WYNNSTAY

1918 - 2018

100 YEARS IN AGRICULTURE

# ANNUAL REPORT

## AND ACCOUNTS 2018

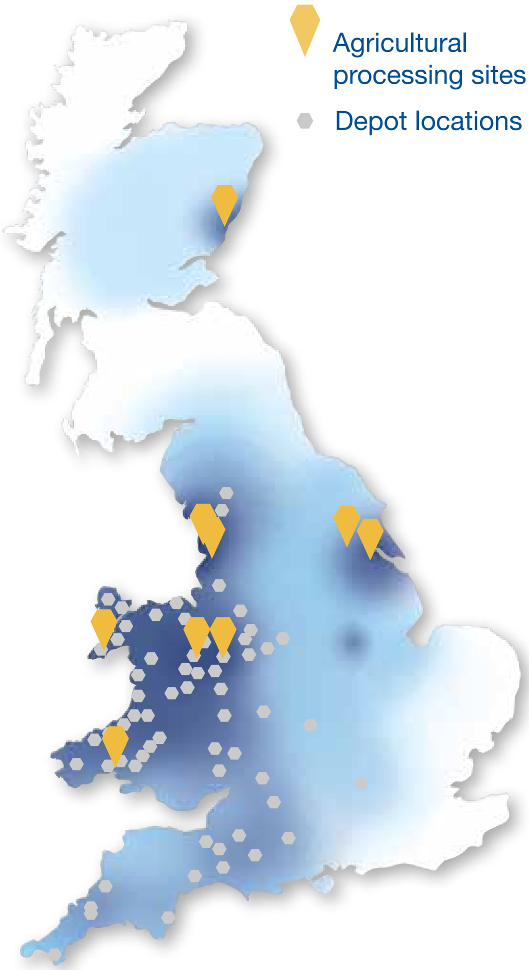
1918 - 2018

# 100 YEARS IN AGRICULTURE

# Contents

# About Wynnstay

## We aim to be the supplier of choice, by helping farmers prosper




Wynnstay Group was established in 1918 as a farmers' cooperative. The business has developed through focused acquisitions and organic expansion into one of the UK's largest suppliers of products and services to farmers and rural communities. We aim to be the supplier of choice, by helping farmers prosper through offering a diverse product range supported by specialist technical advice and where applicable, industry innovations.

# Financial Performance Highlights

Continuing Operations only[1]

Group Revenue
**£462.66m** + 18.41%
2017: £390.72m

Profit before Tax
**£9.53m** + 24.41%
2017: £7.66m

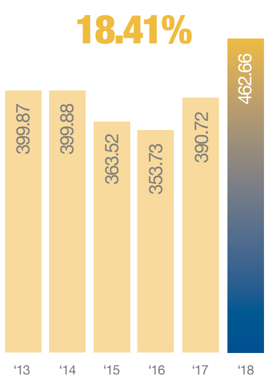
Underlying Pre-tax Profit*
**£9.60m** + 20.45%
2017: £7.97m

Earnings per Share
**39.11 pence** + 21.12%
2017: 32.29 pence

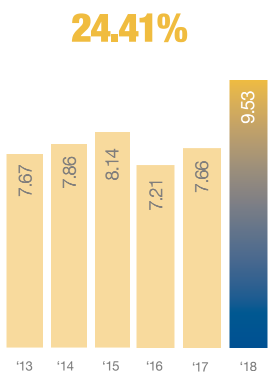
Shareholders' Funds
**£91.07m** + 6.65%
2017: £85.39m

Dividend per Share
**13.36 pence** + 6.03%
2017: 12.60 pence

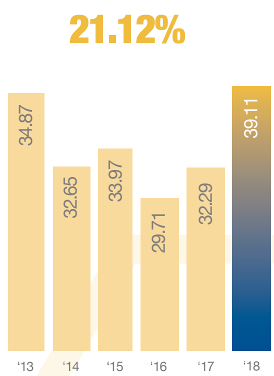
[1] Continuing operations exclude the results of the discontinued Just for Pets Limited business. For more information, see note 11 on page 68.
* Underlying Pre-tax profits include the Group's share of pre-tax profit from joint ventures and associate investments but excludes the non-recurring items and share-based payments, a reconciliation is included in page 22 of the annual report.



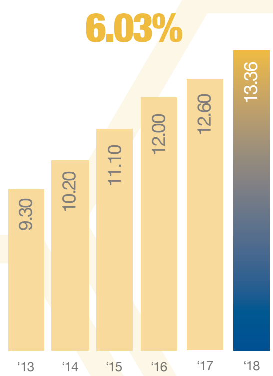
Group Revenue (£m)
**£462.66m**



Profit before Tax (£m)
**£9.53m**



Earnings per Share (pence)
**39.11p**



Dividend per Share (pence)
**13.36p**

# Key Strengths

01 A robust and balanced business model with two complementary divisions - Agriculture and Specialist Agricultural Merchanting

02 A strong balance sheet with capacity to support future growth

03 Committed and loyal employees who offer technical advice to support the prosperity of our farmer customer base through efficiencies and new innovations

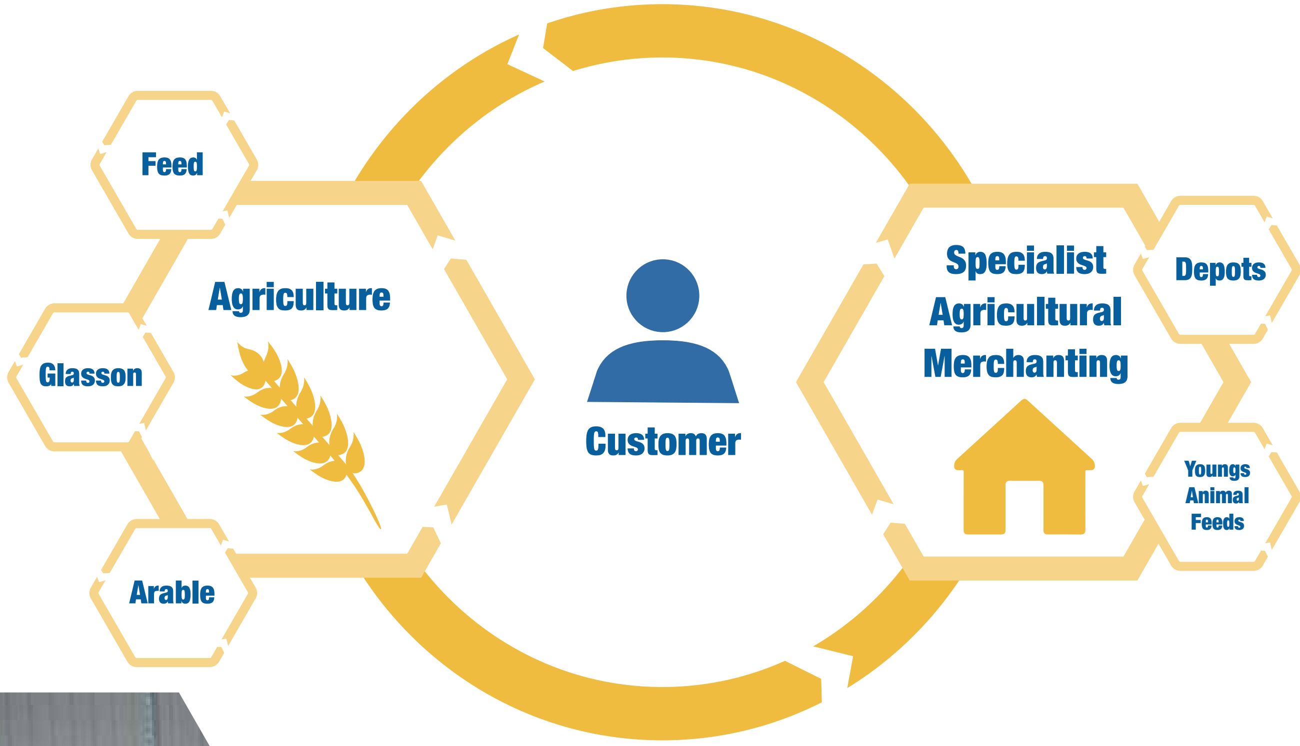
04 A broad range of agricultural products marketed via a multichannel sales offering

05 Opportunities for future growth by increased geographic reach through organic and focused acquisitions

# 01 Strategic Report

# Principal Activities and Business Model

The business model is aligned with the buying needs and habits of our farming customer base. The business is reported as two complementary divisions, Agriculture and Specialist Agricultural Merchanting, with a number of operating units within the appropriate divisions.





The Agriculture Division covers the manufacturing and supply of a comprehensive range of agricultural inputs to customers across many parts of the UK.


Our Specialist Agricultural Merchanting Division supplies specialist agricultural and associated sundry products to customers throughout Wales, Midlands, North West and South West of England.

## FEED

Feed operates two compound feed mills and one blending plant, offering a full range of animal nutrition products to the agricultural market. The location of the mills allows for logistically efficient delivery of products throughout our trading area. Third party mills are also used to satisfy additional seasonal and geographic requirements. Both mills are multi species, allowing the business to provide a broad range of products to service the requirements of ruminant and monogastric animals. The business recognises the requirement for nutritional expertise and employs specialists to provide guidance on feed management for all farm enterprises.

Continued investment at the two compound mills allows further expansion of production in both bulk and bagged materials.

## GLASSON

Glasson operates from Glasson Dock, near Lancaster. It is a producer of blended fertiliser, feed raw material supplier and manufacturer of added value products to specialist animal feed retailers. The business operates fertiliser manufacturing facilities at Winmarleigh, Goole and Montrose, also sources from a facility at Birkenhead.

Glasson complements the Group strategy by providing a further internal hedge against commodity volatility in the agricultural supply sector.

## ARABLE

Arable supplies a wide range of products to arable and grassland farmers throughout the trading area. The Group is recognised as a significant supplier of fertiliser, acting as a principal supplier of CF and Yara products together with our own Top Crop brand of fertiliser. Seed is processed at Shrewsbury, Shropshire and Selby, Yorkshire. Agrochemicals are supplied to complete the range of products.

GrainLink, the Group's in-house grain marketing company, provides farmers with an independent professional marketing service backed by the financial security of the Wynnstay Group. The Company has access to major markets for specialist milling and malting grain as well as feed into mills throughout our trading area. GrainLink operates from Shrewsbury, Shropshire and Grantham, Lincolnshire.

## DEPOTS

The Group's Specialist Agricultural Merchanting depots are well established and provide a comprehensive range of products for farmers and rural dwellers. The depots, which now number 59 and operate throughout Wales, Midlands, North West and South West England, supply a wide range of specialist products to farmers, smallholders and rural dwellers. Our team is trained to help customers with technical advice on all aspects of the wide range of products available. The model is strengthened further by the use of sector specific catalogues, branded van sales and proactive marketing to promote the extensive range of products available to the industry. The increased diversity complements our core agricultural business, acting as an important route to market for pharmaceutical companies with whom the Group works closely to provide specialist professional advice to livestock farmers.

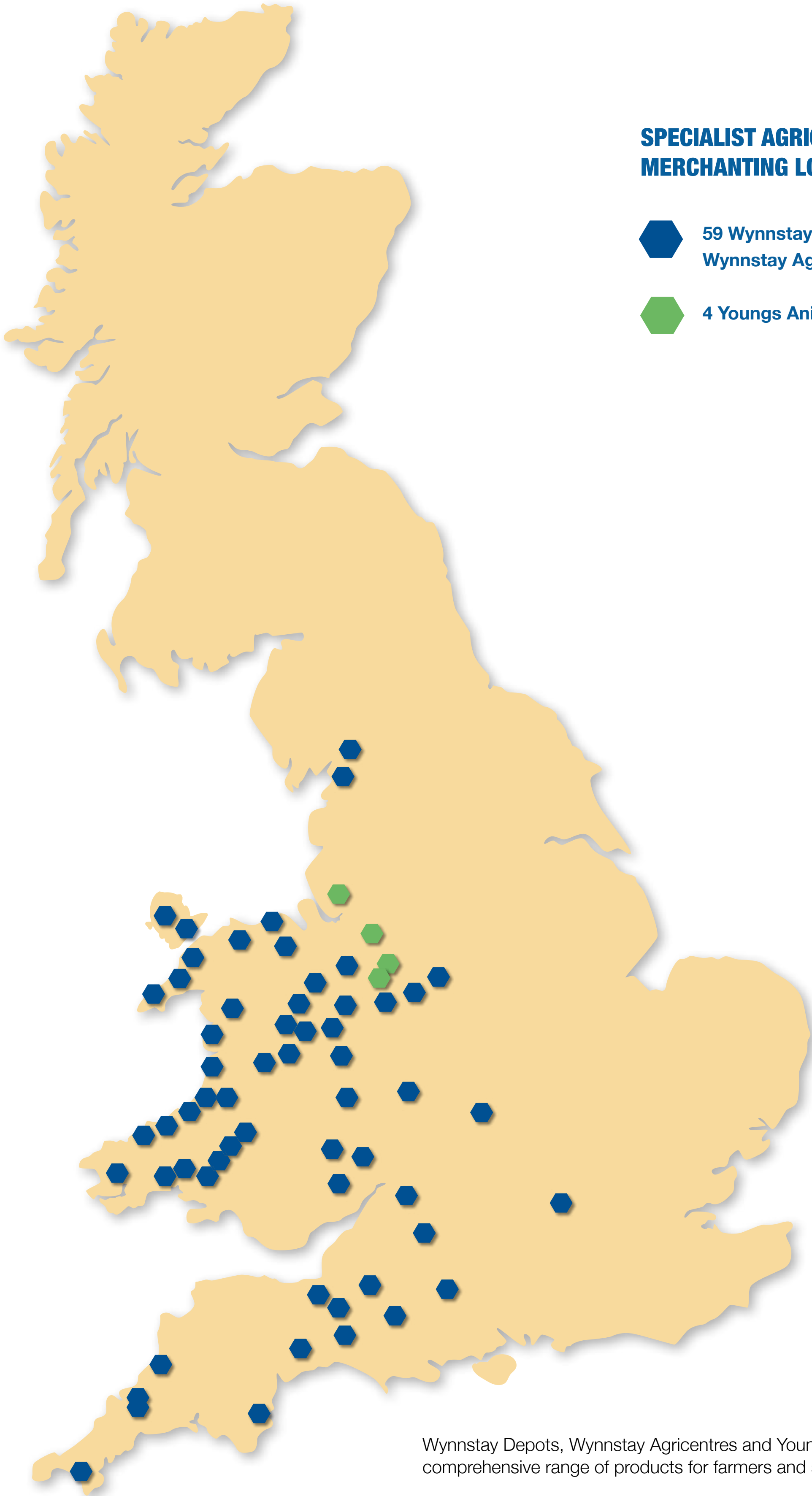
## YOUNGS ANIMAL FEEDS

Youngs Animal Feeds operates from its production facility at Standon in Staffordshire. It manufactures and acts as a distributor of a range of equine and small animal feeds through wholesalers and retailers in the west of the UK.

# Trading Area and Agricultural Sites


Feed processing sites in Powys and Carmarthenshire, blending plant in Gwynedd, arable and seed processing sites in Shropshire and Yorkshire, raw materials and feed processing site in Lancashire, fertiliser processing sites at Lancashire, Angus and Yorkshire.

# Specialist Agricultural Merchanting Locations



## SPECIALIST AGRICULTURAL MERCHANTING LOCATIONS

59 Wynnstay Depots and Wynnstay Agricentres

4 Youngs Animal Feeds

Wynnstay Depots, Wynnstay Agricentres and Youngs Animal Feeds provide a comprehensive range of products for farmers and smallholders.

# Group Strategy

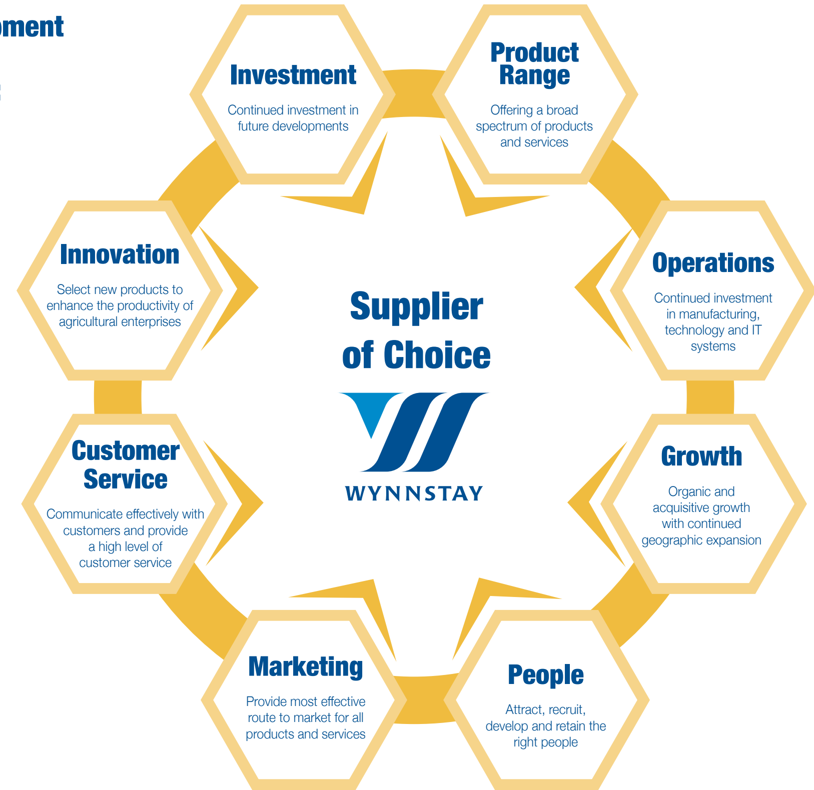
The core Wynnstay business supplies goods and services to farmers. The Group is committed to sustained development within the agriculture sector and will strive for continued growth with a view to optimising the return to all stakeholders in the business.

In order to achieve this ambition, the Group recognises that it must excel in terms of value, quality and the development of its products, services and people. Wynnstay's objective is to establish itself as the 'supplier of choice' within its trading areas, providing a comprehensive offering that caters for the needs of arable, livestock and mixed farms.

## BACKGROUND

Headquartered in Llansantffraid, in Wales, Wynnstay Group was established in 1918 as a farmers' cooperative, converting to a Plc in 1992. Wynnstay trades across Wales, the Midlands, Lancashire, North Yorkshire, Lincolnshire, the West Country and East Scotland. Through a series of mergers, acquisitive growth and conversion to a Plc, the business has developed into a major supplier of products and services to the agricultural industry and the rural economy.

### The Group's development strategy to become 'Supplier of Choice':




## GROWTH STRATEGY

The Group is confident that macro-economic factors, including world population growth, the need for higher levels of national self-sufficiency, and the existence of an ideal production environment in terms of climate, expertise and market, should continue to make the UK a strong and growing food producer. The Group believes there are significant opportunities for the continued growth of its successfully established business model supplying goods primarily to farmers to support the production of food in the UK.

Over a period of the last thirty years, a twin stranded growth strategy has been successfully implemented which has seen Group revenues grow from £12m in 1988 to £462m in 2018. These two strands are represented by focused acquisitions, and gradual organic expansion through increasing geographic reach and product extension. This twin approach has seen the Group conclude over 50 corporate transactions in the last thirty years, together with expanding its supplied product range to more than 25,000 SKU's (Stock Keeping Units or individual product items) as the Group became a preferred route to market for many of its main suppliers. The fragmented nature of the supply sector into farming and the rural economy has supported the success of this strategy, the Board believes that many opportunities remain, and that the continuation of this approach, with additional financial resource, will continue to produce rewarding results for all stakeholders in the business. The growth focus will therefore remain on developing the twin strands as follows:

### Acquisition

- Act as a consolidator in the UK agricultural supply sector.
- Continue to seek "bolt-on" geographic transactions.
- Seek larger acquisition opportunities to complement existing activities and enhance economies of scale.
- Explore opportunities with innovative product (producers or suppliers, and disruptors).
- Companies that are innovative in their outlook.

### Organic

- Expand use of Customer Relationship Systems and data usage to increase sales to individual customers.
- Develop new sales channels, including on-line, digital catalogues and van sales.
- Continue to develop sales to customers via cutting edge technical advice.
- Seek new store and operating centre opportunities to grow trading footprint.
- Continue to innovate in terms of new products, technology and suppliers.
- To continue to train personnel to enhance the business.

## OPERATIONAL STRATEGY

The Company's growth prospects are underpinned by macro-economic factors which point to increased demand for agricultural produce, mainly as a result of an increasing world population and shifting dietary habits. These factors provide a strong backdrop for expansion of the Group's activities, although the inherent cyclical nature of much of the world's food production can create certain short-term stresses to the smooth operation of activities. The Board has always recognised that the natural processes involved in food production will, from time to time, create risks to certain enterprises at different times, either through climatic, disease, economic or other influences. The Board remains optimistic about the future of the UK agricultural industry. We believe that demand for seed, feed and other agricultural inputs will continue to be strong and that Britain will remain a competitive player in food production.

Political factors must be considered in any strategic planning process, in particular the political uncertainty that currently exists within the industry. In terms of UK Government support, the UK Agriculture Bill has been presented with a proposed framework concentrating future financial support for economic resilience and public money for public goods. Economic resilience will focus on improving efficiencies within farming businesses and increasing market potential. The Public Goods Scheme will enable land managers to be paid for the production of outcomes for which there is currently no functioning market e.g. water, soil and air quality. Financial support is guaranteed to 2022 with a transition period thereafter. This is a positive outcome for UK farming business and demonstrates the commitment of the UK Government to a strong agricultural sector.

Therefore, a Group strategy which is designed to minimise risks by ensuring a broad and balanced spread of activities across all the main agricultural input areas will be pursued. This policy of having a broad-based business limits the impact of any adverse performance in any single activity and has helped shelter the Group from periodic commodity volatility extremes in the past.

The agricultural markets that the Group operate within continue to be supplied by a relatively fragmented industry, which has allowed the business to develop through a clear strategy of consolidation and growth. The political uncertainty, the change of Government support for agriculture, the increased efficiencies through technology and innovation demanded from our customer base will enhance rationalisation within the agricultural supply industry. The Group has a strong track record of both organic and acquisitive growth and the Board is confident that the Group is well placed to continue to grow the business. Wynnstay's robust balance sheet, strong commercial relationship and highly skilled staff will capitalise upon opportunities to enhance this successful growth strategy.

Agricultural businesses continue to seek efficiencies throughout the sector through the embracement of innovation, technology, automation and technical advice. The Group will continue to focus on new product development, R&D and an ongoing investment in routes to market to enhance the performance of our customers' farming businesses.

We are also investing in our advisory services to farmers and have a strong team of specialists (including dairy, poultry, animal health, calf, hardware and arable) who assist customers in identifying areas to improve efficiency. As the pressures on UK agriculture to become more efficient and to enhance productivity increases, we believe that the advisory element of our services will become more important.

The Group continues to be committed to a programme of modernisation within the business with particular emphasis being given to investment into our feed mills and seed processing facilities, distribution and eCommerce/on-line sales to ensure effective and efficient supply of the wide range of products that the Group can offer. This will be supported by effective marketing to drive operational efficiencies.

## LONG TERM VIABILITY

The Group's corporate plan ensures clear direction and focus for strategic development of the business. Initially instigated in 2015 and substantially reviewed in early 2017, the current plan provides a framework into 2019, following which further clarity on political related issues is expected. Regular reviews of planned goals take place to confirm they remain appropriate in changing circumstances. Annual budgets are set in line with corporate goals but recognise specific market conditions at the time.

The Group's major focus is closely linked to the viability of the UK agricultural industry. Well publicised information on macro-economic factors associated with world supply of food and energy point to a resilient industry. However, the UK's forthcoming exit from the EU and the implementation of the UK Agriculture Bill impact the farming practices of our customer base and this will be given careful consideration in the ongoing development of the business. The strategy of operating across multiple agricultural enterprises mitigates risk, and the Group will constantly review the long-term outlook for the various sectors of the industry in light of all new information as it becomes available. The Board remains optimistic for the overall future of the UK agricultural industry, as the country has the climate, natural resource and expertise to remain a competitive player in the production of many food commodities. The focus on improved efficiency at all points of the food production cycle should offer further opportunities for the marketing of products and services offered by the Group.

## CORPORATE GOALS

The Group categorises its corporate goals under four main headings which are balanced to satisfy the expectations of all stakeholders.

