

Regulatory Story

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Wynnstay Properties PLC - WSP Half-year Report
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WYNNSTAY PROPERTIES PLC**INTERIM RESULTS FOR THE SIX MONTHS ENDED 29TH SEPTEMBER 2018****CHAIRMAN'S STATEMENT**

Wynnstay has enjoyed an excellent half year and I am delighted to be able report on the financial results and recent significant transactions for the period ending 29th September 2018.

The financial results may be summarised as follows:

		2018	2017
		£	£
Property Income	-4.3%	1,068,000	1,116,000
Operating Income	-2.7%	757,000	778,000
Income before Taxation	-18.9%	588,000	725,000
Earnings per share	-18.0%	17.6p	21.4p
Net Asset value per share	+11.0%	760p	685p
Interim Dividend per share	+8.0%	7.0p	6.5p

Property Income for the half-year fell slightly over the same period last year to £1,068,000 (2017 - £1,116,000) and Operating Income at £757,000 (2017 - £778,000) was also slightly lower than in the prior year. Both figures reflect the income foregone following the sales of our three small retail premises last year together with the loss of income following the decision of our tenant at Basingstoke to vacate the premises in April and the decision of our tenant at Lewes, Carpetright, to enter into a Creditors Voluntary Arrangement and to cease trading at the location.

Operating Income, as reported above, and Pre-tax Profit of £588,000 (2017 - £725,000) are also both lower when compared to the same period last year as there have been no disposals from the portfolio in the period, whereas in the same period last year our results reflected profits from property disposals. The figures for the first-half this year do not, of course, reflect the planned or anticipated disposals mentioned below that will or may be completed subsequently.

Since the Annual Report was published in mid-June, we have announced two significant transactions. In late July, we announced the exchange of contracts for the acquisition of a freehold multi-let trade counter estate comprising six units in Petersfield at a total gross cost of £4.1 million and, in late August, the grant to our new tenant of an option to purchase our Basingstoke property for £1.85 million.

The Petersfield acquisition was completed in early August. This estate is fully let, generating current net rental income of just over £203,500 per annum. At the time that we announced the acquisition, I expressed the hope that further opportunities to build on our presence in Petersfield would arise. This hope has now been realised since, shortly after our acquisition was announced, we became aware that an adjacent cleared site with planning consent for three units comprising 13,500 square feet was available for purchase. I am pleased to say that we have negotiated the purchase of this site for a gross cost of £756,000 and the transaction completed at the end of September.

We are in the course of preparing a planning application for a revised scheme for four units which we hope to submit before the end of the year. We have serious interest from prospective tenants for two of the proposed units and will be marketing the other two units once these agreements are signed and planning permission has been obtained. Assuming planning permission is obtained in the spring then we would hope to complete construction by the end of 2019.

The two acquisitions at Petersfield have been funded from a combination of existing cash resources and debt facilities. As noted in the interim financial accounts, our borrowings from Handelsbanken now stand at £13.5 million (2017 - £10.24 million).

At Basingstoke, the tenant to whom we have let two units with the option, but not the obligation, to acquire all three units, has been undertaking the various studies and preparation of reports that are necessary for their planning application and we have been informed that it hopes to submit the application by the end of the year. As previously stated, there is no certainty that planning permission will be obtained or that, if it is obtained, the tenant will exercise the option to purchase. I hope that there will be more news by the end of the financial year and, if so, it will be included in any Trading Update issued at that time.

As regards the small vacant site adjacent to the Beaver Industrial Estate at Liphook, as noted in the AGM Trading Update in July, the planning application for two additional units providing around 5,500 square feet has been submitted, with a decision expected shortly. It is also worth mentioning that, following the completion of the adjacent commercial development at Liphook by East Hants District Council, the Council have significantly improved the access from the main road to our estate. This, together, with new signage, has considerably improved the approach to, and the visibility of, our estate, which has been well received by our tenants.

In other significant developments in the portfolio, I am pleased to report that we have secured a new tenant for the unit vacated by Carpetright. The new tenant has an established business that has been operating from premises in Lewes that are to be redeveloped and thus had to relocate within the town. It has taken a new ten year lease, with a break option and upward only rent review after five years, at a market rent which is similar to that being paid by the previous tenant.

As announced in the AGM Trading Update, the residential developer exercised the option to purchase our four units at St Neots and we expect completion to take place just prior to Christmas when we will receive the consideration of £950,000. In addition, we have agreed terms for the sale of the remaining small unit to the existing tenant and we expect to exchange contracts early in the new year.

As also reported in the AGM Trading Update, we successfully applied for a variation of our planning permission at Aylesford in order to be able to carry out the development in stages. However, further investigatory work confirmed that there were issues with the ground conditions which meant that the likely construction costs were not only higher but could not be determined with sufficient certainty. As a consequence, the project's financial viability was impacted and, in the light of the other developments mentioned above which are forecast to deliver higher returns, we have decided not to proceed with this project for the time being.

At the time of writing, the portfolio is 99% let and we have collected all of the rental income due.

