

WYNNSTAY PROPERTIES PLC

Registered number: 00022473

ANNUAL REPORT and FINANCIAL STATEMENTS YEAR ENDED 25TH MARCH 2021

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WYNNSTAY PROPERTIES PLC
(Company incorporated in the United Kingdom)

DIRECTORS

P.G.H. COLLINS C.B.E.
(Non-Executive Chairman)

C.P. WILLIAMS, B.Sc., M.B.A., M.R.I.C.S.
(Managing Director)

C.H. DELEVINGNE
(Non-Executive Director)

P. MATHER B.Sc., F.R.I.C.S.
(Non-Executive Director)

C. M. TOLHURST, B.Sc., M.R.I.C.S., A.C.I.S.
(Non-Executive Director)

REGISTERED OFFICE

Hamilton House, Mabledon Place, London WC1H 9BB

AUDITORS

BDO LLP
55 Baker Street, London W1U 7EU

SOLICITORS

FIELDFISHER LLP
Riverbank House, 2 Swan Lane, London EC4R 3TT

NOMINATED ADVISER & BROKER

PANMURE GORDON (UK) LIMITED
One New Change, London EC4M 9AF

VALUERS

BNP PARIBAS REAL ESTATE ADVISORY &
PROPERTY MANAGEMENT UK LIMITED
5 Aldermanbury Square, London EC2V 7BP

REGISTRARS

LINK GROUP
65 Gresham Street, London EC2V 7NQ

BANKERS

C. HOARE & CO.
37 Fleet Street, London EC4P 4DQ

HANDELSBANKEN PLC
5 Welbeck Street, London W1G 9YQ

WYNNSTAY PROPERTIES PLC
SUMMARY OF PROPERTY PORTFOLIO
AT 25TH MARCH 2021

Aldershot	Eastern Road	1 Industrial Unit
Aylesford	Quarry Wood Industrial Estate	19 Industrial Units
Cosham	High Street	Offices
Hailsham	Crown Close Industrial Estate	7 Industrial Units
Heathfield	Station Road	5 Industrial Units
Hertford	Hertingfordbury Road	1 Industrial Unit
Ipswich	Trinity Street	5 Industrial Units
Lewes	Brooks Road	2 Retail Warehouse Units
Lichfield	1-4, Prospect Drive	4 Industrial Units
Liphook	Beaver Industrial Estate	17 Industrial Units
Liphook	Beaver Industrial Estate	Development Land
Midhurst	North Street	1 Retail Unit
Norwich	City Trading Estate	6 Industrial Units
Petersfield	Petersfield Trade Park	6 Industrial Units
Petersfield	Bedford Road	Development Land
Surbiton	St James Street	Offices
Uckfield	Bell Lane	4 Industrial Units
Weston-super-Mare	Phillips Road	1 Retail Warehouse Unit

All the above properties are Freehold.

WYNNSTAY PROPERTIES PLC

CHAIRMAN'S STATEMENT

The Covid-19 pandemic and the resulting measures and restrictions imposed by the government have had a profound impact on many aspects of business and economic activity, in addition to their serious effects on families, friends and social activity; and they have created great challenges for the conduct of business operations as well as for all of us in our day-to-day personal lives. At Wynnstay, we have adapted our operations, risen to these challenges and worked constructively with our tenants, suppliers and professional advisers. As a result, I am delighted to report that Wynnstay has come through the year unscathed, in robust health and with excellent financial performance for shareholders. This is reflected in the following overview table.

Overview of financial performance

	Change	2021	2020
• Property income	-5.8%	£2,140,000	£2,271,000
• Profit before movement in fair value of investment properties, property sales and taxation	+2.1%	£1,179,000	£1,155,000
• Profit after movement in fair value of investment properties, property sales and taxation	+2,970%	£3,653,000	£123,000
• Earnings per share	+2,970%	134.7p	4.5p
• Dividends per share, paid and proposed	+40.0%	21.0p	15.0p
• Net asset value per share	+15.0%	911p	792p
• Loan to value ratio		29.4%	36.5%
• Gearing ratio		32.4%	52.2%

Impact of Covid-19 pandemic

In common with most other companies, we moved our internal operations to remote working so that, for instance, all Board meetings in the year have been held virtually as has all other contact between Board members. Similarly other meetings with parties concerning the portfolio have been held virtually wherever possible.

Nevertheless, our Managing Director Paul Williams has continued, as far as practicable and consistent with the restrictions in place, to visit our properties, especially the multi-let estates, to keep in touch with tenants, discuss the impact of the pandemic on their businesses and to identify any potential issues affecting our interests.

The impact of the pandemic on commercial property was the subject of extensive press coverage in the early part of the year with particular focus on the effect on certain sectors of the market, notably retail, hospitality and leisure where Wynnstay does not have a significant representation in its portfolio, and on tenants' anticipated cash flow problems and thus on their ability to pay their rents when due.

Following the lifting of the first lockdown in the early summer of 2020, most of our tenants were able to resume their operations. During the second half of 2020 and the first quarter of 2021, despite further lockdowns and continuing restrictions, a number of our tenants that are part of quoted public companies reported increases in sales and profits as a result of higher levels of consumer spending on their goods and services, mainly related to home improvement and building trades.

CHAIRMAN'S STATEMENT (continued)

As I reported last year, we have engaged particularly with small business tenants facing potential cash flow problems to explore how we might be able to help them. In particular we have accepted, as a concessionary arrangement for a limited period, monthly instead of quarterly in advance rent payments and, in a few cases, we have deferred part of a quarter's rent, spreading its payment over the remainder of our financial year. We have also granted two small business tenants concessionary arrangements in the form of rent holidays or longer term rent deferrals to assist them as their businesses were particularly seriously affected by the pandemic. The rental income foregone as a result of these arrangements in the year was £29,000. There have also been cases where we have been able to vary existing lease terms in a mutually beneficial way by extending leases or removing tenant break options, thus providing some short term cash flow relief for tenants while securing longer term rental income and potential increase in capital value for Wynnstay.

The pandemic has resulted in additional Board meetings and consultations between the Directors, with close focus on our tenants and the impact of government measures and restrictions on their businesses. There has been intensive management activity across the portfolio, which is described below. The outcome for the financial year was very uncertain in the spring and summer of 2020. In the event it has been a very successful year.

Portfolio

Rental income of £2,140,000 was slightly lower than last year (2020: £2,271,000).

Whilst we did not receive income from the two vacant units at Oakcroft Business Centre, Chessington, on which I have previously reported, this was offset by additional income from elsewhere in the portfolio where we have been through an extremely busy year of lease renewals, rent reviews and new lettings of premises that became vacant for various reasons. The benefits of this intensive activity are also reflected in the outcome of the portfolio revaluation described in the following section. Negotiations and completion of these transactions have taken place within normal timescales, despite the constraints of lockdowns and the requirement for remote working.

A particular focus of the activity was our Quarry Wood Industrial Estate at Aylesford, where the leases of nine of the eighteen units, let to five longstanding tenants, came up for renewal. We were able to retain all of our tenants and achieve very satisfactory outcomes in the negotiations for new leases at increased rents reflecting the healthy demand for good quality industrial units both in the area and in the south-east of England generally. In addition, we negotiated a surrender payment from one tenant and the reletting of the unit to a new tenant on current market terms, thus maintaining unbroken continuity of rental income.

