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WYNNSTAY PROPERTIES PLC

("Wynnstay" or the "Company")

INTERIM REPORT FOR THE SIX MONTHS ENDED 29 SEPTEMBER 2020

23 November 2020

WYNNSTAY PROPERTIES PLC

INTERIM REPORT

**SIX MONTHS ENDED
29 SEPTEMBER 2020**

CHAIRMAN'S STATEMENT

Despite the business and economic challenges and uncertainties arising from the Covid-19 pandemic and the Brexit negotiations, I am pleased to report on a very creditable performance by Wynnstay for the six months period ending 29 September 2020.

Interim Financial Results

The unaudited results are summarised in the table below, which should be read in conjunction with the following commentary and financial statements:

		29 September 2020	29 September 2019
Property Income	(11.2)%	£1,055,000	£1,188,000
Operating Income	(11.0)%	£750,000	£843,000
Income before Taxation	(49.8)%	£538,000	£1,072,000
Earnings per share	(54.4)%	16.0p	35.1p
Net Asset Value per share	(3.6)%	800p	830p
Interim Dividend per share	6.7%	8.0p	7.5p

Property Income for the half-year was just over 11% lower than in the same period last year at £1,055,000 (2019 - £1,188,000) with a broadly similar percentage decrease in Operating Income at £750,000 (2019 - £843,000). This year we have the benefit of a full contribution from the additional unit at Aylesford acquired in August 2019. However, last year's income also included rent from the two units at Chessington, which became vacant in June 2019, all three units at Basingstoke which we sold in August 2019 and our remaining unit at St Neots which we also sold last year.

This year's lower income also reflects the support that we have given to a number of tenants through concessionary arrangements to assist them in the difficult trading conditions arising from the impact of the Covid-19 pandemic. As I explained in my statement in July, these arrangements have involved either deferral of part of a quarter's rent for a limited period by spreading its payment over the remainder of our financial year or rent holidays or deferrals generally in return for the removal of tenant break options or lease extensions. Our willingness to assist and work with tenants to find suitable arrangements for them has been appreciated and all tenants who benefited from such initiatives have to date kept to the revised terms.

Income before taxation for the half-year was substantially lower than last year which included a profit of £440,000 on the sale of our properties at Basingstoke and St Neots, whereas this year there were no property sales. On a comparable basis, excluding property sales, income before taxation fell by just under 15%. Comparable earnings per share were also similarly affected by the property sales last year.

We continue to keep in close contact with our tenants and to monitor carefully the receipts of our adjusted rental income, taking account of the concessionary arrangements made. In my statement in July I reported that we had collected all of the rental income due for the first quarter of the year commencing 26 March 2020 and that we had collected over 70% of the rent due for the second quarter commencing 24 June 2020, comprising both quarterly rents and those now being paid monthly. I am pleased to report that there is now no significant rent outstanding for the second quarter and that for the third quarter, commencing 29 September 2020, we have collected 98% of the quarterly and monthly rents due, with the main outstanding items being the monthly payments now due on 1 December 2020.

Borrowings from Handelsbanken at the end of the half-year were the same as for the same period last year at £12.5 million.

In the light of the many challenges and uncertainties and their effects on our tenants, their businesses and the commercial property market, the Board considers the financial results for the first half of the year are very creditable.

Portfolio

The portfolio is 94% let which, while consistent with our past record of high occupancy and low voids, is considered by the Board to be very satisfactory in the circumstances. It is also encouraging to note that during August and September we negotiated the renewal, at increased rents, of two leases on our Quarry Wood Industrial Estate at Aylesford and we were also able to agree terms to relet a unit at Uckfield immediately following the expiry of the lease to the previous tenant.

