



WYNNSTAY

Wynnstay Group Plc

Interim Report 2009

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Chairman's Statement

INTRODUCTION

Against a background of continuing volatility in the agricultural commodity market, the broad spread of our agricultural supplies activities has helped to ensure a robust performance and I am pleased to report that results for the first half of the financial year are in line with expectations. While we saw lower like-for-like feed and fertiliser volumes, as farmers' purchasing decisions were influenced by price deflation, our seed and raw material trading activities have been excellent. The Group's specialist retail activities, encompassing our network of Country Stores and Pet Product Superstores, performed well and like-for-like sales across both businesses are ahead of last year.

Financial Results

The Group's revenue for the six months to 30 April 2009 was £117.70m (2008: £116.46m). Our agricultural supplies division generated sales of £92.00m (2008: £94.30m), marginally down on last year reflecting a variation in volumes of fertiliser and feed products. Sales at our specialist retailing operations rose by 16% to £25.64m (2008: £22.09m), boosted by a full six month contribution from our Just for Pets superstores business, acquired in January 2008.

Group operating profit showed a small improvement of 4% to £3.47m (2008: £3.33m). This represented a very pleasing performance given that comparative results from our agricultural supplies business last year benefited from exceptional inventory gains which were not repeated this year. In total, our agricultural supplies business contributed operating profits of £2.15m (2008: £2.27m) to the Group's result while our specialist retail operations contributed £1.27m (2008: £1.03m).

Net finance costs were lower at £0.304m (2008: £0.375m) and the profit before tax was £3.16m (2008: £2.96m), a rise of 7% on the same period last year. Earnings per share were 16.31p (2008: 17.71p).

Net assets at 30 April 2009 stood at £38.2m (2008: £31.8m). This represents approximately £2.65 per share (2008: £2.45 per share), based on the weighted average number of shares in issue during the period.

Dividend

The Board is pleased to declare an increased interim dividend of 2.20p per share, representing a 10% improvement on last year (2008: 2.00p). The interim

dividend will be paid on 30 October 2009 to shareholders on the register at the close of business on 2 October 2009. We are also pleased to confirm that a Scrip Dividend alternative will continue to be available.

REVIEW OF OPERATIONS

AGRICULTURE

Feed Products

The Feed Division benefited from the acquisition, in August last year, of the remaining 50% of the issued share capital of Welsh Feed Producers ("WFP") not already owned by Wynnstay and, in January 2009, its mill at Carmarthen in south-west Wales was fully integrated into the Feed Division. As a result, our compound feed production increased by 34% in the six months to April 2009 compared to the same period last year. However, like-for-like volumes were down reflecting the national trend in feed usage as farmers fed livestock with relatively cheap home produced grain and did not seek to maximise milk production. This decrease in production volumes is also reported against a record performance in the equivalent period last year.

Our flagship mill at Llantantffraid has just completed an investment programme to improve efficiency in the manufacturing process and our objective remains to expand our presence in South Wales.

Arable Products

The normal buying pattern for fertiliser in the UK was disrupted by price deflation and farmers held back from purchases in anticipation of lower prices. While our sales were affected by this, we chose to continue a policy of retaining more realistic margins and this underpinned a satisfactory outcome for the period. Our position as both a principal supplier of GrowHow, the UK's leading fertiliser manufacturer and a producer of our own blended fertiliser enabled us to manage the volatility in raw material prices effectively as well as supply the full range of market requirements. We expect the second half to return to a more normal level of market activity.

Seed sales exceeded budgets and we achieved record sales in the Spring market. Our operation has an excellent reputation for product quality and customer service and it remains our aim to develop this part of the business further.

Our two raw material trading companies, Glasson and Shropshire Grain, have again performed particularly well, with the companies managing commodity sales in a difficult market where deflation has replaced the inflation experienced last year.

SPECIALIST RETAIL

Country Stores

The acquisitions we have made over the last two years are now fully integrated into the Group and contributed to an increase of 7% in sales. Footfall is closely monitored and as stores are refurbished and our product range extended, we can see a resultant increase in activity. Our store refurbishment programme is ongoing and should help to underpin future sales. The Group is especially well regarded as a major supplier of animal health products throughout our trading area and we intend to build on this providing a competitive route to market for livestock products.

Pet Product Superstores ('Just for Pets')

As part of our plans to build up our pet retailing activities, we opened a new pet product superstore at Long Eaton, near Derby, in March. The store has made a very encouraging start and, after the end of the first half, in May, we opened our fourteenth store, at Northampton. We expect to open a further store within the calendar year.

