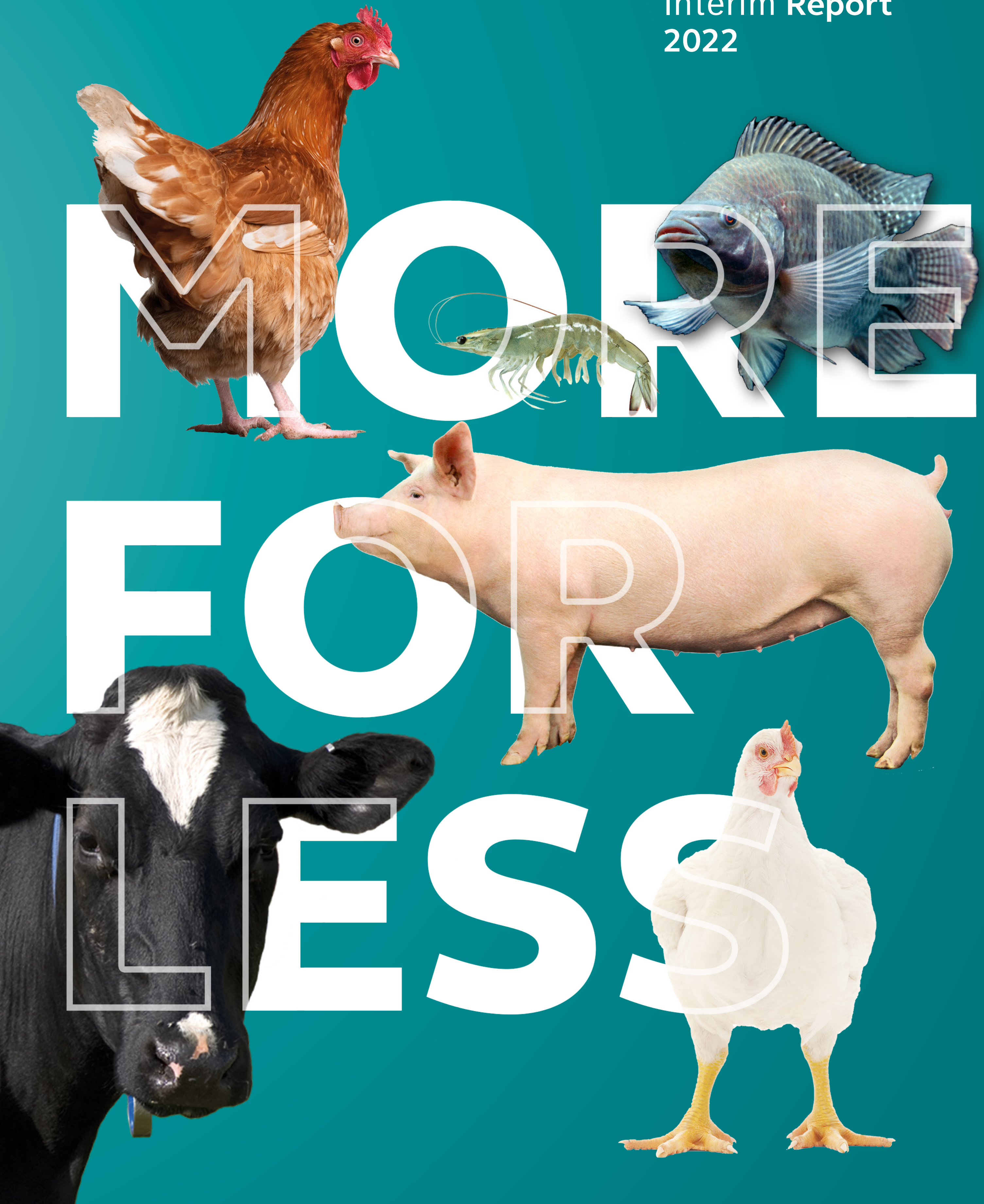
Anpario

Anpario plc
Interim Report 2022



Anpario plc
(“Anpario” or the “Group”)

Interim results

Anpario plc (AIM:ANP), the independent manufacturer of natural sustainable animal feed additives for animal health, nutrition and biosecurity is pleased to announce its interim results for the six months to 30 June 2022.

