Wynnstay Group PLC - WYN Final Results
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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 2018

Record results in Wynnstay's Centenary Year

Key points

Financial

- Record results, ahead of market expectations, reflected:
  - recovery in farmer spending patterns with improved farmgate prices
  - long, dry Summer, which boosted H2 performance across many key activities
- Revenue from continuing operations rose by 18.4% to £462.66m (2017: £390.72m)
  - acquisitions contributed £28.2m to increase
- Gross profit rose by 16.7% to £61.71m (2017: £52.89m)
- Underlying* Group pre-tax profit from continuing operations up 20.5% to £9.60m (2017: £7.97m). Reported pre-tax profit increased by 24.4% to £9.53m (2017: £7.66m)
- Basic earnings per share from continuing operations up 21.1% to 39.11p (2017: 32.29p)
- Net assets at 31 October 2018 increased by 6.7% to £91.07m (2017: £85.39m)
- Proposed increased final dividend of 8.95p (2017: 8.40p), taking total for the year to 13.36p (2017: 12.60p), a rise of 6.03%
- Trading at the start of the new financial year is in line with management expectations

Operational

- Agriculture Division - revenue up 19.0% to £334.34m, operating profit up 28.4% to £4.29m
  - record sales of feed, grass seed and fertiliser, helped by extended, warm dry weather in H2
  - exceptionally strong performance from the Glasson business
  - increased production capacity in blended fertiliser with acquisition of Montrose, in East Scotland in November 2017

- grain trading activity expanded into Lincolnshire, with new office opened in Grantham
- Specialist Agricultural Merchanting Division - revenue up 16.9% to £128.26m, operating profit up 16.7% to £5.53m
    - like-for-like revenue rose 9.8% y.o.y, with very strong sales of bagged feed, hardware and animal health products from depots
    - Group's trading footprint was expanded, especially in the South West, through acquisitions. Former Countrywide depots remain on track to make a first time contribution to earnings in 2019
- Increased investment in manufacturing facilities, depots, logistics fleet
- Despite Brexit uncertainty, the Group is well-placed for future growth, backed by its broad spread of activities, increased geographic presence, and strong balance sheet

*****_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 reasons for its use._

Gareth Davies, Chief Executive of Wynnstay, commented:

"I am pleased to report record profit and revenue in what was Wynnstay's Centenary Year. These strong results reflected the continued recovery in farmer spending with the improvement in farmgate price, also the unusually long dry Summer, which boosted feed, fertiliser and seed sales in the second half of the year. All of Wynnstay's key activities, including sales across our network of depots, showed year-on-year growth.

"We continued to expand our trading area with a number of acquisitions. We now have a greater foothold in the West Country, and the acquisition of the Montrose fertiliser facility gives us our first operational presence in East Scotland.

"The UK agricultural trading backdrop remains robust although farmers have seen higher costs, particularly in feed, mostly driven by the long dry summer weather. While Brexit uncertainties remain, we are confident that British agriculture has positive long-term prospects, underpinned by macro-economic drivers as well as the UK's relative lack of food self-sufficiency.

"Trading for the new financial year has started in line with management expectations. There are important trading months ahead and we will provide a further update at the Group's AGM in late March."

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CHAIRMAN'S STATEMENT

OVERVIEW

I am pleased to report record financial results in what was Wynnstay's Centenary Year. These very strong figures, which are well above our expectations at the start of the financial year, reflect the continuing recovery in farmer confidence and spending, driven by improved farmgate prices. Trading in the second half of the year also benefited from the unusually dry summer weather that extended well into the autumn months and boosted sales of feed, fertiliser, and seed in particular.

Underlying* pre-tax profit (the Board's preferred alternative performance measure) from continuing operations rose by 20.5% to £9.60m (2017: £7.97m), and Group revenue from continuing activities increased by 18.4% to £462.66m (2017: £390.72m), with acquisitions accounting for £28.21m of sales.

All of Wynnstay's key activities generated increased sales. This reflected the general improvement in farmgate prices, which benefited farmers across the arable and livestock sectors. Average UK grain prices were above the previous season, with milk prices stabilising to more realistic levels, and sheep and beef meat prices increasing significantly year-on-year. The weaker pound also benefited UK farm exports. Against this, farmers faced rising costs, including fuel and fertiliser, and unexpected feed requirements driven by the dry weather.

Strong feed demand in the second half benefited both our direct-to-farm activity as well as sales through our other channels-to-market, including Wynnstay's agricultural depots. Overall, the Group's compound and blended feed volumes were 6.4% higher than last year and sales of bagged feed, which is predominantly sold through our depots, reached a record high.

The acquisitions of the Montrose fertiliser blending plant in East Scotland in November 2017 and the balance of the FertLink joint venture fertiliser manufacturing business in May 2018 have established Wynnstay as the second largest fertiliser blending manufacturer in the UK, enabling us to capitalise on increased fertiliser demand in the second half. Strategically, the addition of Montrose has given us our first presence in Scotland, which we will build on. The Group's seed operations produced a very strong performance, with record sales of herbage seeds. Grain trading activities were buoyant, with volumes up by 15.5% over the previous year. This included a good initial contribution from our new grain trading operation in Grantham, opened in the late Spring.

Sales through our agricultural depots were strong, with like-for-like sales up by 9.8%. We made a number of acquisitions of agricultural outlets in the year and these have expanded our trading reach and farming customer base, especially in the South West. The most significant acquisition was from the administrators of Countrywide Farmers Plc on 30 April 2018. The integration of our acquisitions is proceeding to plan and, as previously highlighted, we expect the former Countrywide depots to make a positive contribution to the Group's results in the new financial year to 31 October 2019.

Over the year, we have continued to invest across the Group to improve operational efficiencies, particularly in production facilities and logistics. We are also continuing to invest in our advisory services and have established a strong team of specialists. The application of science and technology in farming is important and our advisory services are aimed at assisting farmers in reviewing and adopting relevant new products and practices as they seek to become more efficient and more profitable.

FINANCIAL RESULTS

Group revenues from continuing operations for the year to 31 October 2018 increased by 18.4% to £462.66m (2017: £390.72m), with acquisitions contributing £28.2m and inflation accounting for about £22.3m of the rise.

Sales in the Agriculture Division rose by 19% to £334.34m (2017: £280.87m), with the increase reflecting higher average unit values for most feed, seed and grain products and stronger volumes. Revenue from the Specialist Agricultural Merchanting Division increased by 17% to £128.26m (2017: £109.73m), with acquisitions contributing £7.83m to this rise and £10.7m accounted for by strong like-for-like growth in many important product categories.