In negotiations with existing tenants at Petersfield Business Park, we were also successful in renewing the lease of one unit at an increased rent and in retaining the tenants of two other units for the full remaining term of their leases by removing a future tenant break option in return for a short rent holiday, to which they would have been entitled if the future break option had not been exercised. Both transactions again reflected the healthy local market conditions for good quality premises and enabled us to retain tenants and full occupancy of our property.

On Beaver Industrial Estate at Liphook, we successfully completed one lease renewal and one rent review, again at increased rents reflecting the local market conditions. One tenant, an independent car parts wholesaler, went into liquidation in the second half of the year owing several months' rent and the appointed liquidator, who was unable to sell the business, subsequently disclaimed the lease and handed the unit back to us complete with all tenants' fixtures, fittings and stock. The unit has been cleared of this stock which is being sold and, as a result, we expect to receive some recoveries to set against the rent owed. The unit is being refurbished and is on the market to rent.

At City Trading Park Norwich, following the sale of a long established business by our previous tenant, we agreed terms with the new owner and renewed the leases of the three units that they now occupy. At Heathfield, we negotiated a surrender payment from one tenant and immediately relet the unit to a new tenant, who has subsequently carried out significant improvements to the unit. At Uckfield, we let two vacated units to new tenants at increased rents, and at Hailsham we let a vacated unit to a tenant already occupying two other units who required more space and, as part of the letting, we extended the term of both the existing leases.

CHAIRMAN'S STATEMENT (continued)

We were also successful in negotiations regarding the leases of two longstanding tenants. The lease to Majestic Wine of our retail warehouse property at Weston-super-Mare has been renewed for a further period at an increased rent. After negotiations with our tenant at Aldershot, including an agreement on various works to be undertaken to enhance the structure and interior of the property to which we have made financial contributions, a new lease has been completed at a significantly increased rent.

At our Petersfield development site, Parkers Trade Park 2, situated adjacent to our existing property at Bedford Road in the main commercial area of the town, we have recently signed a construction contract for the development. This will comprise a terrace of three trade counter units totalling 12,750 square feet. Construction started in late April and is expected to be completed towards the end of the calendar year. We have also signed agreements for lease on two of the three units to well-known trade counter businesses, Screwfix and Toolstation. The third unit is currently being marketed targeting principally, but not exclusively, other trade counter occupiers.

It will be recalled that we had been seeking to relet the two vacant units at Oakcroft Business Centre, Chessington since the previous tenant vacated. While we were optimistic about securing replacement tenants and there was some encouraging initial interest, the commercial letting market for these units proved to be limited, no doubt in part due to the pandemic and we therefore decided to offer the whole property for sale. As announced on 22 February 2021, we achieved a price of £3.225 million compared to the book value in our 2020 accounts of £2.12 million, thus resulting in a profit of £1.105 million, before sale costs and taxation. In addition, the sale enabled us to release a provision of £122,000 being held in our accounts for repairs prior to reletting, representing the dilapidations receipt from the former tenant.

The result of all the intensive activity described above is that, at the year end, the portfolio was 99% let, with the only unlet premises being the vacant unit at Liphook which, as noted above, is being refurbished and is on the market to rent.

Portfolio Valuation

Our Independent Valuers, BNP Paribas Real Estate, undertook the annual revaluation of the Company's portfolio as at 25 March 2021 valuing it at £34,005,000. This represents an increase of £1,865,000 on the valuation as at 25 March 2020, adjusted for the sale of Oakcroft Business Centre, Chessington.

Revaluation adjustments, positive or negative, are reflected together with property income and profits or losses from disposals in the statement of comprehensive income, thus resulting this year in higher earnings per share of 134.7p compared to the prior year (2020: 4.5p). This accounting treatment can result in significant variations in earnings per share over the years, as is the case comparing this year with last year.

The Board consider the outcome of the revaluation to be satisfactory, especially as it more than offsets the reduction last year, which reflected the uncertainty at the start of the Covid pandemic. It demonstrates the strengths of the changes that we have made in the portfolio over recent years and the benefits of our active management policy and of working closely with our tenants to our mutual benefit.

Profits, Costs and Accounting Treatment of Property Income

Net income before movement in fair value of investment properties, property sales and taxation for the year was £1,184,000. The result is not dissimilar to the previous year (2020: £1,155,000) although the figure for this year reflects both other property income from dilapidations receipts and additional property costs discussed further below.

The net profit of £1,066,000 from the sale of Oakcroft Business Centre, Chessington is also reflected in the accounts for the year together with a further £55,000 profit in respect of the dilapidations receipt received on our former Basingstoke property which was sold in a prior year.

The combined result of this net profit and the positive movement in the fair value of investment properties (compared to the negative movement in the prior year) and the other property income from dilapidations receipts, resulted in profit before taxation for the year of £4,048,000 (2020: £258,000).

CHAIRMAN'S STATEMENT (continued)

Our policy of exercising tight control over administrative costs has continued to be effective. Property costs were significantly higher than in the prior year at £255,000 (2020: £116,000) for two main reasons. First void costs, such as council tax, security and insurance, were incurred in respect of the two unlet units at Chessington until the property was sold. Secondly, as mentioned above, we invested in significant improvements at our Aldershot property as part of arrangements for the new lease with our longstanding tenant.

Property income this year includes, in addition to rental income, other property income in the form of dilapidations receipts from outgoing tenants. Until the last few years, the amounts involved have been modest. Recently they have become more significant, as illustrated by the unutilised £122,000 dilapidations receipt in relation to the Chessington property.

The treatment of these receipts has been to account for the obligation to incur the cost of repairs until such time as they are not required. Following specialist accounting and taxation advice, all unutilised dilapidations receipts have been taken to revenue. In order to distinguish these receipts from normal rental income, they are now recorded in revenue as £298,000 of other property income for the year to 25 March 2021 (2020: £nil). Further details are set out in the Financial Statements, Notes 2, 11 and 15.

Finance, Borrowings, Gearing and Refinancing of Bank Facilities

At the year end, we held cash of £2.0 million (2020: £1.3m), our borrowings were £10.0 million (2020: £12.5 million) and net gearing was 32.4% (2020: 52.2%). Following the sale of the Chessington property, we used a major part of the proceeds received to reduce our borrowings by repaying in full the amount drawn down under our revolving credit facility. Under this facility, we are able to drawdown again up to £3.5 million if and when we wish to do so. We also continue to have an arrangement that we can, in principle and without commitment, increase our borrowings to a maximum of £15 million.

Our current five year £10m fixed rate and £3.5m revolving credit facilities with Handelsbanken plc expire in December 2021. In late 2020, we invited the bank to renew the facilities for a further period of just over five years to December 2026. Handelsbanken provided indicative terms and subsequently confirmed credit approval in February 2021.

On 14 June 2021 we signed an agreement for a new five-year facility of £10 million, which offers the Company the choice at drawdown of fixed or floating rates of interest linked to the Bank of England Base Rate. Under the agreement, the financial covenants are the same as in the existing facility and the facility will be available for drawdown up to and including 17 December 2021. We intend to drawdown under this new facility to refinance the existing £10m facility on or before its expiry on 17 December 2021.

