
WYNNSTAY PROPERTIES PLC

INTERIM REPORT

**SIX MONTHS ENDED
29 SEPTEMBER 2023**

WYNNSTAY PROPERTIES PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 29 SEPTEMBER 2023

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders on the six-month period ended 29 September 2023. In this period, our plans for management succession that we announced last summer have been successfully completed and the portfolio has continued to deliver good financial results for shareholders.

Interim Financial Results

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

		29 September 2023	29 September 2022
Rental Income	+12.4%	£1,216,000	£1,082,000
Property Income	+12.8%	£1,221,000	£1,082,000
Operating Income	+9.1%	£873,000	£800,000
Income before Taxation	+12.1%	£658,000	£587,000
Earnings per share	+7.0%	18.4p	17.2p
Net Asset Value per share	+1.9%	1,114p	1,093p
Interim Dividend per share	+5.6%	9.5p	9.0p

Rental income for the half-year increased by 12.4% compared to the same period last year, to £1,216,000 (2022: £1,082,000). This increase reflects principally the acquisition in May 2023 of Riverdale Industrial Estate, Tonbridge.

Other property income of £5,000, being service charge related management fees, were received in the half-year (2022: £nil). While overall operating costs were at a slightly higher level than in the same period last year due to one-off costs associated with management succession, operating income increased by 9.1% to £873,000 (2022: £800,000).

Borrowings from Handelsbanken of £9.958 million at the end of the half-year (2022: £9.945 million) reflects our five-year loan fixed at a rate of 3.61% from December 2021. At the end of the half-year, we held cash balances of £1.0 million available for use in the business. In addition, we have available the undrawn £5.0 million revolving credit facility with Handelsbanken.

Management Succession

I reported in my statement in June that Paul Williams had decided to retire as Managing Director and that Christopher Betts, a Chartered Surveyor with over 30 years' experience, had been appointed to succeed him following a short handover period.

Chris joined Wynnstay, as planned, in mid-July and worked alongside Paul over the following weeks familiarising himself with the portfolio and business, and finally taking over fully from Paul as Managing Director in early September when he also joined the Board. The handover was completed smoothly, on schedule and without any issues.

In his first Managing Director's Review following below, Chris describes the handover from Paul and portfolio activity over the past six months.

Dividend

In light of the financial results, the Board has decided to pay an increased interim dividend of 9.5p per share (2022: 9.0p) on 15 December 2023 to those shareholders on the register at the close of business on 17 November 2023.

In the current inflationary conditions, the Board appreciates the importance to many shareholders of their investment income and of providing an attractive yield on the Company's shares. The increase in the interim dividend for this half-year is 5.6% compared to the same period last year.

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Outlook

In the period following my statement in June, the economic outlook in the UK appeared to be improving to some extent, with reduced inflation and better performance data than many forecasters had expected earlier in the year. This reduced the threat of imminent recession and its consequences.

It did not, however, remove the underlying concerns about economic growth, the level of public debt, business investment and consumer spending. The direction and medium-term level of interest rates, now at their highest rate for seventeen years, remain unclear. In recent weeks, the mood has changed again with increasing concerns about the economy compounded by international conflicts and anticipated future energy prices. In addition, political uncertainty in the UK, which impacts the economic outlook, now seems likely to prevail until after the forthcoming general election.

Wynnstay's portfolio and financial performance have proved resilient despite the continuing economic and political uncertainties and conditions that affect the commercial property market as well as business and consumer sentiment and activity. The Board remains optimistic about the current outlook for Wynnstay's business and considers that we are well positioned to take advantage of opportunities to continue to enhance the portfolio. I will report to shareholders again in our Annual Report, which will be published in mid-June 2024. Our Annual General Meeting next year will be held, as usual, at the RAC Club on Tuesday 16 July 2024.

Finally, on behalf of the Board, I take this opportunity to thank shareholders for their continued interest in and support for Wynnstay and send our best wishes for a Happy Christmas and for 2024.

Philip Collins

Chairman

7 November 2023

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MANAGING DIRECTOR'S REVIEW

It is with great pleasure that I set out my first report to shareholders as Managing Director. The handover by Paul Williams over an eight-week period from mid-July was very effective. The result is that I have been able to settle into the role with the benefit of a good period of time to familiarise myself with the properties, tenants, suppliers and the Company's way of working. In addition, I have been briefed on current and upcoming issues and opportunities.

Portfolio Activity

As reported in our last Annual Report, we completed the purchase of Riverdale Industrial Estate, Tonbridge in May 2023. The initial rental income of £140,350 p.a. on acquisition has been boosted by the rent reviews on three of the five units which have now been agreed at the levels anticipated on purchase, effective from September 2022. These settlements set a good base for the ongoing negotiations for renewal of the lease of the prominently situated Unit 1 which are expected to conclude later this year.

Earlier this year the tenant of the Hertford property served notice of their intention to vacate on expiry of the lease in October 2023. Agents were instructed to market the property and an offer to purchase the freehold was received from a regional motor trade business. Opportunities for owner-occupiers are rare and we were able to agree an attractive price of £910,000, generating a profit before tax and costs over the investment value at March 2023 of £295,000. Completion took place simultaneously with exchange of contracts on 25 October.