Work has continued regarding the proposed development of our Trade Park at Petersfield, where I mentioned in my July statement that we were finalising agreements for lease with tenants for two of the three units. Negotiations have been slowed as a result of the Covid-19 pandemic, but I am pleased to report that we now seem to be making progress and anticipate both agreements being finalised shortly. In the meantime, we have been progressing with the tendering process for construction. When two of the three units are prelet, we feel confident that we should be in a position to appoint our chosen contractor with a view to starting construction early in 2021. On our Beaver Industrial Estate at Liphook we are keen to progress with the construction of the two single storey units. However, due to the current economic environment resulting from the pandemic, we do not expect to take further decisions on this until next year. I will of course keep shareholders updated on both developments in future statements.

I have previously reported on our plans to relet the two vacant units at Oakcroft Business Centre in Chessington. With much of the commercial property market and many businesses being in lockdown during the spring and early summer, while there was some interest from potential tenants, none came to fruition. Accordingly, we took the decision to explore interest in a sale of the entire freehold property of three units while continuing also to offer them for letting singly or in combination. There has been interest from potential purchasers as well as from potential tenants.

Dividend

In light of the financial results, the Board has decided to pay an increased interim dividend of 8.0p per share (2019 – 7.5p) on 18 December 2020 to those shareholders on the register on 4 December 2020. The Board is pleased to be able to increase the interim dividend by 6.7%, especially given the decision to pay a lower overall dividend last year as a result of the uncertainties caused by the Covid-19 pandemic.

While it is too soon to form a view on the overall dividend for this year, as I said in my statement in July we are keenly aware how important investment income is to many shareholders and we are determined to return to our progressive dividend policy as soon as practicable. While we are encouraged by Wynnstay's performance in the first half of the year future increases will, of course, depend on our financial results for the year as a whole and our assessment of future prospects in the light of the challenging business and economic conditions.

Share Scams

In each statement, I draw the attention of shareholders to the risk of "share scams", arising from unsolicited telephone calls or online offers or approaches. With this year's annual report, I also wrote separately to shareholders on this subject in the light of a number of share scam calls reported in the second half of July. Shareholders have reported another series of such calls over recent weeks and I again urge shareholders to be vigilant. Wynnstay's website (www.wynnstayproperties.co.uk) includes a warning and a link to other information about unsolicited calls on the Financial Conduct Authority's website.

Annual General Meetings 2020 and 2021

As you will know, our Annual General Meeting 2020 was convened as a closed meeting due to the Covid-19 pandemic and was held on 15 September 2020 when all the resolutions were duly passed on

a poll vote. I would like to thank all the shareholders who took the trouble to return their proxy cards to express their voting directions.

We are hoping that for 2021 it will be possible to arrange our Annual General Meeting in mid-July in the usual form. The date and venue will be notified nearer the time when we can be certain that it can take place in the light of the conditions then prevailing.

Finally, on behalf of the Board, I thank all shareholders for their continued interest in and support for Wynnstay and, in these unusual and uncertain times for all of us, wish all shareholders and their families a Happy Christmas and a healthy and peaceful 2021.

Philip Collins
Chairman
23 November 2020

1. STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 29 September 2020 £'000	Unaudited six months ended 29 September 2019 £'000	Audited Year ended 25 March 2020 £'000
Property Income	1,055	1,188	2,271
Property Costs	(44)	(46)	(116)
Administrative Costs	(261)	(299)	(572)
Operating Income	750	843	1,583
Movement in fair value of			
Investment Properties	–	–	(1,318)
Profit on Sale of Investment Property	–	440	421
	750	1,283	686
Investment Income	1	1	2
Finance Costs	(213)	(212)	(430)
Income before Taxation	538	1,072	258
Taxation	(104)	(119)	(135)
Income after Taxation	434	953	123
Basic and diluted earnings per share	16.0p	35.1p	4.5p

The company has no other items of comprehensive income.