**Shareholders –** where the Group focuses on financial performance which supports a progressive dividend policy and capital growth in share value.

**Customers –** where the Group seeks to excel in terms of range, value, quality and service.

**Employees –** where the Group aims to attract, develop and reward high calibre personnel, and ensure a safe, interesting and productive environment to work in, thus encouraging the highest levels of customer service.

**Suppliers –** where the Group wishes to provide the best marketing route, thereby procuring preferential terms and offering better value for its customers.

## BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business and future developments of the Group and a discussion of the principal risks and uncertainties faced by the Group are presented in the Chairman's Statement and Chief Executive's Review included within the Group's published accounts.

## Chairman's Statement

> **Record results in Wynnstay's Centenary Year**

### 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 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.

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

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%).

## 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

22 January 2019

# Datganiad Y Cadeirydd

## Canlyniadau ariannol gorau erioed yn ystod Blwyddyn Canmlwyddiant Wynnstay

### TROSOLWG

Mae'n bleser gennyf gyflwyno'r canlyniadau ariannol gorau erioed yn ystod Blwyddyn Canmlwyddiant Wynnstay. Mae'r ffigurau cadarn iawn hyn, sy'n uwch o lawer na'n disgwyliadau ar ddechrau'r flwyddyn, yn adlewyrchu'r gwelliant parhaus o ran hyder ffermwyr a gwariant, wedi'i lywio gan well prisiau terfynol i ffermydd. Roedd y tywydd anarferol o sych a gafwyd yn ystod yr haf ac yn ystod misoedd cyntaf yr hydref o fudd i fasnach yn ystod ail hanner y flwyddyn, gan gynyddu lefelau gwerthiant ar gyfer porthiant, gwrtaith a hadau yn arbennig.

Cynyddodd elw cyn treth sylfaenol* (mesur perfformiad amgen dewisol y Bwrdd) o weithrediadau parhaus 20.5% i £9.60m (2017: £7.97m), a chynyddodd refeniw'r Grŵp o weithgareddau parhaus 18.4% i £462.66m (2017: £390.72m). Roedd £28.21m o'r gwerthiannau yn deillio o gaffaeliadau.

Llwyddodd holl weithgareddau allweddol Wynnstay i gynhyrchu lefelau gwerthiant uwch, gan adlewyrchu'r gwelliant cyffredinol o ran prisiau terfynol i ffermydd a welwyd gan ffermwyr ym mhob rhan o'r sector âr a'r sector da byw. Roedd prisiau grawn cyfartalog yn y DU yn uwch na'r tymor blaenorol, gyda phrisiau llaeth yn sefydlogi i lefelau mwy realistig, a phrisiau cig defaid a chig eidion yn cynyddu o flwyddyn i flwyddyn. Bu'r bunt wannach hefyd o fudd i allforion o ffermydd yn y DU. I'r gwrthwyneb, bu'n rhaid i ffermwyr ymdopi â chostau uwch, gan gynnwys cost tanwydd a gwrtaith, a gofynion annisgwyl o ran porthiant o ganlyniad i'r tywydd sych.

Bu'r galw cadarn am borthiant yn ystod yr ail hanner o fudd i'n gweithgareddau uniongyrchol-i'r-fferm, felly hefyd werthiannau drwy ein sianeli eraill i'r farchnad, gan gynnwys storfeydd amaethyddol Wynnstay. Yn gyffredinol, roedd cyfeintiau porthiant cyfansawdd a chyfun y Grŵp 6.4% yn uwch na'r llynedd a gwerthwyd y lefelau uchaf erioed o borthiant mewn bagiau, a werthir gan fwyaf drwy ein storfeydd.

Diolch i'n hymdrechion i gaffael safle cyfuno gwrtaith Montrose yn Nwyrain yr Alban ym mis Tachwedd 2017 a balans busnes gweithgynhyrchu gwrtaith cyd-fenter FertLink ym mis Mai 2018, Wynnstay bellach yw'r gweithgynhyrchydd cyfuno gwrtaith mwyaf ond un yn y DU, gan ein galluogi i fanteisio ar y galw uwch am wrtaith yn ystod yr ail hanner. Ar lefel strategol, drwy gaffael Montrose, mae gennym bellach bresenoldeb yn yr Alban am y tro cyntaf, a'r nod yw adeiladu ar hynny. Gwelwyd perfformiad cadarn iawn gan weithrediadau hadau'r Grŵp, gyda'r lefelau gwerthiant uchaf erioed o ran hadau porfa. Roedd gweithgareddau masnachu grawn yn llewyrchus, lle cafwyd cynnydd o 15.5% o gymharu â'r flwyddyn flaenorol. Roedd hyn yn cynnwys cyfraniad cychwynnol da gan ein gweithrediad masnachu grawn newydd yn Grantham, a agorodd ar ddiwedd y gwanwyn.

Roedd lefelau gwerthiant drwy ein storfeydd amaethyddol yn gadarn, a chafwyd cynnydd o 9.8% o ran gwerthiannau cyfatebol. Caffaelwyd nifer o allfeydd amaethyddol gennym yn ystod y flwyddyn, gan ehangu ein cyrhaeddiad masnachu a'n sail cwsmeriaid ffermio, yn enwedig yn y De-orllewin. Y caffaeliad mwyaf arwyddocaol oedd y caffaeliad a wnaed gan weinyddwyr Countrywide Farmers plc ar 30 Ebrill 2018. Mae'r gwaith i integreiddio ein caffaeliadau yn mynd rhagddo yn unol â'r bwriad ac, fel y nodwyd yn flaenorol, rydym yn disgwyl y bydd storfeydd Countrywide gynt yn gwneud cyfraniad cadarnhaol i ganlyniadau'r Grŵp yn ystod y flwyddyn ariannol newydd hyd at 31 Hydref 2019.

Yn ystod y flwyddyn, rydym wedi parhau i fuddsoddi ym mhob rhan o'r Grŵp er mwyn gwella effeithlonrwydd gweithredol, yn enwedig mewn perthynas â chyfleusterau cynhyrchu a logisteg. Rydym hefyd yn parhau i fuddsoddi yn ein gwasanaethau cynghori ac rydym wedi sefydlu tîm cadarn o arbenigwyr. Mae'r defnydd o wyddoniaeth a thechnoleg ym maes ffermio yn bwysig ac mae ein gwasanaethau cynghori yn anelu at helpu ffermwyr i adolygu a mabwysiadu cynhyrchion ac arferion newydd perthnasol wrth iddynt geisio dod yn fwy effeithlon ac yn fwy proffidiol.

### CANLYNIADAU ARIANNOL

Cynyddodd refeniw'r Grŵp o weithrediadau parhaus ar gyfer y flwyddyn hyd at 31 Hydref 2018 18.4% i £462.66m (2017: £390.72m), gyda chyfrifiadau yn cyfrannu £28.2m a chwyddiant yn cyfrif am tua £22.3m o'r cynnydd

Cynyddodd lefelau gwerthiant yn yr Is-adran Amaethyddiaeth 19% i £334.34m (2017: £280.87m), gyda'r cynnydd yn adlewyrchu

*Nid yw mesur elw cyn treth sylfaenol yn egwyddor cyfrifyddu a dderbynnir yn gyffredinol (GAAP) ac ni fwriedir iddo gael ei ddefnyddio yn lle mesurau GAAP ac mae'n bosibl na chaiff ei gyfrifo yn yr un ffordd â'r mesurau a ddefnyddir gan gwmnïau eraill. Dylid cyfeirio at yr Adolygiad Cyllid er mwyn cael esboniad o sut y cyfrifwyd y mesur hwn a'r rhesymau dros ei ddefnyddio.

gwerthoedd uned uwch ar gyfartaledd ar gyfer y rhan fwyaf o gynhyrchion porthiant, hadau a grawn a chyfeintiau cadarnach. Cynyddodd refeniw o'r Is-adran Masnachu Amaethyddol Arbenigol 17% i £128.26m (2017: £109.73m), gyda chaffaeliadau yn cyfrannu £7.83m at y cynnydd hwn a £10.7m ohono yn deillio o dwf cyfatebol cadarn mewn sawl categori cynnyrch pwysig.

Ar sail IFRS, cynyddodd elw cyn trethiant 24.4% i £9.53m (2017: £7.66m). Cynyddodd elw cyn treth sylfaenol* y Grŵp, nad yw'n cynnwys taliadau ar sail cyfranddaliadau nac eitemau anghylchol ond sy'n cynnwys canlyniadau cyd-fentrau a chwmnïau cyswllt, 20.5% i £9.60m (2017: £7.97m), sef y lefel uchaf erioed. Cyfrannodd y ddwy is-Adran at y perfformiad cadarn hwn.

Cynhyrchodd yr Is-adran Amaethyddiaeth gynnydd o 28.4% o ran ei chyfraniad elw gweithredu i £4.29m (2017: £3.34m), gan gynnwys cyfraniadau gan fusnes Cyd-fentrau a Chwmnïau Cyswllt. Cynhyrchodd yr Is-adran Masnachu Amaethyddol Arbenigol gynnydd o 16.7% o ran ei chyfraniad i £5.53m (2017: £4.74m). Dangosodd gweithgareddau eraill golled o £0.09m (2017: colled o £0.10m).

Cynyddodd costau cyllido net ychydig i £0.19m (2017: £0.15m) wrth i chwyddiant prisiau nwyddau greu defnydd uwch na'r cyffredin o gyfalaf gweithio.

Cynyddodd elw ar ôl treth o weithrediadau parhaus 22.2% i £7.71m (2017: £6.31m) a chynyddodd enillion sylfaenol fesul cyfranddaliad o weithrediadau parhaus 21.1% i 39.11c (2017: 32.29c).

Parhaodd y Grŵp i gynhyrchu llifoedd arian parod da. Fodd bynnag, ar ddiwedd y flwyddyn, roedd ganddo ddyled net o £0.98m (2017: arian parod net o £4.51m), gan adlewyrchu'n bennaf y defnydd uwch o gyfalaf gweithio o ganlyniad i'r twf mewn refeniw, Roedd hefyd yn adlewyrchu'r cynnydd mewn buddsoddiad ym mhob rhan o'r Grŵp, yn arbennig yn ein fflyd logisteg, ein storfeydd a'n cyfleusterau gweithgynhyrchu. Mae gan y Grŵp gyfleusterau benthyca o tua £18.8m, sy'n rhoi digon o hyblygrwydd iddo.

Cynyddodd asedau net 6.7% i £91.07m (2017: £85.39m) ar ddiwedd y flwyddyn, sy'n cyfateb i £4.62 fesul cyfranddaliad (2017: £4.37 fesul cyfranddaliad) a chynyddodd yr adenillion ar asedau net o weithrediadau parhaus 10.6% (2017: 9.4%).

## DIFIDEND

Mae'n bleser gan y Bwrdd gynnig y dylid talu difidend terfynol o 8.95c fesul cyfranddaliad. Ynghyd â'r difidend interim o 4.41c fesul cyfranddaliad, a dalwyd ar 31 Hydref 2018, ceir cyfanswm difidend o 13.36c ar gyfer y flwyddyn, sef cynnydd o 6.03% o gymharu â'r llynedd (2017: 12.60c).

Telir y difidend terfynol ar 30 Ebrill 2019 i gyfranddalwyr sydd ar y gofrestr ar 29 Mawrth 2019. Bydd difidend sgript ar gael fel dewis amgen o hyd, fel a fu yn ystod blynyddoedd blaenorol. Y dyddiad cau ar gyfer dewis y difidend sgript fydd 16 Ebrill 2019.

## NEWIDIADAU I'R BWRDD

Ar 11 Gorffennaf 2018, ymgymerodd Gareth Davies â rôl y Prif Swyddog Gweithredol, fel olynydd i Ken Greetham, a ymddeolodd ar ôl 21 mlynedd gyda'r Grŵp, gyda'r 10 mlynedd olaf o'r cyfnod hwnnw fel Prif Swyddog Gweithredol.

Ar ran y Bwrdd a phob aelod o'r staff, mae'n bleser gennyf achub ar y cyfle hwn i groesawu Gareth i'r Bwrdd ac i ddiolch i Ken am ei gyfraniad sylweddol at Wynnstay dros gynifer o flynyddoedd. Mae'r Grŵp mewn sefyllfa dda i wynebu ei gyfnod twf nesaf, diolch i Ken, a dymunwn ymddeoliad hapus iawn iddo.

Ymunodd Gareth â Wynnstay yn 1999, gan ddatblygu i ddod yn aelod allweddol o'r uwch dîm rheoli. Yn ystod y pum mlynedd diwethaf, bu'n Rheolwr-gyfarwyddwr ar y Cyd Wynnstay (Agricultural Supplies) Ltd. Mae Gareth hefyd yn un o Gyfarwyddwyr Hybu Cig Cymru, sef y sefydliad o dan arweiniad y diwydiant sy'n gyfrifol am ddatblygu, hybu a marchnata cig coch o Gymru, ac mae'n aelod o Weithgor Masnachu a Chadwyn Gyflenwi Llywodraeth Cymru, ac yn Drysorydd Cymdeithas Glaswelltir Prydain.

## CYDWEITHWYR

Mae ein cydweithwyr yn hyddysg ac yn brofiadol iawn, ac mae llwyddiant parhaus Wynnstay yn seiliedig ar ddiwylliant tîm cadarn o ymrwymiad, brwdfrydedd ac ymdrech. Ar ran y Bwrdd, hoffwn ddiolch i bawb am chwarae rhan wrth ein helpu i sicrhau blwyddyn lwyddiannus iawn. Edrychwn ymlaen at symud y Grŵp tuag at ei gyfnod twf nesaf gyda chymorth ein tîm ymroddedig.

## RHAGOLYGON

Credwn fod y rhagolygon hirdymor ar gyfer amaethyddiaeth yn y DU yn galonogol, er gwaethaf yr ansicrwydd presennol sy'n gysylltiedig â diwygiadau gwleidyddol a'r newidiadau i'r ffordd y rhoddir cymorth i ffermwyr. Mae'r Bil Amaethyddiaeth, sydd ar ei hynt drwy'r Senedd ar hyn o bryd, yn cefnogi ac yn hyrwyddo ymdrechion i fuddsoddi mewn modelau busnes cynaliadwy, ac yn annog gwell effeithlonrwydd a rheolaeth amgylcheddol. Mae ffactorau macro-economaidd yn awgrymu y bydd mwy o alw am gynhyrchion amaethyddol o ganlyniad i'r cynnydd ym mhoblogaeth y byd a newidiadau mewn arferion deietegol, a bydd hynny o fudd mawr i'r sector amaethyddiaeth ym Mhrydain. Credwn y gall Wynnstay chwarae rhan bwysig wrth ddiwallu anghenion ffermwyr yn y dyfodol wrth iddynt ymateb i'r heriau a'r cyfleoedd newydd o'u blaenau.

Mae Wynnstay yn parhau mewn sefyllfa dda i dyfu ac i ddatblygu. Mae'r busnes bellach yn canolbwyntio'n llwyr ar ei weithgareddau amaethyddol ac mae'r caffaeliadau a gwblhawyd gennym yn ystod y flwyddyn ddiwethaf wedi ehangu ein meysydd masnachu a'n sail cwsmeriaid, gan gynnig cyfleoedd twf ar gyfer y dyfodol.

Mae llwybrau cadarn rhyngom ni a'n sail cwsmeriaid ffermio ac rydym yn parhau i fuddsoddi yn ein hamrywiaeth o gynhyrchion ac yn yr amrywiaeth o ffyrdd a ddefnyddir gennym i ymgysylltu â chwsmeriaid, gan gynnwys ar-lein. Mae ein storfeydd yn sianel gadarn ar gyfer cyrraedd y farchnad o hyd, ac fe'u hategir gan y gwasanaethau cynghori, y digwyddiadau addysgol a'r catalogau arbenigol a gynigir gennym. Rydym yn bwriadu parhau i ddatblygu ein dull gweithredu 'aml-sianel' yn ystod y flwyddyn nesaf.

Mae gennym raglen fuddsoddi ar waith hefyd er mwyn parhau i wella ein heffeithlonrwydd, gyda phwyslais cryf ar wella ein cyfleusterau gweithgynhyrchu ac uwchraddio systemau.

Mae lefelau masnachu ar ddechrau'r flwyddyn ariannol gyfredol yn unol â disgwyliadau'r rheolwyr a chan edrych ymhellach i'r dyfodol, erys y Bwrdd yn hyderus y bydd cyfleoedd twf organig ac ym maes caffael yn parhau. Bydd amrywiaeth gweithgareddau Wynnstay a'i fantolen gadarn yn parhau i weithredu fel sail gadarn i'r Grŵp wrth i ni ddatblygu ac ehangu'r busnes.

Jim McCarthy
Cadeirydd
22 Ionawr 2019

# Chief Executive's Review

**We have further expanded our farming customer base and trading reach**

## 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.

## 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.

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

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 14 of the Financial Statements. 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 AGRICULTURAL 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

22 January 2019

## Investment in production efficiency

The installation of additional 150 tonne storage bins for poultry mash at our Llansantffraid Mill was completed in September 2018 as part of our continued investment in our existing processing facilities. The investment has enabled Wynnstay to improve the service offered to our poultry customers whilst enhancing the performance of our transport fleet, leading to an increased delivered tonnage.

"enhancing the performance of our transport fleet"

# Finance Review

**The significant improvement in KPIs is a mark of success**

## GROUP STRUCTURE

Further simplification of the Group's operational structure has taken place during the year, with the integration of the Woodheads Seeds activities into the Wynnstay (Agricultural Supplies) Limited business from February 2018. In May 2018, Glasson Grain Limited effectively acquired all the FertLink joint venture activities, and in June 2018, our associate entity, Wynnstay Fuels Limited sold its trading business to a third party. Woodheads Seeds Limited will become a non-trading subsidiary in 2019, and eventually dormant, while FertLink Limited and Wynnstay Fuels Limited will seek solvent liquidation of their respective assets.

The effective legal structure of the Group is therefore now, a holding company, Wynnstay Group Plc, which has investments in four wholly owned trading subsidiaries, namely;

- Wynnstay (Agricultural Supplies) Limited, an agricultural merchant.
- Glasson Grain Limited, a feed and fertiliser merchant.
- GrainLink Limited, a grain merchant.
- Youngs Animal Feeds Limited, an equine and pet products distributor.

Additionally, Wynnstay Group Plc holds investments in the principal joint ventures and associate companies outlined in note 19 in the accounts, and certain other property and investment assets.

For reporting purposes the Group's operations are classified into two main divisional segments, Agriculture, encompassing the manufacturing and supply of a comprehensive range of agricultural inputs delivered to customers, and Specialist Agricultural Merchanting, covering the supply of products, primarily to farmers, linked through the provision of expert advice of their use. An additional reporting segment called "Others" is used for peripheral activities not readily attributable to either of the main segments.

## TRADING RESULTS

The financial performance of the business during the year has reflected the recovery in the underlying trading environment for the Group's predominant farmer customers, where generally farm gate produce prices more realistically reflected the costs of production. A summary of the trading conditions experienced by the business over the last financial year is provided in the Chief Executive's Review on pages 18-20.

Group revenue in the period increased substantially to £462.66m (2017: £390.72m from continuing activities), with the growth having three components. Direct contributions from new acquisitions during the year added £28.21m to sales, while commodity inflation was estimated to contribute a further £22.30m to the overall revenue result. However, the most pleasing element was the £21.43m contribution identified as being the result of increased comparative additional bulk product volumes, and growth in merchanting activity through the Group's chain of depots.

The segmental revenue analysis showed a 19% growth to £334.34m (2017: £280.87m) in our Agriculture division, and a near 17% growth to £128.26m (2017: £109.73m) in our Specialist Agricultural Merchanting division, with both segments experiencing growth in all the component elements described above.

On a continuing operations basis, Group adjusted operating profit was £9.43m (2017: £7.87m), and profit before taxation on an IFRS basis was £9.53m (2017: £7.66m). 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 £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:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| 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 |

Strategic Report

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 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. Full details of this net figure are provided in note 5 of the accounts.

Inclusive of contributions from joint ventures and associate businesses, our Agriculture division generated an operating profit of £4.29m (2017: £3.34m), an increase of 28%, while our Specialist Merchanting division produced £5.53m (2017: £4.74m), an increase of nearly 17%. Other activities generated a similar loss to last year at £0.09m (2017: £0.10m).

## TAXATION

The Group's tax charge on continuing operations, including joint ventures and associates, of £1.90m (2017: £1.43m) represents 19.8% (2017: 18.5%) of the Group pre-tax profit from continuing operations of £9.61m (2017: £7.73m). Deferred tax provisions have been calculated at the target rate of 17% which will become effective from April 2020. A reconciliation relating to the Group's tax charge and Group pre-tax profit is given below:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| **Group's tax charge** | | |
| Taxation | **1,821** | 1,359 |
| Share of tax incurred by associate and joint venture | **82** | 70 |
| | **1,903** | 1,429 |
| **Group pre-tax profit from continuing operations** | | |
| Profit before taxation from continuing operations | **9,529** | 7,664 |
| Share of tax incurred by associates and joint ventures | **82** | 70 |
| | **9,611** | 7,734 |

A reconciliation to reported profit/(loss) for the year is as follows:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| Group pre-tax profit from continuing operations | **9,611** | 7,734 |
| (Loss)/profit for the year from discontinued operations | **-** | (6,586) |
| Group pre-tax profit from continuing operations | **9,611** | 1,148 |
| Group's tax charge | **(1,903)** | (1,429) |
| Profit/(loss) for the year | **7,708** | (281) |

In accordance with Schedule 19 of the Finance Act 2016, the Group has published a Tax Strategy document on its website, which confirms that the organisation is committed to full compliance with all statutory obligations and adopts a policy of full disclosure to HMRC. The Group refrains from using offshore tax jurisdictions and will not use specifically constructed tax avoidance schemes or arrangements.

## EARNINGS PER SHARE AND DIVIDEND

Basic earnings per share from continuing operations were 39.11p (2017: 32.29p), based on a weighted average number of shares in issue during the year of 19.708m (2017: 19.529m). The Board proposes to recommend the payment of a final dividend of 8.95p per share to be paid on the 30 April 2019, which when added to the interim dividend of 4.41p per share paid on the 31 October 2018, makes a total of 13.36p for the year (2017: 12.60p), an increase of 6.0%. The total dividend is expected to be covered 2.92 times (2017: 2.56 times) by earnings from continuing operations. The total dividend represents the fifteenth consecutive year of payment growth since the business was floated on the Alternative Investment Market of the London Stock Exchange in 2004. This current dividend cover remains within the range which can support the continuing progressive policy. Current Company distributable reserves amount to £15.83m, (2017: £14.19m) and are adequate to cover at least five years of current dividend payment levels. Adequate anticipated cash resources and future generation assumptions also support the Board's view that the current policy is sustainable. A process of subsidiary dividend payments to the parent Company is now established to ensure adequate liquidity and capital are available to support the policy. The Board will continue to monitor dividend cover ratios when assessing future payment recommendations.

## SHARE CAPITAL

During the year a total of 106,418 (2017: 170,185) new ordinary shares were issued for a total equivalent cash amount of £0.439m (2017: £0.723m). A total of 18,816 (2017: 110,896) shares were issued in relation to the exercise of employee share options for a total consideration of £0.067m (2017: £0.378m), and the remaining 87,602 (2017: 59,289) shares were issued to existing shareholders exercising their right to receive dividends in the form of new shares, with an equivalent cash value of £0.372m (2017: £0.345m).

## BALANCE SHEET

Group net assets at the year end amounted to £91.07m (2017: £85.39m). Based on the weighted average number of shares in issue during the year of 19.708m, (2017: 19.529m) this represented a net asset value per share of £4.62 (2017: £4.37). During the financial year the share price traded in a range between a high of £5.17 in August 2018 and a low of £4.01 in March and April 2018. Based on these balance sheet values, Return on Net Assets from continuing operations for the year was 10.6% (2017: 9.4%).

Capital investment in fixed assets amounted to £5.11m (2017: £2.74m) which was significantly higher than the previous year due to the carry-over of a number of projects from 2017, as we reported last year. Further expansion expenditure is anticipated during the new financial year, as the Group continues to invest in increased capacity across the business. Additionally, the Group invested £1.76m on five acquisitions during the period, which included a total of £1.53m of fixed assets, Some £0.74m of this acquisition expenditure was on a deferred basis, with some elements contingent on the future trading performance of the acquired businesses.

