RNS Number : 5123A
Wynnstay Group PLC
22 January 2020

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AIM: WYN

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

Final Results
For the year ended 31 October 2019

Key points

Financial

- Results reflect difficult market conditions for the agricultural sector
  - unseasonal weather impacted feed demand in key feed trading months
  - farmers tightened spending in response to weaker farmgate prices and political uncertainty
- Revenue increased to £490.60m (2018: £462.66m), mainly reflecting commodity price inflation
- Gross profit of £61.98m (2018: £61.70m)
- Underlying Group pre-tax profit* of £8.01m (2018: £9.60m). Reported pre-tax profit of £7.55m (2018: £9.53m)
- Basic earnings per share of 30.95p (2018: 39.11p)
- Net cash of £3.84m at year end (31 October 2018: net debt of (£0.98m))
- Net assets of £94.95m at year end (2018: £91.07m)
- Proposed final dividend of 9.40p (2018: 8.95p), taking total for the year to 14.00p (2018: 13.36p), a rise of 4.8%

Operational

- Agriculture Division - revenue of £358.69m, operating profit of £2.95m
  - feed sales were impacted by the abnormally warm winter; lower volumes were in line with the sector
  - strong fertiliser volumes within the Glasson business
  - arable activities performed well, including grain trading activities
- Specialist Agricultural Merchanting Division - revenue of £131.84m, operating profit of £5.24m
  - like-for-like sales were 3.5% down, mainly reflecting reduced demand for bagged feed and feed-related products
  - total sales were up, benefiting from first full year contributions from acquisitions, including Countrywide depots
  - Somerset-based Stanton Farm Supplies was acquired in April 2019
- Investment in manufacturing, distribution, systems and staff continued
- Focus on advisory services to support farm efficiency and environmental goals

***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 17 for an explanation on how this measure has been calculated and the reasons for its use.*

Gareth Davies, Chief Executive of Wynnstay, commented:

"This has been a difficult year for the agricultural market as a whole, and Wynnstay's results reflect this. Weather conditions reduced demand for some of our core products, particularly feed, while reduced farmgate prices and ongoing political uncertainty lowered farmer confidence and spending across the sector.

"As we look across the new financial year, we expect another challenging period. Nonetheless, we are well-placed to navigate through, and see opportunities to potentially strengthen our position within the agricultural supply chain sector, supported by our strong balance sheet."

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CHAIRMAN'S STATEMENT

OVERVIEW

The Group's full year results reflect an especially difficult year for the agricultural sector as a whole. Lower farmgate prices and ongoing political uncertainty around Brexit adversely affected farmer confidence, leading to reduced spending. Wynnstay's trading performance was also held back by the abnormally warm winter weather in the first half of the financial year, which reduced feed sales and other weather-related products during key trading months.

Underlying Group pre-tax profit* (the Board's preferred alternative performance measure) from continuing operations is down by £1.59m year-on-year to £8.01m (2018: £9.60m), and reported profit before tax was £7.55m (2018: £9.53m). Revenue of £490.60m (2018: £462.66m) was higher year-on-year reflecting commodity price inflation.

Within our Agriculture Division, feed volumes contracted significantly but the reduction was in line with market trends, while Glasson Grain delivered an exceptionally strong performance, driven by increased fertiliser volumes, reflecting market share gains in Scotland, and higher sales of specialist added-value animal feed products. The good harvest in 2019 helped to generate an above-average sector performance from GrainLink, our grain trading operation, and the seeds operation performed well in challenging conditions.

The performance of our Agricultural Merchanting Division was similarly affected. Lower demand for bagged feed and feed-related products were the principal factors behind its reduced contribution to Group profits. We rationalised our depot network from 59 sites in 2018 to 55 by the end of the financial year. This followed the acquisition in April 2019 of Stanton Farm Supplies, the van-based specialist dairy products supplier that operates in Somerset, and the 2018 acquisition of a number of former Countrywide stores in the South West of England. We continue to focus on developing our specialist advisory services, so that we can assist customers with advice on the latest farming products and methods.

Our Arable event, which highlights innovation in arable farming, attracted over 1,000 farmers in June 2019 and helps to emphasise Wynnstay's position as a trusted supplier partner and value-added specialist adviser.

We continued to focus on improving efficiencies within our manufacturing, distribution and processes across the Group, and this will be an ongoing priority for our operations.

FINANCIAL RESULTS

Revenue increased by £27.94m to £490.60m (2018: £462.66m), with much of this growth accounted for by higher unit commodity prices. The Agriculture Division generated £358.69m of revenue (2018: £334.34m), reflecting higher average commodity values particularly in feed and fertiliser products. The Specialist Agricultural Merchanting Division generated £131.84m in revenue (2018: £128.26m), with a full year contribution from the former Countrywide depots acquired in April 2018. Like-for-like sales, however, showed a small reduction of 3.5% as the mild winter reduced demand for bagged feed products.

