Wynnstay Group PLC - WYN Half-year Results
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WYNNSTAY GROUP PLC
("Wynnstay" or "the Group")

Half Year Results
For the six months to 30 April 2019

Key Points

Financial

- Results reflect impact of weaker trading conditions
  - abnormally warm winter reduced demand for feed and feed-related products
  - more cautious farmer spending evident, affected by lower farmgate prices and Brexit uncertainty

- Revenue of £260.57m (2018: £218.53m), with the rise largely reflecting commodity price inflation

- Gross profit of £32.18m (2018: £29.41m)

- Profit before tax of £4.12m (2018: £4.91m)

- Basic earnings per share of 17.01p (2018: 20.14p)

- Net assets at 30 April 2019 up by 5.6% to £92.97m (2018: £88.05m)

- Interim dividend up 4.3% to 4.60p per share (2018: 4.41p)

Operational

- Agriculture Division - revenue of £195.05m (2018: £160.14m) and operating profit of £1.79m (2018: £2.05m)
  - reduced demand for feed during traditionally peak winter months
  - mild and drier weather conditions drove demand for fertiliser and grass seed

- Specialist Agricultural Merchanting Division - revenue of £65.48m (2018: £58.27m) and operating profit of £2.67m (2018: £3.10m)
  - sales benefited from expanded depot network, reflecting prior year's acquisitions however the mild winter led to reduced bagged feed sales
  - acquisition of Stanton Farm Supplies in April 2019 strengthens the Group's trading presence in South-West England

- Continued investment in manufacturing efficiencies and systems

- Continued focus on expanding routes to market and specialist on-farm advice services

Gareth Davies, Chief Executive of Wynnstay, commented:

"The combination of abnormally warm weather, which reduced feed demand during traditionally important months, and more cautious spending patterns by farmers in reaction to a softening in farmgate prices and Brexit uncertainties, created challenges for the agricultural supplies sector. Wynnstay's results reflect this. We continued investing in our manufacturing and production plants, and have also expanded our farming customer base, strengthening our presence in the South West with an acquisition.

"Wynnstay's long-term prospects within the industry remain strong, and at this stage of the financial year, the Board's expectations for the full year outcome remain unchanged."

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CHAIRMAN'S STATEMENT

INTRODUCTION

As we reported in a trading update issued in March, after an initially encouraging start to the new financial year, trading conditions during the first half weakened significantly. This was driven by a combination of factors but primarily by the abnormally warm weather, which reduced demand for feed. The general backdrop of weaker farmgate prices and political uncertainties relating to Brexit also undermined farmer confidence. This was evident in more cautious spending patterns in the latter part of the period.

While the mild and drier weather conditions also drove demand for fertiliser, agrochemicals and grass seed sales, the challenges of the first half were in sharp contrast to the same period last year, which saw feed make a record contribution, a reflection of the exceptionally prolonged winter.

Although the trading performances of both Divisions were held back in the first half, I am pleased to report that we continued to strengthen the Group's presence in the South West of England. In April 2019, we completed the acquisition of Stanton Farm Supplies, which mainly focuses on products for the dairy sector. The business services farmers in Avon, Dorset, Somerset and Wiltshire, and its van-based delivery model complements our route to market. We are pleased to welcome the new team to the Group. The former Countrywide depots, acquired in April 2018, will make a positive contribution to the Group in 2019.

Our depots provide us with a strong route to market and complement our wider agricultural activities. Alongside this channel, we are continuing to develop our market presence through our advisory services, technical events and specialist catalogues. Our Arable Event, held in June, attracted record numbers of visitors and exhibitors, and the launch of a new catalogue focused on the poultry sector will help to support our position as a leading inputs supplier in the free range egg market.

Our programme to improve business efficiencies continued alongside investment to upgrade systems, manufacturing and warehousing facilities. This remains an ongoing focus.

We believe that the outlook for an even more efficient UK farming sector remains strong. There will be opportunities for those within the industry who embrace change and seek efficiencies to be able to compete within the global market place. Wynnstay remains well-positioned to support its customer base.

FINANCIAL RESULTS

Revenue for the six months to 30 April 2019 increased by 19.2% to £260.57m (2018: £218.53m) on the same period last year. We estimate that commodity price inflation accounted for around 58% of the overall increase, with contributions from acquisitions made in the prior financial year also a significant component, offset by reductions in volumes of certain product categories as a result of weather impacts and lower customer confidence. Revenue from the Agriculture Division accounted for £195.05m of total revenue (2018: £160.14m) and the Specialist Agricultural Merchanting Division accounted for £65.48m (2018: £58.27m). Other activity generated revenue of £0.05m (2018: £0.12m) to total revenue.