On an IFRS basis, profit before taxation increased by 24.4% to £9.53m (2017: £7.66m). Underlying[*] Group pre-tax profit, which excludes share-based payments and non-recurring items but includes the results from joint ventures and associates, increased by 20.5% to £9.60m (2017: £7.97m), setting a new record high. This strong performance was driven by both Divisions.

The Agriculture Division generated a 28.4% rise in operating profit contribution to £4.29m (2017: £3.34m), including contributions from Joint Ventures and Associate business. The Specialist Agricultural Merchanting Division generated a 16.7% rise in contribution to £5.53m (2017: £4.74m). Other activities showed a loss of £0.09m (2017: loss of £0.10m).

Net finance costs increased slightly to £0.19m (2017: £0.15m) as commodity price inflation created higher average working capital utilisation.

Profit after tax from continuing operations rose by 22.2% to £7.71m (2017: £6.31m) and basic earnings per share from continuing operations increased by 21.1% to 39.11p (2017: 32.29p).

The Group continued to generate good cash flows. However, it closed the year with net debt of £0.98m (2017: net cash £4.51m), which mainly reflected higher working capital utilisation as a result of the growth in revenues. It also reflected increased investment across the Group particularly in our logistics fleet, depots and manufacturing facilities. The Group maintains borrowing facilities of approximately £18.8m, which provide it with ample headroom.

Net assets increased by 6.7% to £91.07m (2017: £85.39m) at the year-end, which equates to £4.62 per share (2017: £4.37 per share) and the return on net assets from continuing operations rose to 10.6% (2017: 9.4%).

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DIVIDEND

The Board is pleased to propose the payment of a final dividend of 8.95p per share. Together with the interim dividend of 4.41p per share, paid on 31 October 2018, this takes the total dividend for the year to 13.36p, an increase of 6.03% on last year (2017: 12.60p).

The final dividend will be paid on 30 April 2019 to shareholders on the register on 29 March 2019. A script dividend alternative will continue to be available as in previous years. The last date for election for the script dividend will be 16 April 2019.

BOARD CHANGES

On 11 July 2018, Gareth Davies assumed the role of Chief Executive Officer, succeeding Ken Greetham, who retired after 21 years with the Group, the last 10 of which were as CEO.

On behalf of the Board and all staff, I am delighted to take this opportunity to welcome Gareth to the Board and to thank Ken for his substantial contribution to Wynnstay over so many years. Ken leaves the Group well-positioned for its next stage of growth and we wish him a very happy retirement.

Gareth joined Wynnstay in 1999, rising to become a key member of the senior management team. Over the last five years, he has been Joint Managing Director of Wynnstay (Agricultural Supplies) Ltd. Gareth is also a Director of Hybu Cig Cymru - Meat Promotion Wales, the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat, and a member of both the Welsh Government Trade and Supply Chain Working Group, as well as Treasurer of British Grassland Society.

COLLEAGUES

Our colleagues are knowledgeable and highly experienced, and Wynnstay's continuing success has been built upon a strong team culture of commitment, passion and endeavour. On behalf of the Board, I would like to thank everyone for their part in helping to deliver a very successful year. We look forward to moving the Group into its next phase of growth with the support of our dedicated team.

OUTLOOK

We believe that the long-term prospects for UK agriculture are positive, despite the current uncertainties surrounding political reform and the changes to the way in which farmers will be supported. The Agriculture Bill, which is currently progressing through Parliament, supports and promotes investment in sustainable business models, and incentivises greater efficiency and environmental management. Macro-economic factors point to increased demand for agricultural produce as a result of increasing world population and shifting dietary habits, which British agriculture stands to benefit greatly from. We believe that Wynnstay can play an important role in supporting the future needs of farmers as they respond to the new challenges and opportunities ahead.

Wynnstay remains well-placed to grow and develop. The business is now wholly-focused on its agricultural activities and the acquisitions that we have completed over the last year have expanded our trading areas and our customer base, providing growth opportunities for the future.

We have strong routes into our farming customer base and continue to invest in our product range and in the different ways in which we engage with customers, including online. Our depots remain a strong channel to market, complemented by our growing advisory services, educational events and specialist catalogues. We intend to continue to develop our 'multi-channel' approach over the coming year.

We also have a programme of investment in place to continue to improve efficiencies, with a strong focus on enhancing our manufacturing facilities and upgrading systems.

Trading at the start of the current financial year is in line with management expectations and looking further ahead, the Board remains confident of continuing organic and acquisitive growth opportunities. Wynnstay's breadth of activities and strong balance sheet will continue to provide a secure underpinning to the Group's position as we develop and expand the business.

Jim McCarthy

Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

I am very pleased to report on Wynnstay's record pre-tax profit and revenue, in this my first Chief Executive Officer's Review since taking up the role in July 2018.

The Group performed well across all core activities, reflecting the improved trading backdrop for both the livestock and arable sectors. This came through in increased revenues from continuing operations, which were 18.4% higher than the previous year at £462.66m (2017: £390.72m). Volume growth drove £21.43m of the increase and acquisitions contributed £28.2m. Commodity price inflation was also a factor, adding £22.3m. Both the Group's Divisions increased their profit contributions, driving a 20.5% rise in underlying* pre-tax profit to £9.60m (2017: £7.97m).

We continue to report the Group's performance under two segments, Agriculture Division and Specialist Agricultural Merchanting Division (previously referred to as 'Specialist Retail'), and a detailed review of activities is provided below.

Feed sales set a new record and the Glasson business turned in an exceptional performance. Both operations benefited from the prolonged dry weather conditions in 2018, which drove unseasonal demand for animal feed in the second half. Sales of herbage seed also reached a new high, with the same weather factors driving demand as farms replaced dried, worn-out pasture. The Specialist Agricultural Merchanting Division performed above our expectations with most product categories benefiting from improved farmer sentiment. We have grown this Division's footprint with the acquisition of further depots, especially in the West Country. The addition of new farming customers creates further growth opportunities for the Group's wider activities in feeds, fertiliser, and seeds, and helps to continue to build Wynnstay's profile and market share.

Our crop marketing business, GrainLink, performed well in a difficult market and also expanded into a new trading area, opening an office at Grantham, Lincolnshire.