Due to the complexities of transitioning from LIBOR to Bank of England Base Rate as the reference rate for revolving credit facilities, Handelsbanken has advised that, as at 17 June 2021, it is not yet in a position to offer to refinance the existing £3.5 million revolving credit facility. It currently hopes to begin offering revolving credit facilities around the start of the calendar quarter beginning 1 July 2021 and has indicated, without formal commitment, that it intends (subject to contract, market conditions, satisfactory due diligence and documentation) to refinance our existing £3.5m facility. Indicative terms and a draft agreement have been provided, with the same financial covenants and the detailed terms being similar to those under the new £10m facility.

Dividend

Over recent years we have sought to pursue a progressive dividend policy that aims to provide shareholders with a rising income commensurate with Wynnstay's growth and finances. Last year, and in line with many quoted companies, we concluded that we had to review our dividend policy and to pause its implementation due to the uncertainties caused by the pandemic. As a result the second dividend paid last year was reduced.

CHAIRMAN'S STATEMENT (continued)

In the light of the excellent results for the year, the Board considers that we can restore the policy and recommends a final dividend of 13.0p per share (2020 second interim: 7.5p). The comparable dividend for 2019 was 12.0p per share, so the final dividend this year represents an increase of 8.3% on that, more normal, year. An interim dividend of 8.0p per share (2020: 7.5p) was paid in December 2020. The comparable total dividend for 2019 was 19.0p per share, so the total dividend for this year of 21.0p per share represents an increase of 10.5% on that of two years ago.

Subject to shareholder approval, the final dividend will be paid on 27 July 2021 to shareholders on the register at the close of business on 9 July 2021.

Outlook

The government measures in force over the last quarter of the financial year have been relaxed in stages over the recent months. For Wynnstay, as for many other businesses, the outlook will depend on the shape and speed of recovery from the impact of the pandemic and the permanent removal of those and any similar measures. This is likely to depend on consumers' willingness to spend money saved during lockdown and on government incentives to encourage such spending for businesses to invest for the future.

We are very encouraged by the fact that our contacts with most tenants suggest that they are positive about the outlook for their businesses and also by the results of the intensive management activity in the portfolio described above.

Our active, but conservative, approach to building the portfolio has stood Wynnstay and you, as shareholders, in good stead over many years, including over some very difficult periods in the economy such as at the time of the banking crisis and now through the pandemic. Our borrowings are very conservative relative to our assets. We ended the year with £3.5m of headroom within our facilities.

We continue to carefully monitor the receipts of our adjusted rental income, taking account of the concessionary arrangements mentioned above. I am pleased to report that, as at the date of writing the Company has received 99% of the rental income due for the first quarter of the current financial year commencing 26 March 2021.

Although we hope that the most serious effects of the pandemic on tenants are now behind us, the Board considers that it is important to monitor the position across the portfolio very carefully and we continue to do so.

So while nothing can be certain especially given what we have just been through, the Board remains confident about Wynnstay's portfolio, its business and its future.

Colleagues and Advisers

Wynnstay has only one full-time employee, our Managing Director Paul Williams. I, and my Non-Executive Director colleagues, are part-time, as are our finance and company secretarial colleagues. I would like to thank them all, as well as those who work with them and our various advisers, for their contributions to meeting the challenges over the past year, especially those arising from the need to work remotely and flexibly to meet the constraints imposed by the circumstances that we have all faced.

In recognition of his significant contribution in delivering his objectives and an excellent outcome for shareholders in a challenging and unusual year, the Board determined that Paul Williams should receive a bonus for the financial year of £30,000.

Shareholder Matters

From time to time we receive enquiries from shareholders with questions about their shareholdings or about buying or selling Wynnstay shares or transferring them, typically to relatives.

CHAIRMAN'S STATEMENT (continued)

All enquiries about shareholdings, including changes of address and bank details and about such transfers of shares, should be directed to our Registrars, Link Group, whose details are on page 53 of this report.

As regards buying or selling shares, this can be carried out by registering the holding online with our Registrars, Link Group, via their secure share portal www.signalshares.com, which also enables shareholdings to be managed quickly and easily. Shares can, of course, also be bought and sold in the usual way through a stockbroker or an online platform.

The Board is aware that the liquidity in the market for Wynnstay shares can be relatively thin, with only small volumes being traded and involve large spreads between bid and offer prices. Over the coming months we will be reviewing ways in which this issue might be addressed and how the marketability of Wynnstay shares can be improved generally. Any shareholder with views on this subject is welcome to contact the Company to express them and we also expect to engage with our shareholder base directly to seek opinions. We hope to update shareholders on our conclusions following this consultation at the time of the Interim Report in November.

We introduced last year the opportunity for shareholders to ask the questions in writing that they might have wished to ask in person at the Annual General Meeting since that was a closed meeting due to the pandemic. We are continuing this practice this year and shareholders may of course raise questions with the Company at any time during the year, whether to me or to the Managing Director.

“Boiler Room Scams”

Shareholders in many quoted companies receive unsolicited phone calls, emails or correspondence, commonly called “boiler room scams”, concerning investments matters and often mentioning the names of individual companies like us. Typically, they will claim to be “brokers”, “investment banks” or “law firms” representing a party with a holding that wishes to make a takeover offer and to buy shares at prices much higher than market prices. If the recipient engages, this usually leads to a request for shareholders to provide personal financial information, including bank details, or to pay money for documents or worthless securities. These contacts generally come from organisations based overseas or using false UK addresses or phone numbers routed from abroad. Even if a caller or communication may sound or appear credible, the purpose is usually fraudulent: to obtain either personal information or money, or both. Approaches can be persistent and persuasive unless they are immediately declined.

As always, I urge all shareholders to continue to be vigilant about any such approaches. There is nothing that we can do to deter or stop them, or the use by callers of Wynnstay’s name or details of shareholdings. On Wynnstay’s website (www.wynnstayproperties.co.uk), shareholders will also find a warning and a link to other information about unsolicited approaches regarding shares on the Financial Conduct Authority’s website (<https://www.fca.org.uk/scamsmart>).

Annual General Meeting

As you know we normally hold the Annual General Meeting (AGM) in London in mid to late July. The AGM provides an important and valued opportunity for the Board to engage with shareholders. Last year, it was not possible to hold the meeting in the normal way due to the pandemic and therefore we held a “closed” meeting in mid-September under the provisions enacted by the government to facilitate the holding of AGMs during the pandemic.

During the preparation of our annual report to shareholders, it seemed likely that due to the forthcoming relaxation or removal of government measures and guidance, we would be able to hold the meeting in the usual form and to welcome the maximum number of shareholders we could accommodate within any continuing safety constraints government measures and guidelines and the requirements of the venue.

However, in the past few days, the government has announced that the existing regulations will continue for at least another four weeks and it seems possible that there could be a further extension or, at least, some continuing restrictions. Most pertinently, the current regulations place a limit on the number of individuals and households permitted to gather indoors.

In the light of these developments, the Board has decided, with great reluctance, to restrict attendance at this year's AGM. It considered, but dismissed, the possibility of deferring the AGM until mid-September due to the possibility of further waves of the pandemic resulting in new restrictions after the summer.

