Final Results

WYNNSTAY GROUP PLC

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

Final Results
For the year ended 31 October 2020

Resilient results in an unprecedented year of challenges

Key points

Financial

- Resilient results in a year of unprecedented challenges for the sector
  - historically poor 2019 autumn planting season and 2020 UK harvest at 20 year low
  - subdued farmer confidence and investment, reflecting weaker farmgate prices in H1 and Brexit uncertainty
  - coronavirus pandemic
- Revenue of £431.40m (2019: £490.60m), affected by commodity deflation and reduced volumes in certain traded commodities, in particular grain
- Increase in underlying pre-tax profit*, up 4% to £8.37m (2019: £8.01m)/ Reported PBT of £6.98m (2019: £7.55m)
- Basic earnings per share, including non-recurring items, of 27.73p (2019: 30.95p)
- Net cash at year end increased to £8.42m; £14.71m before IFRS 16 implementation (31 October 2019: £3.84m before IFRS 16 implementation)
- Net assets increased to £98.18m/£4.92 per share at year end (31 October 2019: £94.95m/ £4.79 per share)
- Proposed final dividend of 10.00p (2019: 9.40p), taking total for the year to 14.60p (2019: 14.00p), a 4.3% rise

Operational

- Agriculture Division - revenue of £302.58m (2019: £358.69m), profit of £2.88m (2019: £2.95m)
  - feed activity performed very well - improved gross margin, with manufactured volumes in line with last year
  - arable activity was affected by lower demand for arable inputs and reduced volumes of grain available for trading, reflecting very poor autumn planting and harvest
  - Glasson activity delivered a solid performance
- Specialist Agricultural Merchanting Division - revenue of £128.81m (2019: £131.84m), profit increased 10% to £5.78m (2019: £5.24m)
  - like-for-like sales were just 1% lower, helped by a stronger H2
  - margins enhanced by ongoing efficiency programme, and network optimisation continued
- Continued focus on strengthening specialist advisory teams across all our sectors
- Reorganisation of management structure in H2; new roles and reporting lines to support growth plans
- Significant investment programme started in FY2021 to increase feed manufacturing capacity and improve productivity

Outlook

- Farmer confidence significantly improved with EU trade deal and stronger farmgate prices
- UK Agriculture Bill creates significant opportunities with farmers now incentivised for efficiency and environment initiatives
- Trading in the new financial year is in line with management expectations

*****_Underlying pre-tax profit is a non-GAAP (generally accepted accounting principles) measure and is not intended as a substitute for GAAP measures and may not be calculated in the same way as those used by other companies. Refer to Note 14 for an explanation on how this measure has been calculated and the reasons_ *for its use.*

Gareth Davies, Chief Executive of Wynnstay, commented:

"*Wynnstay's strengths have been clearly demonstrated in what was an exceptionally difficult year for both the agricultural sector and wider society. Our resilient results reflect well on our balanced business model, strong financial management and recent growth initiatives.*

"The new financial year has started well, and Wynnstay's performance is in line with management expectations. We remain focused on developing our channels to market, investing to build capacity and capability, particularly advisory, and implementing efficiencies.

"Stronger farmgate prices, the EU settlement and UK Agricultural Bill continue to buoy sentiment across the farming sector. We believe that Wynnstay is in an excellent position to help farmers adapt to new priorities set by the Agricultural Bill, and look to the future with confidence".

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CHAIRMAN'S REPORT

Overview

The Group has delivered a very resilient trading performance in an unprecedented year of challenges. Underlying pre-tax profit* increased by 4% to £8.37m (2019: £8.01m) on revenues of £431.40m (2019: £490.60m). This pleasing result, which is ahead of original market expectations, was helped by a strong close to the year, particularly for feed sales, which benefited both the Agricultural Division and Specialist Agricultural Merchanting Division. It also reflects well on the Group's strategy, which is focused on further developing existing products and services, strengthening channels to market, and improving efficiency and productivity. Our balanced business model, which spans both arable and livestock sectors, also provided a strong natural hedge to the sector variations experienced in the year.

The challenges over the financial year were significant even without the coronavirus crisis. We started the financial year with subdued farmer confidence, arising from lower farmgate prices and continuing Brexit uncertainty. The abnormally wet 2019 autumn severely disrupted planting, resulting in one of the worst seasons on record and consequently low demand for arable inputs and a historically poor autumn harvest and reduced grain trading. The onset of the coronavirus pandemic created further difficulties. However, our teams responded magnificently and, as an essential service provider, we worked hard to rapidly adopt new safety practices so that we could continue to operate all our sites while ensuring the welfare of our colleagues, customers, suppliers and communities. Other than for a short period when a handful of depots were closed, we have kept all our depots, manufacturing and processing facilities open and operating in line with government restrictions.

Despite the additional demands of responding to the pandemic, we made good progress with strategic growth initiatives. We continued with our outlet optimisation programme, closing two sites, and have further strengthened our specialist advisory teams, particularly in youngstock, animal health, dairy and free range egg production, all of which are growth areas for the Group. We have also introduced a sales trading desk to support our on-farm specialists, and will be continuing to focus on developing our channels to market, including digital. With the expiry of our lease on our Selby seed plant in Yorkshire, we closed this site in December and are exploring options for a new site. We are also planning to invest in our seed processing plant at Astley in Shrewsbury to increase capacity and efficiency.