Reported profit before taxation on an IFRS basis was £7.55m (2018: £9.53m). Underlying Group pre-tax profit*, which includes the gross share of results from joint ventures and associates, but excludes share-based payments and non-recurring items and is the Board's preferred alternative performance measure, was £8.01m (2018: £9.60m). Including contributions from joint ventures, the Agriculture Division contributed £2.95m (2018: £4.29m) to this result, and the Specialist Agricultural Merchanting Division £5.24m (2018: £5.53m). Other activities showed a small loss of £0.05m (2018: loss of £0.09m). Non-recurring business combination and reorganisation costs of £0.30m were incurred during the year, and net finance costs were similar to last year at £0.18m (2018: £0.19m). Profit after taxation was £6.13m (2018: £7.71m), and basic earnings per share was 30.95p (2018: 39.11p).

Continued strong cash generation together with tight control of working capital resulted in a net cash position at the year-end of £3.84m (2018: net debt of £0.98m).

Balance sheet net assets stood at £94.95m (2018m: £91.07m) at the year-end equating to £4.79 (2018: £4.62) per share, and the return on net assets was 8.5% (2018: 10.6%).

[*]*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 17 for an explanation on how this measure has been calculated and the reasons for its use.*

DIVIDEND

The Board is pleased to propose the payment of a final dividend of 9.40p per share, which together with the interim dividend of 4.60p per share, paid on 31 October 2019, takes the total dividend for the year to 14.00p, an increase of 4.8% on last year (2018: 13.36p). The final dividend will be paid on 30 April 2020 to shareholders on the register on 27 March 2020. 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 2020.

COLLEAGUES

Our colleagues across the Group continue to show great dedication, commitment and motivation. On behalf of the Board I would like to thank them for their significant input and hard work over the year.

OUTLOOK

The trading environment for the agricultural supplies sector remains challenging. Farmgate prices are generally lower than a year ago, and the detail of what Brexit means for the agricultural industry remains uncertain - although the Government has made clear its support for UK farmers and outlined proposals that emphasise environmental management and efficiency. We therefore anticipate that farmers will remain circumspect in their spending and investment plans over 2020.

Against this background, the high level of forage stocks on farms has reduced feed demand, and the wet weather conditions over recent months have decreased the acreage of winter cereals that farmers have been able to plant.

Nonetheless, Wynnstay's wide spread of activities provides a robust platform and we continue with plans to reduce costs, optimise margins, invest in our manufacturing facilities, systems and skill base, supported by Wynnstay's strong balance sheet. In addition, we will continue to review acquisition opportunities to strengthen our existing activities.

We see opportunities to further develop our relationship with farmer customers and supplier partners, in particular as UK farmers seek to implement initiatives to enhance efficiencies and drive environmental standards. Our focus is advising on and supplying products, ideas and practices that will facilitate both goals.

Whilst there has been understandable weakness in the agricultural sector in the short term, the Board is confident that Wynnstay's medium and long-term prospects within the industry remain strong.

Jim McCarthy

Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

Wynnstay's performance was delivered against a difficult agricultural backdrop, including generally weaker farmgate prices. Farmer sentiment over the year was also significantly affected by uncertainties over Brexit. Combined, these factors resulted in farm businesses holding off investment decisions and created margin pressure in certain product categories.

The exceptionally warm winter months and the early spring, together with a good grass growing summer, reduced farmers' need to purchase feed and feed-related products across the year as a whole, and the impact of this was felt in both the Agriculture and Specialist Agricultural Merchanting Divisions.

Fertiliser and grass seed sales benefited from the early spring, however the wetter summer subdued demand for arable inputs in the second half of the year.

Glasson Grain Limited, with its broad-base of activities in raw material trading, added-value feed products and blended fertiliser manufacturing, performed exceptionally well. The fertiliser business in particular performed very strongly, consolidating our position as the second largest fertiliser blender in the UK.

In a difficult marketplace, GrainLink, which markets and trades grain, performed well, increasing its tonnage. This was helped by the Grantham trading office, which was opened in late spring 2019 and made good progress.

A key feature of the year was the introduction of cost reduction and efficiency programmes. Our investment across manufacturing, distribution and systems will support improved efficiencies and is ongoing.

We believe that the ability to provide the latest technical and product advice to our customers is fundamental to securing their business in the future. We therefore continued to invest in our colleagues in line with our objective to improve Wynnstay's proposition as a value-added adviser. We added to our on-farm technical teams, which span the dairy, youngstock, poultry, animal health, hardware and arable cropping sectors, in particular by appointing a National Sheep & Beef Specialist. We were able to introduce precision farming techniques to both our livestock and arable farmer customers, through feeding and nutrient management programmes that use new technologies sourced from our innovative suppliers and associates.

REVIEW OF ACTIVITIES

AGRICULTURE DIVISION

The Agriculture Division's main activities comprise the manufacture and processing of feed, fertiliser and seeds as well as other agricultural inputs. Glasson Grain and GrainLink also form part of this Division.

Total revenues amounted to £358.69m (2018: £334.34m), mainly reflecting higher commodity prices, and the operating profit, including the contribution from joint ventures, was £2.95m (2018: £4.29m). The decrease in operating profit year-on-year mainly reflected reduced customer demand, especially for feed.