Operating profit before non-recurring items decreased to £4.37m[1] (2018: £5.09m). Operating profit in the Agricultural Division was £1.79m (2018: £2.05m). Operating profit at our Specialist Agricultural Merchanting operations was £2.67m (2018: £3.10m), similarly reflecting the reduced demand for winter products, particularly bagged feed and feed blocks. Other activities incurred an operating loss of £0.09m (2018: loss of £0.06m). As in prior years, the contribution from our Joint Ventures and Associate will be consolidated in the second half of our full year results.

Non-recurring items (business combination expenses and business re-organisation costs) amounted to £0.10m in the period (2018: £0.07m)[2], and net finance costs increased to £0.16m (2018: £0.11m), mainly reflecting higher average working capital requirements as a result of last year's acquisitions.

This resulted in a profit before tax of £4.12m (2018: £4.91m). The tax charge for the period was £0.76m (2018: £0.95m) and profit after tax was £3.34m (2018: £3.96m). Earnings per share reduced to 17.01p (2018: 20.14p).

Net assets at 30 April 2019 were £92.97m (2018: £88.05m), which represents approximately £4.70 per share (2018: £4.47 per share), with the weighted average number of shares in issue during the period at 19.77m (2018: 19.67m).

Investment in property, plant and equipment at £3.1m was higher than the same period last year (2018: £2.2m), reflecting the significant expansion of warehousing facilities at Astley and investment in the HGV fleet.[3]

Net debt at 30 April 2019 was £14.70m (2018: £6.92m)[4]. The Group's cash requirements are at their highest in the year during the spring months, particularly April. This reflects the inherent seasonality of the business, with feed demand at its peak during the winter period, and inventories also high in readiness for spring activity. The increase in net debt over last year was due to higher revenues and consequently higher working capital requirements, the expansion of the Group's fertiliser blending activities, and increased capital expenditure. Our seasonal cash requirements remain comfortably within existing debt facilities and we expect to see the net debt position improve in the second half of the financial year, as in prior years.

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1 Operating profit before non-recurring items 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 was as those used by other companies. Refer to note 20 for an explanation on how this measure has been calculated.

2 Note 10.

3 Note 13.

4 Note 11.

DIVIDEND

The Board is pleased to declare an increased interim dividend of 4.60p per share (2018: 4.41p), a rise of 4.3% year-on-year. This dividend continues our progressive policy and reflects the Board's confidence in the longer term growth prospects for the business.

The interim dividend will be paid on 31 October 2019 to shareholders on the register at the close of business on 27 September 2019. As in previous years, the Scrip Dividend alternative will continue to be available, with the last day for election for this scheme being 17 October 2019.

REVIEW OF OPERATIONS

AGRICULTURE DIVISION

UK farmer confidence was affected by subdued farmgate prices and a rise in costs. In addition, political uncertainty has also influenced farmer sentiment, and it is clear that infrastructure spending has been delayed by many farmers while the outcome of Brexit remains unclear.

The early part of 2019 saw milk production within the UK reach its highest level for 20 years, helped by a number of factors, including better feeding during the early winter (to make up for lower forage stocks), and the mild weather enabling an earlier 'turning out' to grass. The resultant increase in the milk supply caused prices to soften and this, coupled with rising costs for feed, energy and fertiliser, constrained farmers' margins. However, looking forward, the reduction in global milk production and increased demand are encouraging signs for milk producers. Prices in the red meat sector were below the corresponding period last year, although they have increased recently. Sheep farmers in particular remain concerned about Brexit uncertainties, given the importance of the EU as a market for their lamb. Free range egg production has continued to rise as caged egg production is replaced, but there is a current oversupply, which has depressed the price of eggs. Grain prices have reduced in the past three months as domestic demand has decreased.

Feed Products

Reflecting the impact of the exceptionally mild winter, and in line with national trends, demand for feed and feed-related products to the ruminant sector were below the corresponding period last year, and the overall contribution was significantly below last year's record contribution. Sales of sheep feed were particularly affected.

Free-range eggs continue to gain market share and, despite a reduction in egg prices, our customer base of egg producers continued to grow. Our dedicated team of poultry specialists provide a bespoke service to our customers.

We made further investment in our major feed plant at Llansantffraid, Powys, and the introduction of poultry feed bins at this mill has enhanced distribution efficiencies. We plan further investment across our manufacturing facilities to improve operational performance and reduce cost.