Over the period, as expected, we experienced some change in product demand as discretionary spend was challenged in certain geographic areas. However, like-for-like sales growth across the Just for Pets chain was encouraging and the stores made a pleasing profit contribution to the Group.

Horticulture

We have previously stated that this business would be restructured and its scale reduced. This programme is ongoing and we now have a clear direction for the future business model.

Joint Ventures & Associates

Our three Joint Ventures and Associate company remain important links into complementary specialist activities and continue to perform to expectations. The Group has a policy of using only audited accounts for the consolidation of its share of the results of these activities and as such, we will be accounting for their results at the full year.

Outlook

Demand for agricultural products in the World market remains strong and, with an increasing population, is set to continue. The UK has the climate, resources and expertise to take advantage of this long term demand and, in turn, the Group is well placed to benefit from a strong agricultural sector. Currently, sector returns are further enhanced as a result of favourable exchange rates.

Farm gate demand for arable products is buoyant and, if the proposed biofuel plants reach their anticipated capacity, the UK will approach a potential equilibrium for grain supply and demand. Milk production is still below quota and the UK remains a net importer of milk products. Whilst consumer pressure will challenge milk prices, forcing further production efficiency, it is anticipated that farm gate prices will remain sufficiently high to maintain demand for agricultural inputs. UK demand for fertiliser is expected to improve as prices return to more realistic levels. However, in the near term, usage on grassland is unlikely to recover to the levels of the past five years as farmers seek to make savings on nutrient inputs.

We expect the encouraging level of retail sales in our Country Stores over the past year to be maintained and we will continue to seek opportunities for further growth. We are also proceeding with the expansion of our pet products retailing business, Just for Pets, adding more new stores as opportunities arise over the next 12 months.

We have built a broad portfolio of business activities which continues to provide the Group with resilience against the price volatility of the agricultural commodity market. Our objective to act as an agricultural consolidator and to develop our specialist retailing activities continues. At the same time, we are focused on maintaining efficiency and controlling costs. Looking ahead over the remainder of the financial year, whilst there are commercial pressures on some aspects of the business, the Board remains confident of a pleasing outcome for the year and believes that the business is well placed for long term growth.

J.E. Davies
Chairman

Condensed Consolidated Income Statement

For the six months ended 30 April 2009

		Unaudited six months ended 30 April 2009	Unaudited six months ended 30 April 2008	Audited year ended 31 October 2008
	Note	£'000	£'000	£'000
Revenue from continuing operations		117,698	116,462	234,580
Cost of sales		(99,964)	(100,901)	(202,708)
Gross profit		17,734	15,561	31,872
Selling and distribution costs		(12,500)	(10,634)	(22,499)
Administrative expenses		(1,768)	(1,594)	(3,165)
Goodwill impairment		0	0	0
Operating profit before non-recurring items		3,466	3,333	6,208
Provision for business restructuring		0	0	(625)
Operating profit		3,466	3,333	5,583
Net finance costs		(304)	(375)	(743)
Share of profits/losses in associates and joint ventures	2	0	0	383
Share of tax incurred in associates and joint ventures		0	0	(116)
Profit before tax		3,162	2,958	5,107
Taxation	4	(810)	(661)	(1,205)
Profit for the period		2,352	2,297	3,902
Earnings per share				
- Basic	5	16.31p	17.71p	29.26p
- Diluted	5	16.14p	17.60p	29.09p

Condensed Consolidated Balance Sheet

As at 30 April 2009

	Unaudited As at 30 April 2009 £'000	Unaudited As at 30 April 2008 £'000	Audited As at 31 October 2008 £'000
Note			
Assets			
Non-current assets			
Goodwill	8,606	7,930	8,606
Investments - equity method	3,580	3,539	3,580
Property, plant and equipment	14,863	12,836	14,772
	27,049	24,305	26,958
Current assets			
Inventories	16,867	13,096	14,805
Biological assets	1,385	1,652	1,296
Trade and other receivables	35,416	37,637	30,815
Financial assets : - loans to joint ventures	3,652	3,802	3,802
- cash and cash equivalents	352	1,717	768
	57,672	57,904	51,486
Liabilities			
Current liabilities			
Trade and other payables	(29,872)	(29,610)	(28,416)
Financial liabilities : - borrowings	(10,270)	(12,991)	(5,813)
Current tax liabilities	(1,307)	(1,449)	(1,871)
	(41,449)	(44,050)	(36,100)
Net current assets	16,223	13,854	15,386
Non-current liabilities			
Financial liabilities : - borrowings	(3,969)	(5,803)	(4,961)
Deferred tax liabilities	(443)	(551)	(444)
Provisions	(625)	0	(625)
	(5,037)	(6,354)	(6,030)
Net assets	38,235	31,805	36,314
Equity			
Ordinary shares	6	3,292	3,605
Share premium	12,857	10,023	12,732
Other reserves	1,947	1,778	1,947
Retained earnings	19,805	16,712	18,030
Total equity	38,235	31,805	36,314

Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 November 2007	3,125	8,597	1,778	14,889	28,389
Net profit				2,297	2,297
Equity dividend paid				(474)	(474)
Shares issued	167	1,426			1,593
Total shareholders equity at 30 April 2008	3,292	10,023	1,778	16,712	31,805
Net profit				1,605	1,605
Equity dividend paid				(287)	(287)
Shares issued	313	2,709			3,022
Asset revaluation surplus			169		169
Balance at 31 October 2008	3,605	12,732	1,947	18,030	36,314
Net profit				2,352	2,352
Equity dividend paid				(577)	(577)
Shares issued	21	125			146
Total shareholders equity at 30 April 2009	3,626	12,857	1,947	19,805	38,235

Condensed Consolidated Cash Flow Statement

For the six months ended 30 April 2009

	Note	Unaudited six months ended 30 April 2009 £'000	Unaudited six months ended 30 April 2008 £'000	Audited year ended 31 October 2008 £'000
Cash flow from operating activities				
Cash (used in) / generated from operations	9	(808)	(4,803)	4,222
Interest received		35	78	199
Interest paid		(339)	(453)	(942)
Tax repaid / (paid)		(1,373)	118	(176)
Net cash (used in) / generated from operating activities		(2,485)	(5,060)	3,303
Cash flows from investing activities				
Acquisition of subsidiaries, (net of cash acquired)		0	(4,209)	(5,413)
Purchase of property, plant and equipment		(866)	(1,109)	(1,637)
Purchase of intangible assets		0	(313)	(307)
Proceeds on sale of property, plant and equipment		28	52	151
Proceeds on sale of investments		0	595	595
Purchase of investments		0	(162)	0
Net cash used in investing activities		(838)	(5,146)	(6,611)
Cash flows from financing activities				
Net proceeds from the issue of share capital		146	1,593	4,615
Net proceeds from drawdown of new loans		0	4,490	4,490
Finance lease principal repayments		(227)	(212)	(463)
Repayment of acquired borrowings		0	0	(1,585)
Repayments of borrowings		(2,609)	(884)	(2,019)
Dividends paid to shareholders		(577)	(474)	(761)
Net cash generated from financing activities		(3,267)	4,513	4,277
Net (decrease)/increase in cash and cash equivalents		(6,590)	(5,693)	969
Cash and cash equivalents at beginning of period		(185)	(1,154)	(1,154)
Cash and cash equivalents at end of period		(6,775)	(6,847)	(185)

Notes to the Condensed Consolidated Interim Financial Statement

1. Basis of preparation

The Interim Report was approved by the Board of Directors on 16 June 2009.

The condensed financial statements for the six months to the 30 April 2009 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting.

The financial information for the Group for the year ended 31 October 2008 set out above is an extract from the published financial statements for that year which have been delivered to the Registrar of Companies. The auditors' report on those financial statements was not qualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. The information contained in this document does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

The financial information for the six months ended 30 April 2009 and for the six months ended 30 April 2008 is unaudited.

The Group prepares its consolidated financial statements in accordance with IFRS, and the statements have been prepared using the accounting policies set out in the Group's 2008 statutory accounts.

2. Consolidation of share of results in joint ventures & associates

As the Group has a policy of using audited accounts for the consolidation of its share of the results of joint venture & associate activities, no such consolidation has occurred during the six months to April 2009. Relevant results will be accounted for during the second half of the financial year.

3. Significant accounting policies

The condensed financial statements have been prepared on a historical cost basis or fair value basis as appropriate.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparing of the Group's financial statements for the year ended 31 October 2008.

4. Taxation

The tax charge for the six months to 30 April 2009 is based on an apportionment of the estimated tax charge for the full year.

5. Earnings per share

Earnings per share have been calculated based on the profit attributable to ordinary shareholders of £2,352,000 (six months ended 30 April 2008 : profit of £2,297,000) and the weighted average number of shares in issue of 14,422,700 (2008: 12,971,238). Diluted earnings per share are based on the aggregate weighted average number of shares and all potential shares adjusted for their proposed issue price, of 14,574,710 (2008: 13,045,988).

