is carried out.

30. Profit for the period

The auditor's remuneration for audit and other services is disclosed within note 5 to the Group financial statements.

Dividends declared and paid during the financial period are disclosed in note 11 to the Group financial statements.

31. Employment costs

	Notes	2021 £000	2020 £000
Wages and salaries		3,913	4,287
Social security costs		475	365
Other pension costs		218	145
Share-based payment charges	26	53	67
Employment costs		**4,659**	**4,864**

The key management of the Group is deemed to be the Board of Directors who have authority and responsibility for planning and controlling all significant activities of the Group. Director's remuneration details can be found in the Remuneration Committee Report.

32. Number of employees

The average monthly number of employees, including Directors, during the year was:

	2021 Number	2020 Number
Directors	5	4
Production	32	29
Administration	16	17
Sales and Technical	29	31
Average headcount	**82**	**81**

33. Intangible assets

	Goodwill £000	Brands and developed products £000	Customer relationship £000	Patent Trademarks & registrations £000	Development costs £000	Software & Licenses £000	Total £000
Cost							
As at 31 December 2020	5,490	4,351	559	1,766	559	784	13,509
Additions	-	-	-	133	360	13	506
Reclassifications	-	113	-	-	(113)	-	-
Disposals	-	-	-	(99)	-	-	(99)
As at 31 December 2021	**5,490**	**4,464**	**559**	**1,800**	**806**	**797**	**13,916**
Accumulated amortisation							
As at 31 December 2020	-	642	495	890	-	498	2,525
Charge for the year	-	261	51	277	-	134	723
Disposals	-	-	-	(99)	-	-	(99)
As at 31 December 2021	**-**	**903**	**546**	**1,068**	**-**	**632**	**3,149**
Net book value							
As at 31 December 2020	5,490	3,709	64	876	559	286	10,984
As at 31 December 2021	**5,490**	**3,561**	**13**	**732**	**806**	**165**	**10,767**

The reclassification to Brands represents newly generated Product Brands from Development projects.

More information about Goodwill can be found in note 13 to the financial statements.

34. Property, plant and equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 31 December 2020	1,854	3,355	588	479	6,276
Additions	16	119	33	743	911
Transfer of assets in construction	51	327	-	(378)	-
Disposals	-	-	(148)	-	(148)
As at 31 December 2021	**1,921**	**3,801**	**473**	**844**	**7,039**
Accumulated depreciation					
As at 31 December 2020	283	1,473	394	-	2,150
Charge for the year	30	338	73	-	441
Disposals	-	-	(144)	-	(144)
As at 31 December 2021	**313**	**1,811**	**323**	**-**	**2,447**
Net book value					
As at 31 December 2020	1,571	1,882	194	479	4,126
As at 31 December 2021	**1,608**	**1,990**	**150**	**844**	**4,592**

Held within land and buildings is an amount of £500,000 (2020: £500,000) in respect of non-depreciable land.

35. Investment in subsidiaries

	Unlisted investments £000
Cost	
As at 1 January 2020	12,214
Write-off of dormant subsidiary investments	(12)
As at 31 December 2020	12,202
Investment in Subsidiaries	2,617
Write-off of dormant subsidiary investments	(7)
As at 31 December 2021	**14,812**
Provisions for diminution in value	
As at 1 January 2020, 31 December 2020 and 31 December 2021	**2,616**
Net book value	
As at 1 January 2020	9,598
As at 31 December 2020	9,586
As at 31 December 2021	**12,196**

During the year, investment balances in dormant subsidiaries that no longer feature as part of the Group strategy were written off, these totalled £7,000 (2020: £12,000) and relate to Anpario Turkey Hayvan Sağlığı ve Yem Katkıları İthalat İhracat Sanayi ve Ticaret Anonim Şirketi.

Total investments in Subsidiaries in the year were £2,617,000 (2020: £nil). This relates to a debt to equity conversion totalling £2,617,000 related to the Brazilian Subsidiary, Anpario Saúde e Nutrição Animal Ltda.

Full list of investments

The Group holds share capital in the following Companies which are accounted for as Subsidiaries, all of which have a principal activity of Technology Services and the Group holds 100% of the Ordinary Shares.