In the light of the financial results, I am pleased to say that the Board has decided to pay an increased interim dividend of 7.0p per share (2017 - 6.5p) on 21st December 2018 to those Shareholders on the register on 23rd November 2018. Any future increases will, of course, depend on our financial results and our assessment of future prospects in the light of economic conditions.

Despite the uncertainties arising from the Brexit negotiations, our future relationship with the EU and many tensions affecting world trade, the underlying data for the UK economy remains encouraging. Our recent acquisitions have increased the quality of our portfolio and the range of our tenants, both of which will be enhanced further when the development projects described above are completed.

In September, we heard from a number of shareholders about a further wave of unsolicited telephone calls from callers, often with American accents and using business names somewhat similar to established businesses, about their investments including mention of Wynnstay. Such calls typically come from fraudsters and I would urge caution in responding to them. 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.

Next year's Annual General Meeting will be held at 150 Aldersgate Street, London EC1A 4AB on **Tuesday 16th July 2019 at 11.30 a.m.** As this year, refreshments will be offered prior to the meeting. Please note the date in your diaries now and try to make arrangements to attend the meeting. While we are pleased that a high proportion of our shareholders take the trouble to vote at our meetings through proxies, we welcome the opportunity to meet with and talk to our shareholders.

Finally, on behalf of the Board, I wish all our shareholders a very Happy Christmas and send our best wishes for the New Year.

Philip G.H. Collins
Chairman

15th November 2018

1. STATEMENT OF COMPREHENSIVE INCOME

	Unaudited		Audited
	Six months ended		Year ended
	<u>29th September</u>	<u>29th September</u>	<u>25th March</u>
	2018	2017	2018
	£'000	£'000	£'000
Property Income	1,068	1,116	2,182
Property Costs	(50)	(88)	(148)
Administrative Costs	<u>(261)</u>	<u>(250)</u>	<u>(520)</u>
	757	778	1,514
Movement in fair value of:			
Investment Properties	-	-	1,631
Profit on Sale of Investment Property	<u>-</u>	<u>132</u>	<u>210</u>
Operating Income	757	909	3,355
Investment Income	2	-	1
Finance Costs	<u>(171)</u>	<u>(185)</u>	<u>(365)</u>
Income before Taxation	588	725	2,991
Taxation	<u>(111)</u>	<u>(143)</u>	<u>(359)</u>
Income after Taxation	<u>477</u>	<u>581</u>	<u>2,632</u>

The company has no other items of comprehensive income

2. STATEMENT OF FINANCIAL POSITION

	Unaudited		Audited
	29th September	29th September	25th March
	2018	2017	2018
	£'000	£'000	£'000

Non Current Assets			
Investment Properties	33,593	28,765	28,770
Investments	<u>3</u>	<u>3</u>	<u>3</u>
	33,596	28,768	28,773
Current Assets			
Assets held for Sale	1,300	-	1,300
Accounts Receivable	194	355	808
Cash and Cash Equivalents	<u>871</u>	<u>1,202</u>	<u>1,434</u>
	2,365	1,557	2,242
Current Liabilities			
Accounts Payable	(1,174)	(971)	(1,075)
Income Taxes Payable	<u>(322)</u>	<u>(338)</u>	<u>(211)</u>
	(1,496)	(1,309)	(1,286)
Net Current Assets	869	248	2,256
Total Assets Less Current Liabilities	34,467	29,016	31,029
Non-Current Liabilities			
Bank Loans Payable	(13,500)	(10,240)	(10,240)
Deferred Tax Payable	<u>(346)</u>	<u>(208)</u>	<u>(346)</u>
	(13,846)	(10,448)	(10,586)
Net Assets	<u>20,622</u>	<u>18,568</u>	<u>20,443</u>
Capital and Reserves			
Share Capital	789	789	789
Treasury Shares	(1,570)	(1,570)	(1,570)
Share Premium Account	1,135	1,135	1,135
Capital Redemption Reserve	205	205	205
Retained Earnings	<u>20,062</u>	<u>18,010</u>	<u>19,884</u>
	<u>20,622</u>	<u>18,568</u>	<u>20,443</u>

3. STATEMENT OF CASHFLOW

	Unaudited Six months ended		Audited Year ended
	29th September 2018 £'000	29th September 2017 £'000	25th March 2018 £'000
Cashflow from operating activities			
Income before taxation	588	725	2,991
Adjusted for:			
Increase in fair value of investment properties	-	-	(1,631)
Interest income	(2)	-	(1)
Interest expense	171	185	365
Profit on disposal of investment properties		-	(210)
Changes in:			
Trade and other receivables	613	100	(353)
Trade and other payables	99	(68)	36
Cash generated from operations	<u>1,468</u>	<u>942</u>	<u>1,197</u>
Income taxes paid		-	(294)
Interest paid	(172)	(188)	(365)
Net cash from operating activities	<u>1,296</u>	<u>754</u>	<u>538</u>
Cashflow from investing activities			
Interest and other income received	2	-	1
Purchase of investment properties	(4,823)	-	(98)
Sale of investment properties	-	750	1,473
Net cash from investing activities	<u>(4,821)</u>	<u>750</u>	<u>1,376</u>
Cashflow from financing activities			
Dividends paid	(298)	(278)	(454)
Drawdown on bank loans	3,260	-	-
Repayment of bank loans	-	(1,100)	(1,100)
Net cash from financing activities	<u>2,962</u>	<u>(1,378)</u>	<u>(1,554)</u>
Net (decrease)/ increase in cash and cash equivalents	(563)	127	359
Cash and cash equivalents at beginning of period	1,434	1,075	1,075
Cash and cash equivalents at end of period	<u>871</u>	<u>1,202</u>	<u>1,434</u>