Highlights

Financial highlights

- 3% increase in sales to £16.5m (2021: £16.0m)
- 10% decrease in adjusted EBITDA[1] to £3.0m (2021: £3.3m)
- Gross margins down to 42% (2021: 50%)
- 17% increase in profit after tax to £2.1m (2021: £1.8m)
- Diluted adjusted earnings per share down 3% to 9.81p (2021: 10.11p)
- 5% increase in interim dividend to 3.15p (2021: 3.00p) per share
- Cash balances of £13.3m at 30 June 2022 (Dec 2021: £15.5m)

Operational highlights

- Sales growth in Asia Pacific, Latin America, Middle East & Africa (MEA) and the United States
- Implementation of sales price increases helped reduce impact of raw material price inflation
- Strong demand for our natural pellet binder Mastercube® for aquaculture
- Our unique acid-based eubiotic brand pHorce® delivered further growth in the US swine sector as the leading anti-viral feed mitigant
- Investment in additional raw material storage at our Manton Wood production facility completed
- New solar panel installation has reduced our electricity purchases by 32%

Kate Allum, Chairman, commented:

“The Board is pleased to report a satisfactory performance given the challenges experienced in the first half of the year. Sales growth was 3% ahead of the prior year period, however adjusted EBITDA[1] declined by 10%, albeit after legal and professional costs in relation to specific acquisition opportunities. The decline in our gross margin is due to the significant and immediate increase in raw material and logistics costs experienced during the period which have been partially mitigated through sales price increases but with an inevitable lag. Our margins, however, have improved in recent months as a result of our actions.

Customers have also been impacted by input cost pressures, notably feed and energy, which is hurting their profitability and in some cases viability. We have, therefore, experienced reduced volumes with these customers in addition to lower volumes in China because of covid lockdowns, and in Russia and Belarus following our decision to cease trading with these countries. The geographic and product diversity of the business has served us well during this period and the investment in raw material storage and finished product stocks around the world has ensured we continue to respond to customer demand.

Our strategy of offering sustainable and environmentally friendly products is helping customers to transition away from anti-biotic growth promoters and some of the harsher chemical treatments used in agriculture. Our research and development are similarly focused on bringing new products to market such as the recent launch of our 100% natural and sustainably sourced omega 3 supplement brand Optomega® Algae.

This performance would not have been possible without the efforts of our staff and other stakeholders across the globe who have maintained composure and continue to focus on implementing our business development initiatives. Cost price inflation appears to have stabilised, although we are mindful that many of our suppliers are dependent on European energy markets and logistics routes are still subject to sporadic disruption.

Maintaining profitability at the same level of last year is going to be challenging in the context of the current macroeconomic and geopolitical headwinds. The second half has started at a similar level as the first but with improved gross margins. However, full-year performance will be determined by trading conditions and events throughout the remainder of the year. The Group is supported by a strong balance sheet and further investment in our global sales channels will help deliver future organic growth.”

Kate Allum, Chairman

[1] Adjusted EBITDA represents operating profit for the period of £2.313m (2021: £2.651m) adjusted for: share based payments and associated costs £0.091m (2021: £0.027m); and depreciation and amortisation charges of £0.604m (2021: £0.647m)

Chief Executive Officer's statement

Overview

Group sales for the six months to 30 June 2022 increased by 3% to £16.5m (2021: £16.0m), helped by a strong recovery in South-East Asia with sales growth of 28% mainly driven by the opening of economies post covid. China, however, delivered a decline in sales of 9% due to covid lockdowns earlier in the period affecting both meat consumption and logistics. Other notable performances were Latin America, United States and the Middle East & Africa (MEA) with sales growth driven by a combination of increased volumes and selling prices.

Group product volumes declined by 6% but the overall increase in Group sales was supported by a rise in weighted-average selling prices of 10% primarily due to implementing price increases to help recover raw material price inflation.

Gross profit decreased by 14% to £6.9m (2021: £8.0m) for the six months to 30 June 2022. Gross margins fell from 50% to 42%, primarily due to significant raw material price inflation and increased logistics costs. The impact of this cost inflation has typically been immediate and although we responded through price increases there has been an inevitable lag in implementation. Even though a proportion of logistics costs are borne by our customers it does impact the gross margin calculation. There was also a change in product mix compared to the same period last year with higher value Orego-Stim® sales declining by 9% partly due to order phasing but also as some customers have either reduced their production output or the use of Orego-Stim® to alleviate inflationary pressures in their supply chain, despite the consequence of animal performance being compromised.

Sales of our natural pellet binder brand Mastercube® grew by 85% benefiting from Latin American aquafeed producers switching to sustainable and environmentally friendly products. Also, sales of our unique acid-based eubiotic brand pHorce® continued to grow in the US, as more swine producers adopt it for anti-viral feed mitigation and as a replacement for zinc oxide in piglet diets.

The first half of the year has certainly been one of the toughest to navigate and despite the impact to our margins our overhead costs have been kept under control whilst still investing in both sales and technical personnel to maintain organic growth opportunities. As such, we have been able to deliver adjusted EBITDA[1] of £3.0m, a decline of 10%, after increased legal and professional costs relating to specific acquisition opportunities. Unfortunately, these did not materialise however, our search for suitable acquisition targets is undimmed.