The AGM will therefore be held at **2.30pm on Tuesday 20 July 2021 at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS**. The Notice of Meeting is to be found at the end of this Annual Report. As for all our meetings in recent years, the notice of meeting includes, in addition to routine business, two further resolutions. These resolutions would give the Board authority, limited in both amount (5% of share capital) and time (December 2022 at the latest) to issue shares, including shares held in Treasury, and to do so without first offering them to existing shareholders.

The Board will ensure a quorum is present and we recommend that, in view of the current regulations on indoor gatherings, no other shareholders attend in person. The meeting will be purely functional and address just the formal resolutions detailed in the notice of meeting necessary to enable the Board to conduct the business and affairs of the Company. Voting on all resolutions will be conducted by poll vote and I strongly encourage you to complete and return a form of proxy to ensure that your votes are included.

You will need to appoint "the Chairman of the meeting" as your proxy as no other person will be able to attend the AGM on your behalf this year. To do so, simply follow the instructions on the Form of Proxy and return your form so as to be received no later than 48 hours before the commencement of the meeting.

Shareholders who have registered for Link services online can also benefit from the ability to cast their proxy votes electronically, rather than by post. Shareholders not already registered for Link services online will need their investor code, which can be found on their share certificate or dividend tax voucher, in order to register.

In the unlikely event that a further change in government regulation make it both possible and practicable to hold the meeting at the last minute as an open meeting we will notify shareholders via an announcement on the Regulatory News Services and on our website.

To maximise shareholder engagement in these difficult circumstances, shareholders are encouraged to ask those questions in writing that they might have wished to ask in person at the AGM. Questions should be emailed to company.secretary@wynnstayproperties.co.uk or sent by letter to me at the Company's office in advance of the AGM. You will receive a written response and, if there are common themes raised by a number of shareholders, we aim to provide a summary for all shareholders, grouping themes and topics together where appropriate, on the Company's website following the AGM.

Finally, on behalf of the Board, I would like to thank shareholders for their continued support for Wynnstay over a period of considerable uncertainty and challenges, which I hope is now largely behind us so that we can all return to more normal ways of personal and business life.

Philip Collins
Chairman
17 June 2021

WYNNSTAY PROPERTIES PLC

REPORT OF THE DIRECTORS 2021

The Directors present their One Hundred and Thirty-Fifth Annual Report, together with the audited Financial Statements of the Company for the year ended 25 March 2021.

Following the adoption by the Company of the Quoted Company Alliance Corporate Governance Code (the Code) certain matters required by the Code to be included in the Annual Report are now addressed in this report, the Strategic Report or the Corporate Governance Report with cross-references provided where appropriate. The three reports should be read together with the Chairman's Statement and the additional information required by the Code published on the Company's website.

Business and Future Development

As the Code requires a description of the business, strategy and business model promoting long-term value for shareholders to be included in the Annual Report and similar information is also required by company law to be included in the Strategic Report, these matters are dealt with in the Strategic Report on pages 14 to 16.

Financial Objectives and Risks

As the Code requires a description of effective risk management systems to be included in the Annual Report and company law requires a description of financial risk management objectives and policies, information on exposure to risks and a description of the principal risks and uncertainties facing a company, these matters are all dealt with in the Strategic Report as well as in Note 1.3 of the financial statements.

Profit for the Year

The profit for the year after taxation amounted to £3,653,000 (2020: £123,000). Details of movements in reserves are set out in the statement of changes in equity.

Dividends

The Directors have decided to recommend a final dividend of 13.0p per share for the year ended 25 March 2021 payable on 27 July 2021 to those shareholders on the register on 9 July 2021. This dividend, together with the interim dividend of 8.0p paid on 18 December 2020, represents a total for the year of 21.0p (2020: 15.0p).

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors prepared the Company's financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by applicable law. The Directors must only approve the financial statements if they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the reporting period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the financial statements may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS 2021 (continued)

Directors

The Directors holding office during the financial year under review and their interests (including spouses, related parties and non-beneficial interests, where applicable) in the ordinary share capital of the Company at 25 March 2021 and 25 March 2020 are shown below:

		Ordinary Shares of 25p	
		25.3.21	25.3.20
P.G.H. Collins	Non-Executive Chairman	850,836	850,836
C.P. Williams	Managing Director	11,612	11,612
C.H. Delevingne	Non-Executive Director	5,000	5,000

The interests shown above in respect of Mr. P.G.H. Collins include non-beneficial interests of 229,596 shares at 25 March 2021 and 2020.

Mr. C.P. Williams has a service agreement with the Company under which his employment is subject to six months' notice of termination by either party.

In accordance with the Company's Articles of Association, Mr Paul Williams and Mr Charles Delevingne retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

Biographies of each of the Directors are available on the Company's website and on page 52 of this report.

Directors' Emoluments

Directors' emoluments for the year ended 25 March 2021 are set out below:

	<u>Salaries</u>	<u>Fees</u>	<u>Pension</u>	<u>Benefits</u>	Total 2021	Total 2020
P.G.H. Collins	–	42,500	–	–	42,500	42,500
C.P. Williams	159,000	15,850	12,900	7,996	195,746	159,896
C.H. Delevingne	–	15,850	–	–	15,850	15,850
P. Mather	–	15,850	–	–	15,850	15,850
C.M. Tolhurst	–	<u>20,850</u>	–	–	<u>20,850</u>	<u>20,850</u>
Total 2021	<u>£159,000</u>	<u>£110,900</u>	<u>£12,900</u>	<u>£2,446</u>	<u>£290,796</u>	
Total 2020	<u>£129,000</u>	<u>£120,146*</u>	<u>£12,600</u>	<u>£2,466</u>	<u>£264,192*</u>	

*Totals include fees of £9,246 paid to a former Director, Mr T.J.C. Parker, in the financial year ended 25 March 2020.

The above figures for 2021 include a discretionary bonus payment of £30,000 to Mr C.P. Williams being the amount determined by the Board to reflect his performance during that year. No discretionary bonus payment was determined by the Board to be payable for the previous financial year.

Directors' and Officers' Liability Insurance

The Company has maintained Directors' and Officers' insurance as permitted by the Companies Act 2006.

REPORT OF THE DIRECTORS 2021 (continued)

Interests in the Company's Shares

As at 17 June 2021, the Directors have been notified or are aware of the following interests (including spouses, other related parties and non-beneficial interests, where applicable, for both financial years), which are in excess of three per cent of the issued ordinary share capital of the Company, excluding shares held in treasury:

	No. of Ordinary Shares of 25p	Percentage of Share Capital 2021	Percentage of Share Capital 2020
P.G.H. Collins	850,836	31.38%	31.38%
G. J. Gibson	272,192	10.04%	10.04%
D. N. Gibson	121,378	4.47%	4.47%
Dr. G.L.A. Bird	112,000	4.13%	4.13%
J.V. Bird	111,750	4.12%	4.12%

Going Concern

The Directors consider, as at the date of approving the financial statements, that there is reasonable expectation that the Company has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements.

Following the declaration by the World Health Organisation of Covid-19 as a global pandemic in March 2020, governments in the UK and elsewhere have taken lockdown and other measures which include compulsory business closures, limitations on their operations and restrictions on movement of people and on their activities. Whilst these measures have gradually been lifted, this event has had the potential to impact the Company and its business and is considered further in the Strategic Report, which is expressly incorporated by reference into this report.