Two other units became vacant in the first half of the year. A tenant in Uckfield decided, on retirement of the owner from his business, not to renew its lease in June. However, we were able to quickly agree terms for a new open market letting and this completed in August 2023 at a rent ahead of the estimated rental value used by the valuers in the March 2023 valuation. In the face of rent arrears, the lease of a unit in Hailsham was forfeited in May 2023 and the tenant was subsequently declared insolvent. Remarketing brought several expressions of interest, and the unit is now under offer at a rent in excess of the estimated rental value used by the valuers in the March 2023 valuation, conditional on some external maintenance works and an updated planning use permission.

Two tenants of single units in Aylesford have exercised lease break clauses effective in the second half of the year. Whilst these decisions are disappointing, we remain confident of reletting prospects in the light of past experience, limited supply in the area and our constructive and pragmatic approach to attracting new tenants. This optimism is borne out by the successful creation of a new long-term tenancy at Aylesford from the desire of a tenant to assign their short-term lease. We have also successfully renewed the leases held by the main tenant at Heathfield with a significant increase in rent.

In the Managing Director's review in the Annual Report in June, we reported that all rental income due for the first quarter of the financial year had been received. I am pleased to report that no rent is outstanding for the second quarter except for a small element that is subject to a loss of rent insurance claim following water ingress. For the third quarter, commencing 29 September 2023, we have collected 99% of the aggregate quarterly and monthly rents due by 1 November.

We continue to monitor the market and consider suitable investment opportunities. With our principal borrowing being at a fixed rate, our low loan-to-value ratio and with both cash and a further borrowing facility available, we remain in a good position to take advantage of market opportunities.

Christopher Betts
Managing Director
7 November 2023

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1. STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 29 September 2023 £'000	Unaudited Six months ended 29 September 2022 £'000	Unaudited Six months ended 25 March 2023 £'000
Property Income	1,221	1,082	2,312
Property Costs	(26)	(24)	(96)
Administrative Costs	(328)	(258)	(719)
Net Property Income	867	800	1,497
Movement in fair value of Investment Properties	6	–	345
Operating Income	873	800	1,842
Investment Income	11	5	27
Finance Costs	(226)	(218)	(439)
Income before Taxation	658	587	1,430
Taxation	(162)	(120)	(288)
Income after Taxation and Total Comprehensive Income	<u>496</u>	<u>467</u>	<u>1,142</u>
Basic and diluted earnings per share	18.4p	17.2p	42.2p

The company has no other items of comprehensive income.

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2. STATEMENT OF FINANCIAL POSITION

	Unaudited 29 September 2023 £'000	Unaudited 29 September 2022 £'000	Audited 25 March 2023 £'000
Non-Current Assets			
Investment Properties	41,819	38,975	39,320
Investments	3	3	3
	<u>41,822</u>	<u>38,978</u>	<u>39,323</u>
Current Assets			
Trade and other receivable	382	362	482
Cash and Cash Equivalents	996	3,207	3,268
	<u>1,378</u>	<u>3,569</u>	<u>3,750</u>
Current Liabilities			
Trade and other payables	(698)	(766)	(844)
Income Taxes Payable	(484)	(404)	(308)
	<u>(1,182)</u>	<u>(1,170)</u>	<u>(1,152)</u>
Net Current Assets / (Liabilities)	<u>196</u>	<u>2,399</u>	<u>2,598</u>
Total Assets less Current Liabilities	<u>42,018</u>	<u>41,377</u>	<u>41,921</u>
Non-Current Liabilities			
Bank Loans Payable	(9,958)	(9,945)	(9,951)
Deferred Tax Payable	(2,034)	(1,962)	(2,034)
	<u>(11,992)</u>	<u>(11,907)</u>	<u>(11,985)</u>
Net Assets	<u>30,026</u>	<u>29,470</u>	<u>29,936</u>
Capital and Reserves			
Share Capital	789	789	789
Capital Redemption Reserve	205	205	205
Share Premium Account	1,135	1,135	1,135
Treasury Shares	(1,734)	(1,734)	(1,734)
Retained Earnings	29,631	29,075	29,541
	<u>30,026</u>	<u>24,470</u>	<u>29,936</u>
Net Asset Value pence per share	1,114p	1,093p	1,110p