Operational review

Americas
Overall, the region grew sales by 9% due to increased selling prices with Latin America and the United States (US) delivering growth of 59% and 15% respectively, but there was a decline of 23% in South America due to weaker performances from Brazil and Chile compared to the same period last year.

Latin America performance was strong due to increased demand for our natural pellet binder brand Mastercube® in Ecuador for aquafeed and the joint decision with our distributor to invoice specific larger customers directly where we can benefit from higher levels of credit insurance. In our South America region both Brazil and Chile delivered a decline in sales of 25% and 67% respectively. Chile's performance is related to phasing of orders of Orego-Stim® for sea lice control. Both Argentina and Peru delivered improved performances compared to the same period last year when progress was affected by the pandemic.

US delivered sales growth of 15% on flat volumes due to a combination of increased average selling prices and a change in product mix where increased volumes of our liquid presentation of Orego-Stim® offset declines in our powder version and mycotoxin binder sales. Demand for Orego-Stim® liquid has been stimulated by marketing initiatives we planned with key distributors delivering to individual farms. Sales of pHorce® grew by 157% through a combination of both volume and average selling price increases as more swine producers use it for anti-viral feed mitigation and zinc oxide replacement. Shipping to the US has improved but notwithstanding these disruptions and in anticipation of increased demand through the winter months when bacterial challenges are higher, we have built up our local stockholding across several distribution outlets.

Asia
Overall, sales and volumes in the region increased by 7% and 2% respectively, but there were material differences between Australasia, China and South-East Asia. The reopening of economies in South-East Asia to both tourism and local hospitality helped the region to deliver sales growth of 28%, with strong performances from the Philippines and Malaysia. Our mycotoxin binder range did particularly well which was anticipated because as the region is an importer of grain and high prices typically mean feed mills switch to lower quality grain but then use more mycotoxin binder to

protect the animal from harmful toxins which may be present in the poorer quality raw material. We anticipate that as countries in the South-East Asia region roll back their covid measures that the outlook will continue to improve.

China experienced a decline in sales of 9% with volumes of both Orego-Stim® and our acid-based eubiotic range lower because of reduced meat protein consumption and disruption to logistics during covid lockdown periods. Since the period end, we have seen some recovery in China and the team is beginning to target the aquaculture sector, but we remain cautious given the policy towards managing covid in the country.

Sales across Australasia, which covers Australia, New Zealand and Papua New Guinea, declined by 28% compared to the same period last year with demand generally down across most products as farmers, under pressure from high input and freight costs, look for cash savings. Our mould control product sales were affected as raw material and feed exports from Australia were curtailed due to the disruption in global shipping movements. However, the territory has had a good start to the second half as the situation has improved.

The Middle East, Africa and India
Sales and volumes in the region grew by 12% and 24% respectively, with strong performances from Iraq, Egypt and Saudi Arabia compared to the same period last year. The region was materially impacted by the pandemic and so it is encouraging to see an improvement which we expect to continue. Sales of enzymes, mycotoxin binders and pellet binders all contributed to the improved performance.

Europe
Sales in Europe declined by 15% compared to the same period last year primarily affected by a reduction in volumes of our feed hygiene product where the increase in organic acid costs made the product less viable to use in large quantities. In addition, the very dry weather has reduced the level of bacterial contamination in the raw material. Combined sales to Russia and Belarus are down £0.1m due to our decision to cease trading with these countries. Several smaller territories including Estonia, Bulgaria, Austria and Denmark delivered growth which helped limit the overall impact.

We have recently recruited additional sales resource covering the UK and Poland where we consider there are further growth opportunities.

Innovation and development
Our research and development activities continue to focus on environmentally friendly and sustainable solutions for adoption by global food producers. The industry is moving away from the use of harmful applications such as formaldehyde and zinc oxide for antimicrobial control and a number of Anpario's products are proven to be effective replacements. Recent trial work performed in Brazil demonstrated encouraging results when Orego-Stim® was used in the absence of monensin, an anti-biotic widely used in ruminant feeds, in beef cattle. Similar field trials are also being conducted on calves in Australia to reduce cryptosporidia. These field trials align with our recent UK patent grant for Orego-Stim® which shows the natural oregano oil composition reduces the proportion of bacteria in the gut that have antimicrobial resistance, when added to the diet of young cattle.

Aquaculture trial work is currently underway in Barramundi hatcheries located in Humpty Doo, a small town in Australia's Northern Territory. Known for its sustainable production, Barramundi are being fed a combination of Orego-Stim® and pHorce® for general health and bacterial control. Results so far are very encouraging leading to reduced stress and improved recovery when transferring fish to different tanks which overall leads to reduced mortality. The next phase is to demonstrate further benefit during the grow-out phase where significant feed volumes are consumed.