Net Working Capital, which is defined as, the net of inventory, trade and other receivables and trade and other payables, showed an overall 20% increase as at the year end, standing at £48.5m (2017: £40.3m), which was primarily caused by the considerable increase in overall revenues, which were up by 18.4%.

## CASHFLOW, NET DEBT AND BANKING FACILITIES

The business's trading activity remains strongly cash generative, with this being measured by reference to a key performance indicator called EBITDA (defined below). Essentially, this measures operating profit in broad cash generative terms, and a reconciliation of this measure to reported IFRS profit before tax is provided below:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| IFRS reported pre-tax profit from continuing operations | **9,529** | 7,664 |
| Tax on joint venture and associate income | **82** | 70 |
| Profit on disposal of fixed assets - regular | **(51)** | (73) |
| Profit on disposal of fixed assets - property | **(277)** | - |
| Interest | **191** | 153 |
| Depreciation | **3,157** | 2,657 |
| Amortisation and share-based payments | **71** | 156 |
| Non-cash non-recurring costs | **138** | 60 |
| EBITDA | **12,840** | 10,687 |

During the year a substantial element of this generated cash has been utilised in increased working capital requirements to fund the considerable expansion in activities and generally higher commodity prices. Together with the considerable investment explained above, these activities have resulted in a net debt position at the year end of £0.98m, compared with net cash in 2017 of £4.51m.

A reconciliation of EDITDA shown above to the net debt position at the year end is provided in the table below, which is shown for additional information only and is prepared under the indirect method of item allocation, which is not in accordance with IAS 7:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| EBITDA before non-recurring items | **12,840** | 10,687 |
| Loans repaid by/(made to) joint ventures | **32** | (58) |
| Adjustment for pre-tax associates and joint ventures | **(376)** | (267) |
| Working capital movements – balance sheet | **(8,221)** | (4,309) |
| Working capital movements – re-analysed | **(1,444)** | - |
| Cash generated from operations – as reported | **2,831** | 6,053 |
| | | |
| Working capital movements – re-analysed | **1,444** | - |
| Discontinued activity | **-** | (418) |
| Net interest | **(191)** | (153) |
| Tax paid | **(1,674)** | (1,496) |
| Capital expenditure | **(5,112)** | (2,736) |
| Capital disposal proceeds | **548** | 177 |
| Acquisitions | **(1,760)** | - |
| Other acquired liabilities | **(262)** | - |
| Other proceeds | **778** | 457 |
| Dividends | **(2,524)** | (2,384) |
| Issue of new equity | **439** | 723 |
| Net increase /(decrease) in cash | **(5,483)** | 223 |
| | | |
| Opening net cash | **4,506** | 4,283 |
| Closing net (debt)/cash | **(977)** | 4,506 |

The year end does represent a traditionally low point in the Group's cash utilisation cycle, and therefore the Board continues to prioritise the maintenance of adequate debt facilities to accommodate the usual spring peak of this seasonal fluctuation, together with any unexpected commodity price volatility. The Group currently has a combination of committed and short term bank facilities of £18.8m in place (2017: £17.0m), together with asset finance lines of £6.5m, which are expected to satisfy forecast peak requirements for 2019. However, the Board will continue to keep this position under review, particularly if there is any reversal to the current weaknesses being shown in commodity prices, which are currently expected to show a reversal of the inflationary effects experienced during the year under review.

## KEY PERFORMANCE INDICATORS

The performance of the business is regularly monitored against financial key performance indicators (KPI's), defined as follows:

| | |
|---|---|
| Revenue: | The invoiced value of sales from the Group's activities, measured at a fair value net of all rebates and excluding value added tax. £462.66m (2017: £390.72m from continuing activities). |
| EBITDA: | Earnings before interest, tax, depreciation and amortisation, and excluding non-recurring costs, and share-based payment expense. £12.84m (2017: £10.69m). |
| Earnings per share: | Profit for the year after taxation divided by the weighted average number of shares in issue during the year excluding any shares held by the Group's Employee Share Ownership Trust. 39.11p (2017: 32.29p). |
| Underlying pre-tax profit: | Underlying pre-tax profit includes the Group's share of pre-tax profit from joint ventures and associate investments but excludes non-recurring costs and share-based payment expense. £9.60m (2017: £7.97m). |
| Return on net assets: | Underlying pre-tax profit, with intangible amortisation added back, divided by the balance sheet net asset value. 10.6% (2017: 9.4%). |
| Net asset per share: | The balance sheet net asset value, divided by the weighted average number of shares in issue during the year, excluding any shares held by the Group's Employee Share Ownership Trust. £4.62 (2017: £4.37). |

The Board considers the significant improvement in all these KPI's for the year under review, as a mark of considerable success for the business.

Paul Roberts

Finance Director

22 January 2019

## Specialist Arable Event

Established in 2013, the Arable Event is held annually at Weston under Lizard, Shropshire. It has become the key practical demonstration for arable farmers in the west of the UK.

In June 2018, the event attracted approximately 1,000 arable farmers who used the day to receive updates on new technology and the latest winter cereal varieties. The Event features key note speakers, a machinery demonstration area and trade stands from a variety of agricultural businesses.

"the key practical demonstration for arable farmers in the west of the UK"

"this new facility will improve our service to our valued customer base"

## Increasing efficiencies of distribution - new warehouse facilities at Astley

A purpose built 30,000 sq. ft warehouse facility is being constructed at Astley (Shrewsbury) and is due to be completed by the end of January 2019. This warehouse will enable us to improve our service to our valued customer base. The warehouse will also be used for storing processed seed which will enable us to grow our seed business.

# Business Developments

## Increasing geographical reach

During the year, Wynnstay expanded the geographical reach of the company by acquiring a fertiliser blending facility from Origin UK Operations Limited located at Montrose, Scotland, opening a grain trading office at Grantham, Lincolnshire and through the purchase of a number of former Countrywide depots and Mike Hawken Limited in Cornwall.

As part of our growth strategy, these acquisitions have enabled Wynnstay to increase our customer base and sales revenue, strengthening our position as a preferred supplier and further enhancing the Wynnstay brand.

> "strengthening our position as a preferred supplier"


# Risk Management Statement

For the year ended 31 October 2018

The Group adopts a risk approach appropriate to the business activities being conducted, and the Board retain responsibility for regularly reviewing risk management strategies. Risks and uncertainties for the business are classified into two main categories, Financial and Operational, and the Board monitor such risks having developed policies for managing the uncertainties they bring. The monitored risk categories and the main policies for control are as follows:

## FINANCIAL RISK MANAGEMENT:

The Group policies for managing treasury risks are developed and approved by the Board and are designed to minimise exposure to market volatility they include:

Interest Rate – While currently most of the Group's term debt is floating base rate linked, the Board constantly reviews its option to fix the rates attached to this debt through the use of interest rate swap derivatives. Fixed rate term finance is generally used for the acquisition of vehicles.

Foreign Currency – The main currency related risk to the Group arises from the forward purchasing of imported raw materials for our Glasson business. This risk is mainly managed by entering into currency purchase agreements at the time the underlying transaction is completed. The adjusted fair value of these contracts is not material. As at the year end the principal amounts relating to forward purchased currency amounted to £11,849,003 (2017: £8,529,816).

Commodity Price - While the Group does not engage in the taking of speculative commodity positions, it does have to make significant forward purchases of certain raw materials, particularly for use in its animal feed and fertiliser manufacturing activities. Position reporting systems are in place, together with appropriate position limits, to ensure the Board is appraised of the exposure level on a regular basis. Where available, hedging tools such as soft commodity futures contracts on the London LIFFE market, are used to manage price decisions.

Credit – A significant proportion of the Group's trade is conducted on credit terms and as such a risk of non payment is always present. Detailed systems of credit approval before initial supply, the operation of credit limits and an active credit control policy act to minimise this risk, and historically the incidence of bad debts is low. The grain trading business has exposed the Group to certain substantial customer credit balances, and to assist in mitigating this perceived risk, a credit insurance policy has been purchased to provide partial cover against default by certain customers.

Finance Availability – Fluctuating commodity prices can adversely impact working capital levels, and the Group therefore has to maintain adequate financial resources to accommodate unexpected, but foreseeable trading patterns and conditions. The Group has historically operated with banking facilities that provide healthy headroom above the anticipated maximum requirement as projected in working capital cycle forecasts. This policy continues, and debt facilities are in place with HSBC Bank Plc which includes a significant element of committed facilities through to 2020. Fully amortising term debts extend through to 2021.

Internal Controls – As the Group operates across a number of different markets in both its Agriculture and Specialist Agricultural Merchanting divisions, strong internal controls are required to ensure the business is not exposed to financial irregularities or losses that are not readily identifiable. Such controls include policies for the proper authorisation of the procurement of all products and services, and the sanctioning of expense expenditure and employment costs. These policies are principally controlled by the Management Boards of the operating subsidiaries of the Group, who meet on a regular routine basis. The Group Chief Executive and Finance Director attend all these meetings and undertake business and financial reviews of subsidiary activity with particular attention paid to the monitoring of actual performance against budget.

## OPERATIONAL RISK MANAGEMENT:

Trading concerns are regularly reviewed in routine Management Board meetings of the operating subsidiaries of the Group, with conclusions reported to the Board. Existing identified risks include:

Customer Loss and Competition – There is a constant risk of customer loss from increasing competition in the agricultural sector as the industry continues to consolidate. The Group continues to counter this risk by pursuing a sensible growth strategy to increase its market share primarily through geographic expansion and acquisitions. The Group specifically seeks to maintain a broad spread of activities across the main agricultural input areas to minimise threats affecting any particular farming enterprise. Significant investment continues in the Company's sales channels, both in terms of the traditional direct teams and new trading desk facilities.

Brexit – At the time of approving this report, significant uncertainty still exists over the nature and consequences of the UK exit from the EU. The Group identified that risks associated with this decision fell into two distinct categories; those associated with the form of any exit agreement and subsequent trade deal, and therefore the general economic impact on trade and tariffs, and separately, risks to the Group's core farmer customer base because of the historic importance of the Common Agricultural Policy (CAP) to their incomes. The Group anticipates that a "no deal" scenario with regard to the exit agreement, has the potential to cause short term disruption to supply chains for the business, with the greatest concerns relating to imported raw materials. Expected congestion and customs delays at ports, under this scenario, would likely impact manufacturing operations in the short term, particularly as suppliers have been unable to substantially increase storage capacities. Mitigation plans have included having contracts available at as many source port locations as possible and ensuring manufacturing formulation substitutions are readily available, particularly with domestically produced ingredients. Internal training arrangements have been established to support any longer term requirement for increased customs clearance processes, if products currently sourced from the EU become subject to full checks. Some relief to the agricultural industry specific uncertainty on financial support, was provided by the UK and devolved governments announcing their respective Agriculture Bills. Generally current levels of funding for farmers after an EU exit has been guaranteed through to 2022, followed by transitional arrangements to 2027. Forward financial support will then be related to supporting economic resilience through investment to improve competitiveness, and by a new income stream to deliver public goods from land, such as environmental protection. The variation in changes to the incomes of certain categories of customers as a result of restructured support payments could impact the performance of some product group income streams for the business. The Board will continue to monitor developments with a view to formulating appropriate commercial responses as required.

Sterling Appreciation - Following the Brexit referendum decision in June 2016, the value of Sterling has remained relatively weak. While this has an adverse effect on some input costs such as fuel, it has generally benefited the value of many farm products, particularly grain, where worldwide prices tend to be set in US dollar terms. Additionally, a lower exchange rate has also improved the value of EU support payments to farmers, as these are calculated at fixed Euro rates across the community. When translated into Sterling, as the payments are received in the UK, this has resulted in higher level of income than in previous years. Any marked appreciation against these important currencies is likely to be detrimental to the overall income of the Group's farmer customer base, and therefore could adversely impact demand for the Company's products.

World Commodity Prices – During 2015 and 2016, the value of grain and dairy commodities was depressed on a worldwide basis. This was a result of cyclical over production which coincided with geo-political issues such as the Russian ban on the importation of Western food products and the reduction in Chinese demand, which followed a period of economic uncertainty in that critically important import market. The effect of this global price weakness was immediately felt in the UK, where farmers responded by reducing costs and slashing production. The resultant fall in demand for many product categories had a detrimental impact on the Group's activities and took some time to recover as confidence only slowly returned as prices eventually improved. The Board therefore acknowledges that the Group's performance can sometimes be affected by circumstances beyond its control but acts to minimise such risks through its policy of maintaining a diverse product offering, of appeal to a wide cross section of farming enterprises, so that a severe issue in one sector does not impact the entire Group.

Manufacturing Productivity – Much of the Group's feed business is conducted on a customer "made to order" basis. This requires sophisticated order processing, manufacturing and delivery systems, as low lead times can provide a competitive advantage. The breakdown of any of these systems, through mechanical fault, weather and traffic disruption, or computer malfunctions and errors can create the risk of order fulfilment failure. The Group protects against this through the operation of multiple supply points, with third party manufacturing arrangements in place, and the back up of all IT systems supported with a disaster recovery plan. The increasing use of Customer Relationship Management (CRM) systems allow for higher levels of pre-emptive order processing, thereby encouraging customer retention. Efficient manufacturing and quality control compliance regimes, independently audited from time to time, also contribute to minimising the risks of such productivity failures.

Environmental – In accordance with the Group's corporate social responsibility commitments, all activities are planned so as to limit environmental risks and adverse impacts, but a number of larger operating sites require a specific Environment Agency regulated permit to carry out certain activities. The continued efficient conduct of such activities on those sites is therefore dependent on compliance, to the regulator's satisfaction, with the specific terms of the permits which have been issued. Non-compliance with permit terms could result in the prohibition of regulated activities at those locations, thereby adversely affecting the Group's ability to conduct business connected to those activities. To effectively manage these situations and minimise risks of non-compliance the Board oversees the operations of an Environment & Regulatory Compliance Management Committee, which consists of a number of senior managers within the Group who have specific experience and responsibilities for the activities carried out on the regulated sites.

Licenced Activities – The Business requires a considerable number of governmental and other regulatory authority approvals and licences to conduct many important activities within the Group's operations. The loss for whatever reason of any such approval or licence could have a detrimental impact on part or all of the performance of the Business. Such examples might include commercial vehicle operators and consumer credit licences issued by national regulators, explosive and other hazardous goods licences issued by local authorities, and industry regulated registrations required to legally supply certain product categories. The Group manages these obligations through a process of having a named individual with specific responsibility for each type of approval, who can provide regular updates on issues connected with that obligation to the appropriate Management Board Meeting.

Supply Chain Efficiency – The Group's considerable inventories both in the Specialist Agricultural Merchanting businesses and as raw materials for the manufacturing activities are vital to the success of the organisation, and disruption to this supply would damage revenue streams. To minimise this risk, the Group operates partnership relationships with as many suppliers as possible which endeavour to ensure that optimum stock levels are maintained in Group warehouses, in wholesaler locations or within committed supplier facilities. A project team works to optimise stock turn ratios while ensuring adequate availability through challenging seasonal cycles.

Reputation – The Group's trading philosophy is to seek to be the "Supplier of Choice" to its customers. To achieve this, a reputation for quality products, service and value for money must be maintained. Through a comprehensive employee Information and Consultation policy, all members of staff and local management are tasked with enhancing the Group's reputation in the eyes of customers and all other stakeholders of the business. The Group's corporate plan is communicated to management at various levels within the business to facilitate a strong understanding of the ethos and culture necessary for continued success. The Board also recognise that an increasing threat to corporate reputations is developing around the risks associated with the protection of personal data. Ahead of the introduction of the new GDPR regulations in 2018, procedural reviews were carried out and resources strengthened in areas such as IT controls. However, it is recognised that all organisations could be subject to malicious activities such as cyber attacks and other forms of data theft, and while appropriate economic defences have been implemented, there remains the possibility of data breaches. The Board have therefore implemented a Data Protection policy which seeks to limit the collection and use of personal data to an absolute minimum and avoid the storage of potentially sensitive data at all.

Fraud – Difficult general economic circumstances, evolving trading channels and new methods of communication with customers and suppliers may increase the risk of fraud being perpetrated on the Group. The Board has recognised this increased risk, and continually reviews internal systems and controls, addressing areas of identified weaknesses including any matters raised as part of the Group audit process.

Paul Roberts

Finance Director

22 January 2019

# Board and Advisors

### Directors

J J McCarthy
B P Roberts
K R Greetham (Retired 11 July 2018)
G W Davies (Appointed 8 May 2018)
D A T Evans
P M Kirkham
H J Richards
S J Ellwood

### Company Secretary

B P Roberts

### Company Number

2704051

### Registered Office

Eagle House
Llansantffraid Ym Mechain
Powys
SY22 6AQ

### Auditor

BDO LLP
3 Hardman Street
Manchester
M3 3AT

### Principal Bankers

HSBC Plc
Wales Corporate Banking Centre
15 Lammas Street
Carmarthen
SA31 3AQ

### Nominated Advisor and Stockbroker

Shore Capital Limited
Bond Street House
11 Clifford Street
London
W1S 4JU

### Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

### Solicitors

Harrisons Solicitors LLP
11 Berriew Street
Welshpool
Powys
SY21 7SL

DWF LLP
5 St Paul's Square
Liverpool
L3 9AE

02

# Corporate Governance

# Board of Directors

## David Andrew Thomas Evans
Retail Director

*Age 50*

Andrew joined the Board in 2008 and has executive responsibility for the activities of Wynnstay (Agricultural Supplies) Limited. He also owns a dairy farm in Mid Wales.

## Stephen Ellwood
Non-Executive Director

*Age 61*

Steve joined the Board in January 2016. He has a wealth of experience within the UK agriculture and agri-food sectors after spending 10 years as Head of Agriculture at HSBC, following on as Head of Food and Agriculture at Smith & Williamson for four years. Steve is now an active Non-Executive Director for a number of agri-food businesses across the UK.

## Howell John Richards
Non-Executive Director

*Age 54*

Howell joined the Board in July 2014. He has significant experience within the agricultural supply industry and has established a large dairy enterprise business in South Wales. As a member of a number of well recognised committees, Howell promotes the UK dairy industry and supports initiatives for young entrants into UK farming.

## Gareth Wynn Davies
Chief Executive

*Age 56*

Gareth joined the Board in May 2018 when he became Chief Executive. He joined Wynnstay in 1999 as Sales Manager for South Wales, and became Head of Agriculture in 2008. He is also a Director of Hybu Cig Cymru – Meat Promotion Wales and a member of the Welsh Government Trade and Supply Chain Working Group.

Corporate Governance

## James John McCarthy
Chairman

*Age 63*

Jim joined the Board in July 2011 and was appointed Chairman of the Group in November 2013. He has a wealth of corporate and management experience from a background in the retailing industry which spans over 40 years. He is also Non-Executive Chairman at UP Global Sourcing Holdings Plc.

## Bryan Paul Roberts
Finance Director

*Age 56*

Paul joined the Board in 1997 when he also became Company Secretary. He originally joined the Company in 1987 having previously worked in the animal feed industry. He is a Fellow of the Chartered Institute of Management Accountants.

## Philip Michael Kirkham
Vice-Chairman / Senior Independent Non-Executive Director

*Age 61*

Philip joined the Board in April 2013. He runs a mixed farming business in the West Midlands and also has significant experience in the UK livestock sector. He is also Non-Executive Chairman of Meadow Quality Limited, a multi-species livestock marketing business.

# Business Development

## Technical sales advice

The Nuffield Farming Scholarship Trust annually awards 20 research opportunities in farming, food, horticulture or rural industries. Wynnstay's Head of Dairy Technical Services (Iwan Vaughan) was the first Wynnstay employee to be awarded a Nuffield scholarship.

Iwan's research paper is called 'Sustainable Protein Feeding for the UK Dairy Industry'. The key objective was to document and evaluate how to formulate balanced, low protein diets which increase cow health and fertility as well as increasing environmental sustainability by reducing the incidence of ammonia emissions. Iwan visited 14 countries attending research institutions, meeting dairy nutritionists and consultants.

Iwan is quoted:

'Sustainability and efficiency are key to improved profitability and the public conception of the food that UK agriculture produces - Wynnstay are leading innovation in the way that we advise our customers. Through the Nuffield Scholarship I have gained new ideas that have enabled Wynnstay to have a competitive edge, ensuring we have a more efficient offering to our current and potential customers'

**"Wynnstay are leading innovation in the way we advise our customers"**

## Glasson Grain - manufacturing and marketing of bespoke blended and straight fertiliser

Glasson specialises in the manufacture and marketing of bespoke blended and straight fertiliser products, including imported ammonium nitrate and urea.

Glasson is now the second largest fertiliser blending company in the UK, with three manufacturing sites based at Winmarleigh (Lancashire) Goole (Yorkshire) and Montrose (Scotland). The business services customers from Scotland to Mid-Wales.

**“Second largest fertiliser blending company in the UK”**


The Directors present their report together with the audited financial statements of the Parent Company ("the Company") and the Group for the year ended 31 October 2018.

Wynnstay Group Plc ("the Company") is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The address of the Company's registered office is Wynnstay Group Plc, Eagle House, Llansantffraid-Ym-Mechain, Powys, SY22 6AQ.

The Company has its primary and only listing on the Alternative Investment Market of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 22 January 2019.

Further information on the activities of the business and the Group strategy are presented in the Chairman's Statement, Chief Executives' Review, Strategic Report and Corporate Governance Report included within the Group's full published Annual Report.

Including Financial risk management objectives and policies on page 28 within the Risk Management Statement and likely future developments in the business of the company on page 15 within the Chairman's Statement.

## SHARE CAPITAL

The movement in the share capital during the period is detailed in note 28 to the financial statements.

## RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

Reported under IFRS the Group profit before taxation from continuing operations is £9,529,000 (2017: £7,664,000). After a taxation charge of £1,821,000 (2017: £1,359,000), and discontinued activities of £nil (2017: loss £6,586,000) the Group profit for the year is £7,708,000 (2017: loss £281,000).

The Directors recommend a final ordinary dividend of 8.95p per ordinary 25p share net (2017: 8.40p per ordinary 25p share net), to be paid on 30 April 2019 to shareholders on the register at the close of business on 29 March 2019.

The share price will be marked ex dividend with effect from the 29 March 2019. In accordance with the rules of the Company's Scrip Dividend Scheme, eligible shareholders will be entitled to receive their dividend in the form of additional shares. New mandate forms for this scheme should be signed and lodged with the Company Secretary 14 days before the dividend payment date of 30 April 2019.

## LAND AND BUILDINGS

In the opinion of the Directors, the current open market value of the Group's interest in land and buildings exceeds the book value at 31 October 2018 (refer to note 16) by approximately £4,200,000 (2017: £3,760,000).

## DIRECTORS AND THEIR INTERESTS

The Directors of the Company who held office during the year and their interests in the share capital of the Company at the year end were as follows:

| | 25p Ordinary Shares | | SAYE Options | | Discretionary Options | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| G W Davies (appointed 8 May 2018) | **8,992** | n/a | **7,986** | n/a | **8,000** | n/a |
| S.J. Ellwood | **-** | - | **-** | - | **-** | - |
| D A T Evans | **21,165** | 20,544 | **3,243** | 3,243 | **-** | 8,000 |
| K R Greetham (retired 11 July 2018) | **n/a** | 45,203 | **n/a** | 6,425 | **n/a** | 8,000 |
| P M Kirkham | **1,030** | 1,000 | **-** | - | **-** | - |
| J J McCarthy | **5,000** | 5,000 | **-** | - | **-** | - |
| H J Richards | **-** | - | **-** | - | **-** | - |
| B P Roberts | **94,498** | 101,498 | **4,306** | 2,806 | **8,000** | 8,000 |

In addition to the above shareholdings, Mr B P Roberts and Mr G W Davies are trustees of the Company's Employee Share Ownership Plan trust, which at the year end held 6,834 shares (2017: 8,724 shares). Accordingly, these directors were deemed to hold an additional non-beneficial holding in such shares.

No director at the year end held any interest in any subsidiary or associate company. Biographical details of the Directors are set out before the Director's Report.

## DIRECTORS' APPOINTMENTS AND RETIREMENTS

Under Article 91, Mr P M Kirkham and D A T Evans retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re election.

Under Article 86, Mr G W Davies offers himself for re-appointment.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company purchased and maintained liability insurance for its Directors and Officers which remained in force at the date of this report.