The Company has performed a series of financial stress tests, described in Note 1.1 to the Financial Statements which is expressly incorporated by reference into this report, to ensure that the Company has sufficient cash resources and bank facilities and sufficient covenant margin to manage the potential financial impact of the Covid-19 pandemic on its business under going concern principles.

Internal Control

The Directors are responsible for the Company's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The Directors have established procedures for planning and budgeting and for monitoring, on a regular basis, the performance of the Company.

Statement as to Disclosure of Information to Auditors

Each of the persons who are Directors at the time when this report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditor

BDO LLP has indicated its willingness to continue in office and a resolution will be proposed at the Annual General Meeting to reappoint BDO LLP as auditor for the next financial year.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 20 July 2021, is set out at the end of the Annual Report.

By Order of the Board
Susan Wallace
Secretary
17 June 2021

WYNNSTAY PROPERTIES PLC

STRATEGIC REPORT 2021

The Directors present their Strategic Report for the year ended 25 March 2021.

Following the adoption by the Company of the Quoted Company Alliance Corporate Governance Code (the Code) certain matters required by the Code to be included in the Annual Report are now addressed in this report, the Directors' Report or the Corporate Governance Report with cross-references provided where appropriate. The three reports should be read together with the Chairman's Statement and the additional information required by the Code published on the Company's website.

Business, Business Model, Strategy and Future Development

Wynnstay is a long-established, successful property investment company focusing on acquiring, managing and developing commercial property primarily, but not exclusively, in the south and south-east of England.

Through careful property selection, active direct property management and promoting constructive business relationships with tenants, Wynnstay continues to grow and develop a diversified property portfolio.

Wynnstay's strategy is to secure growth in net rental income and net asset value to provide shareholders with long-term value, including a progressive dividend policy consistent with an appropriate level of dividend cover.

Key challenges in the execution of this strategy are identifying and securing changes to the portfolio, whether by acquisition or disposal, and managing the risks of the commercial property market.

A review of the Company's business, its development and performance for the year, its position at the end of the year and its future prospects is included in the Chairman's Statement on pages 4 to 10. The financial statements and notes are set out below.

Financial Objectives and Performance Indicators

The key financial objectives for the Company are to grow the rental income and the capital value of the property portfolio and thus the net asset value per share. The pursuit of these objectives has delivered the following results:

- Decrease in rental income: 5.8% (2020: increase of 2.5%).
- Increase in net asset value per share: 15.0% (2020: decrease of 1.9%).

The Directors consider that the rental income achieved to be satisfactory in the circumstances in light of two units at Oakcroft Business Centre, Chessington being vacant throughout the year. The significant increase in net asset value largely results from the sale of that property during the year and the fair value movement of investment properties following the revaluation of the investment portfolio as at 25 March 2021.

The Directors will continue to search for profitable investment opportunities and make changes to enhance the value of the portfolio as and when such opportunities arise.

Risks, Uncertainties and Effective Risk Management

The principal risks and uncertainties are those associated with the commercial property market, which is cyclical by its nature and include changes in the supply and demand for space as well as the inherent risk of tenant failure. In the latter case, the Company seeks to reduce this risk by requiring the payment of rent deposits when considered appropriate and monitoring the income exposure to any tenant contributing more than 2% of total rental income on a quarterly basis.

Other risk factors include changes in legislation in respect of taxation and the obtaining of planning consents, as well as those associated with financing and treasury management including interest rate risk. The Company's financial risk management policies can be found at Note 19 of the financial statements.

In common with all other business activities, the Company is exposed to many of the usual risks and uncertainties arising from commercial, economic and political circumstances and events, as well as to unpredictable external shocks, such as the Covid-19 pandemic.

STRATEGIC REPORT 2021 (continued)

Following the declaration by the World Health Organisation of Covid-19 as a global pandemic, governments in the UK and elsewhere have taken lockdown and other measures which include compulsory business closures, limitations on their operations and tight restrictions on movement of people and on their activities.

The Covid-19 pandemic and the government's lockdown and other measures have not had a material adverse impact on the Company and its business during the year. Whether they will do so in the future will depend on the success of the measures taken by the government to control Covid-19, its schemes to support business and the overall impact on the UK economy and the shape and speed of the recovery.

The main risks the Board have identified together with actions that it has already taken and continues to take to ensure the Company manages these risks and emerges from the Covid-19 pandemic in a position of continued financial strength, are summarised below:

- Potential income reduction and bad debts as tenants have difficulty in maintaining rent payments and potential voids within the portfolio arising from tenant failures, resulting in additional costs;
- Impact on the economy and market sentiment generally adversely affecting the commercial property market and commercial property values;
- Disruption to the businesses of letting agents, property professionals and the general services on which the business relies;
- Disruption to the supply chain for raw materials and construction products and restrictions on the labour market and level of activity on site on any developments it may undertake;
- Staff operating from home or otherwise unable to work or absent from work, and reliance on remote working both within the business and with our tenants, agents and suppliers.

The Company carefully vets prospective new tenants from a credit risk perspective. Bad debts are mitigated by close engagement with businesses within a diversified mix of tenants across the portfolio. In addition, where possible, those tenants with viable businesses are actively assisted and supported, especially small and medium sized businesses that are encountering cash flow difficulties arising from the pandemic.

The Board monitors carefully its adjusted rental income receipts, taking account of any concessionary arrangements agreed with tenants. The Company has received all of the adjusted rental income due for the financial year ended 25 March 2021 and the portfolio was 99% let by rental value as at 25 March 2021.

The Board will continue this careful monitoring and to take any actions that may be required to support tenants as well as to protect and recover income due. The Board has also intensified the regular detailed review of the portfolio, including feedback from engagement with tenants, in order to assess the risk of tenant failures.

The Company uses an array of professional services, and all these have been effectively working remotely for the most part during the financial year. The Company did not experience any difficulties in service provision.

Directors' duty to promote the success of the Company under Section 172 Companies Act 2006

The Strategic Report is required to include a statement that describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172. Some of the matters identified in Section 172(1) are already covered by similar provisions in the QCA Corporate Governance Code and have thus been previously reported by the Company in the Corporate Governance Statement, the Corporate Governance Report and the QCA Statement of Compliance on our website. In order to avoid unnecessary duplication, the relevant parts of those documents are identified below and are to be treated as expressly incorporated by reference into this Strategic Report.

Under section 172 (1) of the Companies Act 2006, each individual Director must act in the way he considers, in good faith, would be the most likely to promote the success of the company for benefit of its members as a whole, and in doing so have regard (among other matters) to six matters detailed in the section.

In discharging their duties, the Directors seek to promote the success of Wynnstay for the benefit of members as a whole and we have regard to all the matters set out in Section 172(1), where applicable and relevant to the business, taking account of its size and structure and the nature and scale of its activities in the commercial property market. The following paragraphs address each of the six matters in Section 172(1) (a) to (f).

STRATEGIC REPORT 2021 (continued)

(a) The likely consequences of any decision in the long term: The commercial property market is cyclical by nature. Investing in commercial property is a long-term business. The decisions that we take must have regard to long term consequences in terms of success or failure and managing risks and uncertainties. We cannot expect that every decision we take will prove, with the benefit of hindsight, to be the best one: external factors may affect the market and thus change conditions in the future, after a decision has been taken. However, we consider that our record of decisions on acquisitions, disposals and active management of the portfolio is very strong. This is reflected in the long term performance of Wynnstay over the years in terms of increases in rental income, net asset value and dividends paid to shareholders.