Glasson Grain

Glasson Grain operates in three main areas comprising fertiliser production, feed raw material supply and specialist animal feed products manufacture. The business delivered a strong performance that was significantly ahead of the same period last year.

Glasson's fertiliser operations, which now comprise three manufacturing sites, performed very strongly, driven by the early onset of spring. Both the Montrose fertiliser acquisition, made in November 2017, and FertLink, the balance of which was acquired in May 2018, contributed to the strong result. The business increased its market share, although margins came under some pressure.

Feed raw materials performed well against the difficult market backdrop, however we expect demand to dip in the third quarter of the year as customers work through existing excess stock following the mild winter and reduced end-customer demand for manufactured feed.

The specialist animal feed activity, which includes products for both farm and companion animals, performed well, due to increased production over the period.

Arable Products

The mild weather and early onset of spring meant that farmers were able to work on the land far earlier than is typical. Farmers took advantage of the opportunity to apply fertiliser to grassland in order to 'turn out' livestock. This resulted in higher year-on-year fertiliser volumes in the first half, although margins across the sector were constrained.

Grass seed sales also benefited, and sales were above last year's record performance. Looking ahead to the late summer, we are anticipating a tightening in grass seed availability in both the UK and Europe as a result of the reduced yields from last year's harvest.

Spring cereal seed volumes from both our Astley and Selby seed plants were below last year's strong performance. This reflected the increased winter cereal planting in the UK in 2018, which was 4% higher than the previous year.

The major expansion of our warehousing facilities at our Astley site is now complete, and the additional storage capacity will enable us to enlarge our seed processing capacity as we are now able to store higher volumes of seed in advance of the planting season.

Sales of agrochemicals were ahead of budget as farmers have been able to spray both arable and grassland crops as desired during the spring period.

While the dry Summer of 2018 resulted in a lower-than-average national yield of grain, volumes traded by our specialist combinable crops marketing business, GrainLink, were above the corresponding period for the previous year. The higher volume was in part the result of additional trading operations. Margins within the sector remain tight, with competition for volumes from last year's smaller harvest.

Arable crops at the end of the half year are looking healthy and, although it is still early in the season, this augurs well for the 2019 harvest and consequent trading opportunities.

SPECIALIST AGRICULTURAL MERCHANTING DIVISION

The network of Specialist Agricultural Merchanting depots now totals 56 (31 October 2018: 59), following some rationalisation of the network. The depots primarily cater for the needs of farmers, although rural dwellers also form part of the customer base. The Division operates very closely with the Agricultural Division, providing a strong channel to market for our products.

Total sales increased to £65.5m (2018: £58.3m), primarily as a result of the acquisition of the Countrywide depots in May 2018. However, the Division's performance was impacted by reduced demand for bagged feed and feed-related products.

We were pleased to acquire Stanton Farm Supplies in April 2019, which services farmers in South-West England with products for the dairy sector. This acquisition deepens our engagement with this key area and complements our existing routes to market.

We have introduced a Poultry catalogue, building on the success of our Dairy, and Beef & Sheep catalogues. Sales via this route to market continue to grow.

JOINT VENTURES AND ASSOCIATES

Results from the Group's Joint Venture and Associate companies are not included in this half year report. They will be consolidated into Wynnstay's full year results as in previous years.

OUTLOOK

As we look forward, we continue to invest in the Group's infrastructure and systems to improve operational efficiencies and remove cost. We are also very focused on aligning ourselves closely with our customer base through the provision of advisory services direct to farm, via our specialist sales team, as well as through our product offering.

While the UK's pending departure from the EU continues to create uncertainty in the sector, the Government's proposed introduction of the UK Agriculture Bill will support efficient production and the farming community's important role in enhancing the environment.

Our balanced business model continues to benefit Wynnstay by offering a hedge that smooths sector variation. We will continue to seek opportunities within our marketplace, backed by a talented team of colleagues and a strong balance sheet. Wynnstay's long-term prospects within the industry remain strong, and at this stage in the financial year, the Board's expectations for the Group's full year performance remain unchanged.