## SUBSTANTIAL SHAREHOLDINGS

At 31 October 2018, the following shareholders held 3% or more of the issued share capital of the Company:

| Registered Shareholder | | Beneficial Holder |
|---|---|---|
| - Ferlim Nominees Limited | 11.1% | Discretionary managed funds of Investec Wealth & Investment Limited |
| - Lion Nominees Limited | 6.7% | Discretionary managed funds of Close Asset Management Limited |
| - Luna Nominees Limited | 4.9% | Discretionary managed funds of Brown Shipley Private Bank |
| - Goldman Sachs Securities Limited | 3.5% | Polar Capital Partners |
| - Chase Nominees Limited | 3.3% | Schroder Investment Management Limited |

The directors are not aware that any other person, Company or Group of Companies held 3% or more of the issued share capital of the Company.

## EMPLOYEES

The Group has procedures for keeping its employees informed about the progress of the business. The Group continues to encourage employee motivation by operating a Savings Related Share Option Scheme open to all employees. The Group provides training and support for all employees where appropriate and gives a full and fair consideration to disabled applicants in respect of duties which may be effectively performed by a disabled person. Where existing employees become disabled, the Group will seek to continue employing them, bearing in mind their disability and provided suitable duties are available. Failing this, all attempts will be made to provide a continuing income. Health and Safety matters are a high priority issue for the Board, who consider a monthly report on developments and any incidents that may have occurred, including accidents and near misses.

## POLICY FOR PAYMENT OF CREDITORS

The Group agrees terms and conditions with suppliers before business takes place and, while there is no Group code or standard it is not Group policy to extend supplier payment terms beyond that agreed. There are no suppliers subject to special arrangements. The average credit terms for the Group as a whole based on the year end trade payables figure and a 365 day year is 56 days (2017: 52 days).

## AUDITOR REAPPOINTMENT

BDO LLP have indicated their willingness to continue in office and accordingly a resolution proposing their reappointment will be submitted to the Annual General Meeting.

## DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were members of the Board at the time of approving the Directors' Report are listed on page 30. Having made enquires of fellow Directors each of these Directors, at the date of this report, confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS, STRATEGIC REPORT AND DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts, Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Corporate Governance Statement and Directors Remuneration Statement that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

B P Roberts

Company Secretary

22 January 2019

## CORPORATE GOVERNANCE CODE

In accordance with AIM rule 26, the Board have considered and adopted the QCA Corporate Governance Code for Small and Mid-size Quoted Companies published in April 2018 ("the Code").

## THE PRINCIPLES OF GOOD GOVERNANCE AND COMPLIANCE ARRANGEMENTS

The Board is committed to high standards of corporate governance. The adoption and maintenance of good governance is the responsibility of the Board as a whole, who in accordance with AIM rule 26 have considered and adopted the QCA Corporate Governance Code for Small and Mid-size Companies ("the Code"). The Code includes a number of principles of good practice, which have been developed to support the delivery of growth in long term shareholder value by maintaining a flexible, efficient and effective management framework within an entrepreneurial environment. The Board believes that by adopting these principles, which are appropriate to the size of the Group, the Company's numerous and widespread shareholder base can expect the highest possible level of standards. The Directors are pleased to provide the following additional information with regard to compliance with these principles of the Code:

1. Establish a strategy and business model which promote long term value for shareholders

Wynnstay is committed to sustained development within the agriculture sector and will strive for continued growth by acquisition and organic development of the business. In so doing, the Group will optimise the return to all stakeholders in the business. In order to achieve this ambition, the Group recognises that it must excel in terms of value, quality and the development of its products, services and people. The Group strives to become the "Supplier of Choice" for its customer base. Fuller details of the operational strategy of the business can be found in the latest published Strategic Report.

2. Seek to understand and meet shareholder needs and expectations

The Board appreciates that the diverse shareholder base of the Group may have differing objectives for their investment in the business, and therefore the importance of ensuring that non-executive directors ("NED") in particular, have an up to date understanding of these perspectives is well recognised. Directors will therefore routinely engage with both institutional and private investors and will seek out opinions on unusual or potentially controversial matters before adopting policy changes or tabling shareholder resolutions. The Board will always review written feedback reports from investors following financial results "roadshows" and will also always consider information received from institutional voter advisory firms. Mr P.M. Kirkham is the nominated independent NED who makes himself available to shareholders who may require independent Board contact.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Directors recognise the importance of managing the business in a responsible, fair and ethical manner, and strive to engender such values in every aspect of the Group's operations. Social, environmental and sustainable considerations are taken into account in the formulation of polices across the Group, and areas of particular interest to the Board are reported on, in the separate Corporate Social Responsibility Report.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group adopts a risk approach appropriate to the business activities being conducted, and the Board retain responsibility for regularly reviewing risk management strategies. Risks and uncertainties for the business are classified into two main categories, Financial and Operational. The Board monitor such risks having developed policies for managing the uncertainties they bring. The monitored risk categories and the main policies for their control can be found in our published Risk Management Statement contained in the Strategic Report.

The Board of Directors has overall responsibility for the system of internal controls, including financial, operational and compliance, operated by the Group and for its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the failure to achieve business objectives.

The key procedures within the control structure include:

- Managers at all levels in the Group have clear lines of reporting responsibility within a clearly defined organisational structure;
- Comprehensive financial reporting procedures exist, with budgets covering profits, cash flows and capital expenditure being prepared and adopted by the Board annually. Actual results are reported monthly to the Board and results compared with budgets and last year's actual. Revised forecasts are prepared as appropriate; and
- There is a structured process for appraising and authorising capital projects with clearly defined authorisation levels.

5. Maintain the board as a well-functioning, balanced team led by the chair

The Board currently comprises seven directors, three of whom are executive and four non-executives. The roles of Chairman and Chief Executive are separated. The Chairman is non-executive and is elected by the whole Board on an annual basis, with Mr J J McCarthy originally appointed to this role in November 2013. A Senior Independent Director has been appointed, who carries out the important function of acting as a confidential "sounding board" for other directors, and who has been nominated as the person available to shareholders who may require independent Board contact. The Board believes that this structure, together with the operation of its sub-committees described below, satisfies the flexible and effective management elements of the Code guidelines. Certain relevant details of the contracts of employment for the executive directors, and the letters of appointment for the non-executive directors are disclosed in the annual Director's Remuneration Statement. The circumstances of all non-executive directors, including the Chairman, have been considered against the guidelines laid out in section B.1.1 of the UK Corporate Governance Code, and the general concept of independence of character and judgement, as of July 2018. The conclusions of these reviews were that all non-executives were deemed Independent under the Effectivness principles of the Code. However, the following points were considered worthy of further disclosure with regard to each non-executive director:

- James John McCarthy – currently served seven years on the Board and been Chairman since 2013. He is also the Chairman of one other listed UK company.
- Philip Michael Kirkham – currently served five years on the Board and been Vice Chairman since 2015 and nominated as Senior Independent Director. He is a director of M & R Kirkham & Sons Limited, a mixed farming business in the West Midlands, which is a customer of the Group, who during the last financial year purchased goods on an arms length basis from the Company.
- Howell John Richards - currently served four years on the Board. Prior to his appointment he had served for a number of years as a paid sales consultant to the business, but has not received any additional income for such services since being appointed to the Board. He is a director of Cwrt Malle Limited, a farming business in South Wales, which is a customer of the Group, who during the last financial year purchased goods on an arms length basis from the Company.
- Stephen Ellwood - currently served three years on the Board. He is a director of a number of other businesses operating in the broader agricultural sector, including NIAB, to whom the Group pays DEFRA regulated seed crop registration fees.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Brief biographies of the directors can be found in this annual report. The executive directors all have considerable experience in the agricultural supply industry and have spent much of their careers with the Group, providing a significant degree of management continuity. The non-executives bring a range of business and commercial expertise to the Board, including direct agriculture and specialist merchanting skills, and are all deemed independent under the Code as described above.

7. Evaluating board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman is responsible for the periodic performance reviews of the Board, its sub-committees and non-executive directors. In October 2018, the senior independent non-executive conducted a Board evaluation exercise, considering the structure, governance, operating dynamics and the risk management processes currently in place. The conclusions of this exercise were considered by the whole Board and deemed satisfactory, with areas for improvement noted, including specific responsibilities allocated to named individual directors.

Following the appointment of a new CEO during the year, the Board arranged executive development training for specific directors and certain senior managers of the Group with Cranfield School of Management. This provides ideal personal development support for a period of time, away from the day to day pressures of managing the business.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board operates a policy of collective responsibility with regard to its decision making, with the Chairman being responsible for the smooth functioning of its activities. The Chairman will ensure that each member of the Board is given fair and equal opportunity to clearly express their respective views on all matters, and that the executive directors are adequately able to communicate reasonable commercial views on matters under debate. A formal schedule of matters requiring Board approval is maintained, and includes:

- Group strategy control, including approval of principal activities description and periodic corporate plans.
- Board appointments, including structure and composition, casual and expansionary appointments, retirement policies and rotation selection, and election of Chairman, Vice Chairman and other delegated roles.
- Corporate governance matters, including relevant code adherence, corporate social responsibility matters and statements, and approval of any political support or financial contributions.
- Financial control, specifically approval of Group financial and capital budgets, approval of Group financial results, and approval of Group financial indebtedness commitments in excess of a total of £500,000.
- Capital expenditure confirmation of projects, which are budget approved and exceed an expenditure limit of £100,000 or non budget approved above an expenditure limit of £50,000.
- Share capital matters with regard to, the allotment of new shares, the market purchase of existing shares, the cancellation of any existing shares, and the dividend policy of the Group, and approval of Interim & Final dividends.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board operate Code recommended, Audit, Remuneration and Nomination sub-committees and details are provided below.
Board Committees:
Audit Committee
This Committee currently consists of three non-executive directors: Mr P M Kirkham, Mr H J Richards and is chaired by Mr S J Ellwood, who through his previous banking experience satisfies the guideline requirement for a financially qualified member of an audit committee. The Committee normally meets three times a year as required. The Committee has standard terms of reference which have been formally approved by the Board, and which include the supervision of the external audit process and the effectiveness of the internal financial controls. The terms of reference further task the Committee with identifying and evaluating significant internal and external risks faced by the Company, and then making recommendations to the Board on appropriate strategies for effectively managing these risks. Such risks include:

- The reliability of internal and external reporting systems;
- The safeguarding of assets from inappropriate use, loss and fraud;
- Identifying and properly managing liabilities;
- Compliance with relevant taxation legislation and ensuring the Group acts in accordance with its published tax strategy; and
- Ensuring the business operates within all applicable legislation and uses best practice wherever possible.

The Audit Committee met three times during the last financial year and all committee members attended. The Committee agreed the nature and scope of the audit with the auditor and monitored their findings. The Committee organise internal audit assignments to test the operating effectiveness of internal systems and controls. These assignments are not completed by specific internal audit employees, but appropriate members of staff. The Committee has procedures in place to enable it to meet with the auditor without the presence of the Company's management and it formulates and oversees the Company policy on maintaining auditor objectivity and independence in relation to non audit services. The policy is to ensure that the nature of the non audit services performed or the fee income relative to the audit does not compromise the auditors' independence, objectivity or integrity and complies with ethical standards. Details of such services and fees are provided in note 6 to the accounts.

Remuneration Committee

This Committee of the Board consists of Mr J J McCarthy and Mr H J Richards and is chaired by Mr P M Kirkham. The Committee meets at least once a year and has standard terms of reference in place which have been formally approved by the Board. These terms of reference include the formulation of remuneration policies for executive directors and senior managers, and the supervision of employee benefit structures throughout the Company. The Remuneration Committee met three times during the last financial year and all committee members attended.

Nomination Committee

This Committee of the Board currently consists of Mr J J McCarthy, Mr G W Davies and is chaired by Mr P M Kirkham. The Committee meets at least once a year and has standard terms of reference in place which have been formally approved by the Board. The Committee is tasked with reviewing the leadership needs of the Company and making recommendations to ensure the continuity of such leadership through the identification, evaluation and appointment of both executive and non-executive directors. The Nomination Committee met once during the last financial year and all committee members attended. The Committee also conducted an independent review with search consultants during the year, leading to the appointment of Gareth Davies as CEO in July 2018.

The Board regularly reviews the structures and processes used to manage the business, and takes advice from appropriate retained professionals, including its nominated financial advisor and corporate lawyers. The Board normally meet once a month with additional meetings as necessary. During the financial year ending October 2018, there were thirteen Board meetings and all directors attended, with the exception of, Mr J.J. McCarthy and Mr D.A.T. Evans who both attended twelve meetings. Minutes are maintained of all Group and subsidiary Board meetings, and all senior management sessions. Records are maintained of everyone present at such meetings and arrangements are in place for updating any relevant personnel who may have been absent. Directors are able, if necessary, to take independent professional advice in furtherance of their duties, at the Company's expense. All directors and some senior members of staff have adopted a set of guidelines in regard to their responsibilities for the management and conduct of the Company.

The formal schedule of matters reserved for Board approval has been described above and acts as the main guide for any specific information provided to directors. Additionally, as a matter of routine, directors receive papers relating to each Board meeting at least seven days in advance, and which also include:

- Group monthly and year to date management accounts with variances reported against prior year comparisons and budgets.
- Executive director commercial reports on segmental trading and financial issues.
- A report on any health and safety matters or issues.
- A report on any environmental matters or issues.
- Any relevant industry or competition news.

All directors have access to the Company Secretary to arrange the inclusion of any matter they wish to table for Board discussion or to receive additional information on any Company matter that they feel is relevant. As previously highlighted directors are able, if necessary, to take independent professional advice in furtherance of their duties, at the Company's expense, and are able to commission appropriate external support for any Board Committee responsibilities.

The Board have adopted policies in regard to various regulatory, compliance and control issues, and will always seek to ensure that such policies are operated in a cost effective manner while ensuring effective achievement of the respective objective. As the Group operates across a number of different markets in both its Agriculture and Specialist Agricultural Merchanting segments, strong internal controls are required to ensure the business is not exposed to financial irregularities or losses that are not readily identifiable. Such controls include policies for the proper authorisation of the procurement of all products and services, and the sanctioning of expense expenditure and employment costs. These policies are principally controlled by the Management Boards of the operating subsidiaries of the Group, who meet on a regular routine basis. The Group Chief Executive and Finance Director attend all these meetings and undertake business and financial reviews of subsidiary activity with particular attention paid to the monitoring of actual performance against budget.

The Board of Directors has overall responsibility for the system of internal controls, including financial, operational and compliance, operated by the Group and for its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the failure to achieve business objectives.

The key procedures within the control structure include:

- Managers at all levels in the Group have clear lines of reporting responsibility within a clearly defined organisational structure;
- Comprehensive financial reporting procedures exist with budgets covering profits, cash flows and capital expenditure being prepared and adopted by the Board annually. Actual results are reported monthly to the Board and results compared with budgets and last year's actual. Revised forecasts are prepared as appropriate; and
- There is a structured process for appraising and authorising capital projects with clearly defined authorisation levels.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board recognises the importance of communicating with its shareholders and maintains dialogue with institutional shareholders and analysts, and presentations are made when financial results are announced. The Group retains the services of a professional financial public relations company, who assist with ensuring the accurate and timely communication of relevant corporate, financial and other regulatory news. Mr P M Kirkham is the nominated independent non-executive Director who makes himself available to shareholders who may require independent Board contact. The Annual General Meeting is the principal forum for dialogue with private shareholders who are given the opportunity to raise questions at the meeting, and to meet directors and senior managers of the business who make themselves available after each meeting. The Company aims to send out the notice of the Annual General meeting at least 21 working days before the meeting and publish the results of resolutions (which are usually voted on by a show of hands) in a Regulatory News Statement after the relevant meeting. Shareholders also have access to the Company's website at www.wynnstay.co.uk.

## ADDITIONAL INFORMATION

Going concern and long term viability - The Group works within a corporate plan to ensure clear direction and focus for the strategic development of the business. This corporate plan is regularly reviewed and updated appropriately for commercial and economic circumstances. Annual budgets are set in line with corporate goals in the plan, but which recognise specific market conditions at the time. The Directors have prepared the financial statements on a going concern basis, having satisfied themselves from a review of internal budgets, forecasts and current bank facilities that the Group has adequate resources to continue in operational existence for the foreseeable future.

New Developments – The Board regularly monitors developments to Corporate Governance regulations and processes appropriate to entities of its size and will regularly review the continuing applicability of the QCA Code to the Company.

Auditor Independence - The Board is satisfied that BDO LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Company meets its obligations for maintaining the appropriate relationship with the external auditors through the Audit Committee whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditor, other than the statutory audit, to ensure such objectivity and independence is safeguarded.

B P Roberts

Company Secretary

22 January 2019

## CORPORATE SOCIAL RESPONSIBILITY

The Directors recognise the importance of managing the business in a responsible, fair and ethical manner, and strive to engender such values in every aspect of the Group's operations. Social, environmental and sustainable considerations are taken into account in the formulation of polices in the following areas of activity:

Human resources – the relationship nature of much of the Group's trading activities makes it heavily dependent on the quality and efficiency of the personnel involved in the business. People management and development is therefore critical to the success of the Company, and considerable effort and investment is put into the recruitment, training, welfare and support of all staff. The Group is committed to creating a fair, enjoyable and fulfilling work environment and has policies in place to create opportunity, prevent discrimination, encourage engagement and keep staff informed on aspects of the business. All eligible employees are offered the opportunity to become shareholders in the business through regular invitations to join sharesave schemes. The Board believes that these tax effective and relatively risk free arrangements are an ideal way of aligning staff interests with those of other stakeholders.

Modern slavery and human trafficking – following the introduction of the Modern Slavery Act 2015, the Group prepared an initial statement, published in December 2016, regarding the procedures in place to limit the risk of slavery or human trafficking events occurring within its business and supply chain. This statement was updated in May 2018 and sets out Wynnstay's current approach to understanding the potential risks of such abuses, and the steps in place and to be implemented, to prevent modern slavery or human trafficking events occurring within its own business and associated supply chains. This statement relates to intentions and actions taken during the financial year 2017, and the future development of procedures for identifying risks and preventing abuses. An updated statement is currently under preparation.

The Wynnstay Board has committed to preventing modern slavery and human trafficking acts within its corporate activities, and to ensure that its national and international supply chains are free from such abuses. Where possible the organisation prefers to build long standing relationships with our suppliers, where through a strengthening of trading commitments, we can make clear our expectations of business behaviour. A review of primary trading partners has been completed with a view to identifying relationships where a risk may exist. This categorisation approach is intended to allow the Company to prioritise its limited resources initially to any areas of perceived highest threat. Engagement with these suppliers has not identified any substantial risks to date. Procurement policies have been updated to include ethical and supplier codes of conduct where appropriate, in addition to any usual commercial contract terms. This process is intended to be rolled out to all appropriate supply relationships. Our procurement policy is intended to comply with the Modern Slavery Act 2015 and incorporates a risk assessment protocol which identifies and assesses potential risk within that particular supply chain. Appropriate investigative and auditing processes commensurate to the scale of the enterprise and risk, are intended to be executed as necessary. Our staff will be provided with sufficient training, enabling them to identify risk and ensure the expectations of the procurement policy and its associated processes are understood at all levels across the Group. All suspected cases of modern slavery and human trafficking are requested to be reported to the Head of Procurement, and any such report will be investigated on a case by case basis, with appropriate remedial action taken immediately. The Board also recognise that concerns about modern slavery are not just limited to the Company's supply chains, but may also be a risk within the Group's own employment environment, and particularly with regard to temporary or agency staff use. A review of such hiring practises has taken place, and a list of approved providers is maintained.

Health and safety – the Group takes the health and safety of its staff, customers and everyone else involved with its activities very seriously. All staff receive basic training and where individual roles require, additional specialist support is provided. Occupational health specialists are utilised to screen employees who operate in environments with an added risk of exposure to noise, vibration or other hazards that may cause harm. The Group and subsidiary Boards routinely consider health and safety matters and ensure adequate resources are in place to enable all personnel to fulfil their obligations in this regard. The Audit Committee considers an annual report on safety, risk and compliance management and will require appropriate action be taken where areas of concern are identified. Reportable injuries (Riddor) during the financial year numbered 6 across the Group, which was an increase on the previous year when there were 4 incidents.

Sustainability and limiting environmental impact – the Group seeks to operate all activities in a sustainable manner, and management are actively encouraged to consider and minimise the environmental impact of their operations. Energy usage is recorded across the Group and reported centrally for monitoring, with individual departments tasked with efficiency improvement targets on a unit productivity basis. During the year the Group continued to implement improvement opportunities identified from the audit conducted to comply with Phase one of the Energy Savings Opportunity Scheme managed by National Resources Wales. Further LED lighting schemes have been installed in several locations, and a number of projects completed to improve the Energy Performance Certificate (EPC) ratings in a number of buildings. Significant capital expenditure on environmental and water management projects at Carmarthen mill has been ongoing, and a new Environment Permit was issued for the site during the year. At Llansantffraid mill, a new Environment Management System (EMS) received Green Dragon environment system accreditation in November 2018, and further site improvement are planned for the new year. Recycling processes operate across the Group for plastics, paper, cardboard, metal, wood, electrical equipment and used oils. Fuel efficiency is paramount in vehicle investment decisions, and mileage management is a key task for all fleet responsible personnel.

Supporting the community – Making a positive difference to the communities in which we operate is important to the Group. We play an active part in communities surrounding our depots and business offices by supporting local events, fundraising activities and community groups. Offering support to educational establishments such as schools, colleges and universities in the form of donations, group visits and support with research projects is of particular importance as we recognise the significance of the future generation within the industry. Alongside this we support the Royal Agricultural Benevolent Institution (R.A.B.I) and local Young Farmers Clubs in all regions as our nominated charities, with donations to these and other organisations last year amounting to £3,072. As 2018 was also the Company's centenary year, staff agreed to additionally support Children With Cancer UK, which is a UK-based charity dedicated to raising money for research and providing care for children with cancer and their families. The main fund raising event was a Black Tie Dinner, which took place in January 2019 to mark the official end of the centenary year, with 400 people closely associated with the business coming together to mark this significant milestone, and raise a substantial figure for the charity.

Additional Information and New Developments – During the year under review and in accordance with Schedule 19 of the Finance Act 2016, the Group has published a Tax Strategy document on its website, which confirms that the organisation is committed to full compliance with all statutory obligations and adopts a policy of full disclosure to HMRC. The Group refrains from using offshore tax jurisdictions, and will not use specifically constructed tax avoidance schemes or arrangements. The Board also recognise the importance of protecting personal data in accordance with the new General Data Protection Regulations (GDPR) which came into force in May 2018, and has commenced a program of training and education for all appropriate staff.

# Board Remuneration

## INTRODUCTORY STATEMENT

As Chair of the Remuneration Committee and on behalf of the Board of Directors, I am delighted to present our report on remuneration for the year ended 31 October 2018.

### Our approach to remuneration

As set out more fully in our updated Remuneration Policy, the Committee's approach to remuneration is based on offering a competitive but not excessive reward package for executive directors that aligns their pay with the strategy of the Group.

We seek to encourage, incentivise and motivate those behaviours in our executive directors which we believe will deliver long-term success for the Group and strong returns for its shareholders. In addition to seeking to align the interests of executive directors with those of shareholders, our Policy seeks to adopt best practice and comply with all relevant laws and corporate governance regulations, giving the Group a sound basis for long-term growth and progression.

### Context and key Committee decisions on remuneration

The Committee notes the commitment shown by the executive directors in running the Group in the best interests of all shareholders and other stakeholders and in prioritising long-term, sustainable, profitable growth. In the context of this, the Committee has sought to implement a Remuneration Policy which equips the Group to retain and, where necessary, recruit the calibre of executive directors required to support its long-term strategy.

During the financial year ended 31 October 2018 the Committee conducted a full review of its Remuneration Policy with the assistance of RSM Tax and Advisory Services LLP, and as a result has made a number of changes to the remuneration of executive directors with a focus on ensuring that:

i. the remuneration packages offered are competitive within the marketplace that the Company operates, allowing it to attract and retain the talent necessary to deliver the results demanded by the Board and the Company's shareholders;

ii. the performance-based elements of remuneration are sufficiently aligned with the Group's strategic objectives, with stretching performance measures that reward exceptional performance whilst avoiding rewarding poor performance; and

iii. the remuneration structures provide the mechanisms necessary to protect shareholders where necessary and adopt a sufficiently long-term basis for aligning the interests of executive directors with those of investors.