Feed products

Feed products are manufactured at our main facilities at Llansantffraid and Carmarthen as well as at a smaller blending facility at Rhosfawr. We manufacture a broad range of ruminant and monogastric feeds, in both loose bulk and a variety of bagged sizes. We also sell raw materials to farmers and other feed manufacturers. The wide range of feed that we offer, supplying dairy, beef, sheep, pig and poultry producers, is a strength, helping to mitigate variation in demand across the sub-sectors. Our product ranges are complemented by our technical sales colleagues who are able to advise customers on all aspects of animal nutrition.

Feed volumes were significantly impacted during the year by weather conditions, and sales were sharply behind last year's record result, but in line with market trends. The exceptionally mild winter and early spring reduced demand during the key trading period, after which the excellent grass growing summer reduced the need for bought-in feeds and feed-related products in the ruminant sector.

Sheep feed volumes in particular reduced, both in the spring lambing season and the summer/autumn period. This reflected the national trend, with sheep farmers selling their lambs earlier in the year ahead of a potential 'hard Brexit' in October 2019.

Dairy and beef farmers also moved feed spending to 'straight' feeds as opposed to manufactured compounded and blended feed, which adversely affected sales. This trend was evident nationally.

We continued to strengthen our position within the free-range egg sector, and achieved higher volumes of poultry mash, despite egg prices remaining subdued. This was helped by our team of poultry specialists who provide a value-added service, advising on quality egg production.

Our team of highly trained calf and youngstock specialists, offering advice and introducing innovative products and ideas to livestock farmers, helped to drive an increase in market share in milk replacers.

Capital investment at Llansantffraid Mill has improved efficiency in both manufacturing and distribution. This has been reflected in record daily and weekly production figures and reduced energy unit costs over the year.

We will continue to seek opportunities to strengthen our feed activities, and to ensure that we support our customers with innovative, added-value products. We also welcome the increasing attention by food retailers on feed ingredients that are sourced in an environmentally sustainable manner. Wynnstay is well placed in this regard to deliver the needs of the market.

Glasson Grain

The Glasson business, which is based at Glasson Dock, near Lancaster operates in three main areas; the supply of feed raw materials, production of fertiliser, and manufacture of specialist added-value animal feed products. Glasson's dock-side location remains an important part of its success and provides a valuable competitive advantage. It is also the UK's second largest blender of fertiliser.

The Glasson team delivered a record performance this year, significantly outperforming budget expectations.

Feed raw materials commodity trading performed well in a difficult trading environment. After a strong start to the financial year, trading activities reduced over the spring and summer periods as demand for bought-in feed reduced.

The fertiliser blending operations delivered an exceptional performance. The integration of the fertiliser blending plant at Goole and continued sales expansion at Montrose resulted in record volumes. The mild weather and early spring encouraged farmers to apply fertiliser to their land. This resulted in good trading volumes, although the summer and early autumn activities were restricted by good grass growing conditions and wet weather restoring arable planting. The 'Glasson' brand continues to grow and attract new business.

Specialist added-value feed products also enjoyed an exceptional year with record volumes. The business has been successful in developing innovative products that win new customers.

Arable products

Overall, our arable activities performed strongly during the year.

Our seeds activities performed well despite a number of challenges during the year. The very early spring encouraged strong grass seed sales, but sales dipped during the wetter summer. This meant that overall grass seed sales were below last year's record levels, although margins were maintained. Spring cereal seed volumes were lower than the prior year's strong performance, which was a reflection of the increased winter cereal plantings of 2018 (4.0% higher than the previous year). New legislation restricting the use of some traditional seed dressings also challenged cereal seed margins. Sales of autumn/winter cereal seed were strong, although the wet weather has significantly reduced the acreage sown to date and this will impact on the volume. It is expected that farmers will require lower volumes of seed next autumn since seed will be carried over from one year to the next. However, there should be a positive impact on spring seed sales in 2020, as farmers plant spring cereal seed instead of winter cereal seed.

We continue to seek innovation within the seed business by aligning ourselves to seed breeders, introducing newer varieties and continually assessing the value of new seed dressings.

Merchanted fertiliser sales for the year were below budget but we have maintained market share. Sales in the first half of the year were higher year-on-year as farmers took advantage of the early spring to replenish forage stocks. However, the wet summer that followed reduced sales activity in the second half of the year since there was an abundance of on-farm grass and silage available.

Our team of highly qualified agronomists continue to advise on best practice in terms of crop management and environmental care, which includes the use of digital nutrient management programmes.

GrainLink performed well in challenging conditions. The high-volume harvest of 2019 offered increased volumes for sale and the integration of the Grantham office helped to increase the volume of trade.

Our specialist Arable event held near Shifnal, Shropshire, in June 2019, continues to grow from strength to strength. Over 1,000 farmers attended and there were opportunities to hear presentations from keynote industry speakers, and obtain advice on innovative arable techniques, seed varieties, and new mechanisation practices. The event ensures that Wynnstay is recognised as a key supplier of innovation and advice to the arable sector.