Towards the end of the financial year, we put into effect a reorganisation of the Group's management structure. These changes encompassed the creation of new management roles with new designated areas of responsibility and reporting lines. The new management structure will better support our growth plans for the business and strengthen our operational effectiveness. We expect to conclude this significant major initiative over the coming months.

Financial Results

Group revenue decreased by 12% to £431.40m (2019: £490.60m), which mainly reflected commodity price deflation and significantly reduced volumes in certain categories, notably grain trading. The impact was felt most by the Agriculture Division, where revenue was down by 16% to £302.58m (2019: £358.69m). Revenue in the Specialist Agricultural Merchanting Division was 2% lower at £128.81m (2019: £131.84m). This mainly reflected the impact of restricted trading protocols, introduced at the start of the coronavirus crisis. Like-for-like sales for this Division reduced by 1%.

Underlying pre-tax* profit, the Board's preferred alternative performance measure, which includes the gross share of results from joint ventures and excludes share-based payments and non-recurring items, increased by 4% to £8.37m (2019: £8.01m). The Agriculture Division contributed £2.88m (2019: £2.95m) to this result, which included contributions from joint ventures, and the Specialist Agricultural Merchanting Division contributed £5.78m (2019: £5.24m). Other activities generated a small loss of £0.12m (2019: loss of £0.05m). On an IFRS basis, reported profit before taxation was £6.98m (2019: £7.55m).

The Group incurred a number of additional charges in the year, mainly relating to its strategic reorganisation, but also including site closure charges and goodwill impairments charges. Together these amounted to £1.19m (2019: £0.3m).

The Group adopted the new accounting standard, IFRS 16, relating to leases, which replaces rental expense with right-of-use asset amortisation and interest. As a result, reported net finance costs increased by £0.09m to £0.27m (2019: £0.18m excluding IFRS 16).

Profit after taxation was £5.53m (2019: £6.13m), and basic earnings per share was 27.73p (2019: 30.95p).

Cash flows and balance sheet

Continued strong cash generation, together with tight control of working capital, left the business with net cash, before lease obligations, at the financial year-end of £18.41m (31 October 2019: £7.57m). After deducting total lease obligations of £9.99m

(2019: £3.72m excluding IFRS 16), total net cash at 31 October 2020 amounted to £8.42m (2019: £3.84m).

The Group's balance sheet remains strong with net assets 3% higher at £98.18m (2019: £94.95m) at the financial year-end. This equates to £4.92 (2019: £4.79) per share, and the return on net assets was 8.6% (2019: 8.5%).

Dividend

The Board is pleased to propose the payment of a final dividend of 10.00p per share. Together with the interim dividend of 4.60p per share, paid on 31 October 2020, this takes the total dividend for the year to 14.60p, an increase of 4.3% on last year (2019: 14.00p).

The final dividend will be paid on 30 April 2021 to shareholders on the register on 6 April 2021, subject to shareholder approval at the AGM. A scrip dividend alternative will continue to be available as in previous years. The last date for election for the scrip dividend will be 16 April 2021.

The Board and Colleagues

On behalf of the Board, I would like to thank all our colleagues for their professionalism and dedication in a very difficult year. The drive to ensure that the business was able to adapt swiftly to the new conditions created by the coronavirus pandemic and to maintain operations, while ensuring the safety of colleagues, customers and suppliers, was outstanding.

Following our reorganisation of operations, Andrew Evans stood down from the Board on 1 December 2020. Nonetheless, he remains a key member of the Senior Executive Team in his new role of Group Operations and Feeds Director. On behalf of my fellow Directors, I would like both to formally acknowledge Andrew's contribution as a member of the Board since 2008, and to welcome his ongoing significant contribution as member of the Senior Executive Team.

Outlook

Now that a non-tariff trade agreement has been concluded with the EU, the picture for UK agriculture is significantly clearer as we start 2021, and a major uncertainty has been removed. We expect to see investment recommence and the sector move forward, with UK food producers also having the ability to seek new markets for agricultural products. The UK Agriculture Bill will change the way that farmers are supported by the Government, and we anticipate that a more resilient agricultural sector will result. We also expect opportunities for Wynnstay to provide support as farmers focus on environmental investment and efficiencies. We therefore view medium and long-term prospects for our industry positively.

Agricultural commodity prices have generally improved over the past 12 months and the short-term outlook remains strong. Winter cereal plantings are significantly greater than a year ago, in line with a more normal sowing season. This will drive demand for arable inputs and yield a larger crop to trade post-harvest.

While the coronavirus and associated restrictions remain a concern, the onset of the national vaccination programme should help to underpin social and economic recovery. We have clear targets for the business over the next few years. These include continuing investment to improve productivity and support growth, and a focus on ensuring that we are best placed to support UK farmers as they pivot to new priorities, including environmental initiatives and the adoption of new farming practices. We see a significant role for Wynnstay in supporting farmers with products and services to help drive sustainability and greater efficiency as well as to reduce carbon emissions, including the management of farm waste.

Our ongoing investment in widening the Group's knowledge base and advisory teams, and the importance we place on innovative products and services by working with our valued suppliers, is integral to positioning Wynnstay as a leading UK agricultural supplier. The reorganisation that we have substantially completed is also part of this strategy, and should support greater innovation and flexibility as we look to develop and grow our channels to market.