(b) The interests of the company's employees: We have only one full time employee, who is the Managing Director. He sits on the Board with the Non-Executive Directors. There are no other employees.

(c) The need to foster the company's business relationships with suppliers, customers and others: We have regularly reported in our annual reports on the constructive relationships that Wynnstay seeks to build with its tenants and the mutual benefits that this brings to both parties; and we have extended this reporting over the past two years following Principle 3 of the QCA Code to include suppliers and others. This is therefore addressed under Principle 3 in the QCA Compliance Statement. In the past year, it has been vital to foster our business relationships with tenants given external factors affecting business and the economy such as such as political uncertainty and the Covid-19 pandemic.

(d) The impact of the company's operations on the community and the environment: This is also addressed under Principle 3 of the QCA Code in the QCA Compliance Statement. Due to its size and structure and the nature and scale of its activities, the Board considers that the impact of Wynnstay's operations as a landlord on the community and the environment is low. Wynnstay's assets are used by its tenants for their own operations rather than by Wynnstay itself. In the past year, Wynnstay has not been made aware of any tenant operations that have had a significant impact on the community or the environment. In relation to planned developments, Wynnstay seeks to ensure that designs and construction comply with all relevant environmental standards and with local planning requirements and building regulations so as not to adversely affect the community or the environment.

(e) The desirability of the company maintaining a reputation for high standards of business conduct: This is addressed under Principle 8 of the QCA Code in the Corporate Government Statement and in the QCA Compliance Statement. The Board considers that maintaining Wynnstay's reputation for high standards of business conduct is not just desirable: it is a valuable asset in the competitive commercial property market.

(f) The need to act fairly as between members of the company: Wynnstay has only one class of shares. Thus all shareholders have equal rights and, regardless of the size of their holding, every shareholder is, and always has been, treated equally and fairly. Relations with shareholders are further addressed under Principles 2, 3 and 10 of the QCA Code in the Corporate Governance Report and the QCA Compliance Statement. We have been reviewing how we communicate with shareholders and we encourage shareholders to adopt electronic communications and proxy voting in place of paper documents where this suits them as well as to raise questions in writing if they are unable to attend annual general meetings.

This Strategic Report was approved by the Board and is signed on its behalf by:

Philip Collins
Director
17 June 2021

WYNNSTAY PROPERTIES PLC

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

As Chairman, it is my responsibility, working with my fellow Board colleagues, to ensure that good corporate governance arrangements and standards apply within the Company. Our corporate governance structure has evolved over many years since we became one of the first companies admitted to AIM in 1995 and for some time now our Annual Report has described our structure. We have adopted and adapted practices and procedures to promote good governance that are considered appropriate for a company of Wynnstay's size and structure and the nature and scale of its activities. We have strived, as the business has grown and changed, for continual improvement making changes in recent years, for instance, in management information flows and risk management reviews.

In September 2018, the Company adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the Code). The Code is constructed around ten broad principles, which are set out in the Corporate Governance Report.

Our Statement of Compliance has been reviewed and updated concurrently with the preparation of this Annual Report and will be placed on the website together with the index to signpost the location of disclosures required by the Code.

At Wynnstay, we apply the principles of the QCA Code to the extent reasonable and practicable for a company of our size and structure and the nature and scale of our activities, recognising the flexibility that lies within the Code so that it is neither a bureaucratic, box-ticking exercise nor results in unnecessary, inappropriate or burdensome processes and procedures. So, for instance, we do not see the need, in a company of this size with one full-time employee, the Managing Director, for separate remuneration and audit committees, where the functions undertaken typically by those committees can be fully and properly carried out by the Non-Executive Directors working formally as a group to consider remuneration and the audit plan, process and outcome. We have used individual and group review and self-assessment suited to our small size and structure, rather than formal external Board and individual performance reviews. During the financial year the Board conducted an evaluation of its performance through a self-assessment process. The results are described under Principle 7 of the Code in the Corporate Governance Report. The evaluation is considered to have been worthwhile and delivered useful insights to the work of the Board.

The Board acknowledges that a corporate culture based on sound ethical values and behaviours is an asset and provides competitive advantages in the commercial property market where competition is intense and prospective and existing tenants are seeking good quality premises that are suited to their needs from a considerate, reliable landlord. Wynnstay aims to conduct its business with a high degree of professionalism, to operate within appropriate professional standards and legal and regulatory requirements and to act with honesty and integrity in a manner that gives confidence to those with whom it deals.

I consider that Wynnstay's governance structures and processes are in line with its corporate culture, and are appropriate to its size and structure, the nature and scale of its activities and its capacity, appetite and tolerance for risk and thus I consider them to be "fit-for-purpose". They have evolved over time in parallel with its objectives, strategy and business model and are suitable for the Company's growth plans in the short to medium term and I, with my colleagues on the Board, continue to keep them under review and to make changes where required.

Philip Collins
Chairman
17 June 2021

WYNNSTAY PROPERTIES PLC

CORPORATE GOVERNANCE, REMUNERATION AND AUDIT REPORTS

Introduction

This report is presented by reference to each of the ten principles contained in the Quoted Companies Alliance (QCA) Corporate Governance Code (the Code) under a concise heading for each principle. Where the QCA recommends that a principle should be addressed in the Annual Report, we do so in this report, the Directors' Report or the Strategic Report with cross-references provided where appropriate. The three reports should be read together with the Chairman's Statement and the additional information required by the Code published on the Company's website, including the Statement of Compliance. Where the Code recommends that a principle should be addressed on the Company's website, this report refers to the principle only and signposts to the website, including to the Statement of Compliance. The index required by the Code to signpost where the disclosures required by the Code are located forms part of the Statement of Compliance. For reasons explained below this report covers audit and remuneration matters as well as corporate governance.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

A description of the application of Principle 1 is recommended by the Code to be included in the annual report and by company law is required to be included in the Strategic Report. We therefore deal with Principle 1 in that report.

Principle 2: Seek to understand and meet shareholder needs and expectations

A description of the application of Principle 2 is recommended by the Code to be included on a company's website. We therefore deal with Principle 2 in the Statement of Compliance on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and implications for long-term success

A description of the application of Principle 3 is recommended by the Code to be included on the Company's website. We therefore deal with Principle 3 in the Statement of Compliance on the Company's website.

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

A description of the application of Principle 4 is recommended by the Code to be included in the annual report. Under company law, the Directors' Report must include a description of financial risk management objectives and policies and information on exposure to price risk, credit risk, liquidity risk and cash flow risk and the Strategic Report must include a description of the principal risks and uncertainties facing a company. We therefore deal with Principle 4 in these reports.

Principle 5: Maintain the board as a well-functioning, balanced team, led by the Chair

A description of the application of Principle 5 is recommended by the Code to be included in the annual report. The information given below should be read together with the additional information required by the Code to be given under Principles 6, 7, 8 and 9 provided in this report, elsewhere in this Annual Report and in the Statement of Compliance on the Company's website, as recommended by the Code.

The Code requires the identification of those directors who are considered to be independent and a description of the time commitment required from directors including the number of meetings of the Board, and of any committees, during the year, together with the attendance record of each Director.