The management of the arable operations has been restructured with all activities now under a single director. Woodhead Seeds has also benefitted from the appointment of an arable manager to oversee sales activities throughout the sector. Overall, the arable business is well-placed to build upon its strong position in the marketplace.

SPECIALIST AGRICULTURAL MERCHANTING DIVISION

The Specialist Agricultural Merchanting Division trades predominantly through a network of depots, which supply a wide range of products specifically geared to the needs of farmers, although rural dwellers also account for a proportion of sales. The offering at our depots includes animal health products, bagged feed and hardware. We also have Suitably Qualified Persons ("SQP") who provide value-added advice on animal health products as well as the other products that we sell. This aspect of our operations make us an attractive route to market for our supplier base.

Channels-to-market also include specialist catalogues, specifically for the dairy, beef, sheep and poultry sectors, vans and online. Our Youngs Animal Feeds business is accounted for in this Division.

Total revenues generated in the year amounted to £131.84m (2018: £128.26m) and the Division's operating profit contribution was £5.24m (2018: £5.53m). Total revenues benefited from first full-year contributions from acquisitions, principally the Countrywide depots, acquired in April 2018, and MD Lloyd acquired in January 2018. There was also a partial contribution from Stanton Farm Supplies, acquired in April 2019. Contributions from acquisitions accounted for £8.1m of incremental sales in the year. Like-for-like revenue was 3.5% lower than the previous year, which was predominantly as a result of the reduction in demand for bagged feed and feed-related products.

Wynnstay depots

Following our acquisitions, we amalgamated two depots and closed two small depots in our network of Specialist Agricultural Merchanting depots. This has taken the network to 55 depots (2018: 59 depots), which are located across the North West, Midlands, South West and Wales. The Countrywide depot integration was also successfully completed in the year.

Revenues were impacted by the significant reduction in demand for bagged feed and feed-related products, caused by weather conditions, as well as lower demand for grass seed, fertiliser and agrochemical sales during the wetter summer and autumn periods

The continued development of our youngstock team helped to drive a record performance for milk replacer products.

During the year, like-for-like inventories at our depots reduced by 15.3%, benefiting our working capital utilisation.

Sales via our alternative routes to market, including catalogues and on-line activities continued to account for a relatively small percentage of Divisional sales.

We will continue to train agricultural specialists to enhance the level of advice-driven transactions from our customers and will seek opportunities to extend our footprint into new geographical areas.

Youngs Animal Feeds

Youngs Animal Feeds manufactures and markets a range of equine products that are sold throughout specialist outlets across Wales and the Midlands and in some of our Specialist Agricultural Depots. Our Molichop branded feed range, manufactured at our purpose-built factory at Standon, remains a market-leading added-value product.

JOINT VENTURES AND ASSOCIATES

The Group has three joint venture businesses, Bibby Agriculture Limited, Wyro Developments Limited and Total Angling Limited as well as an associate company, Celtic Pride Limited. The Bibby business performed very strongly, increasing market share, especially within the dairy sector. This helped to drive an increase in the combined profit contribution from the four businesses.

COLLEAGUES

It has been a challenging year and I am proud of the way colleagues have responded. Wynnstay is in a stronger position as a result, and I would like to thank everyone for their contribution and commitment.

OUTLOOK

UK Government support for farmers in the forthcoming year will continue in its current form. It is set to change in the longer term with the UK's exit from the European Union and national schemes are expected to be introduced to support efficiency at farm level. New Environmental Land Management Schemes (ELMS) will also be introduced to incentivise and reward farmers for environmental outcomes. In the very short term though, ongoing uncertainties are likely to continue to stifle investment on farms.

Farmer sentiment remains sensitive to farmgate prices, with milk, beef and egg prices lower than a year ago. Global supply and demand for lamb has lifted sheep prices though, which bodes well for 2020. Feed volumes so far have been adversely affected by the on-farm forage stocks, and sales are behind the equivalent point last year. Given the significant reduction in autumn cereal planting that resulted from the prolonged wet weather we also anticipate lower cereal tonnages for trading later in the year.

We continue to concentrate on improving efficiencies, building on the work of the last financial year. In addition, we plan to expand our technical teams both on-farm and in our specialist agricultural depots, and to strengthen our digital and precision farming offering. Sourcing and accessing innovative products to our farming customers remains an important part of our overall offering. We are engaging with the National Farmers Union's goal of reach 'net zero' greenhouse gas emissions across the whole of agriculture in England and Wales by 2040.

Although we anticipate that the agricultural sector will continue to experience a difficult period, we believe that Wynnstay is well-positioned to navigate through and is well-placed to seek opportunities for growth.