Jim McCarthy
Chairman

WYNNSTAY GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 April 2019

	Note	**Unaudited six months ended 30 April 2019 £'000**	Unaudited six months ended 30 April 2018 £'000	Audited year ended 31 October 2018 £'000
CONTINUING OPERATIONS				
Revenue		**260,572**	218,536	462,657
Cost of sales		**(228,397)**	(189,123)	(400,950)
Gross profit		**32,175**	29,413	61,707
Manufacturing, distribution and selling costs		**(24,381)**	(20,959)	(46,718)
Administrative expenses		**(3,541)**	(3,486)	(5,896)
Other operating income	9	**180**	158	335
Adjusted* operating profit	20	**4,433**	5,126	9,428
Amortisation of acquired intangible assets and share-based payment expense	10	**(59)**	(31)	(71)
Non-recurring items	10	**(96)**	(70)	69

Group operating profit		**4,278**	5,025	9,426
Interest income		**52**	81	92
Interest expense		**(209)**	(188)	(283)
Share of profits in Joint Ventures and Associates accounted for using the equity method	2	**-**	-	376
Share of tax incurred in Joint Ventures and Associates		**-**	-	(82)
Profit before taxation		**4,121**	4,918	9,529
Taxation	4	**(758)**	(956)	(1,821)
Profit for the period and other comprehensive income attributable to the equity holders		**3,363**	3,962	7,708
Basic earnings per ordinary share (pence)		**17.01**	20.14	39.11
Diluted earnings per ordinary share (pence)		**16.98**	20.06	38.94

** Adjusted results are after adding back amortisation of acquired intangible assets, share-based payment expense and non-recurring items - note 20*

WYNNSTAY GROUP PLC
CONDENSED CONSOLIDATED BALANCE SHEET
For the six months ended 30 April 2019

	Note	**Unaudited as at 30 April 2019**	Unaudited as at 30 April 2018	Audited as at 31 October 2018
		£'000	£'000	£'000
ASSETS				
NON-CURRENT ASSETS				
Goodwill		**14,964**	14,590	14,818
Investment property		**2,372**	2,372	2,372
Property, plant and equipment		**23,274**	20,344	21,979
Investments		**2,863**	3,444	2,863
Intangibles		**281**	98	89
		43,754	40,848	42,121
CURRENT ASSETS				
Inventories		**46,479**	36,645	52,250
Trade and other receivables		**83,757**	76,735	70,907
Financial assets - loans to joint ventures		**3,089**	2,844	2,812
Cash and cash equivalents	11	**423**	1,645	6,676
		133,748	117,869	132,645
TOTAL ASSETS		**177,502**	158,717	174,766
LIABILITIES				
CURRENT LIABILITIES				
Financial liabilities - borrowings		**(11,648)**	(6,791)	(3,887)
Trade and other payables		**(67,987)**	(60,720)	(74,522)
Current tax liabilities		**(1,092)**	(1,180)	(1,102)
		(80,727)	(68,691)	(79,511)
NET CURRENT ASSETS		**53,021**	49,178	53,134
NON-CURRENT LIABILITIES				
Financial liabilities - borrowings		**(3,468)**	(1,770)	(3,766)
Trade and other payables		**(206)**	(21)	(157)
Deferred tax liabilities		**(132)**	(190)	(259)
		(3,806)	(1,981)	(4,182)
TOTAL LIABILITIES		**(84,533)**	(70,672)	(83,693)
NET ASSETS		**92,969**	88,045	91,073
EQUITY				
Share capital	6	**4,963**	4,936	4,943
Share premium		**30,170**	29,829	29,941
Other reserves		**3,431**	3,343	3,377
Retained earnings		**54,405**	49,937	52,812
TOTAL EQUITY		**92,969**	88,045	91,073

WYNNSTAY GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended 30 April 2019

	Share Capital	**Share Premium**	**Other Reserves**	**Retained Earnings**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 November 2017	4,916	29,529	3,319	47,628	85,392
Profit for the period	-	-	-	3,962	3,962
Total comprehensive income for the period	-	-	-	3,962	3,962
Transactions with owners of the Company, recognised directly in equity					
Shares issued during the period	20	300	-	-	320
Dividends	-	-	-	(1,653)	(1,653)
Equity settled share-based payment transactions	-	-	24	-	24