Orego-Stim® is a very versatile product due to the presence of many natural essential oil compounds, which is the benefit of using a 100% natural product. Work in the US is proving that by using Orego-Stim® we can reduce 3% of the protein in the diet and maintain animal performance. At this level the savings from simply the reduction in feed ration costs pay for the inclusion of Orego-Stim®, not to mention the additional benefits from improved animal performance, feed conversion, and the replacement of anti-biotic growth promoters. The work is continuing to reduce protein content even further, which helps improve overall sustainability of the global agriculture industry.

Outlook
The second half has started at a similar level as the first with a welcome improvement in gross margins. We are mindful that inflationary cost pressures persist, and the global energy crisis may have further consequences on our supply base in the near term. Therefore, maintaining profitability at the same level as in the prior year will depend on the performance in the remaining months. However, our leading products consistently demonstrate a return on investment in our customers' operations and the growth drivers across the meat protein industry remain intact. Our recent investments in both storage of raw material and global inventory ensures we can continue to supply our customers.

Our geographic and product diversity gives us a degree of confidence in the future profitable development of the Group supported by our innovative developments and strong balance sheet. Expanding our sales teams and channels around the world combined with product development complemented by the search for suitable acquisitions will remain priorities for the Group.

Richard Edwards
Chief Executive Officer
14 September 2022

Key performance indicators

Financial

	Note	**H1 2022 £000**	H1 2021 £000	*change*	*% change*
Revenue	3	16,471	15,963	*+508*	*+3%*
Gross profit		6,900	8,045	*-1,145*	*-14%*
Gross margin		41.9%	50.4%	*-8.5%*	
Adjusted EBITDA	6	3,008	3,325	*-317*	*-10%*
Profit before tax		2,361	2,673	*-312*	*-12%*
Diluted adjusted earnings per share	12	9.81p	10.11p	*-0.30p*	*-3%*
Interim dividend		3.15p	3.00p	*+0.15p*	*+5%*
Cash and cash equivalents		13.320	14,601	*-1,281*	*-9%*
Net assets		41,973	39,468	*+2,505*	*+6%*

Financial review

Revenue and gross profits

Revenue for the period grew by 3% to £16.5m (2021: £16.0m), with growth flat on a constant exchange rate basis. Volumes overall were 6% lower than the prior year, the biggest contributor to this being a reduction in sales of our Acid-based Eubiotics (ABE) range that have been most significantly impacted by acute raw material price inflation. Excluding ABE's, volumes overall increased by 2%.

Sales growth was achieved in three of the four geographic segments, Americas, Asia and MEA with only Europe experiencing a decline in sales. There was a welcome recovery of sales in both South-East Asia and Middle-East after reduced sales through the pandemic. Detailed commentary on the performance of the operating segments is available in the Chief Executive Officer's Statement.

During the period there was a 14% decrease in gross profit to £6.9m (2021: £8.0m) and gross margins fell to 41.9% (2021: 50.4%), full year margins for 2021 were 48.7%. The most significant factor reducing margins has been the continuation of raw material price inflation pressures as discussed in the annual report. This has taken two forms, with both a general level of higher-than-normal inflation as well as some inputs experiencing significant cost increases. Where we have seen significant cost increases, for products like our ABE range, then we continue to try and balance customer demand and sales volumes with profit and margins, and as such we have absorbed some margin pressure.

Added to this, there has been a reduction in sales of Orego-Stim®, some of this has been related to timing of larger customer orders but also related to a reduction in our customers production output or use-rate and therefore requirement for the product. Orego-Stim® is a lower volume, higher value product than other ranges and so this product mix change has had a negative impact on both sales and profit.

Successive prices increases have been implemented as cost increases have been notified to us, but these can take longer, particularly with longer-planned international orders, to take effect than the often-instant cost increases that we have been experiencing. In the final month of first half of the year we experienced improved margins as a result of both the full implementation of price rises for the period and an increase in volumes of Orego-Stim®.

Energy costs
As already highlighted, through the Solar Panel installation earlier in the year we are now generating our own electricity. Along with energy reduction initiatives, this has through the first half of the year enabled us to reduce electricity purchases by 32% to 201,619 kwH (2021: 296,602 kwH). Some of the electricity created by the panels is also being exported back into the grid when there is more being generated than needed on site. Also, the electricity that we are purchasing is on a long-term fixed contract that has been in place since before the recent spike in prices.