Gareth Davies

Chief Executive Officer

WYNNSTAY GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2019

			2019	2018	
	Note	**£000**	**£000**	£000	£000
Revenue	2		**490,602**		462,657
Cost of sales			**(428,621)**		(400,950)

	Note				
Gross profit			**61,981**		61,707
Manufacturing, distribution and selling costs			**(48,177)**		(46,718)
Administrative expenses			**(6,434)**		(5,896)
Other operating income			**385**		355
Adjusted[1] operating profit			**7,755**		9,428
Amortisation of acquired intangible assets and share-based payment expense	4		**(77)**		(71)
Non-recurring items	4		**(301)**		69
Group operating profit			**7,377**		9,426
Interest income		**164**		92	
Interest expense		**(348)**		(283)	
	3		**(184)**		(191)
Share of profits in joint ventures and associates accounted for using the equity method		**463**		376	
Share of tax incurred by joint ventures and associates		**(103)**		(82)	
	6		**360**		294
Profit before taxation			**7,553**		9,529
Taxation	7		**(1,421)**		(1,821)
Profit for the year and other comprehensive income attributable to the equity holders			**6,132**		7,708
Basic earnings per ordinary share (pence)			**30.95**		39.11
Diluted earnings per ordinary share (pence)			**30.95**		38.94

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

WYNNSTAY GROUP PLC
CONSOLIDATED BALANCE SHEET

As at 31 October 2019

	Note	2019 £000	2018 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		**14,968**	14,818
Investment property		**2,372**	2,372
Property, plant and equipment		**23,225**	21,979
Investments accounted for using equity method		**3,175**	2,863
Intangibles		**261**	89
		44,001	42,121
CURRENT ASSETS			
Inventories		**42,239**	52,250
Trade and other receivables		**63,887**	70,907
Financial assets			
- loan to joint venture		**4,413**	2,812
Cash and cash equivalents	11	**10,608**	6,676
		121,147	132,645
TOTAL ASSETS		**165,148**	174,766
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities - borrowings	12	**(3,686)**	(3,887)
Trade and other payables		**(62,113)**	(74,522)
Current tax liabilities		**(894)**	(1,102)
		(66,693)	(79,511)
NET CURRENT ASSETS		**54,454**	53,134
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	12	**(3,078)**	(3,766)
Trade and other payables		**(201)**	(157)
Deferred tax liabilities		**(228)**	(259)
		(3,507)	(4,182)
TOTAL LIABILITIES		**(70,200)**	(83,693)
NET ASSETS		**94,948**	91,073
EQUITY			
Share capital	10	**4,974**	4,943
Share premium		**30,284**	29,941
Other reserves		**3,429**	3,377
Retained earnings		**56,261**	52,812
TOTAL EQUITY		**94,948**	91,073

WYNNSTAY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 October 2019

Share **Other**

Group	Share capital £000	premium account £000	reserves £000	Retained earnings £000	Total £000
At 1 November 2017	4,916	29,529	3,319	47,628	85,392
Profit for the year	-	-	-	7,708	7,708
Total comprehensive profit for the year	-	-	-	7,708	7,708
Transactions with owners of the Company, recognised directly in equity:					
Shares issued during the year	27	412	-	-	439
Own shares disposed of by ESOP trust	-	-	3	-	3
Dividends	-	-	-	(2,524)	(2,524)
Equity settled share-based payment transactions	-	-	55	-	55
Total contributions by and distributions to owners of the Company	27	412	58	(2,524)	(2,027)
At 31 October 2018	4,943	29,941	3,377	52,812	91,073
Profit for the year	-	-	-	**6,132**	**6,132**
Total comprehensive income 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**

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 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations	13	**14,756**	2,831
Interest received		**164**	92
Interest paid		**(348)**	(283)
Tax paid		**(1,680)**	(1,674)
Net cash generated from operating activities		**12,892**	966
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**288**	548
Purchase of property, plant and equipment		**(2,412)**	(2,310)
Proceeds on sale of investments		**-**	20
Acquisition of subsidiaries, net of cash acquired		**(893)**	(1,021)
Own shares disposed of by ESOP trust		**3**	3
Dividends received from associates		**132**	755
Net cash used by investing activities		**(2,882)**	(2,005)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**374**	439
Finance lease principal repayments		**(1,798)**	(1,453)
Proceeds from borrowings		**-**	3,500
Repayment of borrowings		**(1,971)**	(1,161)
Dividends paid to shareholders	8	**(2,683)**	(2,524)
Net cash used by financing activities		**(6,078)**	(1,199)
Net increase/(decrease) in cash and cash equivalents		**3,932**	(2,238)
Cash and cash equivalents at the beginning of the period		**6,676**	8,914
Cash and cash equivalents at the end of the period	11	**10,608**	6,676

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 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9)
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

Details of the impact these two standards have ad are given in note 16 below.

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 most significant of these is IFRS 16 Leases (IFRS 16), mandatorily effective for periods beginning on or after 1 January 2019.

The Group has progressed its project dealing with the implementation of IFRS 16 and is able to provide the following information regarding its likely impact.

IFRS 16 will first apply to the Group in the year ending 31 October 2020. The first interim accounts that will be prepared in accordance with the new standard are the 2020 half-year results. Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment. The Group will apply the exemptions for any asset with an annual value of less than £1,000 or a lease term shorter than 12 months.

The Board has decided it will apply the first variation of the modified retrospective approach and therefore at initial application an amount equal to the lease liability, using the entity's current incremental borrowing rate. This will ensure that there is no immediate impact to net assets on that date.