Having reviewed the base salaries of all executive directors during the period, the Committee determined that salaries had become adrift from comparative market rates and as such, recommended that salaries were increased in the year to ensure that they remained appropriate in the context of the markets in which we operate.

The Committee also reviewed the previous long-term incentive structure and determined that it was no longer fit for purpose or in line with current best market practice. As such, the Committee proposes to implement a new PSP structure, based on annual awards with a performance period of three years and a further holding period of two additional years. In line with good corporate governance practice, the new PSP also includes malus and clawback provisions.

Whilst the Committee reached a view on its preferred structure and initial award quanta earlier in the financial year, and although shareholder approval for the PSP is not a legal requirement, the Committee wished to obtain shareholder approval for the new PSP before granting any awards. Should the PSP be approved at the 2019 AGM, the Committee intends that the performance period for the initial awards granted under the plan will be 1 November 2017 to 30 October 2020, with such awards being granted as soon as possible following the 2019 AGM. This has been deemed appropriate to ensure that the executive directors were adequately incentivised during the period awaiting shareholder approval. Further details on the performance conditions introduced are included below.

On a similar basis, the Committee reviewed the Annual Performance Bonus scheme during the year, and determined that it was no longer reflecting best market practice and achieving the alignment with shareholder interests that the Committee wishes to promote. In particular, the Committee was concerned that the Annual Performance Bonus, structured as a fixed percentage of profit (with no threshold) could lead to executive directors receiving substantial bonus payments even when the performance of the Group did not merit such payments.

Following the above review, the Committee proposes to implement new arrangements with stretching and ambitious performance criteria as follows:

- an annual bonus plan ("ABP") with targets based on profit before tax (75%) and stretching, specific and measurable strategic and/or individual objectives (25%); and
- a performance share plan ("PSP") with performance targets based upon EPS growth (75%) and return on capital employed (25%). In line with comparable companies, the Committee proposes that under the Remuneration Policy:
- the maximum bonus opportunity in the ABP will be 100% of base salary in the case of all executive directors; and
- the maximum award opportunity under the PSP will be over shares with a market value at grant of 100% of base salary.

The performance criteria attached to all awards will ensure that the maximum opportunity will only be realised in the event of exceptional performance, and no payments will be made where performance has been inadequate.

The Remuneration Committee remains fully committed to an open and honest dialogue with our shareholders, and we welcome your views on any aspects of remuneration at any time.

## BOARD REMUNERATION POLICY

All matters relating to remuneration of the Directors of the Company are determined by the Remuneration Committee whose decisions are made with a view to achieving the broad objective of rewarding individuals for the nature of their work and the contribution they make towards the Group achieving its business objectives. Proper regard is given to the need to recruit and retain high quality and motivated staff at all levels and to ensure the effective management of the business. The Committee will be cognisant of comparative pay levels after taking into account geographic location and the operations of the business, and takes appropriate external professional advice where considered necessary. During the year the Committee commissioned RSM Tax and Advisory Services LLP to consider and advise on current remuneration packages.

The remuneration policy for Directors is set so as to achieve the above objectives and is broadly split into Executive and Non-Executive categories, and consists of the following components in each sub category:

**Executive Directors:**

**Basic Salary**

**Purpose:** To provide an appropriate amount of basic fixed income to enable the recruitment and retention of effective management to implement Group strategy.

**Operation:** The Committee reviews base salaries on an annual basis, consistent with the reviews conducted for other employees. The review takes into account:

- absolute and relative Group profitability;
- any changes to the scope of each role and responsibilities;
- any changes to the size and complexity of the Group;
- salaries in comparable organisations;
- pay increases elsewhere in the Group; and
- the impact of any increases to base salary on the total remuneration package.

**Maximum opportunity:** The Remuneration Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for executive directors and other employees.

**Performance measures:** None, although individual performance, skills and experience are taken into consideration by the Remuneration Committee when setting salaries.

**Annual Bonus Plan (ABP)**

**Purpose:** To incentivise the executive directors to deliver the Group's corporate strategy by focusing on annual goals that are consistent with longer-term strategic objectives.

**Operation:** Annual bonus targets are reviewed and set on an annual basis. Pay-out levels are determined by the Remuneration Committee after the year-end, after completion of the audit, based upon a rigorous assessment of performance against the targets.

Malus provisions apply for the duration of the performance period and any deferral period allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply to cash amounts paid and shares or cash released for three years following payment or release, allowing the Remuneration Committee to claim back all or any amount paid or released.

The circumstances in which malus and/or clawback provisions may be triggered include:

- if the assessment of any performance condition was based upon erroneous or inaccurate or misleading information;
- if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or
- in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.

**Maximum opportunity:** The maximum annual bonus opportunity that can be earned for any year is capped at 100% of base salary for all executive directors. Payments at or approaching these levels would require an exceptional level of performance.

**Performance measures:** The payment of awards under the ABP is dependent upon performance conditions based upon:

- profit before tax (PBT) after accrual for bonus payments (75% weighting); and
- stretching, specific and measurable strategic and/or individual objectives. (25% weighting).

The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return.

**Wynnstay Profit Related Pay**

**Purpose:** An all-employee scheme in which the executive directors participate on the same basis as all other employees, designed to encourage achievement of profit budgets within main trading subsidiaries.

**Operation:** An employee scheme to reward all staff with a pro-rata profit share, based on a pre-set formula. Paid in February following the announcement of the financial results for the previous year, after completion of the annual audit.

**Performance measures:** Based upon the pre-tax profit of the trading subsidiaries, adjusted for commodity inflation and subject to a cap on the overall all-employee pay-out of 10% of profits of the participating companies.

**Performance Share Plan (PSP)**

**Purpose:** To incentivise executive directors to focus on the long-term strategic objectives of the Group and to deliver substantial shareholder value, aligning their interests with the interests of shareholders.

**Operation:** Awards may be granted annually under the PSP and will consist of rights over shares, calculated as a percentage of base salary. Vesting is subject to the Group's performance, measured over three years and is followed by a holding period in respect of 50% of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period. Malus provisions apply for the duration of the performance period and shares held under deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply until two years after the date upon which any entitlement becomes unconditional, allowing the Remuneration Committee to claim back all or part of the value of any shares vested.

The circumstances in which malus and/or clawback provisions may be triggered are as stated in relation to the ABP above.

The principal terms of the PSP will be submitted for shareholder approval at the 2019 AGM.

| | |
|---|---|
| **Performance Share Plan (PSP)** | **Maximum opportunity:** The maximum PSP award opportunity per executive director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100% of base salary.<br><br>**Performance measures:** The vesting of all awards made under the PSP is dependent upon performance conditions based upon:<br>• EPS growth (75% weighting)<br>• Return on capital employed (25% weighting)<br><br>The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return. |
| **All-employee share plans** | **Purpose:** To align the interests of the broader employee base with the interests of shareholders and to assist with recruitment and retention.<br><br>**Operation:** The Group currently operates an HM Revenue and Customs-approved Save As You Earn plan. In accordance with the relevant tax legislation, the executive directors are entitled to participate on the same basis (and subject to the same maximums) as other Group employees.<br><br>**Maximum opportunity:** As determined by the statutory limits in force from time to time.<br><br>**Performance measures:** None. |
| **Pension** | **Purpose:** To provide an income for executive directors during their retirement and enable the Group to recruit and retain suitable individuals.<br><br>**Operation:** Fixed company contributions expressed as a percentage of current basic salary for each individual are paid into a personal pension scheme held in that individual's name. In addition, death in service cover provides for four times current annual salary paid into trust, where death occurs during the term of the Director's employment contract. |
| **Benefits** | **Purpose:** To attract and retain suitable executive directors and assist executive directors in the performance of their duties.<br><br>**Operation:** The benefits provided by the Group to executive directors are currently restricted to the provision of a company car and private medical insurance.<br><br>**Maximum opportunity:** Dependent upon the cost of providing the relevant benefits and the individual's personal circumstances. The Remuneration Committee examines the cost of benefit provision and will only agree to provide benefits that are in line with market practice and cost-effective for the Group.<br><br>**Performance measures:** None. |

The executive director's remuneration terms are detailed in individual contracts of employment and associated amendment documentation, which amongst other points contain standard details as follows:

- Notice period to be given by the Company is twelve months.
- Notice period to be given by the Director is six months.
- Paid holiday entitlement of 23 days plus bank holidays.
- Post employment restrictive covenants lasting twelve months.
- Standard non-compete restrictions during employment.

**Non-Executive Directors:**

| | |
|---|---|
| **Basic Annual Fee** | **Purpose:** To attract and retain a balanced skill set of individuals to ensure strong stewardship and governance of the Group.<br><br>**Operation:** Fees are set so as to reflect the factors pertinent to respective positions, taking into account the anticipated amount of time commitment, and comparative rates paid by other companies of a similar size. The non-executive directors do not participate in share option awards, performance bonuses or pension arrangements. Fees are reviewed by the Remuneration Committee on an annual basis. |
| **Travelling Expenses** | **Purpose:** To reimburse legitimately incurred costs of attending necessary Board and associated meetings.<br><br>**Operation:** Pre-set rates used to reimburse mileage, travel, accommodation and other incurred expenses in line with those used for other employees. |
| **Medical Insurance Benefit** | **Purpose:** To assist Directors in the completion of their duties.<br><br>**Operation:** Benefits restricted to the provision of private medical insurance for those directors who do not have alternative arrangements in place. |

The non-executive director's remuneration terms are detailed in individual letters of appointment, which amongst other points contain standard details as follows:

- Initial appointment for a period of twelve months.
- Renewal of appointment for a fixed period of three years after initial twelve months.
- Post employment restrictive covenants lasting twelve months.

# Remuneration Report

## EXECUTIVE DIRECTOR REMUNERATION

Following the announcement in May 2018 of the appointment of a new Group Chief Executive Officer, the Remuneration Committee carried out a review process with regard to current and future remuneration arrangements for senior executives. This review concluded that a number of adjustments to current packages were required to ensure both the continued competitiveness of remuneration levels, and the satisfaction of current investor expectations with regard to governance arrangements for Long Term Incentive Plans. The Remuneration Committee consequently agreed terms for the new Group Chief Executive Officer, reviewed the pay structures for the other executive directors, and commissioned RSM Tax and Advisory Services LLP to devise and implement a new Long Term Incentive Plan, subject to the approval of shareholders at the forthcoming AGM.

Therefore, in line with the above policy, the Remuneration Committee have approved the following details of executive director remuneration:

- **Basic Salaries.** A current annual salary effective from July 2018, is shown in the table below in column A. The previous annual salary, where relevant, is shown in column B, with the actual amounts received during the last financial year shown in column C, which in respect of Mr K R Greetham and Mr G W Davies relates only to the respective periods when they were members of the Board.

| Basic Salary | Note | Column A | Column B | Column C |
|---|---|---|---|---|
| Executive Director | | Current Basic Salary | Previous Basic Salary | Actual Salary Received as a Director Nov 17 – Oct 18 |
| | | £000 | £000 | £000 |
| K R Greetham | *1 | 147 | 147 | 98 |
| G W Davies | *2 | 200 | n/a | 99 |
| B P Roberts | | 160 | 121 | 135 |
| D A T Evans | | 145 | 107 | 119 |

Notes: *1 Mr K R Greetham retired from the Board on the 11 July 2018.
*2 Mr G W Davies was appointed to the Board on the 8 May 2018.

While Mr K R Greetham stepped down from the Board on the 11th July 2018, he remains in the Company's employment in an advisory capacity during his notice period which runs until 30th April 2019. He continues to receive remuneration for his services during this period on the contractual terms in place as at July 2018.

- **Annual Performance Bonuses and Profit Related Pay.** The contractual bonus schemes for K R Greetham and B P Roberts for the financial year 2017/18 are based on a fixed percentage of the Group pre-tax Profit, which includes the Group's share of pre-tax profits from joint ventures and associate investments. The scheme for G W Davies and D A T Evans for the financial year 2017/18 is based on a fixed percentage of the pre-tax Profit of Wynnstay (Agricultural Supplies) Limited. The respective bonus percentages, and the payments made for the financial year ending October 2017, received in March 2018, are shown in the table below in columns A and B respectively. The executive directors also participate in the Wynnstay Profit Related Pay Scheme, ("PRP") which is a scheme for employees of Wynnstay Group Plc and GrainLink Limited, and which pays an annual bonus based on a formula which produces a percentile result which is then applied to the relevant individual's prior year earnings. The formula calculation is the aggregate of the pre-tax profit of Wynnstay (Agricultural Supplies) Limited and GrainLink Limited divided by the aggregate of the combined revenues. The scheme is subject to a limiting factor preventing the total paid under the arrangements from exceeding 10% of the profits of the participating companies. The relevant rate for 2017, paid in February 2018, was 3.0% (2017: 2.9%), with the actual PRP paid to each individual executive shown in Column C below. The anticipated rate for 2018 relating to the last financial year is 3.1% of relevant earnings.

| | Column A | Column B | | Column C | |
|---|---|---|---|---|---|
| Bonuses | Annual bonus % | Bonus received £000 | | PRP received £000 | |
| Executive Director | | Mar 18 | Mar 17 | Feb 18 | Feb 17 |
| K R Greetham | 0.750% | 10 | 54 | 5 | 6 |
| G W Davies | 0.750% | n/a | n/a | n/a | n/a |
| B P Roberts | 0.550% | 7 | 40 | 4 | 5 |
| D A T Evans | 0.750% | 35 | 38 | 4 | 4 |

- **Pension and death in service life cover.** Individual Company contributions to personal pension plans are based on the value of the executive directors basic salary only. The annual defined Company contributions to a personal pension scheme held in the individual's name, expressed as a percentage of basic salary, and the amounts paid on behalf of each individual for their period of service as a director during the last financial year, are shown in the table below under column A and column B respectively. The death in service life assurance cover is provided in a Group policy covering all members, with individual costs attributed to separate members being unavailable. However, the scheme to which all the executive directors belong, had a total renewal cost at November 2017 of £74,219 (2016: £76,586), and there were 577 (2016: 607) members covered, equating to an average cost of £129 per person (2016: £126).

| Pension | Column A | Column B | |
|---|---|---|---|
| Executive Director | Pension % | Pension Contribution £000 | |
| K R Greetham | 9.6% | 9 | Eight months to June 2018 |
| G W Davies | 9.6% | 10 | Six months from May 2018 |
| B P Roberts | 9.6% | 10 | |
| D A T Evans | 9.6% | 7 | |

- **Benefits in kind.** Each executive director is supplied with a company car, primarily for the furtherance of their duties. However these vehicles are available for the executive's private use and as such have a taxable benefit in kind value calculated in accordance with HMRC rules. These values for the tax year ending April 2018 are shown in the table below in column A. Executives refund the cost of fuel they use for private motoring on a monthly basis. Additionally, the Company pays the cost of providing private medical insurance for the executives to ensure that should they require treatment this is provided as quickly as possible, and minimises any period of potential absence from their duties. The cost to the Company of this cover for each individual in 2017 is shown below in column B.

| Benefits in kind | Column A | Column B |
|---|---|---|
| Executive Director | Company Car Value | Private Medical Cover |
| K R Greetham | £11,591 | £763 |
| G W Davies | n/a | n/a |
| B P Roberts | £9,966 | £763 |
| D A T Evans | £10,136 | £763 |

- **Long Term Incentives.** The Remuneration policy provides for a single long term incentive plan to be in place at any one time. Historic arrangements involved a triennial award of low cost options, with performance criteria targeting an overall maximum financial gain, over the three year life of the scheme, approximating to one year's basic salary as at the beginning of the scheme, for a 100% achievement of the performance criteria. The last of these schemes matured in October 2017, having been implemented for executive directors in October 2014. The performance conditions related to the earnings per share ("EPS") and market capitalisation ("MC") of the Group as at October 2017, with the minimum successful achievement required for any options to be exercisable being an EPS of 36p and an MC of £110m. Upon assessment, after the 31st October 2017, the minimum performance conditions for this scheme were not achieved, and as such, a Nil award was receivable, and no benefits were obtained by any participant.

Therefore, the number of current options as at October 2018 under various schemes held by executive directors who have held office during the year is shown in the table below:

| Share Option Table | LTIP Schemes | Other Outstanding Options | |
|---|---|---|---|
| Executive Director | Maximum Award No. of Options | SAYE No. of Options | CSOP No. of Options |
| K R Greetham | Nil | 6,425 | 8,000 |
| G W Davies | Nil | 7,986 | 8,000 |
| B P Roberts | Nil | 4,306 | 8,000 |
| D A T Evans* | Nil | 3,243 | Nil |

Following advice received from RSM Tax and Advisory Services LLP, a new Performance Share Plan (PSP) has been devised, the rules and terms of which will be tabled for the approval of shareholders at the forthcoming AGM. Whilst the Committee reached a view on its preferred structure and initial award quanta earlier in the financial year, and although shareholder approval for the PSP is not a legal requirement, the Committee wished to obtain shareholder approval for the new PSP before granting any awards. Should the PSP be approved at the 2019 AGM, the Committee intends that the performance period for the initial awards granted under the plan will be 1 November 2017 to 30 October 2020. This has been deemed appropriate to ensure that the executive directors are adequately incentivised during the period awaiting shareholder approval. Further details on the performance conditions introduced are included below.

- **Other Share Schemes**. The executive directors participate in the discretionary Approved Company Share Option Plan (CSOP), which is a tax efficient scheme providing the opportunity to hold up to £30,000 of option value, which, if the scheme rules and legislation are complied with, can be exercised free of income tax liability for the holder. The current outstanding options are shown in a table above, and are exercisable up to March 2022 without any performance criteria attached to them. Additionally, the current executive directors are eligible to participate in Save As You Earn (SAYE) option invitations, subject to the scheme and legislative limitations. Such options held by the executive directors, as at October 2018 are shown in the table above, and again do not have any performance criteria attached to them. Depending on the particular scheme, they are exercisable between September 2017 and January 2022, with further details provided in the Director's Report on page 36 and in Note 9 to the accounts. During the year D A T Evans* exercised 8,000 CSOP options at a price of £3.75 per share, and subsequently immediately sold them at a price of £4.8875 per share, realising a disclosable gain on equity-based remuneration of £9,100.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of the non-executive directors, is and has been paid in accordance with the policy outlined above and has been set so as to reflect the factors pertinent to their respective positions. Details of the amounts received during the last financial year and the current levels of Basic Annual Fees being paid are given in the table below:

| Non-Executive Director | Financial Year ending Oct 2018 | | | 2018 / 2019 | |
|---|---|---|---|---|---|
| | Basic Fee £000 | Benefits in kind £000 | Travelling Expenses £000 | Current Basic Fee £000 | Benefits in kind £000 |
| J J McCarthy | 50 | - | 1 | 50 | - |
| P M Kirkham | 34 | 1 | 1 | 34 | 1 |
| S J Ellwood | 34 | - | 1 | 34 | - |
| H J Richards | 34 | 1 | 1 | 34 | 1 |

## PERFORMANCE SHARE PLAN

As reported above, the Remuneration Committee commissioned RSM Tax and Advisory Services LLP during the year, to consider and advise on a replacement Long Term Incentive Plan for senior executives. This followed a review that concluded that the historically used scheme, where options were granted with a fixed three year term, no longer met appropriate compliance requirements. The Board therefore intends to introduce a new long term incentive plan, known as the Wynnstay Performance Share Plan 2018 (the "PSP") to help recruit and retain key employees and to motivate them to achieve the Group's business objectives. The PSP has been designed to achieve compliance with the latest principles of sound corporate governance and to bring the Group's incentivisation arrangements in line with current market practice. Adoption of the PSP is subject to obtaining shareholder approval, a resolution for which will be put to the forthcoming AGM.

Further information relating to the proposed PSP is provided on pages 96-97 of this annual report, and set out in the Rules of the scheme which are published on the Group's website at https://www.wynnstay.co.uk/corporate-governance/wynnstay-performance-share-plan/

Philip M. Kirkham

Vice-Chairman and Chairman of Remuneration Committee

22 January 2019

# Independent auditor's report to the members of Wynnstay Group Plc

## OPINION

We have audited the financial statements of Wynnstay Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2018 which comprise consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statement of changes in equity, the consolidated and parent company cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group and of the parent company's affairs as at 31 October 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the parent company and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## IMPAIRMENT OF GOODWILL

As described in Note 1 (accounting policies) and Note 14 (Goodwill), the Group recognises goodwill of £14.9m (2017: £14.3m). Management are required to review the carrying value of annually for impairment.

The group continues to operate in an environment of fluctuating commodity prices, competitor activity and pressure on margins. Management exercise significant judgement in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate used, the allocation of assets to cash generating units (CGU) and the future cash flows attributed to each CGU. The sensitivities associated with these reviews have been disclosed in Note 14.

The potential impairment of the group's goodwill is a significant risk for the audit.

**How we addressed the key audit matter:**

- We have assessed the reasonableness of the assumptions underlying management's assessment of goodwill, including those around i) short term and long term growth rates, ii) future changes in cash flows in particular within the GrainLink and Youngs Animal Feed CGU's and iii) the discount rates used by comparing these with internally and externally derived data and using our own valuation specialists;
- We have performed sensitivity analysis on the key assumptions noted above; and
- We have also assessed whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

## OUR APPLICATION OF MATERIALITY

| Group materiality 2018 | Group materiality 2017 | Basis for materiality |
|---|---|---|
| £380,000 | £400,000 | 4% of profit before tax (2017: 5% of profit before tax) |

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, intruding omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider profit before tax to be the most significant determinant of the group's financial performance used by shareholders.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £247,000 (2017: £300,000) which represents 65% (2017:75%) of the above materiality levels.

We agreed with the Audit Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £11,400. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The Group has 11 subsidiaries, 8 of which were determined to be significant to the group and were subject to full scope audits for group purposes.

Together with the parent company and its group consolidation, which was also subject to a full scope audit, these subsidiaries represent the principal business units of the group and account for 100% of the group's revenue and profit before tax and 99% of the group's assets.

Whilst materiality for the financial statements as a whole was £380,000 (2017: £400,000), each component of the group was audited to a lower level of materiality. Audits of the components were performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned. The work on all components, including the audit of the parent company, was performed by the Group team. We applied the component materiality's, which ranged from £52,000 to £267,000, having regard to the mix of size and risk profile of the Group across the components.

The remaining 1% of the total group assets is represented by 3 reporting components none of which contributed to the group's revenue or profit before tax and none of which individually represented more than 1% of total group assets. For these residual components, we performed analytical reviews at an aggregated group level to re-examine our assessment that there were no significant risk of material mis-statement within these.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

22 January 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# 03 Financial Statements

# 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 | 4 | | **335** | | 326 |
| Adjusted operating profit[1] | | | **9,428** | | 7,871 |
| Amortisation of acquired intangible assets and share-based payment expense | 5 | | **(71)** | | (156) |
| Non-recurring items | 5 | | **69** | | (95) |
| **Group operating profit** | | | **9,426** | | 7,620 |
| Interest income | 3 | **92** | | 66 | |
| Interest expense | 3 | **(283)** | | (219) | |
| | | | **(191)** | | (153) |
| Share of profits/losses in associates and joint ventures accounted for using the equity method | | **376** | | 267 | |
| Share of tax incurred by associates and joint ventures | | **(82)** | | (70) | |
| | 7 | | **294** | | 197 |
| **Profit before taxation from continuing operations** | | | **9,529** | | 7,664 |
| Taxation | 10 | | **(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 | 11 | | **-** | | (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) |
| | 13 | | **39.11** | | (1.43) |
| **Diluted earnings per ordinary share (pence)** | | | | | |
| Profit from continuing operations | | | **38.94** | | 31.87 |
| (Loss) from discontinued operations | | | **-** | | (33.29) |
| | 13 | | **38.94** | | (1.42) |

The notes on pages 62 to 92 form part of these financial statements.

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

[1]Adjusted results are after adding back amortisation of acquired intangible assets, share-based payment expense and non-recurring items.