The Board comprises one executive, the Managing Director, and four Non-Executive Directors, including the Chairman. The Board considers that all the Non-Executive Directors are independent. The biographies of the all the Directors are available on the Company's website and on page 52 of this report.

Philip Collins, the Non-Executive Chairman, has been a Director since 1988 and became Chairman in 1998. He has become a significant shareholder, having decided to invest over this period, to demonstrate his confidence in Wynnstay's long-term prospects. He has always placed the interests of all shareholders, and Wynnstay's long term success, at the centre of his chairmanship, as evidenced by his actions and reports to shareholders. His knowledge of the business and of shareholders, and his experience in both the private and public sectors, are all valuable to the Board's deliberations. There is no evidence that his tenure or his shareholding has had any adverse impact on his independent judgement.

CORPORATE GOVERNANCE, REMUNERATION AND AUDIT REPORTS (continued)

Charles Delevingne has served as a Non-Executive Director since June 2002. Notwithstanding the length of his service, Mr Delevingne continues to demonstrate his commitment to fulfilling his role as a Non-Executive Director, providing direction on business strategy and advice on business operations using his skills and experience in commercial property. He is not involved in the daily management of the Company, nor in any relationships or circumstances that might give rise to a conflict of interest or interfere with his exercise of independent judgment. In addition, he continues to demonstrate the attributes of an independent non-executive director and there is no evidence that his tenure has had any adverse impact on his independent judgment.

Paul Mather and Caroline Tolhurst were appointed to the Board in March 2017 and were deemed independent on appointment and remain so. They are both Chartered Surveyors and have many years of experience in commercial property and property investment management as well as, in the case of Caroline Tolhurst, in corporate governance through her qualification and experience as a Company Secretary.

The Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. Overall the Non-Executive Directors, other than the Chairman, are expected to spend a minimum of 10 working days a year on the Company's business. In practice, after taking account of 7-8 scheduled Board meetings a year, preparation time, site visits and other requirements mentioned below, 12-15 days per annum would be typical. The Chairman typically spends the equivalent of 25-30 working days per annum on the Company's business. The following table shows directors' attendance at the 12 Board meetings in the past financial year ended 25 March 2021.

Director	Board meetings
Philip Collins	12/12
Paul Williams	12/12
Charles Delevingne	12/12
Paul Mather	12/12
Caroline Tolhurst	11/12

In addition to these meetings, all the Directors took part in two strategy discussions and two Directors also took part in Board sub-committee meetings authorised to approve the final texts of documents or transactions on behalf of the Board.

In view of the Company's size and nature, the Board does not consider that the establishment of Board committees, such as a Remuneration Committee, a Nomination Committee or an Audit Committee, is appropriate. Reports of the Non-Executive Directors consideration of Remuneration and Audit matters are covered under Principle 10 below, as recommended by the Code.

In relation to nominations, these are managed by the Non-Executive Directors, or delegated to an ad hoc committee of them, who report with recommendations to the Board. The approach to succession planning and appointments is addressed, as recommended by the Code, under Principle 7 in the Statement of Compliance on the Company's website.

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

The application of Principle 6 is recommended by the Code to be included in the annual report and is therefore included in this report, as well as elsewhere in this Annual Report, which should be read together with the information provided under Principles 5, 7, 8 and 9 in this report and on the Company's website.

The Code requires disclosure of the identity of each Director; the relevant experience, skills, personal qualities that each brings to the Board; how the Board as a whole contains the necessary mix of experience, skills and qualities (including gender balance) and capabilities to deliver the strategy over the medium to long-term; how each director keeps his/her skill-set up-to-date; where external advisers have been engaged, their role and where external advice on significant matters has been obtained; and any internal advisory roles.

The names of the Directors and their experience, skills and capabilities are set out on the Company's website. Reference is also made to the information on each of the Non-Executive Directors given under Principle 5 above.

The Managing Director, Paul Williams, has many years of practical experience in property investment and management. The Board has engaged experienced professionals to manage accounting, financial and company secretarial matters.

CORPORATE GOVERNANCE, REMUNERATION AND AUDIT REPORTS (continued)

Alan Palmer, the Director of Finance, although not a Board Director, attends all Board meetings and advises the Board on accounting and financial matters. He has extensive experience of the commercial property sector, with former senior roles in finance, treasury and corporate finance in quoted property companies. His services are provided through The FD Centre Limited, a specialist provider of part-time Finance Director services to small and medium sized enterprises (SMEs).

Susan Wallace FCIS, Company Secretary, is a Chartered Secretary and a founding partner of Bruce Wallace Associates Limited, a specialist provider of company secretarial and compliance services to SME businesses and quoted companies. In her role, she is supported by other professionals in her company.

The Board considers that the experience and knowledge of each of the Directors and the experienced professionals is appropriate for the Company's current operations and strategy and gives them the ability to constructively challenge strategy, scrutinise performance and assess risk and to deliver the Company's strategy over the medium to long term.

Directors keep their skill sets up-to-date with a combination of attendance at industry events, individual reading and study and experience gained from other board roles. The Company Secretary is responsible for ensuring the Board is aware of any applicable regulatory changes and updates the Board as and when relevant. Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Company calls on the services of specialist external advisers in the usual way for its day-to-day business needs.

The Chairman, Senior Independent Director, Company Secretary and Director of Finance, working in their respective roles and together, advise and support the Board as a whole, drawing on specialist external advisers where necessary.

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

The application of Principle 7 is recommended by the Code to be included in part in the annual report and in part on a company's website. The Company considers that it is convenient to deal with most of these matters in one place in this report.

After the end of each financial year, the Chairman usually holds a meeting with the Non-Executive Directors individually and as a group without the Managing Director. The Non-Executive Directors also meet annually without the Chairman to appraise the Chairman's performance. These meetings are intended to provide an opportunity for open dialogue on individual and collective performance and on any necessary changes required.

During the year the Board carried out an internal board evaluation based on a set of questions typically used by smaller companies for this purpose. The Directors were asked to rate the Board's performance by providing a score, within a range of 0-5, and comments for each question as well as to suggest ideas to improve the working of the Board. The scores and comments were amalgamated into an anonymised results schedule, which was then considered by the Board. The total ratings and average scores for each question and all the comments submitted were reviewed.

The discussion of the results identified a number of actions to improve performance. These included a more comprehensive and systematic approach to risk management, improvements to the content, presentation and timeliness of Board reports and increased Board engagement on longer-term and strategic issues. These actions are being taken forward in 2021 and include changes to the scheduling and content of Board meetings and discussions over the year.

The Board will carry out a similar evaluation exercise during the current financial year, which will include the effectiveness of the changes implemented. Given the size and nature of the Company's business, the Board currently does not consider it would be an appropriate use of cash resources to engage an external firm to undertake a formal evaluation although it will keep this under review.

The approach to succession planning and appointments is addressed, as recommended by the Code, under Principle 7 in the Statement of Compliance on the Company's website.

Principle 8: Promote a corporate culture based on ethical values and behaviours

The application of Principle 8 is recommended by the Code to be addressed in the Chairman's Corporate Governance Statement. Ensuring the means to determine that values and behaviours are recognised and respected is addressed, as recommended by the Code, under Principle 8 in the Statement of Compliance on the Company's website.