At our Manton Wood site we have completed a number of projects to reduce our already very low natural gas usage by 70% to 9,096 kwH (2021: 29,990 kwH).

Administrative expenses
Administrative expenses were 15% lower at £4.6m (2021: £5.4m). Several factors have contributed to this decline in costs including lower incentive provisions for the current period's results, foreign exchange gains and higher levels of staff capitalisation to R&D projects for which activity has started to increase again following a slowdown in activity through COVID.

Some costs did increase over the prior period including travel expenditure for which activity is still normalising and higher share-based payment charges following the introduction of the new LTIP structure announced in March.

In addition, in excess of recurring costs associated with the on-going search and evaluation of acquisition opportunities, we incurred non-recurring costs of £0.2m on due diligence fees related to an acquisition opportunity that was unfortunately unsuccessful.

Foreign exchange
The Group's primary foreign currency exchange rate risk relates to both sales and related receivables denominated in US Dollars, for which there has been significant movement in the period. The average rate experienced for GBP/USD has reduced from 1.3890 in the prior period to 1.2936 in the first six months of the current year, with a rate at 30 June of 1.2160. As such there has been a beneficial impact, both in terms of USD sales being converted at a more favourable rate, but also through the revaluation of receivables denominated in that currency.

As previously discussed, we actively take steps to mitigate the downside-risks related to adverse GBP/USD exchange rate movements through the use of hedging contracts. These protect a large portion of the forecasted net US Dollar cash flows over the next three years. The contracts protect cash flows at a higher rate than those at the end of the period, and as such currently have a net fair value of a £1.3m liability. Of this amount, £0.2m has been recognised in the income statement, with £1.1m deferred in equity in accordance with cash-flow hedge accounting. This accounting treatment means that any potential charge unwinds at the same time as the future USD cash flows which it protects, which is over the next three years.

Despite this potential charge, which is dependent on future rates experienced, lower GBPUSD rates should be net beneficial overall in context of the wider gains made on USD denominated sales. Our hedging strategy is in place to mitigate adverse risk and improve certainty about the value of future USD cash flows to aid in matters such as pricing strategies.

Taxation
The effective tax rate for the period was 10.5% (2021: 32.4%). The prior year charge was materially higher due to changes to UK corporation tax rates on 3 March 2021 the UK government announced an increase to 25%, from 19%, from April 2023. Deferred taxes were remeasured resulting in a deferred tax charge of £0.4m. Excluding these exceptional charges, the underlying effective tax rate for the prior period was 16.9%, a more appropriate comparator to the current period's effective rate of 10.5%.

Contributing factors for the rate being lower in this period include higher expected R&D tax credits and the benefit of the Patent Box scheme, as detailed in the Finance Review for the last annual report. This allows companies to apply a lower rate of corporation tax to profits attributable to qualifying patents, in this case our market leading phytogenic product Orego-Stim®. IFRS accounting standards require tax to be recognised on the most likely outcome. Following work with our tax and patent advisors and some discussions with HMRC then the first computation will be submitted shortly, at which point Her Majesty's Revenue and Customs (HMRC) reserves the right to query the Company's calculations. 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.

Profitability and earnings per share
Adjusted EBITDA has been restated for the prior year following the decision made for the annual report to no longer exclude the impact of foreign exchange gains and losses. Adjusted EBITDA for the period decreased by 10% to £3.0m (2021: £3.3m). Profit before tax decreased by 12% to £2.4m (2021: £2.7m).

Diluted adjusted earnings per share, also restated to no longer exclude foreign exchange gains and losses, decreased by 3% to 9.81p (2021: 10.11p), this was driven by a lower underlying effective tax rate. Basic earnings per share increased 17% to 10.33p (2021: 8.84p), which increased due to the prior year having an exceptional deferred tax charge due to the future change in tax rates to 25%.

Cash flow

Operating cash flows before changes in working capital were £3.4m (2021: £3.5m) in the period. Changes in working capital absorbed £4.5m (2021: £3.6m), this was mainly due to a £2.1m increase in inventories and a £2.1m decrease in trade and other payables. The trade and other payables declined in part due to the completion of outstanding CAPEX projects from the end of the prior year and lower provision levels.

The higher inventory levels are partly affected by inflation, but there has also been an increase in raw materials due to higher onsite storage to manage supply chain risks and strategic buying of certain key materials. In terms of finished goods stock, which is predominantly held in our subsidiaries, then across most territories' levels were consistent or lower than at the year end, after the build-up of stock last year. However, we have increased our stocks of finished goods in the USA ahead of the winter season for certain product lines to ensure adequate stock levels to expand sales to new customers as shipping availability is still constrained. As well as additional stock being held to support our recently established Mexican subsidiary.