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REVIEW OF ACTIVITIES

AGRICULTURE DIVISION

The Agriculture Division's main activities comprise the manufacture and processing of feed, fertiliser and seeds and the marketing of other agricultural inputs. The Group's crop marketing services, which are conducted through GrainLink, also form part of this Division.

Revenues from the Division rose by 19.0% over the year to £334.34m in 2018 (2017: £280.87m). This rise was driven mainly by increased demand across most product groups and commodity price inflation.

Operating profit increased by 28.4% to £4.29m (2017 £3.34m). This was despite margin pressure in some areas, which we anticipate continuing in 2019.

Both feed and arable activities performed above our expectations, with record sales of feed, milk replacers, and herbage seeds. Grain and fertiliser volumes were above last year's levels, although margins were squeezed as competitors chased market share.

We continued to introduce innovative new products and to invest in our specialist sales teams who provide farmers with technical advice. Improving farm productivity remains a significant area of focus for farming enterprises and we aim to assist customers with products and services that will help them to achieve this.

Feed products

Feed products are manufactured at our main facilities at Llansantffraid and Carmarthen as well as at a smaller 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 major strength, smoothing out sector variations. It is complemented by our technical sales staff who are able to advise customers on all aspects of animal nutrition.

Total volumes of compound and blended feed products reached a record level, some 6.4% higher than the previous year. This reflected strong demand, especially in the second half of the financial year when the long, dry summer weather limited farmer-grown forage, causing farmers to buy in additional feed.

The increase in feed demand was felt across all sectors, with an especially strong demand for poultry feed as many egg producers increased the size of their business. We also experienced record sales of our calf feed and milk replacer products. In addition, our joint venture company, Bibby Agriculture Limited, benefited from these favourable trading conditions. The dry weather has caused a shortage of fodder for the Winter months, and we expect this to support ongoing feed demand.

Working with our Specialist Agricultural Merchanting depots, our feed advisors have helped to drive sales across a wider geographical area, and we expect to see further progress with this initiative over the new financial year.

During 2018, we continued to invest in our Llansantffraid facility to improve efficiencies and we will be continuing to focus on upgrading and enhancing systems.

The outlook for feed products remains strong. Our model of supplying feed across the classes of livestock creates an 'internal hedge' which helps to smooth variations in sector demand and generate greater consistency in performance.

Glasson Grain

The Glasson business, which is based in Glasson Dock, near Lancaster, operates in three main areas: the supply of feed raw materials; production of fertiliser; and manufacture of animal feed products.

The business delivered an exceptional performance, with all activities outperforming budget.

The fertiliser operations benefited from the acquisition of a fertiliser blending facility in Montrose, East Scotland, in November 2017 and the integration of the FertLink joint venture manufacturing business. The addition of Montrose has enabled Glasson to trade with an entirely new customer base in a new geography. Glasson is now the second largest fertiliser blender in the UK.

Raw material commodity trading benefited from increased feed demand as a result of the extremely dry weather conditions, and feed manufacturing achieved record production as a demand for our specialist, added-value feed products increased.

Arable products

Our arable activities performed strongly during the year, although with some variations across sub-sectors.

Overall, seed sales for the year were very good. While, the first half of the year saw reduced activity within our seed operations due to the late, wet Spring delaying planting, the extended dry Summer helped to drive record herbage seed sales, as the weather encouraged farms to replace worn-out pasture and grow forage crops to substitute for the lack of fodder. During the year, we refocused the activities of Woodhead Seeds, based in Selby, Yorkshire, and have brought it under the management of our main seed operation at Astley, Shropshire. This has resulted in lower cereal seed tonnage but a higher overall contribution.

Fertiliser sales for the year were above budget and ahead of the previous year although there was downward pressure on margins. The increase was driven by the busy Spring period and the late Summer surge, as farmers strived to grow grass and forage following months of prolonged dry conditions. A significant increase in fertiliser prices in the Autumn reduced forward purchasing, however, we would expect to see this translate into higher activity in Spring 2019.

We continue to develop our in-house grain marketing business, GrainLink, based in Shrewsbury, Shropshire, and have expanded its presence into Lincolnshire, opening a grain trading office in Grantham. The new office markets grains and oilseeds, and also sells fertiliser and seed. Our plans to develop the business in this area have been taken into consideration in our annual goodwill impairment process, details of which are contained in note 16. Trading volumes at GrainLink were above the prior year and the business has performed well in tougher trading conditions, with the late Spring and dry Summer reducing yields and resulting in strong competition for the UK tonnage, which put pressure on margins.

GrainLink hosted its annual Arable Event in Shropshire in June 2018. This specialised event attracted over 1,000 arable farmers to evaluate field plots of the latest new seed varieties and to study new innovative and cutting-edge technology within the sector.

The dry Autumn has resulted in excellent drilling conditions across most of the country. This bodes well for our seed and grain trading activities in 2019.

Our warehouse expansion project at Astley in Shrewsbury has now been completed and the new facility which takes this warehouse to 30,000 sq. ft, is expected to become operational in the coming weeks. It gives us additional capacity for both our seed processing activities and our depots, and will improve operational efficiencies.

SPECIALIST AGRICULTRUAL MERCHANTING DIVISION

Revenue from our Specialist Agricultural Merchanting Division increased by 16.9% to £128.26m for the year (2017: £109.73m). Acquisitions accounted for approximately £7.83m of this rise and like-for-like sales were £10.7m ahead of the prior year including the effect of inflation. Operating profit contribution from the Division rose by 16.7% to £5.53m (2017: £4.74m).

The 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 SQPs (Suitably Qualified Persons) who provide value-added advice on animal health products, as well as the other products that we sell, and they help to make this operation an attractive route to market for our supplier base. The number of depots that we operate now stands at 59 (October 2017: 50).

As well as our Youngs Animal Feeds business, the Division also includes sales generated through our other channels-to-market, including specialist catalogues (for dairy, beef, sheep and poultry farmers), vans and online. It is an important part of the Group's wider agricultural activities, and also assists in establishing the Group's trading presence in new geographic areas.

Wynnstay depots

The acquisitions of the eight former Countrywide depots in April 2018 (one of which we have since closed), MD Lloyd in January 2018 and Mike Hawken Limited in March 2018 have further extended the Group's geographic trading presence, particularly in the West Country. The integration of these acquisitions is now substantially complete and their overall performance in the period was in line with our budget. We expect the Countrywide depots to make a positive contribution to the Division's profitability in the new financial year to 31 October 2019.