Total contributions by and distributions to owners of the Group	20	300	24	(1,653)	(1,309)
At 30 April 2018	4,936	29,829	3,343	49,937	88,045
Profit for the period	-	-	-	3,746	3,746
Total comprehensive income for the period	-	-	-	3,746	3,746
Transactions with owners of the Company, recognised directly in equity					
Shares issued during the period	7	112	-	-	119
Own shares disposed of by ESOP trust	-	-	3	-	3
Dividends	-	-	-	(871)	(871)
Equity settled share-based payment transactions	-	-	31	-	31
Total contributions by and distributions to owners of the Group	7	112	34	(871)	(718)
At 31 October 2018	4,943	29,941	3,377	52,812	91,073
Profit for the period	**-**	**-**	**-**	**3,363**	**3,363**
Total comprehensive income for the period	**-**	**-**	**-**	**3,363**	**3,363**
Transactions with owners of the Company, recognised directly in equity					
Shares issued during the period	**20**	**229**	**-**	**-**	**249**
Own shares disposed of by ESOP trust	**-**	**-**	**3**	**-**	**3**
Dividends	**-**	**-**	**-**	**(1,770)**	**(1,770)**
Equity settled share-based payment transactions	**-**	**-**	**51**	**-**	**51**
Total contributions by and distributions to owners of the Group	**20**	**229**	**54**	**(1,770)**	**(1,467)**
At 30 April 2019	**4,963**	**30,170**	**3,431**	**54,405**	**92,969**

WYNNSTAY GROUP PLC
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 April 2019

	Note	**Unaudited six months ended 30 April 2019**	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
		£'000	£'000	£'000
Cash flow from operating activities				
Cash (used in)/generated from operations	13	**(7,498)**	(6,089)	2,831
Interest received		**52**	81	92
Interest paid		**(209)**	(188)	(283)
Tax paid		**(914)**	(687)	(1,674)
Net cash (used in)/generated from operating activities		**(8,569)**	(6,883)	966
Cash flows from investing activities				
Acquisition of subsidiaries (net of cash acquired)		**(264)**	(1,071)	(1,021)
Proceeds on sale of property, plant and equipment		**159**	28	548
Purchase of property, plant and equipment		**(1,829)**	(939)	(2,310)
Proceeds on sale of investments		**-**	-	20
Own shares disposed of by ESOP trust		**3**	-	3
Dividends received from Associates		**-**	-	755
Net cash used by investing activities		**(1,931)**	(1,982)	(2,005)
Cash flows from financing activities				
Net proceeds from the issue of ordinary share capital		**249**	320	439
Finance lease principal repayments		**(886)**	(674)	(1,453)
Proceeds from borrowings		**-**	-	3,500
Repayments of term loans		**(980)**	(406)	(1,161)
Dividends paid to shareholders		**(1,770)**	(1,653)	(2,524)
Net cash used in financing activities		**(3,387)**	(2,413)	(1,199)
Net decrease in cash and cash equivalents		**(13,887)**	(11,278)	(2,238)
Cash and cash equivalents at beginning of period		**6,676**	8,914	8,914
Cash and cash equivalents at end of period	11	**(7,211)**	(2,364)	6,676

WYNNSTAY GROUP PLC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL INFORMATION

Wynnstay Group Plc has a number of operations. These are described in the segment analysis in note 8.

Wynnstay Group Plc is a company incorporated and domiciled in the United Kingdom. The address of its registered office is shown in note 3.

1. BASIS OF PREPARATION

The Interim Report was approved by the Board of Directors on 25 June 2019.

The condensed financial statements for the six months to the 30 April 2019 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting except as disclosed in note 2.

The financial information for the Group for the year ended 31 October 2018 set out above is an extract from the published financial statements for that year which have been delivered to the Registrar of Companies. The auditor's report on those financial statements was not qualified and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. The information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the six months ended 30 April 2019 and for the six months ended 30 April 2018 are unaudited.

The consolidated financial statements are presented in sterling, which is also the Group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 October 2018, which have been prepared in accordance with IFRS as adopted by the EU.

The Directors have prepared the condensed consolidated interim financial statements on a going concern basis, having satisfied themselves from a review of internal budgets and forecasts and current banking facilities that the Group has adequate resources to continue in operational existence for the foreseeable future.

2. CONSOLIDATION OF SHARE OF RESULTS IN JOINT VENTURES AND ASSOCIATES

The Group has a policy of using audited accounts for the consolidation of its share of the results of Joint Venture and Associate activities. No such consolidation has occurred during the six months to 30 April 2019. Although this is not in accordance with IFRS, the impact on the financial statements is not material. Relevant results will be accounted for during the second half of the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention other than certain assets that are deemed cost under the transition rules, shared-based payments, which are included at fair value and certain financial instruments that are explained in the annual consolidated financial statements for the year ended 31 October 2018.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparing of the Group's financial statements for the year ended 31 October 2018, except as disclosed in note 2. A copy of these financial statements is available from the Company's Registered Office at Eagle House, Llansantffraid, Powys, SY22 6AQ.