The new financial year has started well, and the Board remains confident that the Group is well-placed to progress with its strategic objectives. We will also continue to assess acquisition opportunities that align with our growth strategy, and look to the future with confidence.

Jim McCarthy
Chairman

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CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

Wynnstay's strengths have been clearly demonstrated in what was an exceptionally difficult year for both the agricultural sector and wider society. Farmer confidence at the start of the financial year was low because of weaker farmgate prices and ongoing Brexit-related uncertainties. The highly disrupted autumn planting season in 2019 and the dry, late spring created further difficulties for arable farmers while, from March 2020, the coronavirus pandemic and government sanctions to control virus spread affected farmers across all sectors. Farmgate prices for red meat and milk were especially hit by the initial national lockdown, although they recovered during the year.

Wynnstay's results for the full year are significantly better than our expectations at the time of the interim results following a stronger than anticipated second half of the year. Reduced revenue of £431.40m (2019: £490.60m) principally reflected commodity deflation and decreased volumes of traded commodities, especially grain, feed raw materials and fertiliser. Underlying pre-tax profit at £8.37m was 4% ahead of last year (2019: £8.01m), itself a difficult year for the sector, and we are pleased with this outcome given the circumstances.

The results were underpinned by our robust balance sheet and balanced business model, with its broad spread of products and services, which ensure that we are not unduly exposed to any particular sector. While a weaker performance from arable activities materialised as expected, feed sales performed very well, benefiting both our Divisions. The second half was especially strong for manufactured feed (bulk and bagged) in terms of both volume and gross margins, and we secured new business particularly in the dairy and free range egg sectors. Glasson Grain generated a solid performance, although below last year's record level.

The Specialist Agricultural Merchanting Division delivered a 10% improvement in profit contribution, although sales of some product lines were adversely affected by initial lockdown restrictions. This was helped by the efficiency programme introduced during the last financial year, and which remains under way.

We continued to invest across the Group, and have now started a major three year investment programme at our Carmarthen feed mill. This will significantly increase our manufacturing capacity and improve productivity. We are also considering options for a new seed processing facility. This would replace our former plant at Selby, and in the meantime, we will be investing in our seed processing plant at Astley, in Shropshire to increase capacity and productivity.

Increasingly we are focusing on accelerating our environmental and sustainability agenda, addressing raw materials and products sourcing and carbon impact. We have made progress with utilising bio-diesel for our commercial delivery fleet, and will make further improvements across the business to reduce carbon emissions. In addition, we envisage playing a significant role in supporting our customers with environmental initiatives, which are a key focus of the new UK Agriculture Bill.

In the second half of the year, we substantially completed a significant reorganisation of our operational management, further information on which is provided below.

REORGANISATION

We completed a review of the Group's core organisational structure and implemented a number of changes that will better support the Board's plans for the Group's future growth and development, including our investment programmes.

At the heart of the changes has been a reorganisation of the management of Wynnstay (Agricultural Supplies) Limited, where we have created new senior management roles. These cover Group Operations and Feeds, Arable including GrainLink, and Sales and Marketing. Reporting lines have been reorganised accordingly. We believe this new structure provides for enhanced effectiveness and sales agility. It also supports our multi-channel and environmental and sustainability strategies. I would like to thank Andrew Evans, who is now heading Group Operations and Feeds, for leading this important reorganisation.

REVIEW OF ACTIVITIES

AGRICULTURAL DIVISION

The Agriculture Division manufactures and processes a wide range of agricultural inputs, including feeds, fertiliser and seeds, as well as providing grain-marketing services. Over recent years, the Division has focused on enhancing its offering through specialist advisory teams and this remains a focus.

Divisional revenue was 16% lower at £302.58m (2019: £358.69m), mainly reflecting lower commodity prices and the very poor winter planting season and dry spring, which reduced activity across certain product categories, especially grain, feed raw materials and merchanted fertiliser. The Division's profit contribution reduced by 2% year-on-year to £2.88m (2019: £2.95m).

Feed
We manufacture both ruminant and monogastric products in compounded, blended and meal form. This wide range provides protection against fluctuations in demand. All our manufactured feed is sold under the Wynnstay brand, and in addition to bulk deliveries to farm, a growing percentage of our feed is sold in 20kg or 500kg bagged form, predominantly via our depot network.

Total feed volumes were in line with last year, and gross margins improved, helped by our strong positions in raw materials and production efficiencies.

Compound dairy feed volumes strengthened in the second half of the financial year after a weaker first half and matched last year's level. This reflected the recovery in milk prices after lower demand in the early part of the financial year as a result of good on-farm forage stocks, the mild winter and a drop in demand for liquid milk from the hospitality sector during the coronavirus lockdown. We have also gained new customers following a successful campaign led by our dairy technical team.

Poultry feed sales for the free range egg market continued to grow, and we have further strengthened our specialist poultry team of advisors to drive expansion. Demand from the sheep feed market recovered from the previous year both for breeding sheep feed and lamb finishing rations as farmers chose to market their lambs earlier, in order both to take advantage of higher market prices and before a potential "no-deal" Brexit.