Like-for-like sales across our depots increased by 9.8%, enabling us to report record sales. In particular feed, hardware, milk replacers and animal health products sales were very strong, reflecting improved trading conditions for farmers and weather-related purchases, particularly of bagged feed in the second half of the year.

Our depots continued to benefit from sales driven by the increasing popularity of our specialist catalogues for dairy, beef and sheep farmers. These have now been complemented by the recent launch of a poultry catalogue, which will appeal to the growing number of egg producers in our trading area. An online option is available for our customers but currently the vast majority choose other purchasing routes, reflecting traditional patterns of buying.

During the year we relocated our Ruthin depot, which has resulted in increased trade. We will continue to invest across our depot network over 2019, and to introduce carefully-chosen new products. We also remain focused on staff training so that our depot-based advisors provide farmers with value-added services.

Youngs Animal Feeds

Youngs Animal Feeds manufactures and markets a range of equine products that are sold through specialist outlets across Wales and the Midlands. Over the year, we reorganised the business transferring some feed manufacturing to Glasson. Our Molichop-branded feed range continues to be manufactured at our purpose-built factory at Standon and remains a market leading product.

JOINT VENTURES AND ASSOCIATES

In May 2018, the Group transferred the manufacturing operations of a joint venture company, FertLink Limited, into Glasson Grain, and, in June, we sold our share of the business in Wynnstay Fuels, an associate company. As a result, Wynnstay now has three joint venture businesses, Bibby Agriculture, Wyro and Total Angling, and one associate business, Celtic Pride.

The total contribution from the joint venture and associate businesses was higher than the previous year. This was mainly because of an exceptional performance by Bibby Agriculture.

STAFF

I am very proud of our dedicated, professional and talented employees, and would like to thank them all for their continued hard work and commitment. Their skill and experience helps to ensure that Wynnstay remains one of the leading suppliers of agricultural products and advice to the agricultural industry.

OUTLOOK

The UK agricultural trading environment has improved significantly. Looking to the year ahead, trading conditions for the arable sector appear broadly favourable, helped by strong forward wheat prices although fertiliser and fuel costs are higher. In the livestock sector, milk prices are stable although there has been a reduction in forecast return over the short term, and red meat prices are firm. However, this sector will be affected by higher winter feeding costs as a result of the prolonged dry Summer, which has caused a shortage in farm-grown winter forage.

The UK's withdrawal from the European Union creates uncertainties but the Government has confirmed that overall funding for UK farm support will be protected until 2022. The proposed Agriculture Bill gives us a clear indication that the Government will seek to support efficient production as well as measures to enhance the environment. Although the outcome and impact of Brexit is unknown, Wynnstay continues to have contingency plans with suppliers and believes that the requirement for innovation, productivity and efficiency will create long term opportunities.

Our focus remains on continuing to build market share, both organically and through acquisitions, and also driving further efficiencies within the Group. We believe that our broad range of products and technical advice will help to ensure that we remain a valuable route to market for our suppliers as we continue to position Wynnstay as the 'supplier of choice' for customers.

Gareth Davies

Chief Executive Officer

WYNNSTAY GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
CONTINUING OPERATIONS					
Revenue	2		**462,657**		390,724
Cost of sales			**(400,950)**		(337,835)
Gross profit			**61,707**		52,889
Manufacturing, distribution and selling costs			**(46,718)**		(40,009)
Administrative expenses			**(5,896)**		(5,335)
Other operating income			**335**		326
Adjusted* operating profit			**9,428**		7,871
Amortisation of acquired intangible assets and share-based payment expense	4		**(71)**		(156)
Non-recurring items	4		**69**		(95)
Group operating profit			**9,426**		7,620
Interest income		**92**		66	
Interest expense		**(283)**		(219)	
	3		**(191)**		(153)
Share of profits in associates and joint ventures accounted for using the equity method		**376**		267	
Share of tax incurred by associates and joint ventures		**(82)**		(70)	
	6		**294**		197
Profit before taxation from continuing operations			**9,529**		7,664
Taxation	7		**(1,821)**		(1,359)
Profit for the year from continuing operations			**7,708**		6,305
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations after tax	8		**-**		(6,586)
Profit/(loss) for the year and other comprehensive income attributable to the equity holders			**7,708**		(281)
Basic earnings per ordinary share (pence)					
Profit from continuing operations			**39.11**		32.29
(Loss) from discontinued operations			**-**		(33.72)
	10		**39.11**		(1.43)
Diluted earnings per ordinary share (pence)					
Profit from continuing operations			**38.94**		31.87
(Loss)from discontinued operations			**-**		(33.29)
	10		**38.94**		(1.42)

There was no other comprehensive income during the current and prior year

*Adjusted results are 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 2018

	Note	2018 £000	2017 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		**14,818**	14,266
Investment property		**2,372**	2,372
Property, plant and equipment		**21,979**	18,709
Investment in subsidiaries		**-**	-
Investments accounted for using equity method		**2,863**	3,444
Intangibles		**89**	95
		42,121	38,886
CURRENT ASSETS			
Inventories		**52,250**	30,056
Trade and other receivables		**70,907**	62,961
Financial assets			
- loan to joint venture		**2,812**	2,844
Cash and cash equivalents	11	**6,676**	8,914
		132,645	104,775
TOTAL ASSETS		**174,766**	143,661
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities - borrowings	12	**(3,887)**	(2,512)
Trade and other payables		**(74,522)**	(52,738)
Current tax liabilities		**(1,102)**	(847)
		(79,511)	(56,097)
NET CURRENT ASSETS		**53,134**	48,678
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	12	**(3,766)**	(1,896)
Trade and other payables		**(157)**	(22)
Deferred tax liabilities		**(259)**	(254)
		(4,182)	(2,172)
TOTAL LIABILITIES		**(83,693)**	(58,269)
NET ASSETS		**91,073**	85,392
EQUITY			
Share capital	13	**4,943**	4,916
Share premium		**29,941**	29,529
Other reserves		**3,377**	3,319
Retained earnings		**52,812**	47,628
TOTAL EQUITY		**91,073**	85,392