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3. STATEMENT OF CASH FLOWS

	Unaudited Six months ended 29 September 2023 £'000	Unaudited Six months ended 29 September 2022 £'000	Unaudited Six months ended 25 March 2023 £'000
Cash flows from operating activities			
Income before taxation	658	587	1,430
Adjusted for:			
(Increase) in fair value of investment properties	–	–	(345)
Interest receivable	(11)	(5)	(27)
Interest and finance costs payable	226	218	439
Amortised loan fees	7	7	13
Revaluation movement	–	–	33
Changes in:			
Decrease / (increase) in trade and other receivables	100	(61)	(181)
Increase / (decrease) in trade and other payables	30	(162)	(181)
Cash generated from operations	<u>1,010</u>	<u>584</u>	<u>1,181</u>
Income taxes paid	<u>(162)</u>	<u>(111)</u>	<u>(206)</u>
Net cash from operating activities	<u><u>848</u></u>	<u><u>473</u></u>	<u><u>975</u></u>
Cash flows from investing activities			
Interest and other income received	11	5	27
Purchase of investment properties	(2,499)	–	–
Net cash generated from investing activities	<u>(2,488)</u>	<u>5</u>	<u>27</u>
Cash flows from financing activities			
Interest paid	(226)	(218)	(439)
Dividends paid	(406)	(380)	(622)
Repurchase of shares into treasury	–	(164)	(164)
Net cash used in financing activities	<u>(632)</u>	<u>(762)</u>	<u>(1,225)</u>
(Decrease) / increase in cash and cash equivalents	<u>(2,272)</u>	<u>(284)</u>	<u>(223)</u>
Cash and cash equivalents at beginning of period	<u>3,268</u>	<u>3,491</u>	<u>3,491</u>
Cash and cash equivalents at end of period	<u><u>996</u></u>	<u><u>3,207</u></u>	<u><u>3,268</u></u>

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4. STATEMENT OF CHANGES IN EQUITY

UNAUDITED SIX MONTHS ENDED 29 SEPTEMBER 2023

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2023	789	205	1,135	(1,734)	29,541	29,936
Total comprehensive income for the period	–	–	–	–	496	496
Dividends	–	–	–	–	(406)	(406)
Balance at 29 September 2023	789	205	1,135	(1,734)	29,631	30,026

UNAUDITED SIX MONTHS ENDED 29 SEPTEMBER 2022

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2022	789	205	1,135	(1,570)	28,988	29,547
Total comprehensive income for the period	–	–	–	–	467	467
Treasury share repurchases	–	–	–	(164)	–	(164)
Dividends	–	–	–	–	(380)	(380)
Balance at 29 September 2022	789	205	1,135	(1,734)	29,075	29,470

AUDITED YEAR ENDED 25 MARCH 2023

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2022	789	205	1,135	(1,570)	28,988	29,547
Total comprehensive income for the year	–	–	–	–	1,142	1,142
Treasury share repurchases	–	–	–	(164)	–	(164)
Revaluation movement	–	–	–	–	33	33
Dividends	–	–	–	–	(622)	(622)
Balance at 25 March 2023	789	205	1,135	(1,734)	29,541	29,936

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5. ACCOUNTING POLICIES

Wynnstay Properties PLC is a public limited company incorporated and domiciled in England and Wales (registered no: 22473). The principal activity of the company is property investment, development and management. The Company's ordinary shares are traded on AIM, part of the London Stock Exchange (ISIN: GB0009842898).

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 2023 which were prepared in accordance with IFRS. The financial information for the six month periods ended 29 September 2023 and 29 September 2022 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 2023 has been extracted from the latest published audited financial statements.

Key sources of estimation uncertainty and judgements

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.

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.

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 Operating Income in the year of disposal. Gains and losses are calculated on the net difference between the carrying value of the properties and the net proceeds from their disposal.

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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. Other property income includes dilapidations, lease surrender premiums and other property related receipts.

	Unaudited Six months ended 29 September 2023 £'000	Unaudited Six months ended 29 September 2022 £'000	Audited Year ended 25 March 2023 £'000
Rental income	1,216	1,082	2,304
Other property income	5	–	8
	<u>1,221</u>	<u>1,082</u>	<u>2,312</u>

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 the operating lease measurement 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.

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Comparative information

The information for the year ended 25 March 2023 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 initially 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 receipts are recognised in the Statement of Comprehensive Income when the right to receive them arises. They are recorded in revenue as other property income unless a property has been agreed to be sold whereby the receipt is treated as part of the proceeds of sale of the property.

Share Buy-Back and Treasury Shares

During the period the Company did not acquire any Ordinary Shares (2022: 15,000 shares acquired) under the authority to make market purchases of its shares approved at the General Meeting on 19 July 2022. The shares acquired are held in treasury and all the costs directly associated with the share buy-back are included within Treasury Shares in the Statement of Financial Position.

6. DIVIDENDS

Period	Payment Date	Per share (pence)	Amount paid/proposed £'000
6 months to 29 September 2023	15 December 2023	9.5	256
6 months to 29 September 2022	16 December 2022	9.0	244
Year ended 25 March 2023	27 July 2023	15.0	406

7. EARNINGS AND NET ASSET VALUE PER SHARE

Basic earnings per share are calculated by dividing income after taxation and Total Comprehensive Income attributable to Ordinary Shareholders of £496,000 (2022: £467,000) by the weighted average number of 2,696,617 (2022: 2,709,692) Ordinary Shares in issue during the period excluding shares held in treasury. Net Asset value per share is calculated by dividing net assets of £30,026,000 (2022: £29,470,000) by the number of 2,696,617 Ordinary Shares in issue at the reporting date 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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