New standards issued but not yet effective

At the date of authorisation of these interim statements, IFRS 16 'Leases' was in issue and has been endorsed by the EU, but is not yet effective, being effective for the accounting periods commencing on or after 1 January 2019. The Directors anticipate that the Group will adopt the standard at its effective date.

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 the right of use asset will be measured at 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.

New standards and interpretations

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' were both adopted on 1 November 2018. As expected, the adoption of these standards did not have a material impact on the Financial Statements for the reasons disclosed in the Group's financial statements for the year ended 31 October 2018.

Consideration has been given to the disaggregation of revenue from contracts with customers required by paragraphs 114-115, which include categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and a conclusion has been reached that the existing disclosure in note 8, along with the revenue recognition accounting policy on page 57 of the Group's financial statements for the year ended 31 October 2018 already meets these requirements.

4. TAXATION

The tax charge for the six months ended 30 April 2019 and 30 April 2018 is based on an apportionment of the estimated tax charge for the full year.

The effective tax rate is 18.4% (6 months ended 30 April 2018: 19.5%) which is lower than the standard rate of 19.0% (2018: 19.0%). Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at the balance sheet date has been calculated at 17%.

5. EARNINGS PER SHARE

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

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018
Weighted average number of shares in issue: basic	**19,772,234**	19,669,035
Weighted average number of shares in issue: diluted	**19,797,827**	19,748,931

6. SHARE CAPITAL

During the current period a total of 79,189 (2018: 80,486) shares were issued with an aggregate nominal value of £19,797 (2018: £20,122) fully paid up for equivalent cash of £248,653 (2018: £320,737). Included in these issues were 79,189 (2018: 61,670) shares allotted to shareholders exercising their rights to receive dividends under the Company's scrip dividend scheme. No other shares (2018: 18,816) have been allotted to relevant holders exercising options in the Company. No other shares were allocated during the current or prior period. As at 30 April 2019 a total of 19,850,985 shares are in issue (2018: 19,745,864).

7. DIVIDENDS

During the period ended 30 April 2019, an amount of £1,769,575 (2018: £1,652,721) was charged to reserves in respect of equity dividends paid. An interim dividend of 4.60p per share (2018: 4.41p) will be paid on 31 October 2019 to shareholders on the register on the 27 September 2019. New elections to receive Scrip Dividends should be made in writing to the Company's Registrars before 17 October 2019.

8. 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. 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 - supply of a wide range of specialist products to farmers and the wider rural community.

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. Finance income and costs are not included in the segmental 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. The Board has assessed the movement in net assets within each operating segment and notes that there are no material differences compared to those at 31 October 2018.

The segment results for the period ended 30 April 2019 and comparative periods are as follows:

	Agriculture	**Specialist Agricultural Merchanting**	**Other**	**Total**
Unaudited for the six months ended 30 April 2019:	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from external customers	**195,052**	**65,475**	**45**	**260,572**
Segment results	**1,791**	**2,667**	**(84)**	**4,374**
Share of result of Joint Ventures and Associates	**-**	**-**	**-**	**-**
	1,791	**2,667**	**(84)**	**4,374**
Non-recurring items (note 10)				**(96)**
Interest income				**52**
Interest expense				**(209)**
Profit before taxation				**4,121**
Taxation				**(758)**
Profit for the period attributable to shareholders				**3,363**

	Agriculture	**Specialist Agricultural Merchanting**	**Other**	**Total**
Unaudited for the six months ended 30 April 2018:	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from external customers	160,141	58,274	121	218,536
Segment results	2,050	3,104	(59)	5,095
Share of result of Joint Ventures and Associates	-	-	-	-
	2,050	3,104	(59)	5,095
Non-recurring items (note 10)				(70)
Interest income				81
Interest expense				(188)
Profit before taxation				4,918
Taxation				(956)
Profit for the period attributable to shareholders				3,962

	Agriculture	**Specialist Agricultural Merchanting**	**Other**	**Total**
Audited for the year ended 31 October 2018:	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from external customers	334,337	128,258	62	462,657
Segment results	3,859	5,548	(50)	9,357
Share of result of Joint Ventures and Associates	427	(12)	(39)	376
	4,286	5,536	(89)	9,733
Non-recurring items (note 10)				69
Interest income				92
Interest expense				(283)
Profit before taxation				9,611
Taxation				(1,903)
Profit for the year attributable to shareholders				7,708

9. OTHER OPERATING INCOME

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
	£'000	£'000	£'000
Rental Income	**180**	158	335

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

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
	£'000	£'000	£'000
Amortisation of acquired			

intangible assets and share-based payments			
Amortisation of intangibles	**8**	7	16
Cost of share-based reward	**51**	24	55
	59	31	71
Non-recurring items			
Goodwill and Investment impairment	**-**	-	138
Business combination expenses	**4**	70	70
Business re-organisation expenses	**92**	-	-
Profit on disposal of freehold property	-	-	(277)
	96	70	(69)

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

The business combination expenses relate to business combinations in the period.