WYNNSTAY GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 October 2018

	Share capital	Share premium account	Other reserves	Retained earnings	Total

Group	£000	£000	£000	£000	£000
At 1 November 2016	4,874	28,848	2,933	50,293	86,948
Loss for the year	-	-	-	(281)	(281)
Total comprehensive loss for the year	-	-	-	(281)	(281)
Transactions with owners of the Company, recognised directly in equity:					
Shares issued during the year	42	681	-	-	723
Own shares disposed of by ESOP trust	-	-	244	-	244
Dividends	-	-	-	(2,384)	(2,384)
Equity settled share-based payment transactions	-	-	142	-	142
Total contributions by and distributions to owners of the Company	42	681	386	(2,384)	(1,275)
At 31 October 2017	4,916	29,529	3,319	47,628	85,392
Profit for the year	**-**	**-**	**-**	7,708	7,708
Total comprehensive income 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**

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

WYNNSTAY GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from continuing operations	14	**2,831**	6,053
Interest received		**92**	66
Interest paid		**(283)**	(219)
Tax paid		**(1,674)**	(1,496)
Net cash flows from operating activities in continuing operations		**966**	4,404
Net cash generated from operating activities in discontinued operations		**-**	282

Net cash generated from operating activities		**966**	4,686
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**548**	177
Purchase of property, plant and equipment		**(2,310)**	(2,018)
Proceeds on sale of investments		**20**	150
Acquisition of subsidiaries, net of cash acquired		**(1,021)**	-
Disposal of subsidiary, net cash disposed of		**-**	(678)
Own shares disposed of by ESOP trust		**3**	244
Dividends received from associates		**755**	-
Net cash used by investing activities in continuing operations		**(2,005)**	(2,125)
Net cash used by investing activities in discontinued operations		**-**	(36)
Net cash used by investing activities		**(2,005)**	(2,161)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**439**	723
Finance lease principal repayments		**(1,453)**	(1,152)
Proceeds from borrowings		**3,500**	-
Repayment of borrowings		**(1,161)**	(896)
Dividends paid to shareholders	9	**(2,524)**	(2,384)
Net cash used by financing activities in continuing operations		**(1,199)**	(3,709)
Net cash used by financing activities in discontinued operations		**-**	(13)
Net cash used by financing activities in continuing operations		**(1,199)**	(3,722)
Net decrease in cash and cash equivalents		**(2,238)**	(1,197)
Cash and cash equivalents at the beginning of the period		**8,914**	10,111
Cash and cash equivalents at the end of the period	11	**6,676**	8,914

WYNNSTAY GROUP PLC

NOTES TO THE ACCOUNTS

1. 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.

New Standards issued but not yet effective

At the date of authorisation of these full year results, the following relevant major standards were in issue but not yet effective:

	Effective for accounting periods commencing on or after
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

Further details of the expected impact of implementing these standards are shown below:

IFRS 15 'Revenue from Contracts with Customers', is effective for accounting periods beginning on or after 1 January 2018 and will therefore first apply to the Group in the year ending 31 October 2019. The first interim accounts that will be prepared in accordance with the new standard are the 2019 half-year results. The Group has assessed its income streams using the five-stage revenue recognition model and agent versus principal considerations and concluded that the Group results and net assets will not be materially impacted by this standard.

As a manufacturer and specialist merchant, the Group earns the majority of its revenues from the sale of goods rather than services, and hence recognises revenue at a point of time, typically on delivery of the goods to the customers' premises or at the point of shipping. 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 in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question. Some contracts provide customers with a limited right of return, these relate to the Group's Specialist Agricultural Merchanting activities. Experience has shown that the value of these returns is immaterial.

IFRS 9, 'Financial instruments', (which replaces IAS 39 Financial Instruments: Recognition and Measurement) is effective for accounting periods beginning on or after 1 January 2018 and will therefore first apply to the Group in the year ending 31 October 2019. The first interim accounts that will be prepared in accordance with the new standard are the 2019 half-year results. IFRS 9 requires entities to provide for possible future credit losses on loans and receivables, including trade receivables, even if it is highly likely that the loan or receivable will be fully collectible. The standard introduces an "expected credit loss" model that focuses on the risk that a loan or receivable will default rather than whether a loss has been incurred. This will result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the probability of default occurring over the contractual life of its trade receivables on initial recognition of these assets. Under the existing incurred loss model, the provision amounted to £708,456 at 31 October 2018 and £718,597 at 31 October 2017 (see note 21). The adoption of the expected credit loss model from IFRS 9 is not expected to have a material impact on the financial statements. This is due to the diversified customer base and low history of default, together with partial credit insurance being in place for some debts. Forward looking information has been considered when estimating the probability of default. The UK and devolved Governments have announced continued agricultural funding support schemes for the Group's farmer customer base following the termination of current EU Common Agricultural Policy (CAP) payments, and therefore no factors have been identified at this time to indicate an adjustment is necessary to the historic default rate.

The Group has decided to adopt the hedge accounting provisions in IFRS 9 to enable it to apply hedge accounting for hedging relationships which failed to qualify for hedge accounting under IAS 39 due to its 80-125% hedge effectiveness criterion. This change will be applied prospectively from 1 November 2018 and there is no change to net assets as at 31 October 2018 or reported profit for the year then ended.
Consequently, the adoption of IFRS 9 will not have a material effect on the Financial statements.

IFRS 16, 'Leases', is effective for period beginning on or after 1 January 2019, and will therefore 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 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.

Assuming the Group's lease commitments remain at a similar level to those at 31 October 2018 and the incremental borrowing rate is 6%, the effect of adopting IFRS 16 is expected to result in the recognition of right-of-use assets and lease liabilities of approximately £8.8

million at 1 November 2019. However, the actual number of leases in existence and the incremental borrowing rate in force could change and this may result in the actual right-of-use assets and lease liabilities being higher or lower than this.

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. The overall financial results in the year ending 31 October 2020 are expected to be adversely impacted by approximately £270,000 due to the front end loading of interest versus smooth operating lease rentals but this may change due to the number of leases in existence and the incremental borrowing rate in force at the time of adoption.

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 group disposed of Just for Pets Limited, a part of the Specialist Agricultural Merchanting segment, on 10 October 2017 when Just for Pets Limited entered administration.