Net cash used in investing activities increased over the same period last year to £1.0m (2021: £0.5m), this related to the completion of projects that were in the course of construction and committed to at the end of last year.

Overall, cash and cash equivalents decreased by £2.2m in the period to a balance of £13.3m (Dec 2021: £15.5m). The primary purpose of holding these resources is to fund future acquisitions and we continue to explore suitable opportunities.

Dividend

The Board has approved an interim dividend of 3.15 pence per share (2021: 3.00 pence), an increase of 5%. This dividend, payable on 25 November to shareholders on the register on 11 November, reflects the Board's continued confidence in the Group and its ability to generate cash.

Consolidated statement of comprehensive income

for the six months ended 30 June 2022

	Note	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Revenue	3	**16,471**	**15,963**	**33,367**
Cost of sales		(9,571)	(7,918)	(17,106)
Gross profit		**6,900**	**8,045**	**16,261**
Administrative expenses		(4,587)	(5,394)	(10,610)
Operating profit		**2,313**	**2,651**	**5,651**
Depreciation and amortisation		604	647	1,273
Adjusting items	4	91	27	53
Adjusted EBITDA	4	**3,008**	**3,325**	**6,977**
Net finance income	5	48	22	50
Profit before tax		**2,361**	**2,673**	**5,701**
Income tax		(249)	(867)	(1,018)
Profit for the period		**2,112**	**1,806**	**4,683**
Items that may be subsequently reclassified to profit or loss:				
Exchange difference on translating foreign operations		423	(29)	(12)
Cashflow hedge movements (net of deferred tax)		(967)	68	(124)
Total comprehensive income for the period		**1,568**	**1,845**	**4,547**
Basic earnings per share	6	10.33p	8.84p	22.92p
Diluted earnings per share	6	9.60p	8.20p	21.16p
Adjusted earnings per share	6	10.56p	10.90p	24.92p
Diluted adjusted earnings per share	6	9.81p	10.11p	23.01p

Consolidated statement of financial position

As at 30 June 2022

	Note	as at 30 June 2022 £000	as at 30 June 2021 £000	as at 31 December 2021 £000
Intangible assets	7	11,360	11,349	11,295
Property, plant and equipment	8	5,066	4,247	4,603
Right of use assets	9	52	65	81
Deferred tax assets		1,622	1,175	1,352
Derivative financial instruments		26	489	108
Non-current assets		**18,126**	**17,325**	**17,439**
Inventories	10	10,426	6,739	7,578
Trade and other receivables		7,323	6,507	6,873
Derivative financial instruments		17	419	335
Current income tax assets		120	-	214
Cash and cash equivalents		13,320	14,601	15,545
Current assets		**31,206**	**28,266**	**30,545**
Total assets		**49,332**	**45,591**	**47,984**
Lease liabilities		(23)	(42)	(17)
Derivative financial instruments		(1,249)	-	(157)
Deferred tax liabilities		(2,063)	(2,106)	(2,264)
Non-current liabilities		**(3,335)**	**(2,148)**	**(2,438)**
Trade and other payables		(3,868)	(3,709)	(5,172)
Lease liabilities		(32)	(27)	(68)
Derivative financial instruments		(124)	(10)	(4)
Current income tax liabilities		-	(229)	-
Current liabilities		**(4,024)**	**(3,975)**	**(5,244)**
Total liabilities		**(7,359)**	**(6,123)**	**(7,682)**
Net assets		**41,973**	**39,468**	**40,302**
Called up share capital		5,448	5,433	5,446
Share premium		11,577	11,241	11,547
Other reserves		(7,261)	(6,449)	(6,788)
Retained earnings		32,209	29,243	30,097
Total equity		**41,973**	**39,468**	**40,302**