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

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

11. CASH AND CASH EQUIVALENTS AND BORROWINGS

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	**423**	1,645	6,676
Bank overdrafts	**(7,634)**	(4,009)	-
Cash and cash equivalents per cash flow statement	**(7,211)**	(2,364)	6,676
Bank loans due within one year or on demand	**(1,860)**	(880)	(1,978)
Loan capital	**(673)**	(668)	(665)
Other loanstock	**(13)**	(16)	(14)
Net obligations under finance leases due within one year	**(1,468)**	(1,218)	(1,230)
Net (debt)/cash due within one year	**(11,225)**	(5,146)	2,789
Bank loans due after one year	**(1,486)**	(704)	(2,356)
Net obligations under finance leases due after one year	**(1,982)**	(1,066)	(1,410)
Total net debt	**(14,693)**	(6,916)	(977)

12. RECONCILIATION OF LIABILITIES FROM FINANCING TRANSATIONS

	Non-current loans and borrowings	**Current loans and borrowings**	**Total**
	£'000	£'000	£'000
Unaudited six months ended 30 April 18	1,770	6,791	8,561
Cash-flows			
- New borrowings	2,356	1,144	3,500
- Repayment of borrowings	-	(1,534)	(1,534)
- Repayment of overdrafts	-	(4,009)	(4,009)
Non cash-flows			
- New finance leases	735	400	1,135
- Non-current loans and borrowings becoming current	(1,095)	1,095	-
Audited year ended 31 October 18	3,766	3,887	7,653
Cash-flows			
- New overdrafts	**-**	**7,634**	**7,634**
- Repayment of borrowings	**-**	**(1,866)**	**(1,866)**
Non cash-flows			
- New finance leases	**1,178**	**487**	**1,665**
- Finance leases acquired through business combinations	**15**	**15**	**30**
- Non-current loans and borrowings becoming current	**(1,491)**	**1,491**	**-**
Unaudited six months ended 30 April 19	**3,468**	**11,648**	**15,116**

13. CASH (USED IN)/GENERATED FROM OPERATIONS

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
	£'000	£'000	£'000
Profit for the period	**3,363**	3,962	7,708
Adjustments for:			
Taxation	**758**	956	1,821
Depreciation of tangible fixed assets	**1,723**	1,456	3,157
Amortisation of intangible fixed assets	**8**	7	16

Goodwill and investment impairment	**-**	-	138
Profit on disposal of property, plant and equipment	**(99)**	(21)	(328)
Interest income	**(52)**	(81)	(92)
Interest expense	**209**	188	283
Share of results of Joint Ventures and Associates	**-**	-	(294)
Share-based payment expenses	**51**	24	55
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries)			
(Increase)/decrease in short term loan to joint venture	**(277)**	-	32
Decrease/(increase) in inventories	**5,931**	(6,098)	(19,144)
(Increase) in trade and other receivables	**(12,517)**	(13,774)	(7,946)
(Increase)/decrease in payables	**(6,596)**	7,292	17,425
Cash (used in)/generated from operations	**(7,498)**	(6,089)	2,831

During the six months to 30 April 2019, the Group purchased property, plant and equipment of £3,079,000 (2018: £2,163,000) of which £1,665,000 (2018: £1,224,000) relates to assets acquired under finance leases.

The main reasons for incremental purchases of property, plant and equipment in the six months to 30 April 2019 compared to the 30 April 2018 relate to the completion of the Astley warehouse extension project and investment in our HGV fleet.

14. FINANCIAL INSTRUMENTS

IFRS 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

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

Contingent consideration is measured at fair value using Level 3 inputs such as entity projections of future profitability.

The Group holds shares in several private limited companies. Cost has been used as representative of fair value as there is insufficient recent information in order to assess fair value using another method.