At 31 October 2019 operating lease commitments amounted to £7.7m, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £6.8m being recognised on 1 November 2019.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by approximately the amount of its current operating lease cost, which for the year ended 31 October was £3.0m. The interest element is front end loaded in proportion to the capital outstanding of the lease liability and this is expected to result in an overall decrease in earnings of approximately £100,000 in the year ending 31 October 2020.

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 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 joint ventures and associates 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 from operations				**7,656**
Income taxes (includes tax of joint ventures and associates)				**(1,524)**
Profit for the year attributable to equity shareholders from operations				**6,132**
Segment net assets	**47,213**	**36,097**	**7,794**	**91,104**
Corporate net cash (note 11)				**3,844**
Net assets after corporate net cash				**94,948**

The segment results for the year ended 31 October 2018 are as follows:

Year ended 31 October 2018	Agriculture £000	Specialist Agricultural Merchanting £000	Other £000	Total £000
Revenue from external customers	334,337	128,258	62	462,657

Segment result				
Group operating profit before non-recurring items	3,859	5,548	(50)	9,357
Share of results of associate and joint ventures before tax	427	(12)	(39)	376
	4,286	5,536	(89)	9,733
Non-recurring items				69
Interest income				92
Interest expense				(283)
Profit before tax				9,611
Income taxes (includes tax of associate and joint ventures)				(1,903)
Profit for the year attributable to equity shareholders				7,708
Segment net assets	43,878	41,848	6,324	92,050
Corporate net debt (note 11)				(977)
Net assets after corporate net cash				91,073

3. FINANCE COSTS

	2019	2018
	£000	£000
Interest expense:		
Interest payable on borrowings	**(191)**	(158)
Interest payable on finance leases	**(157)**	(125)
Interest and similar charges payable	**(348)**	(283)
Interest income	**164**	92
Interest receivable	**164**	92
Finance costs	**(184)**	(191)

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

	2019	2018
	£000	£000
Amortisation of acquired intangible assets and share-based payments		
Amortisation of intangibles	**28**	16
Cost of share-based reward	**49**	55
	77	71
Non-recurring items		
Business re-organisation costs	**297**	-
Business combination expenses	**4**	70
Goodwill and Investment impairment	**-**	138
Profit on disposal of freehold property	**-**	(277)
	301	(69)

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

Business combination expenses relate to business combinations in the year.

The goodwill impairment relates to goodwill held on the balance sheet of one of our subsidiaries which related to an acquisition which took place prior to the subsidiary becoming part of the Wynnstay Group. The investment impairment relates to unlisted investments.

The profit on disposal of property is in relation to the sale of freehold property for one of our retail depots which was relocated.

5. GROUP OPERATING PROFIT

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

	2019	2018
	£000	£000
Staff costs	**30,143**	28,132
Cost of inventories recognised as an expense	**347,239**	344,695
Depreciation of property, plant and equipment:		
- owned assets	**3,289**	2,888
- under finance leases	**290**	269
Amortisation of intangibles	**28**	16
(Profit) on disposal of fixed assets	**(170)**	(328)
Other operating lease rentals payable	**3,221**	2,858
Repairs and maintenance expenditure on plant, property and equipment	**1,652**	1,809
Trade receivables impairment	**81**	113

Services provided by the Group's auditor

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

	2019	2018
	£000	£000
Audit services - statutory audit	**93**	92

6. SHARE OF POST-TAX PROFITS/(LOSS) OF ASSOCIATE AND JOINT VENTURES

	2019	2018
	£000	£000
Share of post-tax profits in associates	**-**	19
Share of post-tax profits in joint ventures	**360**	275
Total share of post-tax profits of joint ventures and associates	**360**	294

7. TAXATION

	2019	2018
Analysis of tax charge in year	**£000**	£000
Current tax		
- Operating activities	**1,502**	1,886

- Adjustments in respect of prior years	**(50)**	(70)
Total current tax	**1,452**	1,816
Deferred tax		
- Accelerated capital allowances	**(31)**	5
Total deferred tax	**(31)**	5
Tax on profit on ordinary activities	**1,421**	1,821

8. DIVIDENDS

	2019	2018
	£000	£000
Final dividend paid for prior year	**1,770**	1,653
Interim dividend paid for current year	**913**	871
	2,683	2,524

Subsequent to the year end it has been recommended that a final dividend of 9.40p net per ordinary share (2018: 8.95p) be paid on 30 April 2020. Together with the interim dividend already paid on 31 October 2019 of 4.60p net per ordinary share (2018: 4.41p) this would result in a total dividend for the financial year of 14.00p net per ordinary share (2018: 13.36p).

10. EARNINGS PER SHARE

	Basic earnings per share		Diluted earnings per share	
	2019	2018	**2019**	2018
Earnings attributable to shareholders (£000)	**6,132**	7,708	**6,132**	7,708
Weighted average number of shares in issue during the year (number '000)	**19,812**	19,708	**19,812**	19,797
Earnings per ordinary 25p share (pence)	**30.95**	39.11	**30.95**	38.94

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 and warrants) taking into account their exercise price in comparison with the actual average share price during the year.