# Consolidated and Company Balance Sheet

For the year ended 31 October 2018 Registered Number 2704051

| | Note | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Goodwill | 14 | **14,818** | 14,266 | **-** | - |
| Investment property | 16 | **2,372** | 2,372 | **2,372** | 2,372 |
| Property, plant and equipment | 17 | **21,979** | 18,709 | **8,489** | 7,748 |
| Investment in subsidiaries | 18 | **-** | - | **42,562** | 12,828 |
| Investments accounted for using equity method | 18 | **2,863** | 3,444 | **191** | 259 |
| Intangibles | 15 | **89** | 95 | **-** | - |
| | | **42,121** | 38,886 | **53,614** | 23,207 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 20 | **52,250** | 30,056 | **-** | - |
| Trade and other receivables | 21 | **70,907** | 62,961 | **2,799** | 30,318 |
| Financial assets | | | | | |
| - loan to joint venture | 19 | **2,812** | 2,844 | **2,812** | 2,844 |
| Cash and cash equivalents | 24 | **6,676** | 8,914 | **4** | 1 |
| | | **132,645** | 104,775 | **5,615** | 33,163 |
| **TOTAL ASSETS** | | **174,766** | 143,661 | **59,229** | 56,370 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Financial liabilities - borrowings | 25 | **(3,887)** | (2,512) | **(2,647)** | (1,494) |
| Trade and other payables | 22 | **(74,522)** | (52,738) | **(249)** | (1,980) |
| Current tax liabilities | 23 | **(1,102)** | (847) | **(55)** | - |
| | | **(79,511)** | (56,097) | **(2,951)** | (3,474) |
| **NET CURRENT ASSETS** | | **53,134** | 48,678 | **2,664** | 29,689 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Financial liabilities – borrowings | 25 | **(3,766)** | (1,896) | **(2,356)** | (1,111) |
| Trade and other payables | 22 | **(157)** | (22) | **-** | - |
| Deferred tax liabilities | 27 | **(259)** | (254) | **-** | - |
| | | **(4,182)** | (2,172) | **(2,356)** | (1,111) |
| **TOTAL LIABILITIES** | | **(83,693)** | (58,269) | **(5,307)** | (4,585) |
| **NET ASSETS** | | **91,073** | 85,392 | **53,922** | 51,785 |
| **EQUITY** | | | | | |
| Share capital | 28 | **4,943** | 4,916 | **4,943** | 4,916 |
| Share premium | | **29,941** | 29,529 | **29,941** | 29,529 |
| Other reserves | | **3,377** | 3,319 | **3,208** | 3,150 |
| Retained earnings | | **52,812** | 47,628 | **15,830** | 14,190 |
| **TOTAL EQUITY** | | **91,073** | 85,392 | **53,922** | 51,785 |

J J McCarthy – Director

B P Roberts - Director

The Company generated profit of £4,164,000 (2017: loss of £3,166,000).

The notes on pages 62 to 92 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 January 2019 and signed on its behalf.

Financial Statements

# Consolidated Statement of Changes in Equity

As at 31 October 2018

| Group | Share capital £000 | Share premium account £000 | Other reserves £000 | Retained earnings £000 | Total £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** |

The notes on pages 62 to 92 form part of these financial statements

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

# Company Statement of Changes in Equity

As at 31 October 2018

| Company | Share capital £000 | Share premium account £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 November 2016 | 4,874 | 28,848 | 2,764 | 19,740 | 56,226 |
| Loss for the year | - | - | - | (3,166) | (3,166) |
| Total comprehensive loss for the year | - | - | - | (3,166) | (3,166) |
| 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 | 3,150 | 14,190 | 51,785 |
| Profit for the year | - | - | - | **4,164** | **4,164** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **4,164** | **4,164** |
| **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** | **3,208** | **15,830** | **53,922** |

The notes on pages 62 to 92 form part of these financial statements.

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

Financial Statements

# Consolidated and Company Cash Flow Statement

As at 31 October 2018

| | Note | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from/(used in) continuing operations | 38 | **2,831** | 6,053 | **(2,154)** | 538 |
| Interest received | | **92** | 66 | **-** | - |
| Interest paid | | **(283)** | (219) | **(39)** | - |
| Tax paid | | **(1,674)** | (1,496) | **(20)** | (93) |
| **Net cash flows from/(used by) operating activities in continuing operations** | | **966** | 4,404 | **(2,213)** | 445 |
| Net cash generated from operating activities in discontinued operations | | **-** | 282 | **-** | - |
| **Net cash generate from/(used by) operating activities** | | **966** | 4,686 | **(2,213)** | 445 |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of property, plant and equipment | | **548** | 177 | **362** | - |
| Purchase of property, plant and equipment | | **(2,310)** | (2,018) | **(1,187)** | (239) |
| Proceeds on sale of investments | | **20** | 150 | **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 | **3** | 244 |
| Dividends received from associates | | **755** | - | **755** | - |
| Dividends received from subsidiaries | | **-** | - | **1,950** | 1,900 |
| **Net cash (used by)/from investing activities in continuing operations** | | **(2,005)** | (2,125) | **1,903** | 2,055 |
| Net cash used by investing activities in discontinued operations | | **-** | (36) | **-** | - |
| **Net cash used by investing activities** | | **(2,005)** | (2,161) | **1,903** | 2,055 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from the issue of ordinary share capital | | **439** | 723 | **439** | 723 |
| Finance lease principal repayments | | **(1,453)** | (1,152) | **-** | - |
| Proceeds from borrowings | | **3,500** | - | **3,500** | - |
| Repayment of borrowings | | **(1,161)** | (896) | **(1,102)** | (839) |
| Dividends paid to shareholders | | **(2,524)** | (2,384) | **(2,524)** | (2,384) |
| **Net cash (used by)/ generated from financing activities in continuing operations** | | **(1,199)** | (3,709) | **313** | (2,500) |
| Net cash used by financing activities in discontinued operations | | **-** | (13) | **-** | - |
| **Net cash (used by)/generated from financing activities** | | **(1,199)** | (3,722) | **313** | (2,500) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,238)** | (1,197) | **3** | - |
| Cash and cash equivalents at the beginning of the period | | **8,914** | 10,111 | **1** | 1 |
| **Cash and cash equivalents at the end of the period** | | **6,676** | 8,914 | **4** | 1 |

The notes on pages 62 to 92 form part of these financial statements.

# Principal Accounting Policies

## GENERAL INFORMATION

Wynnstay Group Plc has a number of operations. These are described in the segmental analysis in note 3.

Wynnstay Group Plc is a company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on page 30. The Company has its primary listing on AIM, part of the London Stock Exchange.

## ACCOUNTING POLICIES

The Group's principal accounting policies adopted in the preparation of these financial statements are set out below.

### Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), International Financial Reporting Interpretation Committee (IFRIC) interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention other than certain assets which are at deemed cost under the transition rules, share-based payments which are included at fair value and certain financial instruments which are explained in the relevant section below. A summary of the material Group accounting policies is set out below and have been applied consistently.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

### Going concern

As highlighted in note 24 to the financial statements, the Group meets its day to day working capital requirements through the use of cash balances and overdraft facilities which are due for review on an annual basis. The current economic conditions create uncertainty, particularly over: (a) the level of demand for the Group's products; (b) the exchange rate between sterling and the US dollar which has consequences for the cost of the Group's raw materials; and (c) the availability of bank finance in the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash balances and debt facilities. These debt facilities consist of term and revolving credit loans, with an average maturity of three years and overdraft facilities scheduled for review, as usual, in April 2019. No matters have been drawn to the Group's attention by its bankers to suggest that the facilities or the existing overdraft arrangements may not be forthcoming.

### Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of Wynnstay Group Plc ('the Company') and entities controlled by Wynnstay Group Plc (its 'subsidiaries') together with the Group's share of the results of its associates and joint ventures.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The fair value of contingent consideration is assessed using management judgement to reflect the likelihood of the pertinent matters being achieved. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control. Investments in associates and joint ventures are accounted for using the equity method.

### Revenue recognition

Revenue represents the invoiced value of sales which fall within Wynnstay Group's ordinary activities. Revenue is measured at the fair value of the contract net of rebates excluding value added tax and after eliminating sales within the Group.

#### Agriculture

Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership of goods to the buyer, for example, delivering products into the customer's possession, and when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

#### Specialist Agricultural Merchanting

Revenue from the sale of goods is recognised either at the point of sale through the till or when the Group has transferred the significant risks and rewards of ownership of goods to the buyer, for example, delivering products into the customer's possession, and when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

### Discontinued operations

Where an asset or group of assets (a disposal group) is available for immediate sale and the sale is highly probable and expected to occur within one year then the disposal group is classified as held for sale.

The disposal group is measured at the lower of the carrying amount and fair value less costs to sell. Depreciation is not charged on such assets.

Where a group of assets that comprises operations that can be clearly distinguished operationally and for financial reporting purposes from the rest of the group (a component), has been disposed of or classified as held for sale, and it:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale;

then the component is classified as a discontinued operation.

## Amortisation of acquired intangible assets, share-based payment expense and non-recurring items

Amortisation of acquired intangible assets, share-based payment expense and non-recurring items that are material by size and/or by nature are presented within their relevant income statement category but highlighted separately on the face of the consolidated statement of comprehensive income and within a note to the financial statements, see note 5. The separate disclosure of profit before these items helps provide a better indication of the Group's underlying business performance is discussed in the non-IFRS alternative performance measure 'Underlying pre-tax profit' in the Finance Review on page 22.

Events which may give rise to non-recurring items include, but are not limited to, gains or losses on the disposal of subsidiaries/businesses, gains or losses on the disposal or revaluation of properties, gains or losses on the disposal of investments, the restructuring of the business, the integration of new businesses, acquisition related costs, changes to estimates in relation to contingent consideration for prior period business combinations and asset impairments including impairment of goodwill.

## Financial instruments

Financial assets and liabilities are recognised on the Company and Group's consolidated balance sheet when the Company and/or Group becomes a party to the contractual provisions of the instrument. The main categories of financial instruments are:

### Trade receivables

Trade and other receivables are recognised at fair value, less any impairment losses.

### Investments

Investments are initially measured at cost. They are classified as either 'available-for-sale', 'fair value', or 'held to maturity'. Where securities are designated as at 'fair value' gains or losses arising from changes in fair value are included in the net profit or loss for the period. For 'available-for-sale' investments, gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost.

### Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the Group Statement of Consolidated Income over the period of the borrowings on an effective interest basis.

### Financial Guarantees

The Group enters into financial guarantees with its subsidiaries. These guarantees are accounted for as insurance contracts.

### Trade payables

Trade and other payables are recognised at fair value.

### Equity instruments

Equity instruments issued by the Group and/or Company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group and/or Company after deducting all of its liabilities.

### Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, and commodity risks arising from day to day activities. The Group does not hold or issue derivative financial instruments for trading purposes, however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Group Statement of Consolidated Income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged. In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

Derivative financial instruments with maturity dates of more than one year from the balance sheet date are disclosed as non-current.

## Fair value hedging

Derivative financial instruments are classified as fair value hedges when they hedge the Group's exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Group Statement of Comprehensive Income together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

## Leases

Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the Group. Assets classified as finance leases are capitalised on the balance sheet and are depreciated over the expected useful life of the asset. The interest element of the rental obligations is charged to the Group Statement of Comprehensive Income over the period of the lease. Rentals paid under operating leases are charged to the Group Statement of Comprehensive Income on a straight-line basis over the term of the lease. Leasehold land is normally classified as an operating lease. Payments made to acquire leasehold land are included in prepayments at cost and are amortised over the life of the lease. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

## Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing. Goodwill is recognised as an asset and assessed for impairment annually. Any impairment is recognised immediately in the Group Statement of Comprehensive Income. Once recognised, an impairment of goodwill is not reversed.

## Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use, and is considered for each individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

### Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

Any gain or loss arising from the change in fair value is recognised in profit and loss. Rental income from investment property is accounted for on a receivable basis.

### Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets over their expected useful lives as follows:

- Freehold property - 2.5% - 5% per annum straight line
- Lease premium - over the period of the lease
- Leasehold land and buildings - over the period of the lease
- Plant and machinery and office equipment - 10% - 33% per annum straight line
- Motor vehicles - 20% - 30% per annum straight line

### Intangible assets

The cost of an intangible asset acquired in a business combination is its fair value at its acquisition date.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer order book - 5-10 years
- Trademarks - 5 years

### Employment benefit costs

The Group operates a defined contribution pension scheme. Contributions to this scheme are charged to the Group Statement of Comprehensive Income as they are incurred, in accordance with the rules of the scheme.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where appropriate, cost is calculated on a specific identification basis. Otherwise inventories are valued using the first-in-first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Taxation including deferred taxation

The income tax expense represents the sum of the current income tax and deferred income tax. Current income tax is based on the taxable profits for the year. Taxable profit differs from the profit as reported in the Group Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability other than a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when related deferred income tax asset is realised or the deferred income tax liability settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

### Dividends

Final equity dividends to the shareholders of the Company are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

### Share-based payments

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. Fair value is measured by use of a 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. The movements in respect of equity-settled share-based payments are recognised in other reserves.

### Investments

Investments held as fixed assets are shown at cost less provisions for impairment.

### Cash and cash equivalents

Cash and cash equivalents, for the purposes of the consolidated cash flow statement, comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the balance sheet.

### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Group Statement of Comprehensive Income.

### Employee share ownership trust

The Company operates an employee share ownership trust it is accounted for as a separate entity, and therefore the assets, liabilities, income and cost of the ESOP are incorporated into the financial statements of the Group.

### Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

### Judgements

Application of the “own use” exemption

Forward contracts are entered into by the Group to purchase and/or sell grain and other agricultural commodities, and management judge that these forward commodity contracts are entered into for the Groups “own use” rather than as trading instruments when they are entered into. The IAS 39 Financial Instruments: Recognition and Measurement “own use” exemption removes the otherwise required requirement to revalue all open forward contracts to fair value at the year end.

The Group does utilise derivative grain futures contracts to commercially hedge its open positions. At the period end any open derivatives are fair valued, see note 26.

### Estimates and assumptions

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value.

Directors consider the sensitivity to key assumptions and one cash generating unit (GrainLink) contains reasonably possible changes in key assumptions which could have a material impact on the carrying value of goodwill, see note 14.

Provision for impairment of trade receivables

The financial statements include a provision for impairment of trade receivables that is based on management’s estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable, see note 26.

Fair value measurement

A number of assets and liabilities included in the Group’s financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group’s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique are (the ‘fair value hierarchy’):

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment property (note 16)
- Financial instruments (note 26)
- Contingent consideration (note 31)
- Equity settled share-based payment liabilities (note 29)

### New standards and interpretations

There have been a number of minor changes to standards which became applicable for the year ended 31 October 2018, none of which have been assessed as having a significant impact on the Group.

At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (not all of which have been endorsed by the EU):

| New or amendments to existing standards | EU effective date for accounting periods commencing on or after |
|---|---|
| IFRIC 22 Foreign Currency Translations and Advance Consideration | 1 January 2018 |
| Amendments to IFRS 2 Classification and Measurement of Share-based payment Transactions | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to IAS 40: Transfers of Investment Property | 1 January 2018 |
| Annual Improvements to IFRS Standards 2014 – 2016 cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures | 1 January 2018 |
| Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | 1 January 2018 |
| IFRS 9 Financial Instruments | 1 January 2018 |
| Clarifications to IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| Amendments to IFRS 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Positions | 1 January 2019 |
| Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to IFRSs (2015-2017 cycle) | 1 January 2019 |
| Amendments to IAS 19: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| Amendments to IFRS 3: Business Combinations | 1 January 2020 |
| Amendments to IAS 1 and IAS 8: Definition of Material | 1 January 2020 |
| IFRS 17 Insurance Contracts | 1 January 2021 |

It is considered that the above standards and amendments, with the exception of IFRS 9 ‘Financial instruments’ and IFRS 16 ‘Leases’, will not have a significant effect on the results or net assets of the Group or Company.

### IFRS 15

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

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

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.

**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.

## 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 divisions and to access 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 divisions, 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 divisions 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:

| Year ended 31 October 2018 | Agriculture £000 | Specialist Agricultural Merchanting £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| **Revenue from external customers** | **334,337** | **128,258** | **62** | **462,657** |
| **Segment result** | | | | |
| Group operating profit before non-recurring items | **3,859** | **5,548** | **(50)** | **9,357** |
| Share of results of 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** |
| **Assets** | | | | |
| Segment net assets | **43,878** | **41,848** | **6,324** | **92,050** |
| Corporate net debt (note 25) | | | | **(977)** |
| Segment net assets after corporate net cash | | | | **91,073** |

## 2. SEGMENTAL REPORTING continued

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 associates 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 associates and joint ventures) | | | | (1,429) |
| Profit for the year attributable to equity shareholders from continuing operations | | | | 6,305 |
| **Assets** | | | | |
| Segment net assets | 33,908 | 39,739 | 7,239 | 80,886 |
| Corporate net debt (note 25) | | | | 4,506 |
| Segment net assets after corporate net cash | | | | 85,392 |

## 3. FINANCE COSTS

| | 2018 £000 Continuing operations | 2018 £000 Discontinued operations | 2017 £000 Continuing operations | 2017 £000 Discontinued 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) |

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## 4. OTHER OPERATING INCOME

| | 2018 £000 Continuing operations | 2018 £000 Discontinued operations | 2017 £000 Continuing operations | 2017 £000 Discontinued operations |
|---|---|---|---|---|
| Rental income | **335** | **-** | 326 | 22 |
| Other operating income | **-** | **-** | - | 66 |
| | **335** | **-** | 326 | 88 |

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

| **Continuing operations** | **2018 £000** | 2017 £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 depots which was relocated.

## 6. GROUP OPERATING PROFIT

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

| | **2018 £000** | | 2017 £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 and not recharged.

## 7. SHARE OF POST-TAX PROFITS OF ASSOCIATES AND JOINT VENTURES

| | 2018 £000 | 2017 £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 |

## 8. STAFF COSTS

The aggregate payroll costs, including Directors' emoluments, charged in the financial statements for the Group were as follows:

| | **2018 £000** | | 2017 £000 | |
|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | Continuing operations | Discontinued operations |
| Wages and salaries | **24,864** | **-** | 22,002 | 2,672 |
| Social security costs | **2,374** | **-** | 2,030 | 135 |
| Pension and other costs | **839** | **-** | 801 | 31 |
| Cost of share-based reward | **55** | **-** | 142 | - |
| | **28,132** | **-** | 24,975 | 2,838 |

The average number of employees, including Directors, employed by the Group during the year was as follows:

| | **2018 No.** | | 2017 No. | |
|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | Continuing operations | Discontinued operations |
| Administration | **104** | **-** | 99 | 13 |
| Production | **126** | **-** | 110 | - |
| Sales, distribution and retail | **700** | **-** | 614 | 227 |
| | **930** | **-** | 823 | 240 |

The parent company did not have any employees in the current or prior year.

## 9. DIRECTORS' REMUNERATION

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Directors' emoluments | **704** | 687 |
| Social security costs | **79** | 79 |
| Company contributions to money purchase pension schemes | **36** | 30 |
| Aggregate gains made on the exercise of Approved SAYE options | **9** | 2 |
| | **828** | 798 |

Details of the Directors' interest in the share capital of the company, including outstanding share options at the year end, are provided in the Directors' Report. The following remuneration detail is provided in accordance with AIM Rule 19.

| Name of Director | Basic salary £000 | Benefits in kind £000 | Annual bonuses £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|---|
| **Executives** | | | | | |
| K R Greetham (retired 11 July 2018) | **98** | **12** | **15** | **125** | 218 |
| G W Davies (appointed 8 May 2018) | **99** | **-** | **-** | **99** | - |
| B P Roberts | **135** | **11** | **11** | **157** | 169 |
| D A T Evans | **119** | **11** | **39** | **169** | 146 |
| **Non-Executives** | | | | | |
| J J McCarthy | **50** | **-** | **-** | **50** | 50 |
| S J Ellwood | **34** | **-** | **-** | **34** | 34 |
| P M Kirkham | **34** | **1** | **-** | **35** | 35 |
| H J Richards | **34** | **1** | **-** | **35** | 35 |
| | **603** | **36** | **65** | **704** | 687 |

Retirement benefits are accruing to the following number of directors under:

| | 2018 No. | 2017 No. |
|---|---|---|
| Money purchase pension scheme | **4** | 3 |
| | **£000** | £000 |
| Contribution paid by the Group to money purchase pension schemes in respect of such directors were: | | |
| K R Greetham (retired 11 July 2018) | **9** | 14 |
| G W Davies (appointed 8 May 2018) | **10** | - |
| B P Roberts | **10** | 10 |
| D A T Evans | **7** | 6 |
| | **36** | 30 |

Gains made on exercise of approved and unapproved share option schemes:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| K R Greetham (retired 11 July 2018) | **-** | - |
| G W Davies (appointed 8 May 2018) | **-** | - |
| B P Roberts | **-** | 2 |
| D A T Evans | **9** | - |
| | **9** | 2 |

## 10. TAXATION

Analysis of tax charge in year:

| Continuing operations | 2018 £000 | 2017 £000 |
|---|---|---|
| **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 |

**Factors affecting tax charge for the year**

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK applicable to the Group 19.00% (2017: 19.41%) and is explained as follows:

| Continuing operations | 2018 £000 | 2017 £000 |
|---|---|---|
| Profit on ordinary activities before tax | **9,529** | 7,664 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.41%) | **1,811** | 1,488 |
| **Effects of:** | | |
| Tax effect of share of profit of associates and joint ventures | **(56)** | (38) |
| Other items | **13** | (4) |
| Expenses not deductible for tax purposes | **19** | 36 |
| Adjustment to tax charge in respect of prior years | **(70)** | (56) |
| Movement on unrecognised deferred tax | **104** | (67) |
| **Total tax charge for year** | **1,821** | 1,359 |

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

## 11. DISCONTINUED OPERATIONS

In the prior year, the Group disposed of Just for Pets Limited, a part of the Specialist Agricultural Merchanting division - 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.

## 12. 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).

## 13. EARNINGS PER SHARE

| | Basic earnings per share | | Diluted earnings per share | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **Continuing operations**<br>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**<br>(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.

## 14. 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.

## 14. GOODWILL continued

Goodwill is allocated to this CGU as follows:

| | 2018 £000 | 2017 £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.

| | **Change required for carrying amount to be equal to recoverable amount** | |
|---|---|---|
| **GrainLink** | **2018** | 2017 |
| Discount rate | **0.5** | 0.4 |
| Terminal value growth rate | **(0.7)** | (0.5) |
| Budgeted EBIT growth rate (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.

## 15. INTANGIBLE ASSETS

| | Customer order books £000 | Trademarks £000 | Total £000 |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| Balance as at 1 November 2016 and 31 October 2017 | 145 | - | 145 |
| Additions | - | 10 | 10 |
| **At 31 October 2018** | **145** | **10** | **155** |
| **Aggregate amortisation** | | | |
| Balance as at 1 November 2016 | 36 | - | 36 |
| Charge for the year | 14 | - | 14 |
| At 31 October 2017 | 50 | - | 50 |
| Charge for the year | 15 | 1 | 16 |
| **At 31 October 2018** | **65** | **1** | **66** |
| **Net book value** | | | |
| **At 31 October 2018** | **80** | **9** | **89** |
| At 31 October 2017 | 95 | - | 95 |

## 16. INVESTMENT PROPERTY

| | £000 |
|---|---|
| **Group** | |
| **Fair value** | |
| **At 1 November 2016, 31 October 2017 and 31 October 2018** | **2,372** |
| **Company** | |
| **At 1 November 2016, 31 October 2017 and 31 October 2018** | **2,372** |

Investment property relates to a redeveloped property in Pwllheli, the Group continues to actively market the property.

The Directors have determined the fair value of the investment property at the year end, this is with reference to market evidence. The amount of rent receivable from the Investment property was £216,945 (2017: £198,100).