2. STATEMENT OF FINANCIAL POSITION

	Unaudited 29 September 2020 £'000	Unaudited 29 September 2019 £'000	Audited 25 March 2020 £'000
Non-Current Assets			
Investment Properties	34,281	35,519	34,260
Investments	3	3	3
	<u>34,284</u>	<u>35,522</u>	<u>34,263</u>
Current Assets			
Accounts Receivable	420	108	244
Cash and Cash Equivalents	1,338	882	1,289
	<u>1,758</u>	<u>990</u>	<u>1,533</u>
Current Liabilities			
Accounts Payable	(1,174)	(728)	(1,263)
Income Taxes Payable	(343)	(352)	(241)
	<u>(1,518)</u>	<u>(1,080)</u>	<u>(1,504)</u>
Net Current Assets	<u>240</u>	<u>(90)</u>	<u>29</u>
Total Assets Less Current Liabilities	34,524	35,432	34,292
Non-Current Liabilities			
Bank Loans Payable	(12,500)	(12,500)	(12,500)
Deferred Tax Payable	(315)	(421)	(314)
	<u>(12,815)</u>	<u>(12,921)</u>	<u>(12,814)</u>
Net Assets	<u><u>21,709</u></u>	<u><u>22,511</u></u>	<u><u>21,478</u></u>
Share Capital	789	789	789
Capital Redemption Reserve	205	205	205
Share Premium Account	1,135	1,135	1,135
Treasury shares	(1,570)	(1,570)	(1,570)
Retained Earnings	21,151	21,952	20,919
	<u>21,709</u>	<u>22,511</u>	<u>21,478</u>
Net Asset Value per share	800p	830p	792p

3. STATEMENT OF CASHFLOW

	Unaudited six months ended 29 September 2020 £'000	Unaudited six months ended 29 September 2019 £'000	Audited Year ended 25 March 2020 £'000
Cashflow from operating activities			
Income before taxation	538	1,072	258
Adjusted for:			
Decrease in fair value of investment properties	–	–	(1,318)
Interest income	(1)	(1)	(2)
Interest expense	213	212	430
Profit on disposal of investment properties	–	(440)	(421)
Changes in:			
Trade and other receivables	(176)	49	(88)
Trade and other payables	(89)	(451)	71
Cash generated from operations	<u>485</u>	<u>441</u>	<u>1,566</u>
Income taxes paid	–	–	(241)
Interest paid	(213)	(212)	(430)
Net cash from operating activities	<u>272</u>	<u>229</u>	<u>895</u>
Cashflow from investing activities			
Interest and other income received	1	1	2
Purchase of investment properties	(21)	(1,952)	(2,014)
Sale of investment properties	–	1,970	1,975
Net cash from investing activities	<u>(20)</u>	<u>19</u>	<u>(37)</u>
Cashflow from financing activities			
Dividends paid	(203)	(325)	(528)
Drawdown on bank loans	–	2,000	–
Repayment of bank loans	–	(2,000)	–
Net cash from financing activities	<u>(203)</u>	<u>(325)</u>	<u>(528)</u>
Increase/(decrease) in cash and cash equivalents	<u>49</u>	<u>(77)</u>	<u>330</u>
Cash and cash equivalents at beginning of period	<u>1,289</u>	<u>959</u>	<u>959</u>
Cash and cash equivalents at end of period	<u>1,338</u>	<u>882</u>	<u>1,289</u>

4. STATEMENT OF CHANGES IN EQUITY

UNAUDITED SIX MONTHS ENDED 29 SEPTEMBER 2020

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2020	789	205	1,135	(1,570)	20,919	21,478
Total comprehensive income for the period	–	–	–	–	434	434
Dividends	–	–	–	–	(203)	(203)
Balance as at 29 September 2020	789	205	1,135	(1,570)	21,150	21,709

UNAUDITED SIX MONTHS ENDED 29 SEPTEMBER 2019

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2019	789	205	1,135	(1,570)	21,324	21,883
Total comprehensive income for the period	–	–	–	–	953	953
Dividends	–	–	–	–	(325)	(325)
Balance as at 29 September 2019	789	205	1,135	(1,570)	21,952	22,511

AUDITED YEAR ENDED 25 MARCH 2020

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2019	789	205	1,135	(1,570)	21,324	21,883
Total comprehensive income for the year	–	–	–	–	123	123
Dividends	–	–	–	–	(528)	(528)
Balance as at 25 March 2020	789	205	1,135	(1,570)	20,919	21,478

5. ACCOUNTING POLICIES

Wynnstay Properties PLC is a public limited company incorporated and domiciled in England and Wales. The principal activity of the company is property investment, development and management. The Company's ordinary shares are traded on the Alternative Investment Market.