We have continued to focus on the technical knowledge within our teams, and as well as strengthening our poultry team, we have strengthened our specialist teams in dairy, youngstock, beef and sheep. This will support our growth plans in these areas.

We started a significant expansion programme at our Carmarthen feed mill, although its commencement was delayed by the coronavirus pandemic. This major investment will be completed over the next three years. It will significantly increase our feed manufacturing capacity, improve efficiency and support better environmental practices.

Arable Products
It has been a challenging year for our arable activities. This was caused by the exceptionally wet autumn of 2019, which drastically reduced farmers' ability to sow winter cereal crops, and the dry spring that followed, which had a detrimental impact on yields. As a result, demand for fertiliser and other inputs reduced, traded grain volumes contracted, and there was decreased demand for seed in autumn 2020, given the significant carry-over of unsown seed from the prior year. Margins were also squeezed as suppliers chased reduced volumes.

The UK wheat harvest in 2020 was 37.5% lower than the 2019 harvest, the lowest production seen since 1981. While this, together with the reduced oilseed rape crop, dramatically impacted trading volumes for GrainLink, our specialist combinable crop marketing business, the business still made a profitable contribution to the Division's performance. GrainLink is currently considering alternative protein crops to contract with growers. We have also moved grain traders to remote working and closed the Grantham trading office, so reducing costs. With a more normal autumn planting season in 2020, we expect a significantly improved performance from GrainLink in 2021.

Spring cereal seed sales were boosted by farmers turning to spring sowing after the exceptionally poor winter cereals seed planting season, and sales were up 40% on the previous year. With an estimated carry-over of 30% of the 2019 purchased winter cereal seed, as expected, winter 2020 sales were down year-on-year. Margins were also affected by the necessity to purchase seed from third parties because yields of contracted seed were low. Grass seed sales performed above the previous year.

We decommissioned our seed plant in Selby when its lease came up for renewal in December 2020, and are now in the process of identifying a suitable site for a modern, new plant. We will continue to invest at our Astley seed processing plant and will be utilising facilities with collaborative partners in 2021.

National fertiliser usage contracted by approximately 10%, and our own merchanted sales was similarly affected. We have continued to focus on improving our market position, with our suitably qualified FACTS advisors offering expert advice covering all aspects of fertiliser usage. We have also launched a sales trading desk that will offer an additional route to market, complementing our specialist team at Astley.

Looking forward, strong market prices and the large acreage of autumn plantings give us confidence for a significantly improved arable performance in 2021.

Glasson Grain Limited
The Glasson Grain business, which is based at Glasson Dock near Lancaster, comprises three core activities, the supply of feed raw materials, the production and distribution of fertilisers, and the manufacture of added value animal feed products.

Glasson generated a solid performance, in line with management expectations although below last year's outstanding performance.

The fertiliser blending operation manufactured record volumes, with all three sites contributing to this result. Margins came under some pressure as competitors reacted to lower demand, reflected in the 10% reduction in national usage. However, prices recovered in the second half and Glasson remains the second largest blended-fertiliser manufacturer in the UK. Feed raw material volumes were lower than last year, because of both the mild winter and an abundance of grass in the summer period. Our added value animal feed products performed well and although the coronavirus impacted sales to the wild bird market, we secured some additional markets.

The business is well placed for the current financial year.

SPECIALIST AGRICULTURAL MERCHANTING DIVISION

The Specialist Agricultural Merchanting Division trades predominantly through a network of 54 depots but also via additional channels-to-market, including specialist catalogues for the dairy, poultry, beef and sheep sectors, and online. Youngs Animal Feeds is accounted for within this Division. It manufactures and distributes a wide range of equine products, which are sold in Wales and the Midlands through three dedicated outlets and a number of Wynnstay depots.

Divisional revenue was 2% lower at £128.81m (2019: £131.84m), although like-for-like revenue was just 1% down, with the year-on-year reductions mainly reflected the constrictions to trading at the onset of the first national coronavirus-related lockdown. The Division's profit contribution increased by 10% to £5.78m (2019 £5.24m), helped by stronger sales in the second half and previous efficiency initiatives.

Wynnstay Depots and Youngs Animal Feeds
We are pleased with the performance of the depots during a year in which the challenges to normal operations were severe, and included temporary depot closures to the public, a switch over to an "order and collect" only service, and the establishment of a coronavirus-secure environment following Government guidelines to ensure the safety to our employees and customers. Many customers have continued to operate on an "order and collect" basis.

While the wet and mild winter period in the first half impacted sales of certain product categories, such as hardware materials and feed blocks, sales in the second half of the financial year closed strongly. Wynnstay-branded bagged feed sales were very good, helped by a vigorous marketing campaign in our trading area, as were sales of animal health products, milk replacers and fencing products.

Sales and profits at Youngs Animal Feeds were lower year-on-year, affected by the cancellation of horse events due to the coronavirus. However the popularity of our feed range remains high and the business retains a loyal customer base.

We continued with our network optimisation and efficiency programmes. In July, we closed the Wynnstay depot at Salisbury in Wiltshire, taking depot numbers to 54, and, in October, closed the Youngs Animal Feed outlet in Huyton in Merseyside, when its lease came up for renewal. Nonetheless, we were able to retain the majority of both customer bases.