The Board assesses the performance of the operating segments based on a measure of operating profit. 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 2018 for continuing operations are as follows:

	Agriculture	Specialist Agricultural Merchanting	Other	Total
Year ended 31 October 2018	**£000**	**£000**	**£000**	**£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 associates 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 from continuing operations				**9,611**
Income taxes (includes tax of associates and joint ventures)				**(1,903)**
Profit for the year attributable to equity shareholders from continuing operations				**7,708**
Segment net assets	**43,878**	**41,848**	**6,324**	**92,050**
Corporate net debt (note 12)				**(977)**
Segment net assets after corporate net cash				**91,073**

The segment results for the year ended 31 October 2017 for continuing operations are as follows:

Year ended 31 October 2017	**Agriculture** £000	**Specialist Agricultural Merchanting** £000	**Other** £000	**Total** £000
Revenue from external customers	280,870	109,727	127	390,724
Segment result				
Group operating profit before non-recurring items	3,017	4,740	(42)	7,715
Share of results of associate and joint ventures before tax	320	-	(53)	267
	3,337	4,740	(95)	7,982
Non-recurring items				(95)
Interest income				66
Interest expense				(219)
Profit before tax from continuing operations				7,734
Income taxes (includes tax of associate and joint ventures)				(1,429)
Profit for the year attributable to equity shareholders from continuing operations				6,305
Segment net assets	33,908	39,739	7,239	80,886
Corporate net cash (note 12)				4,506
Segment net assets after corporate net cash				85,392

3. FINANCE COSTS

	2018 £000		2017 £000	
	Continuing	**Discontinued**	Continuing	Discontinued

	operations	operations	operations	operations
Interest expense:				
Interest payable on borrowings	**(158)**	**-**	(114)	-
Interest payable on finance leases	**(125)**	**-**	(105)	(3)
Interest and similar charges payable	**(283)**	**-**	(219)	(3)
Interest income	**92**	**-**	66	-
Interest receivable	**92**	**-**	66	-
Finance costs	**(191)**	**-**	(153)	(3)

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

Continuing operations	**2018**	2017
	£000	£000
Amortisation of acquired intangible assets and share-based payments		
Amortisation of intangibles	**16**	14
Cost of share-based reward	**55**	142
	71	156
Non-recurring items		
Goodwill and Investment impairment	**138**	60
Costs of corporate restructuring	**-**	35
Business combination expenses	**70**	-
Profit on disposal of freehold property	**(277)**	-
	(69)	95

The investment impairment relates to unlisted investments.

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 business combination expenses relate to business combinations in the year.

The costs of corporate restructuring in the prior year relates to the dissolution of dormant subsidiaries.

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:

	2018		2017	
	£000		£000	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Staff costs	**28,132**	**-**	24,975	2,838
Cost of inventories recognised as an expense	**344,695**	**-**	294,766	-
Depreciation of property plant and equipment:				
- owned assets	**2,888**	**-**	1,947	320
- under finance leases	**269**	**-**	710	4

Amortisation of intangibles	**16**	**-**	14	-
(Profit) on disposal of fixed assets	**(328)**	**-**	(73)	(8)
Other operating lease rentals payable	**2,858**	**-**	2,242	2,073
Repairs and maintenance expenditure on plant, property and equipment	**1,809**	**-**	1,851	92
Trade receivables impairment	**113**	**-**	65	-

Services provided by the Group's auditor:

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

	2018 £000		2017 £000	
	Continuing operations	**Discontinued operations**	**Continuing operations**	**Discontinued operations**
Audit services - statutory audit	**92**	**-**	102	8
Other services relating to taxation	**-**	**-**	8	-
Other services - XBRL tagging	**-**	**-**	2	-

Included in the Group audit fee are fees of £4,000 (2017: £5,000) paid to the Group's auditor in respect of the parent company. The fees relating to the parent company are borne by one of the Group's subsidiaries and not recharged.

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

	2018	2017
	£000	£000
Continuing operations		
Share of post-tax profits in associates	**19**	17
Share of post-tax profits in joint ventures	**275**	180
Total share of post-tax profits of associates and joint ventures	**294**	197

7. TAXATION

	2018	2017
Analysis of tax charge in year	**£000**	£000
Continuing operations		
Current tax		
- Continuing operations	**1,886**	1,490
- Adjustments in respect of prior years	**(70)**	(56)
Total current tax	**1,816**	1,434
Deferred tax		
- Accelerated capital allowances	**5**	(75)
Total deferred tax	**5**	(75)
Tax on profit on ordinary activities	**1,821**	1,359

8. DISCONTINUED OPERATIONS

In the prior year, the Group disposed of Just for Pets Limited, a part of the Specialist Agricultural Merchanting segment - the loss on disposal was £6,586,000 and the net cash outflow was £678,000.

There have been no discontinued operations in the current year.

9. DIVIDENDS

	2018 £000	2017 £000
Final dividend paid for prior year	**1,653**	1,559
Interim dividend paid for current year	**871**	825
	2,524	2,384

Subsequent to the year end it has been recommended that a final dividend of 8.95p net per ordinary share (2017: 8.40p) be paid on 30 April 2019. Together with the interim dividend already paid on 31 October 2018 of 4.41p net per ordinary share (2017: 4.20p) this would result in a total dividend for the financial year of 13.36p net per ordinary share (2017: 12.60p).

10. EARNINGS PER SHARE

	Basic earnings per share		Diluted earnings per share	
	2018	2017	**2018**	2017
Continuing operations				
Earnings attributable to shareholders (£000)	**7,708**	6,305	**7,708**	6,305
Weighted average number of shares in issue during the year (number '000)	**19,708**	19,529	**19,797**	19,782
Earnings per ordinary 25p share (pence)	**39.11**	32.29	**38.94**	31.87
Discontinued operations				
(Loss)/earnings attributable to shareholders (£000)	-	(6,586)	-	(6,586)
Weighted average number of shares in issue during the year (number '000)	-	19,529	-	19,782
(Loss)/earnings per ordinary 25p share (pence)	-	(33.72)	-	(33.29)

Continuing operations
Basic earnings per 25p ordinary share from continuing operations 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 from continuing operations, 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.

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

For diluted earnings per share from discontinued operations, 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.

11. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

	2018 £000	2017 £000
Cash and cash equivalents per balance sheet	**6,676**	8,914
Bank overdrafts	**-**	-
Cash and cash equivalents per cash flow	**6,676**	8,914

statement

12. FINANCIAL LIABILITIES - BORROWINGS

	2018	2017
	£000	£000
Current		
Bank loans and overdrafts due within one year or on demand:		
Secured loans	**1,978**	866
	1,978	866
Loan capital (unsecured)	**665**	672
Other loanstock (unsecured)	**14**	16
Net obligations under finance leases	**1,230**	958
	3,887	2,512
Non-current		
Bank loans:		
Secured loans	**2,356**	1,120
	2,356	1,120
Net obligations under finance leases	**1,410**	776
	3,766	1,896

Bank loans and overdrafts of £1,994,367 (2017: £nil) relating to subsidiary companies, are secured by an unlimited composite guarantee by all the trading entities within the Group.