	Country of registration or incorporation
Directly held	
Anpario Pty Ltd Level 1, 286 High Street, Penrith 2750	Australia
Anpario Saúde e Nutrição Animal Ltda Rua Brigadeiro Henrique Fontenelle, 745 - room 4, Parque São Domingos, São Paulo, 05125-000	Brazil
Anpario (Shanghai) Biotech Co., Ltd. Room 703, No.8 Dong An Road, Xu Hui District, Shanghai	China
Anpario GmbH c/o Startplatz, IM Mediapark 5, 50670 Cologne	Germany
Anpario (Biotech) Limited 6th Floor, South Bank House, Barrow Street, Dublin 4.	Ireland
PT. Anpario Biotech Indonesia Gedung 18 Office Park Iantai Mezz- unit F2, Jl., TB Simatupang Kav. 18, Jakarta 12520	Indonesia
Anpario Malaysia Sdn. Bhd. Real Time Corporate Services Sdn. Bhd. Unit C-12-4, Level 12, Block C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur	Malaysia
Anpario Latinoamerica SA de CV Av. Technologico Sur # 134 cas 4, Colonia Moderna, CP 76030, Queretaro	Mexico
Anpario (Thailand) Ltd 65/152 Chamnan Phenjati Building Floor 18, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310	Thailand
Anpario Turkey Hayvan Sağlığı ve Yem Katkıları İthalat İhracat Sanayi ve Ticaret Anonim Şirketi Barbaros Mahallesi Halk Cad. Palladium Residence, (A Blok) Apt. No: 8 A/3 Ataşehir/İstanbul	Turkey
Anpario Inc 2 W. Washington Street, Suite 400, Greenville, SC 29601	US
Anpario NZ Limited Alliott NZ LTD, Level 2, 142 Broadway, Newmarket, Auckland, 1023	New Zealand
Anpario (Vietnam) Company Limited No.8, Lane 265 Chien Thang Street, Van Quan Residential Area, Van Quan Ward, Ha Dong District, Hanoi	Vietnam

	Country of registration or incorporation
Directly held	
Optivite International Limited - Company Number 02346087*	
Agil Limited**	
Anpario UK Limited**	
Aquatice Limited**	
Kiotech Limited**	
Kiotechagil Limited**	
Meriden Animal Health Limited**	
Orego-Stim Limited**	
Optivite Limited** Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS	United Kingdom
Indirectly held	
Meriden (Shanghai) Animal Health Co., Ltd. Room 703, No.8 Dong An Road, Xu Hui District, Shanghai	China
Optivite Latinoamericana SA de CV** 20 Boulevard de la Industria, Cuautitlan-Izcalli, 54716	Mexico
Optivite SA (Proprietary) Limited PO Box 578, Cape Town 8000	South Africa

The Group has no associates or joint-ventures.

** Companies where the Directors have taken advantage of the exemption from having an audit of the entities' individual financial statements for the year ended 31 December 2021 in accordance with Section 479A of The Companies Act 2006.*

*** Dormant companies*

36. Deferred tax

	2021 £000	2020 £000
As at 1 January	1,470	1,284
Income statement credit	631	256
Deferred tax credited directly to equity	(139)	(70)
As at 31 December	**1,962**	**1,470**

	Accelerated tax allowances £000	Fair value gains £000	Cashflow hedge £000	Losses £000	Other timing differences £000	Total £000
As at 1 January 2020	805	551	28	-	(100)	1,284
Income statement credit	142	120	-	-	(6)	256
Deferred tax charged/(credited) directly to equity	-	-	16	-	(86)	(70)
As at 31 December 2020	947	671	44	-	(192)	1,470
Income statement credit	497	134	-	-	-	631
Deferred tax charged/(credited) directly to equity	-	-	(29)	-	(110)	(139)
As at 31 December 2021	**1,444**	**805**	**15**	**-**	**(302)**	**1,962**

	2021 £000	2020 £000
Deferred income tax asset	(302)	(192)
Deferred income tax liability	2,264	1,662
Net deferred income tax liability	**1,962**	**1,470**

37. Inventories

	2021 £000	2020 £000
Raw materials and consumables	2,366	1,932
Finished goods and goods for resale	853	584
Inventory	**3,219**	**2,516**

38. Trade and other receivables

	2021 £000	2020 £000
Trade receivables - gross	**4,706**	**3,975**
Less: expected credit losses	(166)	(65)
Trade receivables - net	**4,540**	**3,910**
Receivables from Subsidiary undertakings	8,789	7,720
Taxes	125	-
Other receivables	2	12
Prepayments	433	525
Total trade and other receivables	**13,889**	**12,167**

No interest is charged on trade receivables if balances are paid in full and to terms, there has been no interest charged in the current or previous financial year. There is no interest charged on receivables from subsidiary undertakings and payment is expected within terms of less than one year. There is no security against outstanding balances.

The Group applies the simplified approach to provisioning for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provisioning for all trade receivables. More information about how ECL is calculated is contained in note 18 to the Group financial statements.

Credit risk related to receivables from subsidiary undertakings are individually assessed and there was no impairment provision as at 31 Dec 2021 (2020: £nil).

The movement in expected credit losses under IFRS 9 are as follows:

	Collectively assessed £000	Individually assessed £000	Total £000
As at 1 January 2020	6	11	17
Provisions for receivables created	26	38	64
Amounts written off as unrecoverable	-	(4)	(4)
Amounts recovered during the year	-	(13)	(13)
Foreign exchange (losses) and gains	-	1	1
As at 31 December 2020	**32**	**33**	**65**
Provisions for receivables created	13	115	128
Amounts recovered during the year	-	(27)	(27)
As at 31 December 2021	**45**	**121**	**166**

39. Trade and other payables

	2021 £000	2020 £000
Trade payables	2,533	2,540
Amounts due to subsidiary undertakings	4,536	4,110
Taxes and social security costs	102	172
Other payables	52	47
Accruals and deferred income	1,437	1,564
Trade and other payables	**8,660**	**8,433**

There is no interest payable on trade payables or amounts due to subsidiary undertakings and no security against outstanding balances.