ENVIRONMENTAL INITIATIVES

We continue to push forward with sustainable sourcing and to evaluate the origin of all of our feed raw materials. We are pleased to report that soya within Wynnstay feed rations has moved entirely to sustainable sources.

As part of our strategy to reduce carbon emissions, the majority of our commercial delivery fleet now utilises fuel product with bio-diesel, and we are looking at adaptations to decrease fuel usage. We have also continued with the conversion of the composition of Wynnstay feed bags, which now include a minimum of 30% recyclable plastic. Our feed formulation specialists have introduced lower protein rations and are trialling methane inhibitors to reduce carbon emissions.

Llansantffraid Feed Mill has recently undergone its third annual 'Green Dragon' audit, after first gaining this accreditation in November 2018. We completed the audit and maintained our Level 3 accreditation, with no non-conformances. The accreditation is awarded to organisations that are taking action to understand, monitor and control their impacts on the environment.

JOINT VENTURE AND ASSOCIATE COMPANIES

Wynnstay has three joint venture companies, Bibby Agriculture Limited, Wyro Developments Limited and Total Angling Ltd and one associate company, Celtic Pride Limited. The three JVs performed well during the year and the combined profit contribution from the four businesses was higher year-on-year.

COLLEAGUES

The past year has been exceptionally challenging for all our colleagues and I am extremely proud of their outstanding response during this time, and their commitment to the business. It has meant that we were able to maintain all our operations and provide customers with a continued high level of service. Colleagues have also shown great care regarding the health and welfare of fellow colleagues, customers and suppliers. I look forward to a successful year ahead.

OUTLOOK

The UK's trade deal with the EU has introduced clarity and stability for UK farming and removed an obstacle that has been inhibiting farmer confidence and investment spending. The new UK Agricultural Bill maps out the support that the Government will provide to farmers post-Brexit, and 2021 marks the start of a seven year transition period that will see direct payments reduce and farmers incentivised for efficiency and environmental projects. The continued social and economic impacts of the coronavirus pandemic mean that uncertainties remain. However, we anticipate that farmers will adjust to the new world and invest in their businesses to improve efficiency and productivity while also addressing environmental issues.

Our commitment to the environment and sustainability, both through carbon footprint reduction and steps to source sustainable products and promote precision farming, will help support our customers. It will also ensure that we are playing our part to benefit both the local communities in which we live and work, and society more widely.

A major investment programme in our manufacturing facilities is now under way and will help advance our environmental goals as well as enhancing productivity and efficiency.

The operational reorganisation that we are in the process of completing supports our growth ambitions and in particular has created more focused sales channels. Progress with the development of our digital offering continues.

The new financial year has started well. Stronger farmgate prices towards the end of 2020, along with the EU settlement and UK Agricultural Bill, have helped to buoy sentiment across the farming sector. Wynnstay's performance to date is in line with management expectations, and we believe that our strong financial position and balanced business model puts us in an excellent position to make good progress over the coming year and beyond.

We look to the future with confidence.

Gareth Davies
Chief Executive Officer

WYNNSTAY GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Revenue	2		**431,398**		490,602
Cost of sales			**(370,630)**		(428,621)
Gross profit			**60,768**		61,981
Manufacturing, distribution and selling costs			**(46,033)**		(48,177)
Administrative expenses			**(6,945)**		(6,434)
Other operating income			**351**		385
Adjusted[1] operating profit			**8,141**		7,755
Amortisation of acquired intangible assets and share-based payment expense	4		**(132)**		(77)
Non-recurring items	4		**(1,194)**		(301)
Group operating profit			**6,815**		7,377
Interest income		**164**		164	
Interest expense		**(436)**		(348)	
	3		**(272)**		(184)
Share of profits in joint ventures and associates accounted for using the equity method		**538**		463	
Share of tax incurred by joint ventures and associates		**(100)**		(103)	
	6		**438**		360
Profit before taxation			**6,981**		7,553
Taxation	7		**(1,448)**		(1,421)
Profit for the year and other comprehensive income attributable to the equity holders			**5,533**		6,132
Basic earnings per ordinary share (pence)			**27.73**		30.95
Diluted earnings per ordinary share (pence)			**27.57**		30.95

WYNNSTAY GROUP PLC
CONSOLIDATED BALANCE SHEET

As at 31 October 2020

	Note	2020 £000	2019 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		**14,367**	14,968
Investment property		**2,372**	2,372
Property, plant and equipment		**17,545**	23,225
Right-of-use assets		**11,240**	-
Investments accounted for using equity method		**3,611**	3,175
Intangibles		**225**	261
		49,360	44,001
CURRENT ASSETS			
Inventories		**34,190**	42,239
Trade and other receivables		**55,850**	63,887
Financial assets			
- loan to joint venture		**3,889**	4,413
Cash and cash equivalents	11	**19,980**	10,608
		113,909	121,147
TOTAL ASSETS		**163,269**	165,148