Basis of Preparation

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 Interim Financial Reporting. They do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

The unaudited condensed interim financial statements should be read in conjunction with the financial statements of the Company as at and for the year ended 25 March 2020 which were prepared in accordance with IFRS as adopted by the European Union. The financial information for the 6 month periods ended 29 September 2020 and 29 September 2019 have not been audited and the auditors have not reported on or reviewed these interim financial statements. The information for the year ended 25 March 2020 has been extracted from the latest published audited financial statements.

Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those relating to the fair value of investment properties. It is considered too early to assess the impact of the Covid-19 pandemic and the UK Government's lockdown and other measures on the Company and its business.

Investment Properties

All the Company's investment properties are independently revalued annually and stated at fair value at 25 March. The aggregate of any resulting increases or decreases are taken to operating income within the Statement of Comprehensive Income. Investment properties are recognised as acquisitions or disposals based on the date of contract completion.

Depreciation

In accordance with IAS 40, freehold investment properties are included in the Statement of Financial Position at fair value, and are not depreciated. The Company has no other plant and equipment.

Disposal of Investments

The gains and losses on the disposal of investment properties and other investments are included in the Statement of Comprehensive Income in the year of disposal.

Property Income

Property income is recognised on a straight line basis over the period of the lease and is measured at the fair value of the consideration receivable. Lease deposits are held in separate designated deposit accounts and are thus not treated as assets of the Company in the financial statements. All income is derived in the United Kingdom.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is the expected tax payable on the taxable income for the period based on the tax rate enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from income before tax because it excludes items of income or expense that are deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences (including unrealised gains on revaluation of investment properties) and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The Company provides for deferred tax on investment properties by reference to the tax that would be due on the sale of the investment properties. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited to Income after Taxation, including deferred tax on the revaluation of investment properties.

Trade and other accounts receivable

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost as reduced by appropriate allowances for expected credit losses. All receivables do not carry any interest and are short term in nature.

Cash and cash equivalents

Cash comprises cash at bank and on demand deposits. Cash equivalents are short term (less than three months from inception), repayable on demand and are subject to an insignificant risk of change in value.

Trade and other accounts payable

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. All trade and other accounts payable are non-interest bearing.

Comparative information

The information for the year ended 25 March 2020 has been extracted from the latest published audited financial statements.

Pensions

Pension contributions towards an employee's pension plan are charged to the statement of comprehensive income as incurred. The pension plan is a defined contribution scheme.

Borrowings

Interest rate borrowings are recognised at fair value, being proceeds received less any directly attributable transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Dilapidations

Dilapidations payments received from tenants are held in provision until such time as they are expended.

6. DIVIDENDS

Period	Payment Date	Per share (pence)	Amount paid/proposed £'000
6 months to 29 September 2020	18 December 2020	8.00	217
6 months to 29 September 2019	20 December 2019	7.50	203
Year ended 25 March 2020	17 July 2020	7.50	203

7. EARNINGS AND NET ASSET VALUE PER SHARE

Basic earnings per share are calculated by dividing income after taxation attributable to Ordinary Shareholders of £434,000 (2019: £953,000), and net asset value per share is calculated by dividing net assets of £21,709,000 (2019: £22,511,000), in each case by the weighted average number of 2,711,617 (2019: 2,711,617) ordinary shares in issue during the period excluding shares held in treasury. There are no options and no instruments in issue that would have the effect of diluting earnings per share.

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For more information on Wynnstay, visit www.wynnstayproperties.co.uk