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings £000 | Freehold land and buildings £000 | Plant, machinery and office equipment £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 November 2016 | 1,220 | 13,330 | 23,746 | 8,181 | 46,477 |
| Additions | 89 | 239 | 1,267 | 1,141 | 2,736 |
| Disposals | - | - | (188) | (734) | (922) |
| Disposal of subsidiary | (723) | - | (4,149) | (106) | (4,978) |
| At 31 October 2017 | 586 | 13,569 | 20,676 | 8,482 | 43,313 |
| Additions | 168 | 1,072 | 1,367 | 2,505 | 5,112 |
| Acquisitions | - | 231 | 1,229 | 75 | 1,535 |
| Disposals | (4) | (196) | (1,359) | (939) | (2,498) |
| Reclassification | 420 | (392) | (28) | - | - |
| **At 31 October 2018** | **1,170** | **14,284** | **21,885** | **10,123** | **47,462** |
| **Depreciation** | | | | | |
| At 1 November 2016 | 601 | 4,661 | 15,703 | 4,977 | 25,942 |
| Charge for the year | 55 | 312 | 1,393 | 1,221 | 2,981 |
| On disposals | - | - | (146) | (672) | (818) |
| Disposal of subsidiary | (563) | - | (2,875) | (63) | (3,501) |
| At 31 October 2017 | 93 | 4,973 | 14,075 | 5,463 | 24,604 |
| Charge for the year | 82 | 313 | 1,348 | 1,414 | 3,157 |
| On disposals | (4) | (111) | (1,307) | (856) | (2,278) |
| Reclassification | 80 | 127 | (137) | (70) | - |
| **At 31 October 2018** | **251** | **5,302** | **13,979** | **5,951** | **25,483** |
| **Net book value** | | | | | |
| **At 31 October 2018** | **919** | **8,982** | **7,906** | **4,172** | **21,979** |
| At 31 October 2017 | 493 | 8,596 | 6,601 | 3,019 | 18,709 |

The net book value of plant and machinery and motor vehicles above includes amounts of £3,458,457 (2017: £1,937,682) representing assets held under finance leases.

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## 17. PROPERTY, PLANT AND EQUIPMENT continued

| Company | Freehold land and buildings £000 | Leasehold land and buildings £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2016 | 12,103 | - | 12,103 |
| Additions | 239 | - | 239 |
| At 31 October 2017 | 12,342 | - | 12,342 |
| Additions | 1,003 | 192 | 1,195 |
| Disposals | (196) | - | (196) |
| Reclassification/transfers | (392) | 420 | 28 |
| **At 31 October 2018** | **12,757** | **612** | **13,369** |
| **Depreciation** | | | |
| At 1 November 2016 | 4,295 | - | 4,295 |
| Charge for the year | 299 | - | 299 |
| At 31 October 2017 | 4,594 | - | 4,594 |
| Charge for the year | 295 | 67 | 362 |
| On disposals | (111) | - | (111) |
| Reclassification/transfers | (57) | 92 | 35 |
| **At 31 October 2018** | **4,721** | **159** | **4,880** |
| **Net book value** | | | |
| **At 31 October 2018** | **8,036** | **453** | **8,489** |
| At 31 October 2017 | - | 7,748 | 7,748 |

## 18. FIXED ASSET INVESTMENTS

| Group | Joint ventures £000 | Associates £000 | Other unlisted investments £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 November 2016 | 2,619 | 752 | 182 | 3,553 |
| Share of profit or investment income | 180 | 17 | - | 197 |
| Disposal | (150) | - | - | (150) |
| Impairment | - | - | (60) | (60) |
| Transfers | (33) | 19 | 14 | - |
| At 31 October 2017 | 2,616 | 788 | 136 | 3,540 |
| Transfer | (69) | - | (27) | (96) |
| Share of profit or investment income | 275 | 19 | - | 294 |
| Preference shares/Ordinary distributions | (20) | (755) | - | (775) |
| Corporate simplification | (81) | - | (19) | (100) |
| **At 31 October 2018** | **2,721** | **52** | **90** | **2,863** |
| **Provision for impairment** | | | | |
| At 1 November 2016, 31 October 2017 and 31 October 2018 | 69 | **-** | 27 | 96 |
| Transfer | **(69)** | **-** | **(27)** | **(96)** |
| **At 31 October 2018** | **-** | **-** | **-** | **-** |
| **Net book value** | | | | |
| **At 31 October 2018** | **2,721** | **52** | **90** | **2,863** |
| At 31 October 2017 | 2,547 | 788 | 109 | 3,444 |

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## 18. FIXED ASSET INVESTMENTS continued

| Company | Share in group undertakings £000 | Joint ventures £000 | Associates £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 November 2016 | 18,182 | 430 | 48 | 18,660 |
| Disposal | (5,354) | (150) | - | (5,504) |
| At 31 October 2017 | 12,828 | 280 | 48 | 13,156 |
| Capital contribution | 30,000 | - | - | 30,000 |
| Transfer | - | (69) | - | (69) |
| Preference shares/Ordinary distributions | - | (20) | (48) | (68) |
| Corporate simplification | (266) | - | - | (266) |
| **At 31 October 2018** | **42,562** | **191** | **-** | **42,753** |
| **Provision for impairment** | | | | |
| At 1 November 2016 and 31 October 2017 | - | **69** | **-** | **69** |
| Transfer | - | **(69)** | **-** | **(69)** |
| **At 31 October 2018** | - | **-** | **-** | **-** |
| **Net book value** | | | | |
| **At 31 October 2018** | **42,562** | **191** | **-** | **42,753** |
| At 31 October 2017 | 12,828 | 211 | 48 | 13,087 |

During the year, the Directors of Wynnstay Group Plc made a decision that £30,000,000 of the total loan between the Company and Wynnstay (Agricultural Supplies) Limited would no longer be repayable. Consequently, in line with generally accepted accounting practices, this sum has been treated as a capital contribution and is now shown as an increase in investment in group undertakings.

## 19. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

### Subsidiaries

Subsidiary undertakings represent the following limited companies, all of which were incorporated in the UK:

| Company name | Proportion of shares held (Ordinary) % | Nature of business | Registered office address |
|---|---|---|---|
| Glasson Group (Lancaster) Limited | 100 | Holding company | West Quay, Glasson Dock, Lancaster, Lancs, LA2 0DB |
| Glasson Grain Limited | 100 | Feed and Fertiliser merchant | West Quay, Glasson Dock, Lancaster, Lancs, LA2 0DB |
| Wynnstay (Agricultural Supplies) Limited | 100 | Agricultural merchant | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Woodheads Seeds Limited | 100 | Seed merchants | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Youngs Animal Feeds Limited | 100 | Equine and pet products distributor | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| GrainLink Limited | 100 | Grain merchant | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Wrekin Grain Limited | 100 | Dormant company | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Eifionydd Farmers Limited | 100 | Dormant company | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Shropshire Grain Limited | 100 | Dormant company | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Welsh Feed Producers Limited | 100 | Dormant company | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Banbury Farm and General Supplies Limited | 100 | Dormant company | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |

Investments in the subsidiaries listed above are held directly by Wynnstay Group Plc, with the exception of the following which are direct subsidiaries of the respective following companies:

**Glasson Group (Lancaster) Limited**
Glasson Grain Limited

**Youngs Animal Feeds Limited**
Eifionydd Farmers

During the year, Glasson Grain Limited entered into a business combination and acquired the majority of the assets and liabilities of FertLink Limited, see note 34 for more details. Following this transfer of assets and liabilities, a process was initiated to strike off the FertLink Limited legal entity, which is expected to be completed in the next financial year.

### Joint ventures

The above interests in joint ventures are represented by the following limited companies, all of which were incorporated in the UK:

| Company name | Interest | Nature of business | Registered office address |
|---|---|---|---|
| Wyro Developments Limited | 50% - Ordinary | Property development | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Bibby Agriculture Limited | 50% - Ordinary<br>50% - Preference | Distribution of compound animal feeds | Old Croft, Stanwix, Carlisle, Cumbria, United Kingdom, CA3 9BA |
| Total Angling Limited | 50% - Ordinary | Retailer of angling products | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |

Investments in joint ventures listed above are held directly by Wynnstay Group Plc.

Joint ventures are accounted for using the equity method.

The aggregate amounts of the Group's share of joint venture assets and liabilities are:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| Non-current assets | **678** | 922 |
| Current assets | **5,233** | 5,802 |
| Current liabilities | **(3,292)** | (4,192) |
| Non-current liabilities | **-** | (8) |
| **Net Assets** | **2,619** | 2,524 |

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## 19. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

The aggregate amount of the Group's share of joint venture revenue and expenses not included in these financial statements are:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Revenue | **16,876** | 20,247 |
| Expenses | **(16,507)** | (20,002) |

The aggregate amount of the Group's share of pre-tax profits included in these financial statements is:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Group's share of joint ventures profit before tax | **351** | 245 |

### Principal associates

The above interests in associates is represented by the following limited companies, which are incorporated in the UK:

| Company name | Interest | Nature of business | Registered office address |
|---|---|---|---|
| Wynnstay Fuels Limited | 40% | The trade of the business (supply of petroleum products) was sold to Rix Petroleum (Mercia) Ltd on 22 June 2018. The remaining assets and liabilities of the legal entity are in the process of being realised. | Eagle House, Llansantffraid Ym Mechain, Powys, SY22 6AQ |
| Celtic Pride Limited | 33.3% | Production and marketing of premium welsh beef | Castell Howell Foods Ltd, Celtic Pride Ltd Cross Hands Food Park, Cross Hands, Llanelli, Carmarthenshire, Wales, SA14 6SX |

Summarised financial information in respect of the Group's associates are as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Total assets | **3,265** | 3,901 |
| Total liabilities | **(1,416)** | (1,984) |
| Net assets | **1,849** | 1,917 |
| Group's share of associates' net assets | **740** | 760 |
| Total revenue | **11,716** | 15,463 |
| Profit for the period | **61** | 55 |
| Group's share of associates' profit before tax | **24** | 22 |

For the purposes of consolidation, the following periods of account have been used for each of the associated undertakings and joint ventures:

| Company | Accounting period |
|---|---|
| Wyro Developments Limited | 31 October 2018 |
| Wynnstay Fuels Limited | 31 December 2017 |
| Bibby Agriculture Limited | 31 August 2018 |
| FertLink Limited | 31 October 2018 |
| Total Angling Limited | 31 October 2018 |
| Celtic Pride Limited | 31 January 2018 |

IAS 27 "Consolidated and separate financial statements" and IAS 28 "Investments in Associates" require the use of accounting periods within three months of the year end. Because of the other parties involved, Wynnstay Group Plc are unable to influence a change in accounting reference date of Wynnstay Fuels Limited and Celtic Pride Limited. In the opinion of the Directors there is no material effect on the reported figures as a result of this departure.

## 19. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

### Trading transactions

During the year, the Group and Company entered into the following trading transactions with subsidiaries, associates and joint ventures:

| | Company | |
|---|---|---|
| | **2018 £000** | 2017 £000 |
| **Transactions and balances with subsidiaries** | | |
| Amounts due from subsidiary undertakings: | | |
| Trade receivables | **-** | - |
| Loans | **2,799** | 30,318 |
| | **2,799** | 30,318 |
| Amounts due to subsidiary undertakings: | | |
| Trade payables | **-** | - |
| Transactions reported in the statement of comprehensive income: | | |
| Income received | **266** | 298 |
| Purchases | **193** | 298 |

| | Group | | Company | |
|---|---|---|---|---|
| **Transactions and balances with associates** | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Trade receivables | **-** | 7 | **-** | - |
| | **-** | 7 | **-** | - |
| Amounts due to associated undertaking: | | | | |
| Trade payables | **-** | 24 | **-** | - |
| | **-** | 24 | **-** | - |
| Transactions reported in the statement of comprehensive income: | | | | |
| Revenue | **17** | 19 | **-** | - |
| Purchases | **381** | 375 | **-** | - |

| | Group | | Company | |
|---|---|---|---|---|
| **Transactions and balances with joint ventures** | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Amounts due from joint ventures: | | | | |
| Trade receivables | **880** | 8,671 | **-** | - |
| Loans | **2,812** | 2,844 | **2,812** | 2,844 |
| | **3,692** | 11,515 | **2,812** | 2,844 |
| Amounts due to associated undertaking: | | | | |
| Trade payables | **23** | 2,278 | **-** | - |
| | **23** | 2,278 | **-** | - |
| Transactions reported in the statement of comprehensive income: | | | | |
| Revenue | **10,566** | 21,236 | **-** | - |
| Purchases | **12,836** | 13,700 | **-** | - |
| Income received | **-** | 58 | **-** | - |

## 20. INVENTORIES

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| Raw materials and consumables | **14,938** | 4,098 | **-** | - |
| Finished goods and goods for resale | **37,312** | 25,958 | **-** | - |
| | **52,250** | 30,056 | **-** | - |

Inventories are stated after a provision for impairment of £345,000 (2017: £260,000) (Company £nil (2017: £nil)).

## 21. TRADE AND OTHER RECEIVABLES

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | **67,446** | 60,658 | **-** | - |
| Amounts owed by group undertakings | **-** | - | **2,799** | 30,317 |
| Other receivables | **3,287** | 2,146 | **-** | - |
| Current tax asset | **-** | - | **-** | 1 |
| Fair value of derivatives | **174** | 157 | **-** | - |
| | **70,907** | 62,961 | **2,799** | 30,318 |

Trade receivables are stated after a provision for impairment of £708,456 (2017: £718,597) (Company £nil (2017: £nil)).

## 22. TRADE AND OTHER PAYABLES

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | **68,756** | 48,889 | **-** | 82 |
| Amounts owed to group undertakings | **-** | - | **-** | 1,680 |
| Other taxes and social security | **604** | 516 | **-** | - |
| Other payables | **1,142** | 847 | **239** | 141 |
| Accruals and deferred income | **3,293** | 2,211 | **10** | 77 |
| Contingent consideration | **651** | 112 | **-** | - |
| Fair value of derivatives | **76** | 163 | **-** | - |
| | **74,522** | 52,738 | **249** | 1,980 |

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Government grants | **20** | 22 | **-** | - |
| Contingent consideration | **137** | - | **-** | - |
| | **157** | 22 | **-** | - |

## 23. CURRENT TAX LIABILITIES

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| Current tax liabilities | **1,102** | 847 | **55** | - |

## 24. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Cash and cash equivalents per balance sheet | **6,676** | 8,914 | **4** | 1 |
| Bank overdrafts | **-** | - | **-** | - |
| **Cash and cash equivalents per cash flow statement** | **6,676** | 8,914 | **4** | 1 |

## 25. FINANCIAL LIABILITIES - BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| **Current** | | | | |
| Bank loans and overdrafts due within one year or on demand: | | | | |
| Secured loans | **1,978** | 866 | **1,968** | 806 |
| | **1,978** | 866 | **1,968** | 806 |
| Loan capital (unsecured) | **665** | 672 | **665** | 672 |
| Other loanstock (unsecured) | **14** | 16 | **14** | 16 |
| Net obligations under finance leases | **1,230** | 958 | **-** | - |
| | **3,887** | 2,512 | **2,647** | 1,494 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| **Non-current** | | | | |
| Bank loans: | | | | |
| Secured | **2,356** | 1,120 | **2,356** | 1,111 |
| | **2,356** | 1,120 | **2,356** | 1,111 |
| Net obligations under finance leases | **1,410** | 776 | **-** | - |
| | **3,766** | 1,896 | **2,356** | 1,111 |

The loan capital and loanstock is redeemable at par at the option of the Company. Interest at 1.5% per annum is payable to the holders (2017: 1.5%) of the unsecured loan capital and unsecured loanstock.

The bank loans include term loans repayable by instalments as follows:

| | Monthly instalment (inc' interest) | **Balance outstanding 2018** | Balance outstanding 2017 | **Interest rate** | **Maturity date** |
|---|---|---|---|---|---|
| **Lombard Bank Loan** | £5,111 | **£10,149** | £69,459 | **4.75% per annum** | **December 2018** |
| **HSBC Bank Plc** | £99,264 | **£3,219,575** | - | **0.85% over base per annum** | **August 2021** |
| **HSBC Bank Plc** | £68,811 | **£1,103,946** | £1,917,369 | **0.75% over base per annum** | **March 2020** |

The outstanding loans are secured by an unlimited composite company guarantee by all the trading entities within the Group.
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.

## 25. FINANCIAL LIABILITIES - BORROWINGS continued

| | Group 2018 £000 | Group 2017 £000 | Company 2018 £000 | Company 2017 £000 |
|---|---|---|---|---|
| **Borrowings are repayable as follows:** | | | | |
| On demand or within one year | **3,887** | 2,512 | **2,647** | 1,494 |
| In the second year | **2,352** | 1,316 | **1,456** | 817 |
| In the third to fifth years inclusive | **1,414** | 580 | **900** | 294 |
| Over five years | **-** | - | **-** | - |
| | **7,653** | 4,408 | **5,003** | 2,605 |
| **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 | **5,003** | 2,605 |
| Cash and cash equivalents | **(6,676)** | (8,914) | **(4)** | (1) |
| Net (cash)/debt | **977** | (4,506) | **4,999** | 2,604 |

## 26. FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Investments in unquoted equity securities
- Trade and other payables
- Bank overdrafts
- Fixed and floating rate bank loans
- Futures based commodity contracts

**Financial instruments by category**

| | Financial assets at fair value through profit or loss | | Loans and receivables | |
|---|---|---|---|---|
| **Financial assets** | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Cash and cash equivalents | **-** | - | **6,676** | 8,914 |
| Trade and other receivables | **-** | - | **70,733** | 62,804 |
| Derivatives | **174** | 157 | **-** | - |
| Investments in unquoted equity securities | **2,863** | 3,444 | **-** | - |
| | **3,037** | 3,601 | **77,409** | 71,718 |

## 26. FINANCIAL INSTRUMENTS continued

| Financial liabilities | Financial assets at fair value through profit or loss 2018 £000 | Financial assets at fair value through profit or loss 2017 £000 | Amortised cost 2018 £000 | Amortised cost 2017 £000 |
|---|---|---|---|---|
| Trade and other payables | **-** | - | **73,191** | 51,947 |
| Loans and borrowings | **-** | - | **7,653** | 4,408 |
| Contingent consideration | **788** | 112 | **-** | - |
| Derivatives | **76** | 163 | **-** | - |
| | **864** | 275 | **80,844** | 56,355 |

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings. Due to their short-term nature, the carrying value of these current assets and liabilities approximates to their fair value. The fair value of the non-current borrowings have been assessed and are found not to differ materially from book value.

**Fair value hierarchy of financial instruments measured at fair value**

IFRS 13 requires financial instruments that are measured at fair value to be classified according to the valuation technique used. For details of the IFRS 13 hierarchy refer to the 'Estimates' section of the Principal Accounting Policies on page 60. There were no transfers between IFRS 13 hierarchy levels during the period.

*Derivatives*

Derivatives are used to hedge exposure to market risks, and those that are held as hedging instruments are formally designated as hedges as defined in IAS 39. Derivatives may qualify as hedges for accounting purposes and the Group's hedging policies are further described below.

- Fair value hedges

The Group maintains futures based commodity contracts to hedge against the open long or short physical positions on its forward purchase and sales books. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Group Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss on the hedging instrument and hedged item is recognised in the Group Statement of Comprehensive Income. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying value of the hedged item is amortised to the Group Statement of Comprehensive Income under the effective interest rate method. The ineffective element of these fair value hedges are not material in this year or the prior year.

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

*Investments in unquoted equity securities*

The Group holds shares in several private limited companies. These have been classified as unquoted investments for which fair value cannot be reliably measured and are held at cost less accumulated impairment. Had fair value been applied this financial asset would have been Level 3.

*Contingent consideration*

Contingent consideration is measured at fair value using Level 3 inputs such as entity projections of future profitability. For details on the movement on contingent consideration in the period refer to note 31.

**Risks associated with financial instruments**

The main risks to which the Group is exposed are as follows:

- Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments.

- Interest rate risk

While currently most of the Group's term debt is floating base rate linked, the Board constantly review their option to fix the rates attached to this debt through the use of Interest rate swap derivatives. Fixed rate term finance is used for the acquisition of vehicles. During 2018 and 2017, the Group's borrowings at variable rate were denominated in sterling.

## 26. FINANCIAL INSTRUMENTS continued

**Sensitivity analysis**

The impact of a decrease or increase in interest rates during the year is shown in the table below. The Directors consider that a 1% movement in interest rates represents a reasonable possible change.

| | Loans and receivables | | | |
|---|---|---|---|---|
| | **1% decrease 2018 £000** | 1% decrease 2017 £000 | **1% increase 2018 £000** | 1% increase 2017 £000 |
| Impact on profit after taxation (continuing operations) | **140** | 114 | **(140)** | (114) |
| Impact on total equity | **140** | 114 | **(140)** | (114) |

The sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant. The method and assumptions used in the preparation of the sensitivity analysis were the same in 2018 and 2017.

- Foreign currency risk

The main currency related risk to the Group comes from the forward purchasing of imported raw materials for our Glasson Grain business. This risk is mainly managed by entering into currency purchase agreements at the time the underlying transaction is completed. The fair value of these contracts is not material.

As at the year end the principal amounts relating to forward purchased currency amounted to £11,849,003 (2017: £8,529,816).

- Commodity price risk

While the Group does not engage in the taking of speculative commodity positions, it does have to make significant forward purchases of certain raw materials, particularly for use in its animal feed manufacturing activities. Position reporting systems are in place to ensure the Board is apprised of the exposure level on a regular basis, and where possible hedging tools, primarily wheat futures contracts on the London LIFFE market, are used to manage price decisions.

- Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

A significant proportion of the Group's trade is conducted on credit terms and as such a risk of non-payment is always present.

Detailed systems of credit approval before initial supply, the operation of credit limits and an active credit control policy act to minimise this risk and historically the incidence of bad debts is low. The Group's grain trading activities has exposed it to certain substantial customer credit balances, and to assist in mitigating this perceived risk, a credit insurance policy has been purchased to provide partial cover against default by certain customers.

The overdue accounts are reviewed monthly at divisional management meetings to mitigate exposure to credit risk and make provisions accordingly.

Concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Due to this, management believes that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

The aging analysis is as follows:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Gross £000** | **Impairment £000** | **Past due but not impaired £000** | Gross £000 | Impairment £000 | Past due but not impaired £000 |
| Not past due | **50,064** | **-** | **N/A** | 49,083 | - | N/A |
| Up to 3 months | **14,585** | **-** | **14,585** | 9,861 | - | 9,861 |
| Over 3 months | **3,505** | **(708)** | **2,797** | 2,433 | (719) | 1,714 |
| | **68,154** | **(708)** | **17,382** | 61,377 | (719) | 11,575 |

Past due but not impaired receivables relate to a number of independent customers for whom there is no recent history of default.

The Company has no trade receivables (2017: none).

## 26. FINANCIAL INSTRUMENTS continued

- Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group has appropriate overdraft and revolving credit facilities in place to allow flexibility in managing liquidity. It is the Group's policy to maintain committed undrawn facilities in order to provide flexibility in the management of the Group's liquidity.

The table below analyses the Group and Company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

| Group | **2018** Total £000 | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 | 2017 Total £000 | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bank loans and other borrowings | **5,104** | **2,716** | **1,481** | **907** | **-** | 2,714 | 1,593 | 826 | 295 | - |
| Finance lease liabilities | **2,755** | **1,299** | **931** | **525** | **-** | 1,776 | 984 | 502 | 290 | - |
| Derivatives | **76** | **76** | **-** | **-** | **-** | 163 | 163 | - | - | - |
| Trade and other payables | **73,978** | **73,841** | **53** | **84** | **-** | 52,059 | 52,059 | - | - | - |
| | **81,913** | **77,932** | **2,465** | **1,516** | **-** | 56,712 | 54,799 | 1,328 | 585 | - |

| Company | **2018** Total £000 | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 | 2017 Total £000 | Within one year £000 | One to two years £000 | Two to five years £000 | Over five years £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bank loans and other borrowings | **5,094** | **2,706** | **1,481** | **907** | **-** | 2,645 | 1,524 | 826 | 295 | - |
| Loans from Group undertakings | **-** | **-** | **-** | **-** | **-** | 1,680 | 1,680 | - | - | - |
| Trade and other payables | **249** | **249** | **-** | **-** | **-** | 300 | 300 | - | - | - |
| | **5,343** | **2,955** | **1,481** | **907** | **-** | 4,625 | 3,504 | 826 | 295 | - |

Trade and other payables in the tables above exclude other taxes and social security as they so not meet the definition of financial liabilities under IAS 39 and are not within the scope of IFRS 7.

The effective interest rates at the balance sheet dates were as follows:

| | Group **2018** | Group 2017 | Company **2018** | Company 2017 |
|---|---|---|---|---|
| Bank overdraft | **1.3%** | 1.0% | **N/A** | N/A |
| Bank borrowings | **1.5%** | 1.7% | **1.5%** | 1.6% |
| Loan capital | **1.5%** | 1.5% | **1.5%** | 1.5% |
| Finance leases | **5.7%** | 6.7% | **-** | - |

- Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the consolidated balance sheet less cash and cash equivalents. Total equity is as shown in the consolidated balance sheet.