6. Share capital

During the current period a total of 84,128 (2008: 669,201) shares were issued with an aggregate nominal value of £21,032 (2008: £167,300) fully paid up for equivalent cash of £146,046 (2008: £1,592,808). Included in these issues were 84,128 shares (2008: 56,201) allotted to shareholders exercising their rights to receive dividends under the Company's scrip dividend scheme and nil shares (2008:120,000) allotted to relevant holders exercising Warrants in the Company. At the date of this report a total of 14,506,363 shares are in issue.

7. Dividends

In the period an amount of £576,890 (2008: £473,737) was charged to reserves. An interim dividend of 2.20p per share will be paid on 30 October 2009 to shareholders on the register on the 2 October 2009. New elections to receive Scrip Dividends should be made in writing to the Company's Registrars before 16 October 2009.

8. Segmental reporting

The Group's primary reporting format is business segments. A business segment is a component of the Group that is engaged in providing a group of related products and is subject to the risks and returns that are different from other business segments. The Group operates in one geographical segment being the UK.

	Agricultural Supply £'000s	Retail £'000s	Other £'000s	Total £'000s
Unaudited as at 30 April 2009:				
Revenue	92,001	25,641	56	117,698
Segment result	2,155	1,271	40	3,466
Share of result of associates & joint ventures	0	0	0	0
	2,155	1,271	40	3,466
Net interest				(304)
Profit before tax				3,162
Taxation				(810)
Profit for the period attributable to shareholders				2,352

Unaudited as at 30 April 2008:				
Revenue	94,302	22,087	73	116,462
Segment result	2,269	1,032	32	3,333
Share of result of associates & joint ventures	0	0	0	0
	2,269	1,032	32	3,333
Net interest				(375)
Profit before tax				2,958
Taxation				(661)
Profit for the period attributable to shareholders				2,297

Audited as at 31 October 2008:				
Revenue	185,203	49,222	155	234,580
Segment result	3,889	2,530	(211)	6,208
Provision for business restructuring	0	(625)	0	(625)
Share of result of associates & joint ventures	0	119	264	383
	3,889	2,024	53	5,966
Net interest				(743)
Profit before tax				5,223
Taxation				(1,321)
Profit for the year attributable to shareholders				3,902

Notes to the Condensed Consolidated Interim Financial Statement (continued)

9. Cash (used in) / generated from operations

	Unaudited as at 30 April 2009 £'000s	Unaudited as at 30 April 2008 £'000s	Audited as at 31 October 2008 £'000s
Profit for the period	2,352	2,297	3,902
Adjustments for:			
Taxation	810	661	1,205
Depreciation of tangible fixed assets	890	696	1,486
Amortisation of other intangible fixed assets	0	0	20
Profit on disposal of property, plant and equipment	(18)	(12)	(13)
Interest expense	339	453	942
Interest income	(35)	(78)	(199)
Share of results of joint ventures	0	0	(267)
Repayment of loans made to joint ventures	150	1,050	1,050
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries)			
(Increase) / decrease in inventories & biological assets	(2,151)	(3,124)	(3,672)
(Increase) / decrease in trade and other receivables	(4,601)	(12,610)	(3,542)
Increase / (decrease) in payables	1,456	5,864	2,685
Increase / (decrease) in provisions	0	0	625
Cash (used in) / generated from operations	(808)	(4,803)	4,222

10. Other reserves

Included in Other reserves are 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.

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

11. Group financial commitments

There have been no material changes to the Group's contingent liabilities in respect of the guaranteed bank overdrafts of its three Joint Ventures and one associated undertakings.

12. Capital commitments

As at the 30 April 2009 the Group had capital commitments as follows:

	Unaudited as at 30 April 2009 £'000s	Unaudited as at 30 April 2009 £'000s	Audited as at 31 October 2008 £'000s
Contracts placed for future capital expenditure not provided in the financial statements	680	0	249

13. Related parties

Transactions between the company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are described below:

	Transaction value			Balance outstanding		
	Six months 30 April 2009	Six months 30 April 2008	Year to 31 October 2008	Six months 30 April 2009	Six months 30 April 2008	Year to 31 October 2008
Sales of goods to joint ventures and associates	4,605	2,282	5,060	1,327	974	877
Purchases of goods from joint ventures and associates	3,929	2,942	3,678	195	1,910	318
Interest receivable from joint ventures and associates	0	50	133	0	50	0

Sales of goods to related parties were made at the Group's usual list prices, less average discounts. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationship between parties.

Financial Calendar

Half Year Results Announced	17 June 2009
Interim Dividend Record Date	2 October 2009
Interim Dividend Date	30 October 2009
Financial Year End	31 October 2009
Announcement of Full Years Results	January 2010
Dividend Record Date	March 2010
Annual General Meeting	March 2010
Dividend Payment	30 April 2010

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