LIABILITIES
CURRENT LIABILITIES

Financial liabilities - borrowings	11	**(1,572)**	(3,686)
Lease liabilities	11	**(3,483)**	-
Trade and other payables		**(52,326)**	(62,113)
Current tax liabilities		**(784)**	(894)
		(58,165)	(66,693)
NET CURRENT ASSETS		**55,744**	54,454
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	11	**-**	(3,078)
Lease liabilities	11	**(6,509)**	-
Trade and other payables		**(141)**	(201)
Deferred tax liabilities		**(276)**	(228)
		(6,926)	(3,507)
TOTAL LIABILITIES		**(65,091)**	(70,200)
NET ASSETS		**98,178**	94,948
EQUITY			
Share capital	10	**5,013**	4,974
Share premium		**30,637**	30,284
Other reserves		**3,525**	3,429
Retained earnings		**59,003**	56,261
TOTAL EQUITY		**98,178**	94,948

WYNNSTAY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 October 2020

Group	**Share capital £000**	**Share premium account £000**	**Other reserves £000**	**Retained earnings £000**	**Total £000**
At 1 November 2018	4,943	29,941	3,377	52,812	91,073
Profit for the year	-	-	-	6,132	6,132
Total comprehensive profit for the year	-	-	-	6,132	6,132
Transactions with owners of the Company, recognised directly in equity:					
Shares issued during the year	31	343	-	-	374
Own shares disposed of by ESOP trust	-	-	3	-	3
Dividends	-	-	-	(2,683)	(2,683)
Equity settled share-based payment transactions	-	-	49	-	49
Total contributions by and distributions to owners of the Company	31	343	52	(2,683)	(2,257)
At 31 October 2019	4,974	30,284	3,429	56,261	94,948
Profit for the year	**-**	**-**	**-**	**5,533**	**5,533**
Total comprehensive income for the year	**-**	**-**	**-**	**5,533**	**5,533**
Transactions with owners of the Company, recognised directly in equity					
Shares issued during the year	**39**	**353**	**-**	**-**	**392**
Dividends	**-**	**-**	**-**	**(2,791)**	**(2,791)**
Equity settled share-based payment transactions	**-**	**-**	**96**	**-**	**96**
Total contributions by and distributions to owners of the Company	**39**	**353**	**96**	**(2,791)**	**(2,303)**
At 31 October 2020	**5,013**	**30,637**	**3,525**	**59,003**	**98,178**

There was no other comprehensive income during the current and prior years and all amounts are derived from continuing operations.

WYNNSTAY GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2020

	Note	**2020 £000**	2019 £000

Cash flows from operating activities			
Cash generated from operations	12	**20,372**	14,756
Interest received		**164**	164
Interest paid		**(436)**	(348)
Tax paid		**(1,510)**	(1,680)
Net cash generated from operating activities		**18,590**	12,892
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**194**	288
Purchase of property, plant and equipment		**(1,058)**	(2,412)
Acquisition of subsidiaries, net of cash acquired		**(125)**	(893)
Own shares disposed of by ESOP trust		**-**	3
Dividends received from joint ventures and associates		**2**	132
Net cash used by investing activities		**(987)**	(2,882)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**392**	374
Lease repayments		**(4,362)**	(1,798)
Repayment of borrowings		**(1,470)**	(1,971)
Dividends paid to shareholders	8	**(2,791)**	(2,683)
Net cash used by financing activities		**(8,231)**	(6,078)
Net increase in cash and cash equivalents		**9,372**	3,932
Cash and cash equivalents at the beginning of the period		**10,608**	6,676
Cash and cash equivalents at the end of the period	11	**19,980**	10,608

WYNNSTAY GROUP PLC

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Changes in accounting policies

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 October 2020, and which have given rise to changes in the Group's accounting policies are:

• IFRS 16 Leases (IFRS 16); and
• IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Details of the impact of IFRS 16 have had are given in note 13 below. The adoption of IFRIC 23 has not had a material impact. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New Standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2020:
• IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
• IFRS 3 Business Combinations (Amendment - Definition of Business)
• Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Wynnstay Group Plc is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

2. SEGMENTAL REPORTING

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

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

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

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

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

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

The Board assesses the performance of the operating segments based on a measure of operating profit. Non-recurring costs and finance income and costs are not included in the segment result that is assessed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements. No segment is individually reliant on any one customer.

The segment results for the year ended 31 October 2020 are as follows:

Year ended 31 October 2020	**Agriculture £000**	**Specialist Agricultural Merchanting £000**	**Other £000**	**Total £000**
Revenue from external customers	**302,580**	**128,807**	**11**	**431,398**
Segment result				
Group operating profit before non-recurring items	**2,411**	**5,728**	**(130)**	**8,009**
Share of results of joint ventures before tax	**471**	**53**	**14**	**538**
	2,882	**5,781**	**(116)**	**8,547**
Non-recurring items				**(1,194)**
Interest income				**164**
Interest expense				**(436)**
Profit before tax from operations				**7,081**
Income taxes (includes tax of joint ventures and associates)				**(1,548)**
Profit for the year attributable to equity shareholders from operations				**5,533**
Segment net assets	**44,867**	**37,623**	**7,272**	**89,762**
Corporate net cash (note 11)				**8,416**
Net assets after corporate net cash				**98,178**

The segment results for the year ended 31 October 2019 are as follows:

Year ended 31 October 2019	Agriculture £000	Specialist Agricultural Merchanting £000	Other £000	Total £000
Revenue from external customers	358,687	131,843	72	490,602
Segment result				
Group operating profit before non-recurring items	2,417	5,240	21	7,678
Share of results of associate and joint ventures before tax	534	4	(75)	463
	2,951	5,244	(54)	8,141
Non-recurring items				(301)
Interest income				164
Interest expense				(348)
Profit before tax				7,656
Income taxes (includes tax of associate and joint ventures)				(1,524)
Profit for the year attributable to equity shareholders				6,132
Segment net assets	47,213	36,097	7,794	91,104
Corporate net debt (note 11)				3,844
Net assets after corporate net cash				94,948