40. Share capital

The movements in share capital are disclosed in note 23 to the Group financial statements.

41. Other reserves

	2021 £000	2020 £000
Treasury shares	1,189	1,189
Joint Share Ownership Plan	7,840	7,530
Merger reserve	(228)	(228)
Unrealised reserve	(2,021)	(2,021)
Share-based payment reserve	(2,281)	(2,117)
Cash flow hedge reserve	(61)	(185)
Other reserves	**4,438**	**4,168**

The nature and purpose of other reserves' items are disclosed in note 2.18.

A reconciliation of each component of other reserves that has a movement is shown in the note 24.

42. Related party transactions

Transactions between the Company and its subsidiaries are on an arm's length basis or in accordance with local transfer pricing regulations.

The following amounts were outstanding at the reporting date:

	Note	2021 £000	2020 £000
Amounts owed by Subsidiaries	38	8,789	7,720
Amounts owed to Subsidiaries	39	4,536	4,110

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Company information

Website

The Group's main commercial site can be found at *https://www.anpario.com/*

The Group's investor focused page can be found at *https://www.anpario.com/investor/*

The site is regularly updated to provide information about the Group and further links are provided below.

Annual reports - *https://www.anpario.com/investor/annual-reports/*

Regulatory news - *https://www.anpario.com/investor/rns-announcements/*

AGM information - *https://www.anpario.com/investor/shareholder-notices/*

Registrar

Any enquiries concerning your holding of shares should be addressed to the Company's registrar. The registrar should be notified promptly of any change in a shareholder's address or other details. The contact details for the Company's registrar are as below:

Share Registrars Limited

3 The Millennium Centre
Crosby Way
Farnham
Surrey
GU9 7XX
England
Telephone: 01252 821390
Website: *https://www.shareregistrars.uk.com/*

Payment of dividends

Shareholders may find it more convenient to make arrangements to have dividends paid directly into their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post. To set up a dividend mandate or to change an existing mandate, please contact Share Registrars Limited, whose details are above.

Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at *www.moneyadviceservice.org.uk*.

You can find out more information about investment scams, how to protect yourself and report any suspicious telephone calls to the Financial Conduct Authority (FCA) by visiting its website (*www.fca.org.uk/scamsmart/resources*) or contacting the FCA on 0800 111 6768.

Company number

Registered in England and Wales 03345857

Registered office and head office

Manton Wood Enterprise Park
Worksop
Nottinghamshire
S80 2RS
England
Telephone: 01909 537380

Board

Executive Directors

Richard Edwards – Chief Executive Officer
Marc Wilson – Group Finance Director
Karen Prior – Corporate Responsibility Director

Non-executive Directors

Kate Allum – Non-Executive Chairman
Matthew Robinson – Non-Executive Director
Ian Hamilton - Non-Executive Director

Company secretary

Karen L Prior

Stock exchange

London
Code: ANP

Auditor

BDO LLP

Two Snowhill
Birmingham
B4 6GA
England

Nominated adviser and broker

Peel Hunt LLP

7th Floor
100 Liverpool St
London
EC2M 2AT
England
Telephone: 0207 418 8900

Registrar

Share Registrars Limited

3 The Millennium Centre
Crosby Way
Farnham
Surrey
GU9 7XX
England
Telephone: 01252 821390
Website: *https://www.shareregistrars.uk.com/*

AGM

Anpario has published its Notice of AGM, which has been sent to shareholders who have elected to receive them and is available on the Company's website: *www.anpario.com/investor/shareholder-notices/.* The Board plans to hold the AGM at 11.00 am on Thursday 16 June 2022 at Van Dyk by Wildes Hotel, Worksop Road, Clowne, Chesterfield, Derbyshire, S43 4TD.

Global Leaders. Local Experts.

Offices in: Mexico, USA, Brazil, Ireland, UK, Germany, Turkey, UAE, China Malaysia, Thailand, Indonesia, Australia & New Zealand

Anpario's Product Portfolio

Health & Performance

Products that naturally support and maintain gut health. A balanced gut microflora is essential for optimal immune function, digestion and absorption of nutrients to achieve maximum performance.

Feed Quality

Products that will improve feed quality to deliver optimum feed performance.

Toxin Management

Products that help to mitigate problems associated with the potentially harmful effects of a wide range of mycotoxins in found in the feed of livestock and aquaculture.

Hygiene & Insect Control

Products that help to mitigate the risk of feed deterioration, anti-nutrients, pests and poor environmental hygiene. Improving feed and water quality supports gut health to achieve maximum performance.

Head Office
Anpario plc
Manton Wood Enterprise Park,
Worksop, Nottinghamshire, S80 2RS

T +44 (0) 1909 537380
E sales@anpario.com

anpario.com