10. SHARE CAPITAL

	2019		2018	
	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	**19,896**	**4,974**	19,772	4,943

During the year 124,212 shares (2018: 87,602) were issued with an aggregate nominal value of £31,053 (2018: £21,900) and were fully paid up for equivalent cash of £373,457 (2018: £372,642) to shareholders exercising their right to receive dividends under the Company's scrip dividend scheme.

No shares (2018: 18,816) with an aggregate nominal value of £nil (2018: £4,705) were issued for a cash value of £nil (2018: £66,656) to relevant holders exercising options in the Company.

No other shares were issued in this financial year (2018: nil).

11. CASH AND CASH EQUIVALENTS AND BORROWINGS

	2019	2018
	£000	£000
Current		
Cash and cash equivalents per balance sheet and cash flow	**10,608**	6,676
Bank loans and overdrafts due within one year or on demand:		
Secured loans	**(1,457)**	(1,978)
Loan capital (unsecured)	**(669)**	(665)
Other loan stock (unsecured)	**(14)**	(14)
Net obligations under finance leases	**(1,546)**	(1,230)
Financial liabilities - borrowings	**(3,686)**	(3,887)
Non-current		
Bank loans:		
Secured loans	**(902)**	(2,356)
Net obligations under finance leases	**(2,176)**	(1,410)
Financial liabilities - borrowings	**(3,078)**	(3,766)
Total net cash/(debt)	**3,844**	(977)

Finance lease obligations are secured on the assets to which they relate.

The loan capital and loanstock is redeemable at par at the option of the Company. Interest at 1.5% per annum is payable to the holders (2018: 1.5%) of the unsecured loan capital and unsecured loanstock.

Bank loans and overdrafts of £230,132 (2018: £1,994,367) relating to subsidiary companies, are secured by an unlimited composite guarantee by all the trading entities within the Group.

12. RECONCILIATION OF LIABILITIES FROM FINANCING TRANSACTIONS

	Non-current loans and borrowings	Current loans and borrowings	Total

	£000	£000	£000
As at 1 November 2017	1,896	2,512	4,408
Cash-flows:			
New borrowings	2,356	1,144	3,500
Repayment of borrowings	-	(2,614)	(2,614)
Non cash-flows:			
New finance leases	1,551	808	2,359
Loans and borrowings classified as non-current becoming current during the year	(2,037)	2,037	-
As at 31 October 2018	3,766	3,887	7,653
Cash-flows:			
Repayment of borrowings	**-**	**(3,769)**	**(3,769)**
Non cash-flows:			
Finance leases acquired through acquisition	**15**	**15**	**30**
New finance leases	**2,057**	**793**	**2,850**
Loans and borrowings classified as non-current becoming current during the year	**(2,760)**	**2,760**	**-**
As at 31 October 2019	**3,078**	**3,686**	**6,764**

13. CASH GENERATED FROM OPERATIONS

	2019	2018
	£000	£000
Profits for the year from operations	**6,132**	7,708
Adjustments for:		
Tax	**1,421**	1,821
Investment and goodwill impairment	**-**	138
Depreciation of tangible fixed assets	**3,579**	3,157
Amortisation of other intangible fixed assets	**28**	16
Profit on disposal of property, plant and equipment	**(170)**	(328)
Profit from distribution from Associate	**(84)**	-
Interest income	**(164)**	(92)
Interest expense	**348**	283
Share of results of joint ventures and associate	**(360)**	(294)
Share-based payments	**49**	55
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):		
(Increase)/decrease in short term loan to joint ventures	**(1,601)**	32
Decrease/(increase) in inventories	**10,171**	(19,144)
Decrease/(increase) in trade and other receivables	**7,426**	(7,946)
(Decrease)/increase in payables	**(12,019)**	17,425
Cash generated from operations	**14,756**	2,831

14. FINANCIAL INSTRUMENTS

FRS 13 requires financial instruments that are measured at fair value to be classified according to the valuation technique used:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs, other than level 1 inputs, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices)
- Level 3 - unobservable inputs

Derivatives
All derivative financial assets and liabilities are classified as Level 1 instruments as they are quoted market prices.

Contingent consideration
Contingent consideration is measured at fair value using Level 3 inputs such as entity projections of future profitability. The amount recognised relates to the ongoing profitability of the business acquired and criteria for this are set out in the sale and purchase agreements. Consequently adjustments would only be made if the business did not perform as originally anticipated, and further sensitivity analysis is not considered to be required.

Transfers between levels are deemed to have occurred at the end of the reporting period. There were no transfers between levels in the above hierarchy in the period.

Financial instruments recognised at fair value are as follows:

	Financial assets at fair value through profit or loss		**Amortised cost**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Cash and cash equivalents	**-**	-	**10,608**	6,678
Trade and other receivables	**-**	-	**63,583**	70,733
Derivatives	**304**	174	**-**	-
	304	174	**74,191**	77,409

	Financial liabilities at fair value through profit or loss		**Amortised cost**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade and other payables	**-**	-	**61,321**	73,191
Loans and borrowings	**-**	-	**6,764**	7,653
Contingent consideration	**336**	788	**-**	-
Derivatives	**79**	76	**-**	-
	415	864	**68,085**	80,844

15. BUSINESS COMBINATIONS

Stanton Farm Supplies Limited

On 1 April 2019, Wynnstay (Agricultural Supplies) Limited entered into a business combination and acquired 100% of the share capital of Stanton Farms Supplies Limited, an agricultural business located in Somerset that specialises in dairy hygiene.