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

	2018	2017
	£000	£000
Borrowings are repayable as follows:		
On demand or within one year	**3,887**	2,512
In the second year	**2,352**	1,316
In the third to fifth years inclusive	**1,414**	580
Over five years	**-**	-
	7,653	4,408
Finance leases included above are repayable as follows:		
On demand or within one year	**1,230**	958
In the second year	**898**	491
In the third to fifth years inclusive	**513**	285
Over five years	**-**	-
	2,641	1,734
The net borrowings are:		
Borrowings as above	**7,653**	4,408
Cash and cash equivalents	**(6,676)**	(8,914)
Net debt/(cash)	**977**	(4,506)

13. SHARE CAPITAL

	2018		2017	
	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	**19,772**	**4,943**	19,665	4,916

During the year 18,816 shares (2017: 110,896) were issued with an aggregate nominal value of £4,705 (2017: £14,822) and were fully paid up for equivalent cash of £66,656 (2017: £344,979) to shareholders exercising their right to receive dividends under the Company's scrip dividend scheme.

A total of 87,602 (2017: 59,289) shares with an aggregate nominal value of £21,900 (2017: £27,724) were issued for a cash value of £372,642 (2017: £377,614) to relevant holders exercising options in the Company. No other shares were issued in this financial year (2017: nil).

14. CASH GENERATED FROM OPERATIONS

	2018	2017
	£000	£000
Profits for the year from continuing operations	**7,708**	6,305
Adjustments for:		
Tax	**1,821**	1,359
Investment and goodwill impairment	**138**	60
Depreciation of tangible fixed assets	**3,157**	2,657
Amortisation of other intangible fixed assets	**16**	14
Profit on disposal of property, plant and equipment	**(328)**	(73)
Interest income	**(92)**	(66)
Interest expense	**283**	219
Share of results of joint ventures and associate	**(294)**	(197)
Share-based payments	**55**	142
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):		
Decrease/(increase) in short term loan to joint ventures	**32**	(58)
(Increase) in inventories	**(19,144)**	(1,048)
(Increase)/decrease in trade and other receivables	**(7,946)**	(13,654)
Increase in payables	**17,425**	10,393
Cash generated from continuing operations	**2,831**	6,053

15. BUSINESS COMBINATIONS

Montrose

On 1 November 2017, Glasson Grain Limited entered into a business combination and acquired 100% of certain trade and assets, which together comprise a mill and related processing facilities, located at Montrose in Scotland. The business is intended to be run as a going concern. The acquisition will enable Glasson Grain Limited to better service customers throughout Scotland. The consideration was £550,000, which is represented by £1 paid on 1 November 2017 and £549,999 payable by 1 November 2020. The payment of the deferred consideration is contingent on the resolution of certain conveyancing issues which management expect to be satisfactorily resolved within the three year period. No discount for the time value of money has been recognised as it is uncertain as to when the resolution will be made of the conveyancing issues.

Provisional fair value of assets acquired:	**£000**
Property, plant and equipment	550
Deferred consideration	**550**

The Directors consider it impractical to estimate the recent historical financial performance of the acquired trade and assets, as the operation was one element of a larger business recently initially acquired by Origin UK Operations Limited, and which was subsequently required to be divested for competition remedy purposes. Amounts included in the Consolidated Statement of Comprehensive Income for the year ended 31 October 2018 are revenue of £11,421,000 and profit of £318,000. Acquisition costs of £35,000 arose as a result of the transaction, these have been recognised as part of non-recurring items.

Countrywide

On 30 April 2018, Wynnstay (Agricultural Supplies) Ltd entered into a business combination and acquired 100% of certain trade and assets of eight former Countrywide Famers Plc agricultural retail stores located in Thame, Raglan, Bridgnorth, Dartington, Otterham, Wadebridge, Helston, and Crewkerne. The acquisition will extend the Group's geographical trading area and farmer customer base. The consideration was £681,000 which may be adjusted for final inventory valuation.

The Directors consider it impractical to estimate the recent historic profit performance of the acquired trade and assets as the operations acquired were constituent parts of a larger legal entity, however, management information indicated that these units generated aggregate revenues of £16.4m in the year to November 2017. Amounts included in the Consolidated Statement of Comprehensive Income for the year ended 31 October 2018 are revenue of £5,328,000 and a loss of (£182,000). Acquisition costs of £35,000 arose as a result of the transaction, these have been recognised as part of non-recurring items.

Provisional fair value of assets acquired:	**£000**
Intangible assets - trademarks	10
Property, plant and equipment	310
Inventories	361
Consideration settled in cash at completion	681
Licence to occupy leasehold premises for 3 months	159
	840

FertLink

On 1 May 2018, Glasson Grain Limited entered into a business combination and acquired the majority of the assets and liabilities of FertLink Limited, a 50% joint venture fertiliser manufacturing facility based in Birkenhead established between Glasson and NW Trading for £100.

The acquisition will increase the fertiliser division's sales volume and allow it to better service the market on the east side of the UK. The Directors consider it impractical to estimate the recent historical performance of the acquired assets and liabilities as they are constituent parts of a larger legal entity. Amounts included in the Consolidated Statement of Comprehensive Income for the year ended 31 October 2018 are revenue of £6,056,000 and profit of £111,000.

Prior to the acquisition FertLink had revenue of £16,404,000 and pre-tax losses of (£167,000) in the six months to 30 April 2018.

Provisional fair value of assets acquired:	**£000**
Goodwill	266
Property, plant and equipment	600
Inventories	2,559
Cash and cash equivalents	63

Trade and other payables	(3,375)
Current tax liability	(113)
Consideration settled in cash at completion	-

The goodwill represents future sales opportunities and economies of scale from combining the operations of Glasson Grain Limited and FertLink Limited. None of the goodwill is expected to be deductible for tax purposes.

Others

In addition to the acquisitions set out above, the Group has also completed a number of smaller acquisitions for total consideration of £529,000 which is shown below. The consideration may be adjusted for final inventory valuation. The deferred consideration is also contingent upon future profitability and continued employment of the former owners. The fair value of the contingent consideration has been based on management expectations of the future performance of the businesses. The contingent consideration could range from £130,000 to an unlimited maximum (based on the enterprise contribution of the businesses acquired). The Directors best estimate of the deferred consideration payable is £189,000 shown in the following table. The goodwill represents future sales opportunities to the farmer customer base and is not deductible for tax purposes.