## 26. FINANCIAL INSTRUMENTS continued

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Loans and borrowings | 7,653 | 4,408 |
| Less: cash and cash equivalents | (6,676) | (8,914) |
| Net debt/(cash) | 977 | (4,506) |
| Total equity | 91,073 | 85,392 |
| Net debt/(cash) to equity ratio (%) | 1.07% | (5.28%) |

The Group monitors cash balances and net debt on a daily basis to ensure adequate headroom exists on banking facilities and that it is compliant with banking covenants.

## 27. DEFERRED TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| At 1 November | 254 | 358 | - | - |
| Charge for the year | 5 | (75) | - | - |
| Disposal of subsidiary | - | (29) | - | - |
| At 31 October | 259 | 254 | - | - |

The provision for deferred taxation is made up as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Accelerated capital allowances | 259 | 254 | - | - |

Deferred tax is calculated in full on temporary differences under the liability using a tax rate of 17% (2017: 17%). The reduction in the main rate of corporation tax to 17% was substantively enacted on 6 September 2016. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2020, the date on which that new rate becomes effective.

## 28. SHARE CAPITAL

| | 2018 No. of shares 000 | 2018 £000 | 2017 No. of shares 000 | 2017 £000 |
|---|---|---|---|---|
| **Authorised**<br>Ordinary shares of 25p each | 40,000 | 10,000 | 40,000 | 10,000 |
| **Allotted, called up and fully paid**<br>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).

## 29. SHARE-BASED PAYMENTS

The following options were exercised, lapsed and outstanding at the year end:

| | Exercise Price per share £ | Exercisable by | As at 01 November 2017 | (Exercised)/ Issued in year | Lapsed in year | As at 31 October 2018 |
|---|---|---|---|---|---|---|
| **Discretionary Share Option Schemes** | | | | | | |
| Granted April 2012 | 3.7500 | April 2015 - March 2022 | 40,000 | (8,000) | - | 32,000 |
| Granted October 2014 | 5.4750 | Oct 2017 - Oct 2024 | 333,000 | - | (25,000) | 308,000 |
| | | | 373,000 | (8,000) | (25,000) | 340,000 |
| **Savings Related Option Schemes** | | | | | | |
| Granted August 2012 | 3.4000 | Sept 2017 - Feb 2018 | 11,641 | (11,641) | - | - |
| Granted July 2014 | 5.0600 | Aug 2019 - Jan 2020 | 155,038 | - | (34,132) | 120,906 |
| Granted July 2016 | 3.7000 | Aug 2021 - Jan 2022 | 404,382 | (9,008) | (61,106) | 334,268 |
| Granted September 2018 | 4.0000 | Oct 2023 - Mar 2024 | - | 330,345 | (3,975) | 326,370 |
| | | | 571,061 | 309,696 | (99,213) | 781,544 |
| | | | 944,061 | 301,696 | (124,213) | 1,121,544 |

During the year 8,000 (2017: nil) Discretionary Share Options and 20,649 (2017: 111,390) Savings Related Options were exercised and satisfied by the allotment of 18,816 (2017: 110,896) new shares by the Company, and 9,833 (2017: 494) transferred by the Company's ESOP Trust. The change in the number of other Discretionary and Savings Related Options relates to members withdrawing from the scheme by leaving employment or closing their savings contracts.

**Fair Value of Options after 7 November 2002**

During the year, the Group charged £55,427 (2017: £141,859) of share-based remuneration cost to its Group Statement of Comprehensive Income based on a movement in the fair value of outstanding options granted after November 2002.The weighted average fair value of these options were estimated by using the Black-Scholes option-pricing model and the following assumptions:

| Weighted average assumptions | 2018 £000 | 2017 £000 |
|---|---|---|
| Share price at year end | **£4.20** | £4.95 |
| Average share price | **£4.65** | £5.58 |
| Exercise price | **£4.04** | £4.08 |
| Expected volatility | **26.59%** | 23.02% |
| Expected life | **3.26 years** | 3.11 years |
| Number of options | **781,544** | 559,420 |
| Risk free interest rate at inception | **0.50%** | 0.50% |
| Number of options exercisable | **340,000** | 384,641 |

The expected volatility used was the standard deviation of the daily share price over the previous year and the risk fee interest rate was based on bank base rate at the inception of each scheme.

## 30. CONTINGENT LIABILITIES

The Company is part of a corporate cross guarantee arrangement between companies of Wynnstay Group Plc.

Under the terms of the agreement the bank is authorised to offset credit balances to reduce the liabilities of the other companies included in the agreement. At the balance sheet date the potential combined liability to the companies was £1,994,000 (2017: £nil).

## 31. 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 Farmers Plc agricultural depots 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.

## 31. BUSINESS COMBINATIONS continued

| Provisional fair value of assets and liabilities 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** |
| 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.

## 32. CAPITAL COMMITMENTS

At 31 October 2018 the Group and Company had capital commitments as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Contracts placed for future capital expenditure not provided in the financial statements | **1,239** | 386 | **740** | - |



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## 33. OPERATING LEASE COMMITMENTS

Non-cancellable operating leases are payable as follows:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| Group | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| **Expiry date:** | | | | |
| Within 1 year | **1,848** | 1,982 | **52** | 72 |
| Between 2 and 5 years | **4,303** | 5,067 | **37** | 53 |
| Over 5 years | **1,090** | 2,574 | **-** | - |
| **Company** | | | | |
| **Expiry date:** | | | | |
| Within 1 year | **441** | 369 | **-** | - |
| Between 2 and 5 years | **1,112** | 1,219 | **-** | - |
| Over 5 years | **24** | 758 | **-** | - |

## 34. GROUP FINANCIAL COMMITMENTS

The Group has guaranteed the overdrafts of one of its associate companies to a maximum of £125,000 (2017: £125,000).

## 35. PENSION COMMITMENTS

The Group operates two defined contribution pension schemes which are administered on separate bases. The pension and associated costs charge for the year was £838,922 (2017: £832,538). The liability owed to the pension schemes at 31 October 2018 was £121,736 (2017: £106,710).

## 36. EMPLOYEE SHARE OWNERSHIP TRUST

The Company operates an employee share ownership trust (ESOP). As at 31 October 2018, 6,834 ordinary 25p shares (2017: 8,724 ordinary 25p shares) were held by the trust with an aggregate market value of £28,876 (2017: £43,183). The assets, liabilities, income and costs of the ESOP are incorporated into the financial statements of the Group.

## 37. RELATED PARTY TRANSACTIONS

During the year sales and purchases took place between the Group and a number of its Directors. All transactions were carried out on an arm's length basis.

**Transactions with Key Management Personnel**

Key management personnel are considered to be Directors and their remuneration is disclosed within the Director's Remuneration disclosure (note 9).

| | Total sales | | Balance outstanding | |
|---|---|---|---|---|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| J J McCarthy | **1,337** | - | **-** | - |
| K R Greetham (retired 11 July 2018) | **468** | 604 | **-** | 189 |
| G W Davies (appointed 8 May 2018) | **64** | - | **11** | - |
| D A T Evans | **277,770** | 223,422 | **69,922** | 62,486 |
| B P Roberts | **407** | 295 | **41** | 47 |
| P M Kirkham | **306,464** | 314,071 | **23,547** | 34,454 |
| H J Richards | **3,329,161** | 2,704,798 | **947,817** | 1,073,974 |
| S J Ellwood | **-** | - | **-** | - |
| | **3,915,671** | 3,243,190 | **1,041,338** | 1,171,150 |

## 37. RELATED PARTY TRANSACTIONS continued

The Group has had transactions with the following company whose Directors include S J Ellwood:

| Company | Total sales | | Balance outstanding | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| **NIAB** | **61** | 5 | **38** | 8 |

## 38. CASH GENERATED FROM/(USED IN) CONTINUING OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| **Profit/(loss) for the year from continuing operations** | **7,708** | 6,305 | **4,164** | (3,166) |
| Adjustments for: | | | | |
| Tax | **1,821** | 1,359 | **76** | (19) |
| Dividend received | **-** | - | **(3,630)** | (1,900) |
| Investment and goodwill impairment | **138** | 60 | **266** | 5,354 |
| Depreciation of tangible fixed assets | **3,157** | 2,657 | **361** | 299 |
| Amortisation of other intangible fixed assets | **16** | 14 | **-** | - |
| Profit on disposal of property, plant and equipment | **(328)** | (73) | **(277)** | - |
| Profit from distribution from Associate | **-** | - | **(707)** | - |
| Interest income | **(92)** | (66) | **-** | - |
| Interest expense | **283** | 219 | **39** | - |
| Share of results of joint ventures and associates | **(294)** | (197) | **-** | - |
| Share-based payments | **55** | 142 | **55** | 142 |
| **Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):** | | | | |
| Decrease/(increase) in short term loan to joint venture | **32** | (58) | **32** | (58) |
| (Increase) in inventories | **(19,144)** | (1,048) | **-** | - |
| (Increase)/decrease in trade and other receivables | **(7,946)** | (13,654) | **(2,482)** | 99 |
| Increase/(decrease) in payables | **17,425** | 10,393 | **(51)** | (213) |
| Cash generated from/(used in) continuing operations | **2,831** | 6,053 | **(2,154)** | 538 |

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## 39. RECONCILIATION OF LIABILITIES FROM FINANCING TRANSACTIONS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Non-Current loans and borrowings £000 (Note 25) | Current loans and borrowings £000 (Note 25) | Total £000 | Non-Current loans and borrowings £000 (Note 25) | Current loans and borrowings £000 (Note 25) | Total £000 |
| As at 1 November 2016 | 3,202 | 2,626 | 5,828 | 1,916 | 1,528 | 3,444 |
| Cash-flows | - | (2,048) | (2,048) | - | (839) | (839) |
| Non-cash flows | | | | | | |
| - New finance leases | 462 | 193 | 655 | - | - | - |
| - Amounts derecognised on operations disposed | (14) | (13) | (27) | - | - | - |
| -Loans and borrowings classified as non-current at 31 October 2016 becoming current during year ended 31 October 2017 | (1,754) | 1,754 | - | (805) | 805 | - |
| As at 31 October 2017 | 1,896 | 2,512 | 4,408 | 1,111 | 1,494 | 2,605 |
| **Cash-flows** | | | | | | |
| **-New borrowings** | **2,356** | **1,144** | **3,500** | 2,356 | 1,144 | 3,500 |
| **-Repayments of borrowings** | **-** | **(2,614)** | **(2,614)** | - | (1,102) | (1,102) |
| **Non-cash flows** | | | | | | |
| **- New finance leases** | **1,551** | **808** | **2,359** | - | - | - |
| **-Loans and borrowings classified as non-current at 31 October 2017 becoming current during year ended 31 October 2018** | **(2,037)** | **2,037** | **-** | (1,111) | 1,111 | - |
| **As at 31 October 2018** | **3,766** | **3,887** | **7,653** | 2,356 | 2,647 | 5,003 |

# 04 Shareholder Information



Shareholder Information

# Notice of Annual General Meeting

Notice is hereby given that the twenty seventh Annual General Meeting (the "Meeting") of Wynnstay Group Plc (the "Company") will be held in The Sovereign Suite, Shrewsbury Town Football Club, Oteley Road, Shrewsbury, Shropshire, SY2 6ST on Tuesday 26 March 2019 at 11.45 am to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the Company's annual accounts for the financial year ended 31st October 2018 together with the Directors' Report and Auditors' Report on those accounts.

2. To declare a final dividend for the year ended 31 October 2018.

3. To re-appoint the following Director who retires by rotation under Article 91:
Philip Michael Kirkham

4. To re-appoint the following Director who retires by rotation under Article 91:
David Andrew Thomas Evans

5. To re-appoint the following Director who retires under Article 86:
Gareth Wynn Davies

6. To re-appoint BDO LLP as auditors, to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company at a remuneration to be determined by the Directors.

7. To approve the rules of the Wynnstay Performance Share Plan ("PSP"), the principal terms of which are summarised in the annual report on pages 96-97 and which are produced in final form to this meeting and initialled by the Chairman of the meeting for the purposes of identification, and to authorise the Directors to:

   (a) adopt the PSP and to do all such other acts and things as they may consider appropriate to implement the PSP (including, for the avoidance of doubt, the operation of and/or establishment of an employee benefit trust relating to operation of the PSP); and

   (b) establish any sub-plans based on the PSP for the benefit of employees inside or outside the UK, modified as necessary to take account of any relevant existing, revised or new exchange control, taxation or securities laws in the relevant jurisdiction, provided that any shares made available under such sub-plans are treated as counting against any limits on individual or overall participation in the PSP.

## SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions which will be proposed as Special Resolutions :

8. That, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot equity securities up to an aggregate nominal amount of £450,000 provided that this authority shall, unless renewed, varied or revoked by the Company in General Meeting, expire on the earlier of the next Annual General Meeting of the Company and 15 months from the date of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the Companies Act 2006, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

9. That, subject to passing Resolution 8 earlier, the Directors be and they are empowered pursuant to Section 570 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by the previous Resolution as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:-

   (a) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £450,000, and shall expire on the earlier of the next Annual General Meeting of the Company and 15 months from the date of this Resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

10. That, the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693 of the Act) on the London Stock Exchange of Ordinary Shares of £0.25 each in the capital of the Company provided that:-

   (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 500,000 (representing approximately 2.5% of the Company's issued ordinary share capital);

   (b) the minimum price which may be paid for such shares is £0.25 per share;

   (c) the maximum price which may be paid for an Ordinary Shares shall not be more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;

   (d) unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of passing this Resolution, if earlier; and

   (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By Order of the Board

Bryan Paul Roberts

22 January 2019

Company Secretary
Wynnstay Group Plc
Eagle House
Llansantffraid-ym-Mechain
Powys, SY22 6AQ

# Notes to Notice of Annual General Meeting

**1. Appointment of proxies**

A member of the Company is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Meeting. A form of proxy accompanies this document and if it is to be used, it must be deposited at the Company's Head Office not less than 24 hours before the meeting. A proxy does not need to be a member of the Company but must attend the Meeting to represent you.

**2. Re-appointment of Director**

Under Article of Association No. 86, the Board did, during the year exercise its authority to appoint an additional director. Under that authority the appointed director has to resign at the first annual general meeting after appointment, and if they are eligible may seek re-election. Therefore under resolution 5, Mr Gareth Wynn Davies duly seeks shareholder approval for re-election.

**3. Approval of new Performance Share Plan**

Resolution 7 relates to the proposal to adopt a new employee share plan to reward and incentivise the executive directors and key members of senior management. The reasons for the proposal of the PSP are described in the Directors' Remuneration Report for the year ended 31 October 2018 and a summary of the principal terms of the PSP is set out on pages 96-97 of this document.

The draft rules of the PSP will be available for inspection at the Company's registered office (at Eagle House, Llansantffraid, Powys SY22 6AQ) during usual business hours on any weekday (Saturday, Sunday and public holidays in the United Kingdom excluded) from the date of this Notice until the end of the Annual General Meeting.

**4. Authority to allot shares**

Special resolutions 8 & 9 are put forward to give the directors authority to allot new shares (including to those shareholders exercising their preference to receive dividends in the form of Scrip shares). The resolutions limit the requested authority to the stated maximum as an added shareholder protection. These authorities give the directors the flexibility in financing possible business opportunities and are normal practise for a company of this size, and are routinely put to shareholders.

**5. Authority to purchase shares**

Special resolution 10 is put forward to give the directors the ability to buy back and cancel existing shares if they feel that such action would benefit all remaining shareholders and are normal practise for a company of this size, and are routinely put to shareholders.

**6. Documents on display**

Copies of necessary documents will be available for at least 15 minutes prior to the Meeting and during the Meeting.

**7. Enquiries relating to the Meeting**

Members are welcome to contact the Company Secretary with any enquiries relating to the Meeting or the Agenda during normal business hours at any time prior to the Meeting. Enquiries concerning shareholdings should be directed to the Company's external registrar at the following address : Neville Registrars, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD. (Tel. 0121 585 1131)

# Information Relating to the Proposed New Wynnstay Performance Share Plan

## PERFORMANCE SHARE PLAN

The Company is proposing to adopt the Wynnstay Performance Share Plan ("PSP") to incentivise the executive directors and other key employees to focus on the long–term strategic objectives of the Group and to deliver sustainable shareholder value, aligning their interests with the interests of Shareholders. Although obtaining shareholder approval for the PSP is not a legal requirement for the Company, the Remuneration Committee wishes to obtain shareholder approval for the new PSP before granting any awards.

The PSP has been developed with the advice of RSM Tax and Advisory Services LLP and the main provisions of the PSP are summarised below. The draft rules of the PSP will be available for inspection at the Company's registered office (at Eagle House, Llansantffraid, Powys SY22 6AQ) during usual business hours on any weekday (Saturday, Sunday and public holidays in the United Kingdom excluded) from the date of this Notice until the end of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Resolution 7 and the accompanying explanatory notes relate to the approval of the PSP.

The following is a summary of main provisions of the PSP proposed to be adopted by the Company pursuant to Resolution 7.

This Part summarises the PSP, but does not form part of the rules of the PSP ("Rules") and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Capitalised terms not otherwise defined in this document shall have the meaning given to them as stated in the Rules.

The Rules will be available for inspection at the registered office of the Company (at Eagle House, Llansantffraid, Powys SY22 6AQ) during usual business hours on any weekday (Saturday, Sunday and public holidays in the United Kingdom excluded) from the date of this Notice until the end of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

## OPERATION

The PSP will be operated and supervised exclusively by the Remuneration Committee of the Board of Directors of the Company.

## ELIGIBILITY

The Remuneration Committee will solely determine who may participate in the PSP. Participation may be extended to any employee (including but not limited to any executive director) of a Group Company ("Employees").

## GRANT OF AWARDS

Awards granted under the PSP may take the form of:

- a conditional right to acquire Ordinary Shares for no cost;
- an award of Ordinary Shares which are subject to forfeiture;
- an option to acquire Ordinary Shares (either at nil cost, Market Value or nominal value); or
- an interest in Ordinary Shares where the beneficial interest is held jointly with a nominee (collectively, "Awards").

Awards may only be granted in the period of 42 days immediately following the end of any Closed Period, the period of 42 days immediately following the adoption date, or in any other period in which the Remuneration Committee has decided to grant an Award due to exceptional circumstances which justify such a decision. The Remuneration Committee may not grant Awards during a Closed Period or after the tenth anniversary of the date the PSP is adopted.

## INDIVIDUAL LIMIT

Employees may not receive Awards in any year having a market value in excess of 100% of their Base Salary.

## OVERALL PLAN LIMITS

In a ten-year period ending on the date of proposed grant, the Company may not grant Awards that would require it to issue more than:

- 10% of the issued share capital of the Company pursuant to the PSP and all other employee share plans adopted by the Company; or
- 5% of the issued share capital of the Company pursuant to the PSP and any other discretionary share plan adopted by the Company.

Awards that can only be settled by the transfer of Ordinary Shares (other than the transfer of treasury shares) do not count towards these limits.

## PERFORMANCE CONDITIONS

Awards will be subject to the satisfaction of one or more Performance Condition(s) measured over a Performance Period of at least three years, which will determine the proportion (if any) of the Award which will be capable of vesting.

Performance Conditions may be varied or substituted provided that any varied or substituted performance condition shall be: (i) a fairer measure of performance than the original Performance Conditions; (ii) be no more difficult to satisfy than the original Performance Conditions was at the date of grant; and (iii) be not materially easier to satisfy than the original Performance Condition was at the grant date unless such variation or substitution has been approved in advance by the Company in a general meeting.

## VESTING OF AWARDS

To the extent to which the Performance Conditions have been satisfied, Awards will normally vest on the third anniversary of the date of grant in line with the minimum Performance Period. Vesting of Awards is followed by a holding period that the Remuneration Committee shall specify in the Award Certificate. Such holding period shall apply except in certain limited circumstances.

The Remuneration Committee will apply a holding period in respect of 50% of the Ordinary Shares in any vested Award. The holding period shall commence on the third anniversary of the date of grant, and one-half of the Ordinary Shares subject to the holding period shall be released after one year and one-half after two years.

## CESSATION OF EMPLOYMENT

Where an Employee dies or ceases to be employed within the Group prior to the vesting of an Award as a result of permanent disability or incapacity due to ill-health or injury, redundancy, retirement or any other exceptional circumstances that the Remuneration Committee considers to be analogous to the foregoing (a "Good Leaver Reason"), Awards will normally vest at the normal vesting date, pro-rated for time served and remaining subject to the original Performance Conditions. Any Ordinary Shares held for the compulsory holding period (i.e. after the end of the Performance Period) will vest immediately. If the termination of employment is as a result of anything other than a Good Leaver Reason, any unvested Awards will lapse in full.

## CORPORATE EVENTS

In the event of a change of control, scheme of arrangement or winding up of the Company, Awards may vest early to the extent that the Performance Conditions have, in the opinion of the Committee, been satisfied at that time. There may also be a pro-rata reduction in the size of the Award to take into account the proportion of the Performance Period that has elapsed.

## ADJUSTMENT OF AWARDS

In the event of a variation of the Company's share capital or a demerger, special dividend, rights issue or other specified event which may, in the opinion of the Remuneration Committee, affect the current or future value of the Ordinary Shares, the number of Ordinary Shares subject to an Award may be adjusted.

## MALUS AND CLAWBACK

Malus provisions apply for the duration of the Performance Period and to Ordinary Shares under the holding period, allowing the Remuneration Committee to reduce to zero any unvested or held awards.

Clawback provisions apply to cash amounts paid and Ordinary Shares or cash, allowing the Remuneration Committee to claim back all or part of any amount paid or released.

Malus and/or clawback provisions may be triggered in scenarios including, inter alia:

- there was material error in assessing the extent to which any Performance Condition(s) were satisfied;
- the Remuneration Committee determines that a Group Company has mis-stated any financial information (whether or not audited) for any part of any financial year and such information was taken into account in assessing the extent to which any Performance Condition was satisfied; or
- the Company has reasonable evidence of fraud or material dishonesty on the part of the holder of the Award.

## AMENDING THE PSP

The Remuneration Committee may amend the PSP from time to time, provided that the Remuneration Committee:

- may not amend the PSP if it (i) applies to Awards granted before the amendment was made and (ii) it material adversely affects the interests of holders of Awards (except to the extent that such holders who would be adversely affected consent to the application of the proposed amendments); and
- may not make certain amendments to the advantage of holders of Awards without the prior approval of the Company in general meeting (except for minor amendments to the benefit of administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for holders of Awards or a Group Company).

# Financial Calendar

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|---|---|
| 23 January 2019 | Announcement of 2018 Results |
| 26 March 2019 | Annual General Meeting |
| 29 March 2019 | Dividend Record Date |
| 30 April 2019 | Payment of Final 2018 Dividends |
| June 2019 | Announcement of 2019 Interim Results |

# Shareholder Fraud Warning

Shareholders are advised that as the Company's share register is a public document, details concerning individual shareholdings may be available to people who may try to use such information for fraudulent, scam or other criminal purposes. Extreme diligence is recommended whenever you receive any un-solicited contact about your Wynnstay Group Plc shares or any other investment holding. Fraudsters can be very persuasive and will use high pressure tactics to try to scam investors they believe to have disposable resources. Such contact may be used to sell shares or other investments which may be fake or worthless, or to try to persuade you to dispose of existing investments for below their market value.

The Financial Conduct Authority (FCA) has a very useful website providing information on known frauds and scams, and identifying companies that may be operating in an unauthorised or illegal manner, which is likely to increase the risk associated with doing business with them. Please visit http://scamsmart.fca.org.uk/.

Some simple advice to avoid investment scams and share frauds include :

1. Hang up on cold calls – if you are cold called in relation to investment opportunities there is a high risk that it may involve an attempted scam. The safest thing to do is to hang up.
2. Check out any firm – before considering any relationship with a new individual or firm offering financial services, check them out on the Financial Services Register on the FCA website. Generally all businesses legally authorised to offer such services will be regulated by the FCA.
3. Get impartial advice – before handing over any money in relation to new investments, think about seeking advice from someone unconnected to the new contact or entity that would receive your funds.
4. Report a scam – if you suspect you have been approached by attempted fraudsters, then please report it to the FCA by using the reporting form available on the FCA website. If you have actually lost money to an investment fraud, you should report it to the police using the Action Fraud National Reporting scheme on 0300 123 2040 or http://www.actionfraud.police.uk/.

**REMEMBER, IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS !**

WYNNSTAY
1918 - 2018
100 YEARS IN AGRICULTURE

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