3. FINANCE COSTS

	2020 £000	2019 £000
Interest expense:		
Interest payable on borrowings	**(141)**	(191)
Interest payable on finance leases	**(295)**	(157)
Interest and similar charges payable	**(436)**	(348)
Interest income	**164**	164
Interest receivable	**164**	164
Finance costs	**(272)**	(184)

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

	2020 £000	2019 £000
Amortisation of acquired intangible assets and share-based payments		
Amortisation of intangibles	36	28
Cost of share-based reward	96	49
	132	77
Non-recurring items		
Business re-organisation costs	185	297
Business combination expenses	-	4
Goodwill and Investment impairment	601	-
Huyton store closure costs	256	-
Decommissioning of Selby seed plant	152	-
	1,194	301

Business re-organisation costs relate to the redundancy related expenses of colleagues leaving the business as a result of re-organising operations and was completed during the year.

The goodwill impairment relates to the GrainLink cash generating unit.

Huyton depot store closure costs comprise redundancy costs and costs associated with exiting the leased premises.

Decommissioning of Selby seed plant relates to the costs of vacating a leased property and transferring the plant and machinery to a new location.

5. GROUP OPERATING PROFIT

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

	2020 £000	2019 £000
Staff costs	30,031	30,143
Cost of inventories recognised as an expense	315,785	347,239
Depreciation of property plant and equipment:		
- owned assets	2,290	3,323
Amortisation of right-of-use assets (2019: depreciation of assets held under finance leases)	3,888	290
Amortisation of intangibles	36	28
(Profit) on disposal of fixed assets	(142)	(170)
Loss on disposal of right-of-use asset	25	-
Other operating lease rentals payable	244	3,221

Services provided by the Group's auditor

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

	2020 £000	2019 £000
Audit services - statutory audit	99	93

6. SHARE OF POST-TAX PROFITS OF JOINT VENTURES AND ASSOCIATES

	2020 £000	2019 £000
Share of post-tax profits in joint ventures	438	360
Total share of post-tax profits of joint ventures and associates	438	360

7. TAXATION

	2020 £000	2019 £000
Analysis of tax charge in year		
Current tax		
- Operating activities	1,496	1,502
- Adjustments in respect of prior years	(73)	(50)
Total current tax	1,423	1,452
Deferred tax		
- Accelerated capital allowances	165	(31)
- other temporary and deductible differences	(140)	-
Total deferred tax	25	(31)
Tax on profit on ordinary activities	1,448	1,421

8. DIVIDENDS

	2020 £000	2019 £000
Final dividend paid for prior year	1,870	1,770
Interim dividend paid for current year	921	913
	2,791	2,683

Subsequent to the year end it has been recommended that a final dividend of 10.0p net per ordinary share (2019: 9.40p) be paid on 30 April 2021. Together with the interim dividend already paid on 31 October 2020 of 4.60p net per ordinary share (2019: 4.60p) this will result in a total dividend for the financial year of 14.60p net per ordinary share (2019: 14.00p).

9. EARNINGS PER SHARE

	Basic earnings per share		Diluted earnings per share	
	2020	2019	**2020**	2019
Earnings attributable to shareholders (£000)	**5,533**	6,132	**5,533**	6,132
Weighted average number of shares in issue during the year (number '000)	**19,952**	19,812	**20,070**	19,812
Earnings per ordinary 25p share (pence)	**27.73**	30.95	**27.57**	30.95

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

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

10. SHARE CAPITAL

	2020		2019	
	No. of shares 000	**£000**	No. of shares 000	£000
Authorised				
Ordinary shares of 25p each	**40,000**	**10,000**	40,000	10,000
Allotted, called up and fully paid				
Ordinary shares of 25p each	**20,051**	**5,013**	19,896	4,974

During the year 155,035 shares (2019: 124,212) were issued with an aggregate nominal value of £38,759 (2019: £31,053) and were fully paid up for equivalent cash of £392,135 (2019: £373,457) to shareholders exercising their right to receive dividends under the Company's Scrip dividend scheme.

No other shares were issued (2019: nil).

11. CASH AND CASH EQUIVALENTS, BORROWINGS AND LEASE LIABILITIES

	2020 £000		2019 £000
Current			
Cash and cash equivalents per balance sheet and cash flow	**19,980**		**10,608**
Bank loans and overdrafts due within one year or on demand:			
Secured loans	**(897)**	**(1,457)**	
Loanstock (unsecured)	**(675)**	**(683)**	
Net obligations under finance leases	**-**		**(1,546)**
Financial liabilities - borrowings	**(1,572)**		**(3,686)**
Non-property leases	**(1,473)**		**-**
Property leases	**(2,010)**		**-**
Lease liabilities	**(3,483)**		**-**
Total current net cash and lease liabilities	**14,925**		**6,922**
Non-current			
Bank loans:			
Secured loans	**-**	**(902)**	
Net obligations under finance leases	**-**		**(2,176)**
Financial liabilities - borrowings	**-**		**(3,078)**
Non-property leases	**(2,228)**		-
Property leases	**(4,281)**		-
Lease liabilities	**(6,509)**		-
Total non-current net debt and lease liabilities	**(6,509)**		(3,078)
Total net cash and lease liabilities	**8,416**		**3,844**
Memo: total net cash and lease liabilities excluding property leases	***14,707***		***3,844***

All amounts are denominated in GBP and are at book and fair value. The Loanstock is redeemable at par at the option of the Company. Interest of 0.5% (2019: 1.5%) per annum is payable to the holders.