The Directors consider it impractical to estimate the recent historical performance of the acquired trade and assets as the operations acquired were constituent parts of larger legal entities. Amounts included in the Consolidated Statement of Comprehensive Income for the year ended 31 October 2018 are revenue of £2,503,000 and profit of £36,000.

Provisional fair value of assets acquired:	**£000**
Goodwill	324
Property, plant and equipment	75
Inventories	130
Total consideration	529
Deferred consideration	189
Consideration settled in cash at completion	340

Contingent and deferred consideration of £63,000 was also paid during the period which related to prior period acquisitions, resulting in a total net cash outflow of £1,021,000.

16. GOODWILL

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

Group	**£000**
Cost	
At 1 November 2016	19,784
Disposals	(4,003)
Subsidiary disposed	(245)
At 31 October 2017	15,536
Additions	**590**
At 31 October 2018	**16,126**
Aggregate impairment	
At 1 November 2016	1,637
Disposals	(367)
At 31 October 2017	1,270

Impairment	**38**
At 31 October 2018	**1,308**
Net book value	
At 31 October 2018	**14,818**
At 31 October 2017	14,266

Goodwill impairment

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

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

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

In October 2018 and 2017 impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of the cash generating units to which goodwill has been allocated.

Goodwill is allocated to specific cash generating units ("CGUs") as it arises.

The Group has a number of CGUs in both the Agriculture and the Specialist Agricultural Merchanting sectors. The carrying amount of goodwill allocated to the Agriculture CGUs is £8,158,797 (2017: £7,776,514), and to Specialist Agricultural Merchanting is £6,658,947 (2017: £6,489,577).

The pre-tax discount rates used to calculate value in use were 9.5% (2017: 9%) for Agriculture and 9.5% (2017: 9%) for Specialist Agricultural Merchanting. These discount rates are derived from the Groups weighted average cost of capital and adjusted for the specific risks relating to each CGU.

The forecasts are extrapolated based on estimated long-term average growth rates of 2.0% (2017: 2.7%) for both Agriculture and Specialist Agricultural Merchanting.

The Directors have considered the sensitivity to key assumptions and the majority of the Group's impairment tests have significant headroom. However, one CGU within the agricultural sector contains reasonably possible changes in key assumptions which could have a material impact on the carrying value of goodwill which therefore require disclosure.

Goodwill is allocated to this CGU as follows:

	2018	2017
	£000	£000
GrainLink	**4,206**	4,206

The recoverable amount of this CGU is based upon its value in use, determined by discounting future cashflows to be generated from the continuing use for the CGU. The estimated value in use at 31 October 2018 exceeded the carrying value by approximately £520,000 for GrainLink.

The key assumptions used in the estimation of the recoverable amount is set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data and future forecasts from both internal and external sources.

GrainLink	**2018**	2017
Discount rate	**9.5%**	9.0%
Terminal value growth rate	**2.0%**	2.7%
Budgeted EBIT	**Increase of £203k in year 1 followed by £107k in year 2 followed by 1% growth in years 3-5**	Increase of £122k in year 2 followed by 1% growth in years 3-5

Management have prepared the discounted future cashflows on a basis which they believe is achievable and there are events in place to support the increased EBIT.

- Trading conditions are expected to improve

In 2018, trading conditions, particularly in the first half of the financial year were very challenging as result of significant regional variances in product quality and availability after a difficult harvest in the autumn of 2017.

These conditions created an almost unique set of circumstances where pricing spreads between local physical values and market value indications on the London LIFFE derivatives market became the largest in living memory. Generating levels of forward trade under such circumstances can increase margin risks and as such, acts to limit the amount of profitable trading that can be undertaken.

These conditions undoubtedly restricted the financial performance of the business during the current year causing a number of competitors to suffer trading and financial stress, which it is believed will create future opportunities for the business.

- Business expansion in the East of England

In June 2018, the Company established a satellite office in Grantham, Lincolnshire and recruited a number of experienced grain traders with a view to commencing trading in a new geographical region for the business.

However, should these expected future events not be realised, there are a range of reasonably possible changes to the assumptions, some of which may indicate a potential impairment. Specifically, detrimental changes in any of the three key assumptions could cause the carrying amount to exceed the recoverable amount.

The following table shows the amounts by which these key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

GrainLink	**Change required for carrying amount to be equal to recoverable amount**	
	2018	2017
Discount rate	**0.5**	0.4
Terminal value growth rate	**(0.7)**	(0.5)
Budgeted EBIT (average of next 5 years)	**(7.7)**	(2.3)

Notwithstanding the above sensitivities, the Directors are satisfied that they have applied reasonable and supportable assumptions based on their best estimate of the range of future economic conditions that are forecast and consider that an impairment is not required in the current year, however the position will be monitored on a regular basis.

17. ALTERNATIVE PERFORMANCE MEASURE

The Board's preferred alternative performance measure 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 £9.60m (2017: £7.97m). A reconciliation with the reported income statement and this measure, together with the reasons for its use is given below:

£000	**2018**	2017
Profit before tax from continuing operations	**9,529**	7,664
Share of tax incurred by joint ventures & associates	**82**	70
Share-based payments	**55**	142
Non-recurring items	**(69)**	95
Underlying Pre-tax profit	**9,597**	7,971

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

- The add back of tax incurred by joint ventures and associates. The Board believes the incorporation of the gross result of these entities provides a fuller understanding of their combined contribution to the Group performance.
- The add back of share-based payments. This charge is a calculated using a standard valuation model, with the assessed non-cash cost each year varying depending on new scheme invitations and the number of leavers from live schemes. These variables can create a volatile non-cash charge to the income statement, which is not directly connected to the trading performance of the business.
- Non-recurring items. The Group's accounting policies include the separate identification of non-recurring material items on the face of the income statement, which the Board believes could cause a misinterpretation of trading performance if not disclosed. During 2018, these non-recurring items included the profit made on the disposal of a freehold property, 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
K R Greetham (retired 11 July 2018)
G W Davies (appointed 8 May 2018)
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 2018 or 31 October 2017 but is derived from those accounts.

Statutory accounts for 2017 have been delivered to the Registrar of Companies. The auditor, KPMG Audit Plc, has reported on the 2017 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 2018 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 posted to shareholders during the week commencing 11 February 2019. 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 26 March 2019 at 11.45am.

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