Transfers between levels are deemed to have occurred at the end of 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:

	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018
Book value and fair value	**£'000**	£'000	£'000
Derivative financial instrument (asset)	**79**	-	174
Derivative financial instrument (liability)	**(333)**	(1)	(76)
Contingent consideration payable	**(888)**	(851)	(788)

There were no recurring fair value measurements categorised within Level 3 of the fair value hierarchy.

15. OTHER RESERVES

Included in Other reserves are share-based payments, as the Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The Group operates a number of share option and 'Save As You Earn' schemes and fair value is measured by use of a recognised valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

At the 30 April 2019, the ESOP Trust, which is consolidated within the Group financial statements, held 16,834 (2018: 8,131) Ordinary Shares in the Group.

16. GROUP FINANCIAL COMMITMENTS

As at the 30 April 2019, the Group's contingent liabilities in respect of bank guarantees for one of its Associates amounts to £125,000 (2018: £125,000).

17. CAPITAL COMMITMENTS

As at 30 April 2019 the Group had capital commitments as follows:

	Unaudited as at 30 April 2019	Unaudited as at 30 April 2018	Audited as at 31 October 2018
	£'000	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	**248**	300	1,239

18. RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Joint Ventures and Associates are described below:

	Transaction value			**Balance outstanding**		
	Unaudited six months ended 30 April 2019	Unaudited six months ended 30 April 2018	Audited year ended 31 October 2018	**Unaudited as at 30 April 2019**	Unaudited as at 30 April 2018	Audited as at 31 October 2018
	£'000	£'000	£'000	**£'000**	£'000	£'000
Sales of goods to Joint Ventures and Associates	**3,317**	7,486	10,583	**1,019**	6,756	880
Purchases of goods from Joint Ventures and Associates	**100**	12,999	13,217	**6**	2,668	23

Loans with Joint Ventures	**277**	-	-	**3,089**	2,844	2,812

The volume of transactions has decreased significantly in the six months to 30 April 2019 because the FertLink Limited Joint Venture was acquired by Glasson Grain Limited on 1 May 2018 and Wynnstay Fuels Limited was sold on 22 June 2018.

19. BUSINESS COMBINATIONS

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 £450,000, which is represented by £300,000 paid on completion for target net assets 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 for the six months to 30 April 2019 are revenues of £137,000 and profit before tax of £5,000. 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	146
Intangibles	200
Property, plant and equipment	28
Inventories	160
Debtors	333
Cash and cash equivalents	86
Trade and other payables	(454)
Current tax liabilities	(19)
Finance leases	(30)
Provisional consideration	450
Contingent and deferred consideration	(150)
Settled in cash at completion	300

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

The provisional business combination accounting will be completed in 12 months.

In addition to the acquisition above, contingent and deferred consideration of £50,000 was also paid during the period which related to prior period acquisitions, resulting in a total net cash outflow of £264,000. Which after deducting the £86,000 cash acquired with the Stanton Farm Supplies limited legal entity above.

20. ALTERNATIVE PERFORMANCE MEASURES

On 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 £4.3m (2018: £5.0m).

Reconciliation with the reported income statement and this measure and Operating profit before Non-recurring items, together with the reasons for its use is given below, along with a reconciliation between Profit before tax and Adjusted* operating profit shown on the Condensed Statement of Comprehensive Income:

	Unaudited as at 30 April 2019	Unaudited as at 30 April 2018	Audited as at 31 October 2018
	£'000	£'000	£'000
Profit before tax	**4,121**	4,918	9,529
Share of tax incurred by Joint Ventures and Associates	**-**	-	82
Non-recurring items (note 10)	**96**	70	(69)
Net finance costs	**157**	107	191
Share of results from Joint Ventures and Associates before tax	**-**	-	(376)
Operating profit before non-recurring items (note 8)	**4,374**	5,095	9,357
Share of results from Joint Ventures and Associates before tax	**-**	-	376
Segment results plus share of results from Joint Ventures and Associates before tax (note 8)	**4,374**	5,095	9,733
Share-based payments	**51**	24	55
Net finance charges	**(157)**	(107)	(191)
Underlying pre-tax profit	**4,268**	5,012	9,597
Profit before tax	**4,121**	4,918	9,529
Share of results from Joint Ventures and Associates	**-**	-	(376)
Share of tax incurred by Joint Ventures and Associates	**-**	-	82
Net finance charges	**157**	107	191
Share-based payments	**51**	24	55
Amortisation of intangibles	**8**	7	16
Non-recurring items (note 10)	**96**	70	(69)
Adjusted* operating profit	**4,433**	5,126	9,428

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 10.

END

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