Consolidated statement of changes in equity

for the six months ended 30 June 2022

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 Jan 2021	**5,426**	**11,148**	**(6,506)**	**27,437**		**37,505**
Profit for the period	-	-	-	1,806	-	1,806
Currency translation differences	-	-	(29)	-	-	(29)
Cash flow hedge reserve	-	-	68	-	-	68
Total comprehensive income for the period	-	-	39	1,806	-	1,845
Issue of share capital	7	93	-	-	-	100
Share-based payment adjustments	-	-	18	-	-	18
Transactions with owners	7	93	18	-	-	118
Balance at 30 Jun 2021	**5,433**	**11,241**	**(6,449)**	**29,243**	**-**	**39,468**
Profit for the period	-	-	-	2,877	-	2,877
Currency translation differences	-	-	17	-	-	17
Cash flow hedge reserve	-	-	(192)	-	-	(192)
Total comprehensive income for the period	-	-	(175)	2,877	-	2,702
Issue of share capital	13	306	-	-	-	319
Joint-share ownership plan	-	-	(310)	-	-	(310)
Share-based payment adjustments	-	-	18	-	-	18
Deferred tax regarding share–based payments	-	-	128	-	-	128
Final dividend relating to 2020	-	-	-	(1,372)	-	(1,372)
Interim dividend relating to 2021	-	-	-	(651)	-	(651)
Transactions with owners	13	306	(164)	(2,023)	-	(1,868)
Balance at 31 Dec 2021	**5,446**	**11,547**	**(6,788)**	**30,097**	**-**	**40,302**
Profit for the period	-	-	-	2,112	-	2,112
Currency translation differences	-	-	423	-	-	423
Cash flow hedge reserve	-	-	(967)	-	-	(967)
Total comprehensive income for the year	-	-	(544)	2,112	-	1,568
Issue of share capital	2	30	-	-	-	32
Share-based payment adjustments	-	-	71	-	-	71
Transactions with owners	2	30	71	-	-	103
Balance at 30 Jun 2022	**5,448**	**11,577**	**(7,261)**	**32,209**	**-**	**41,973**

Consolidated statement of cash flows

for the six months ended 30 June 2022

	Note	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Operating profit for the period		2,313	2,651	5,651
Depreciation, amortisation and impairment	4	604	647	1,273
Loss on disposal of property, plant and equipment	8	-	-	(2)
Share-based payments		71	18	36
Fair value adjustment to derivatives		419	156	533
Operating cash flows before changes in working capital		**3,407**	**3,472**	**7,491**
Increase in inventories		(2,137)	(1,921)	(2,759)
(Increase)/decrease in trade and other receivables		(249)	(488)	(915)
(Decrease)/increase in trade and other payables		(2,125)	(1,141)	375
Changes in working capital		**(4,511)**	**(3,550)**	**(3,299)**
Cash generated by operations		**(1,104)**	**(78)**	**4,192**
Income tax paid		(361)	(619)	(1,047)
Net cash from operating activities		**(1,465)**	**(697)**	**3,145**
Purchases of property, plant and equipment	8	(701)	(336)	(917)
Proceeds from disposal of property, plant and equipment		-	4	6
Payments to acquire intangible assets	7	(395)	(191)	(506)
Interest received	5	49	24	54
Net cash used in investing activities		**(1,047)**	**(499)**	**(1,363)**
Joint share ownership plan		-	-	(310)
Proceeds from issuance of shares		32	100	419
Cash payments in relation to lease liabilities		(32)	(60)	(89)
Operating lease interest paid	5	(1)	(2)	(4)
Dividend paid to Company's shareholders		-	-	(2,023)
Net cash from financing activities		**(1)**	**38**	**(2,007)**
Net (decrease)/increase in cash and cash equivalents		**(2,513)**	**(1,158)**	**(225)**
Effect of exchange rate changes		288	(61)	(50)
Cash and cash equivalents at the beginning of the period		15,545	15,820	15,820
Cash and cash equivalents at the end of the period		**13,320**	**14,601**	**15,545**

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.

2. Basis of preparation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2022.

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

Full details on the basis of the accounting policies used are set out in the Group's financial statements for the year ended 31 December 2021, which are available on the Company's website at www.anpario.com. There are not expected to be any changes to the accounting policies and the same policies are expected to be applicable for the year ended 31 December 2022.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 16 March 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2022 is neither audited nor reviewed.

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. Inter-segment revenue is charged at prevailing market prices or in accordance with local transfer pricing regulations.

for the six months ended 30 Jun 2022	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	4,390	6,568	8,967	1,792	-	21,717
Inter-segment revenue	-	-	(5,246)	-	-	(5,246)
Revenue from external customers	**4,390**	**6,568**	**3,721**	**1,792**	**-**	**16,471**
Depreciation and amortisation	(2)	(27)	(6)	(2)	(567)	(604)
Net finance income	-	-	-	-	48	48
Profit before tax	**2,162**	**1,763**	**1,274**	**384**	**(3,222)**	**2,361**

for the six months ended 30 Jun 2021	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	4,033	6,111	11,045	1,446	-	22,635
Inter-segment revenue	-	-	(6,672)	-	-	(6,672)
Revenue from external customers	**4,033**	**6,111**	**4,373**	**1,446**	**-**	**15,963**
Depreciation and amortisation	(1)	(30)	(5)	(2)	(609)	(647)
Net finance income	-	-	-	-	22	22
Profit before tax	**1,616**	**1,703**	**1,654**	**505**	**(2,805)**	**2,673**

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 before tax	**3,149**	**3,406**	**3,838**	**1,212**	**(5,904)**	**5,701**

4. 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 the level of volatility.