4. STATEMENT OF CHANGES IN EQUITY

UNAUDITED SIX MONTHS ENDED 29TH SEPTEMBER 2018

	Share Capital £ 000	Capital Redemption Reserve £ 000	Share Premium Account £ 000	Treasury Shares £ 000	Retained Earnings £ 000	Total £ 000
Balance at 26 March 2018	789	205	1,135	(1,570)	19,884	20,443
Total comprehensive income for the period	-	-	-	-	477	477
Dividends	-	-	-	-	(298)	(298)

Balance at 29 September 2018	789	205	1,135	(1,570)	20,063	20,622
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UNAUDITED SIX MONTHS ENDED 29TH SEPTEMBER 2017

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 26 March 2017	789	205	1,135	(1,570)	17,706	18,265
Total comprehensive income for the period	-	-	-	-	581	581
Dividends	-	-	-	-	(278)	(278)
Balance at 29 September 2017	789	205	1,135	(1,570)	18,009	18,568

AUDITED YEAR ENDED 25TH MARCH 2018

	Share Capital	Capital Redemption Reserve	Share Premium Account	Treasury Shares	Retained Earnings	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 26 March 2017	789	205	1,135	(1,570)	17,706	18,265
Total comprehensive income for the year	-	-	-	-	2,632	2,632
Dividends	-	-	-	-	(454)	(454)
Balance at 25 March 2018	789	205	1,135	(1,570)	19,884	20,443

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 25th March 2018 which were prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and have been reported on by the Company's auditors. The financial information for the interim periods ended 25th September 2018 and 25th September 2017 has not been audited and the auditors have not reported on or reviewed these interim financial statements. The information for the year ended 25th March 2018 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.

Investment Properties

All the Company's investment properties are revalued annually and stated at fair value at 25th March. The aggregate of any resulting surpluses or deficits are recognised through the statement of comprehensive income.

Depreciation

In accordance with IAS 40, freehold and leasehold investment properties are included at the reporting date at fair value, and are not depreciated. Leasehold improvements are amortised over the period of the underlying lease. Depreciation of other plant and equipment is on a straight line basis calculated at annual rates estimated to write off each asset over its useful life of 5 years.

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 represents the value of accrued charges under operating leases for rental of the Company's properties. Revenue is measured at the fair value of the consideration received. 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 year based on the tax rate enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Taxable profit differs from income before tax as reported in the income statement 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 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.

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 in the statement of comprehensive income, including deferred tax on the revaluation of the asset.

Investments

Quoted investments are recognised as held at fair value, and are measured at subsequent reporting dates at fair value, which is either at the bid price, or the latest traded price, depending on the convention of the exchange on which the investment is quoted. Changes in fair value are recognised in profit or loss.

Trade and other accounts receivable

Trade and other receivables are initially measured at fair value as reduced by appropriate allowances for estimated irrecoverable amounts. 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 which 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. All trade and other accounts payable are not interest bearing.

Comparative information

The information for the year ended 25 March 2018 has been extracted from the latest published audited financial statements.

Pensions

Pension contribution towards employees' pension plans are charged to the statement of comprehensive income as incurred. The pension scheme is a defined pension contribution scheme.

Financial Instruments

Derivative financial instruments are initially measured at fair value at the contract date entered into, and subsequently measured to their fair value at each reporting date. Embedded derivatives are recognised separately

on the statement of financial position, when not closely related to the host contract. Changes in the fair value of derivative financial instruments are recognised in profit or loss.

6. DIVIDENDS

<u>Period</u>	<u>Payment Date</u>	<u>Per share (pence)</u>	<u>Amount absorbed £'000</u>
6 months to 29th September 2018	21st Dec 2018	7.00	190
6 months to 29th September 2017	17th Dec 2017	6.50	176
Year ended 25th March 2018	22nd July 2018	11.00	298

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income after taxation attributable to Ordinary Shareholders of £477,000 (2017: £581,000) by the weighted average number of 2,711,617 ordinary shares in issue during the period (2017: 2,711,617). There are no instruments in issue that would have the effect of diluting earnings per share.

For further information please contact:

Wynnstay Properties Plc

Toby Parker, Finance Director

020 7554 8766

Panmure Gordon (UK) Limited

Andrew Potts

020 7886 2500

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