The acquisition extends the Group's geographical trading area and farmer customer base, including future cross-sales opportunities.

The provisional consideration is £527,000, which is represented by £377,000 paid during the year for target net assets and goodwill and contingent and deferred consideration of £150,000, which is expected to be paid by 31 October 2022. The consideration payable is dependent on the finalisation of the completion net assets and the future profitability of the business.

The fair value of the contingent consideration has been based on management expectations of the future performance of the business and could range from £nil to £150,000.

Prior to the acquisition, Stanton Farm Supplies had revenues of £2,254,000, gross profit of £418,000 and profit before tax of £65,000 for the period ended December 2018.

Amounts included in the Consolidated Statement of Comprehensive Income year to 31 October 2019 are revenues of £1,098,000 and profit before tax of £52,000. Acquisition costs of £4,000 arose as a result of the transaction, these have been recognised as part of non-recurring items.

Provisional fair value of assets acquired:	**£000**
Goodwill	150
Intangibles - customer order book	200
Property, plant and equipment	28
Inventories	160
Debtors	406
Cash	86
Trade and other payables	(454)
Current tax liabilities	(19)
Finance leases	(30)
Provisional consideration	527
Contingent and deferred	150
Consideration settled in cash during the year	377

The goodwill represents future sales opportunities and is not expected to be deductible for tax purposes.

Contingent and deferred consideration of £602,000 was also paid during the year which related to prior period acquisitions, and after netting off the cash acquired above, the total outflow in the year amounted to £893,000.

16. IMPACT OF IFRS 9 AND IFRS 15

IFRS 9

i) Trade and other receivables and loans to joint ventures impairment provision

- Trade Debtors
Impairment provisions for trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

- Receivables from related parties and joint ventures
Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

ii) Hedge accounting

The overall objective of the Board is to set policies to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group utilises LIFFE grain derivatives as hedging instruments as fair value hedges against the open long or short positions on its forward purchase and sales books. The Group does not have any assets held for trading and does not engage in the taking of speculative commodity positions.

The Group's commercial risk management strategy remains unchanged, but it has decided to adopted the IFRS 9 option that allows more items to qualify for hedge accounting by removing the 80 - 125% highly effective threshold relationship criteria between the hedged item and the hedging instrument set out in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 15

i) Revenue recognition

The implementation project concluded that the Group's income streams, and net assets were not materially impacted by the five-stage revenue recognition model and agent versus principal considerations.

As a manufacturer and specialist merchant, the Group earns the majority of its revenues from sales of goods rather than services, and hence recognises revenue at a point in time, typically on delivery or at the point of shipping, rather than over time. Contracts are identified at the point an order is placed, and the performance obligations, transaction price and the separate contract obligations are all clearly defined. There is limited judgement needed to identify the point at which control passes - once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession and will usually have a present right to payment as a single receipt on delivery. None of the significant risks and rewards of the goods are retained. Within Specialist Agricultural Merchanting, some contracts provide customers with a limited right of return, but experience has shown that the value of these returns is immaterial.

ii) Disclosure disaggregation of revenue

The IFRS introduced a requirement to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, for example, by type of goods or service, by geographic region, by customer type, timing of transfer and sales channel.

The implementation project concluded that existing segmental reporting disclosures provided under IFRS 8 Operating Segments did not require any different or further disaggregation of revenue because they show the type of sale, all our customers are based in the UK, our customers typically buy from both segments and are farmers, rural dwellers and small-holders, are goods-related at a point in time, and the two segments show the direct to farm and via specialist agricultural merchanting depots / catalogues.

Overall conclusion

There were no material adjustments as a result of application of IFRS 9 or IFRS 15.

17. 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 £8.01 (2018: £9.60m). A reconciliation with the reported income statements and this measure, together with the reasons for its use is given below:

	2019	2018
	£000	£000
Profit before tax	**7,553**	9,529
Share of tax incurred by joint ventures and associates	**103**	82
Share-based payments	**49**	55
Non-recurring items	**301**	(69)
Underlying pre-tax profit	**8,006**	9,597

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.

18. 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
H J Richards
S J Ellwood

19. CONTENT OF THIS REPORT

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 October 2019 or 31 October 2018 but is derived from those accounts.

Statutory accounts for 2018 have been delivered to the Registrar of Companies. The auditor, BDO LLP, has reported on the 2018 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 2019 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 during the week commencing 17 February 2020. Further copies will be available to the public, free of charge, from the Company's Registered Office at Eagle House, Llansantffraid, Powys, SY22 6AQ or on the Company's website at www.wynnstay.co.uk.

20. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Sovereign Suite, Shrewsbury Town Football Club, Oteley Road, Shrewsbury, Shropshire, SY2 6ST on Tuesday 24 March 2020 at 11.45am.

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