• Cash and cash equivalents
Cash and cash equivalents are all cash at bank and held with HSBC Bank Plc, except for £311,000 (2019: £148,000) which is held at INTL FC Stones for futures trading. HSBC Bank Plc's credit rating per Moody's is A2 (2019: Aa3).

• Bank borrowings
Bank loans and overdrafts are secured by an unlimited composite guarantee of all of the trading entities within the Group. One company within the Group had an overdraft of £253,000 (2019: £230,000). The outstanding loan will be repaid within 1 year, the rate of interest on this loan is 0.85% over base per annum.

12. CASH GENERATED FROM OPERATIONS

	2020	2019

	£000	£000
Profits for the year from operations	**5,533**	6,132
Adjustments for:		
Tax	**1,448**	1,421
Investment and goodwill impairment	**601**	-
Depreciation of tangible fixed assets	**2,290**	3,579
Amortisation of right-of-use assets	**3,888**	-
Amortisation of other intangible fixed assets	**36**	28
Profit on disposal of property, plant and equipment	**(142)**	(170)
Loss on disposal of right-of-use asset	**25**	-
Profit from distribution from associate	**-**	(84)
Interest income	**(164)**	(164)
Interest expense	**436**	348
Share of results of joint ventures and associate	**(438)**	(360)
Share-based payments	**96**	49
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):		
Decrease/(increase) in short term loan to joint ventures	**524**	(1,601)
Decrease in inventories	**8,049**	10,171
Decrease in trade and other receivables	**8,055**	7,426
(Decrease)in payables	**(9,865)**	(12,019)
Cash generated from operations	**20,372**	14,756

13. IMPACT OF IFRS 16

The Group adopted IFRS 16 Leases with a transition date of 1 November 2019. The Group has chosen not to restate comparatives on adoption of IFRS 16, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 November 2019) and recognised in the opening equity balances.

Effective 1 November 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or there the underlying asset is of low value. IFRS 16 substantially carried for the lessor account in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Full details of the transition method and practical expedients utilised will be contained within the 2020 Annual Report and Accounts.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 November 2019.

		As originally presented at 31 October 2019 £000	IFRS 16 adjustments £000	1 November 2019 £000
NON CURRENT ASSETS				
Property, plant and equipment	a	23,225	(4,521)	18,704
Right-of-use assets	b	-	12,322	12,322
LIABILITIES				
Borrowings	c	(3,686)	1,546	(2,140)
Lease Liabilities		-	(3,937)	(3,937)
NON CURRENT LIABILITES				
Borrowings	c	(3,078)	2,176	(902)
Lease Liabilities		-	(7,586)	(7,586)
Equity				
Retained Earnings	d	56,261	-	56,261

a. Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by £6.5m and accumulated amortisation by £2.0m for a net adjustment of £4.5m.
b. The adjustment to Right-of-use assets is comprised of £4.5m finance type leases and £7.8m operating type leases, resulting in a total adjustment of £12.3m.
c. Loans and borrowings were adjusted to reclassify leases previously classified as finance type leases to lease liabilities.
d. Retained earnings were not impacted as a result of adopting IFRS 16

14. ALTERNATIVE PERFORMANCE MEASURE

Using the Board's preferred alternative performance measured referred to as Underlying pre-tax profit, which includes the gross share of results from joint ventures and associates but excludes share-based payments and non-recurring items, the Group achieved £8.37m (2019: £8.01m). A reconciliation with the reported income statements and this measure, together with the reasons for its use is given below:

	2020	2019
	£000	£000
Profit before tax	**6,981**	7,553
Share of tax incurred by joint ventures and associates	**100**	103
Share-based payments	**96**	49
Non-recurring items	**1,194**	301
Underlying pre-tax profit	**8,371**	8,006

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

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

15. RESPONSIBILTY STATEMENT

The Directors below confirm to the best of their knowledge:

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

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

J J McCarthy
P M Kirkham
B P Roberts
G W Davies
D A T Evans (resigned 1 December 2020)
H J Richards
S J Ellwood

16. CONTENT OF THIS REPORT

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 October 2020 or 31 October 2019 but is derived from those accounts.

Statutory accounts for 2019 have been delivered to the Registrar of Companies. The auditor, BDO LLP, has reported on the 2019 accounts; the report (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for 2020 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditor, BDO LLP, has reported on these accounts; their report is unqualified, does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and; does not include a statement under either section 498(2) or (3) of the Companies Act 2006.

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

17. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held virtually from the Wynnstay Group plc registered office at Eagle House, Llansantffraid, Powys on Tuesday 23 March 2021 at 11.45am. Further details will be published on the Company's website www.wynnstayplc.co.uk.

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

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distribution apply.