	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Operating profit	**2,313**	**2,651**	**5,651**
Share-based payments	91	27	53
Total adjustments	**91**	**27**	**53**
Adjusted operating profit	**2,404**	**2,678**	**5,704**
Depreciation and amortisation	604	647	1,273
Adjusted EBITDA	**3,008**	**3,325**	**6,977**

	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Adjusted operating profit	**2,404**	**2,678**	**5,704**
Income tax expense	(249)	(867)	(1,018)
Effect of changes to future tax rates	-	416	540
Impact of prior year Patent Box tax reduction	-	-	(137)
Income tax impact of adjustments	4	-	3
Adjusted profit after tax	**2,159**	**2,227**	**5,092**

5. Net finance income

	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Interest receivable on short-term bank deposits	49	24	54
Finance income	**49**	**24**	**54**
Lease interest paid	(1)	(2)	(4)
Finance costs	**(1)**	**(2)**	**(4)**
Net finance income	**48**	**22**	**50**

6. Earnings per share

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

	six months to 30 June 2022	six months to 30 June 2021	year ended 31 December 2021
Profit for the year (£000's)	2,112	1,806	4,683
Weighted average number of shares in issue	20,445,907	20,423,732	20,429,730
Number of dilutive shares	1,553,198	1,611,463	1,697,602
Weighted average number for diluted earnings per share	21,999,105	22,035,195	22,127,332
Basic earnings per share	**10.33p**	**8.84p**	**22.92p**
Diluted earnings per share	**9.60p**	**8.20p**	**21.16p**

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

	Note	six months to 30 June 2022	six months to 30 June 2021	year ended 31 December 2021
Adjusted profit attributable to owners of the Parent (£000's)	4	2,159	2,227	5,092
Weighted average number of shares in issue		20,445,907	20,423,732	20,429,730
Number of dilutive shares		1,553,198	1,611,463	1,697,602
Weighted average number for diluted earnings per share		21,999,105	22,035,195	22,127,332
Adjusted earnings per share		**10.56p**	**10.90p**	**24.92p**
Diluted adjusted earnings per share		**9.81p**	**10.11p**	**23.01p**

7. Intangible assets

	Goodwill	Brands and developed products	Customer relationships	Patents, trademarks and registrations	Development costs	Software and Licenses	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
As at 1 January 2022	5,960	4,553	786	1,807	806	797	14,709
Additions	-	31	-	73	289	2	395
Foreign exchange	-	-	-	1	-	-	1
As at 30 June 2022	**5,960**	**4,584**	**786**	**1,881**	**1,095**	**799**	**15,105**
Accumulated amortisation							
As at 1 January 2022	-	992	722	1,068	-	632	3,414
Charge for the year	-	137	18	110	-	66	331
As at 30 June 2022	**-**	**1,129**	**740**	**1,178**	**-**	**698**	**3,745**
Net book value							
As at 1 January 2022	5,960	3,561	64	739	806	165	11,295
As at 30 June 2022	**5,960**	**3,455**	**46**	**703**	**1,095**	**101**	**11,360**

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 January 2022	1,921	3,801	526	844	7,092
Additions	18	26	22	635	701
Transfer of assets in construction	132	1,046	2	(1,180)	-
Disposals	-	-	(14)	-	(14)
Foreign exchange	-	-	4	-	4
As at 30 June 2022	**2,071**	**4,873**	**540**	**299**	**7,783**
Accumulated depreciation					
As at 1 January 2022	313	1,811	365	-	2,489
Charge for the year	22	182	35	-	239
Disposals	-	-	(14)	-	(14)
Foreign exchange	-	-	3	-	3
As at 30 June 2022	**335**	**1,993**	**389**	**-**	**2,717**
Net book value					
As at 1 January 2022	1,608	1,990	161	844	4,603
As at 30 June 2022	**1,736**	**2,880**	**151**	**299**	**5,066**

9. Right-of-use assets

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
As at 1 January 2022	270	3	273
Modification to lease terms	2	-	2
Foreign exchange	17	-	17
As at 30 June 2022	**289**	**3**	**292**
Accumulated depreciation			
As at 1 January 2022	191	1	192
Charge for the year	33	1	34
Foreign exchange	14	-	14
As at 30 June 2022	**238**	**2**	**240**
Net book value			
As at 1 January 2022	79	2	81
As at 30 June 2022	**51**	**1**	**52**

10. Inventories

	six months to 30 June 2022 £000	six months to 30 June 2021 £000	year ended 31 December 2021 £000
Raw materials and consumables	3,562	1,979	2,366
Finished goods and goods for resale	6,864	4,760	5,212
Inventory	**10,426**	**6,739**	**7,578**