CORPORATE GOVERNANCE, REMUNERATION AND AUDIT REPORTS (continued)

Principle 9: Maintain governance structures and processes that are fit-for-purpose, and support good decision making

A high-level explanation of the application of Principle 9 is recommended by the Code to be provided in the Chairman's Corporate Governance Statement.

The Code recommends that supplementary detail required by the Code (role and responsibilities of Directors, role of committees, matters reserved for the Board and plans for evolution of the governance framework) is addressed on the website and it is so addressed under Principle 9 in the Statement of Compliance on the Company's website.

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

The application of Principle 10 of the Code is recommended by the Code to be included in part in the annual report and in part on the website. The Company follows these recommendations and addresses the work of committees, including in relation to audit and remuneration and the identification and reasons for any non-publication of disclosures under the principles set out in the Code in this report.

The other matters, being the outcome of all general meeting votes and intended actions on and reasons for significant votes cast against resolutions, are shown on the Company's website, including under Principle 10 of the Statement of Compliance; and historical annual reports, notices and general meetings and other governance-related material are included on the Company's website.

Communication and dialogue with shareholders and other relevant stakeholders has already been addressed above in this report. The performance of the business during the last financial year is reviewed in detail in the Chairman's Statement, the Directors' Report and the Strategic Report and elsewhere in the Annual Report.

The Board considers that the existing communication and reporting structures allow open dialogue between shareholders and the Board and provide shareholders with a good understanding of the business.

The Code recommends the annual report to describe the work of committees and recommends inclusion in the annual report. As already mentioned above, the Board does not have formally constituted committees, with the Non-Executive Directors acting as a group in relation to audit and remuneration.

The following paragraphs report on the work of the Non-Executive Directors in relation to audit and remuneration matters in the year.

Audit Report

The Senior Independent Director and the Director Finance met and discussed the audit with the external auditor before the year-end and a draft Audit Planning Report prepared by the auditors was reviewed subsequently by the Board. At the completion of the audit, the auditor presented its Audit Completion Report to the Non-Executive Directors before the Financial Statements were presented for Board approval.

The discussions enabled the auditor to explain the proposed work and its outcome and the Non-Executive Directors to raise any issues. It is considered that the process worked well and the audit did not raise any material issues therefore the auditors were able to issue their audit report in the usual form.

Remuneration Report

The Directors currently determine remuneration, with the Non-Executive Directors determining the remuneration of the Executive Director and the Non-Executive Directors (other than the Chairman) determining the Chairman's remuneration. Directors' fees are determined by the whole Board. Details of the Directors' remuneration are set out in the Directors' Report.

It is the Company's policy that the remuneration of Directors should be commensurate with the services provided by them to the Company and should take account of published data on reasonable market comparables, where available and relevant to our situation.

CORPORATE GOVERNANCE, REMUNERATION AND AUDIT REPORTS (continued)

The Non-Executive Directors meet after the end of the financial year to review the performance of the Managing Director and determine the level of his remuneration and any bonus. Remuneration has been determined historically by reference to a mixture of publicly available remuneration studies relating to the relevant specialism and role, other AIM companies and a few private property companies. However, such information has become less readily available in recent years and may not in any event be applicable to our particular circumstances. Levels of bonus are determined by reference to the assessment of performance against objectives for the business. This process is necessarily subjective but is considered to deliver a reasonable result for the individual, the Company and its shareholders. For the year ended 25 March 2021, it was agreed at the beginning of the year that, particularly in the light of the circumstances arising from the Covid-19 pandemic, there would be no increase in the Managing Director's salary for the year. Following the end of the year, it was agreed that a bonus was payable for the year. Details of remuneration are disclosed in the Directors' Report.

Directors' fees are determined primarily by reference to the fees payable in other AIM quoted companies, with the level being set towards the lower end of the range. The Chairman's remuneration is set having regard to the commitment required to carry out the function and its responsibilities and having regard to the level of Directors' fees and, to some extent, comparables among other AIM companies. In the light of the circumstances arising from the Covid-19 pandemic, it was agreed at the beginning of the year that there should be no increase in Directors' fees or Chairman's remuneration for the year ended 25 March 2021.

This Report was approved by the Board and is signed on its behalf by:

Philip Collins
Director
17 June 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WYNNSTAY PROPERTIES PLC

Opinion on the financial statements

In our opinion financial statements:

- give a true and fair view of the state of the Company's affairs as at 25 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wynnstay Properties PLC for the year ended 25 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Company 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the Directors' cash flow forecasts including scenarios designed to test possible falls in rental income, including liquidity for the risks of vacant space when leases expire and properties are not re-let during the forecast period and on various assumptions regarding the costs, timing.
- Review of the Directors' modelling of financial covenant ratios, including tests of a major possible diminution in property portfolio valuation and of interest cover ratios; and consideration of whether cash balances and borrowing facilities cover at least twelve months of operations, including financing costs and continuation of employment and advisory costs as currently contracted without any reduction for cost saving initiatives;
- Substantiating the cost and timing of the impact of the expected development spend by reference to the project appraisal on cash flow over that period; and
- Obtaining evidence in relation to the re-financing of the Company's borrowings which are described in Note 16.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (continued)

Overview

Key audit matters	KAM 1	2021 Valuation of investment properties	2020 Valuation of investment properties
Materiality	<i>Group financial statements as a whole</i> £356,000 (2021: £358,000) based on 1% (2020: 1%) of gross assets.		

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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) that 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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><i>Valuation of investment properties</i></p> <p>The accounting policies relating to investment properties are disclosed in Note 1.2.</p>	<p>The Company holds investment properties which comprise properties owned by the Company held for rental income. Investment properties are valued by independent external valuers whose details are disclosed in Note 10 using data provided by the Directors.</p> <p>The valuation of investment properties requires significant judgement in determining the appropriate inputs to be used in the model and there is therefore a risk that the properties are incorrectly valued.</p> <p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> • We compared the key valuation assumptions made by management, which we consider relate to the market yields appropriate to the sector and location of the properties, against our independently formed market expectations. We utilised our in-house property specialists to assist us with this process. Variances were evaluated through challenge of the valuers and relevant corroborative evidence and accumulated to determine whether they supported the overall valuation. • We tested the accuracy of key observable valuation inputs, primarily passing rental income and lease terms, to the information provided to the valuers for use in their valuation. • We met with management's external valuer to discuss and challenge the valuation methodology and key assumptions used within their model, and to determine whether there were any indicators of undue management influence on the valuations. • We assessed the competency, qualifications, independence and objectivity of the external valuers engaged by the Company and reviewed the instructions provided to the valuer for completeness, unusual arrangements and to check if there was any evidence of management bias. <p>Key observations:</p> <p>We did not identify any indicators to suggest that the valuation of the Company's investment properties was materially misstated.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Our application of materiality

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, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021 £	2020 £
Materiality	356,000	358,000
Basis for determining materiality	1% of gross assets	1% of gross assets
Rationale for the benchmark applied	Users are focused on the carrying value of the portfolio	Users are focused on the carrying value of the portfolio
Performance materiality	75% of materiality -267,000	75% of materiality -268,500
Basis for determining performance materiality	The level of performance materiality was set after considering a number of factors including significant transactions in the year, the expected value of known and likely misstatements, and management's attitude towards proposed misstatements	The level of performance materiality was set after considering a number of factors including significant transactions in the year, the expected value of known and likely misstatements, and management's attitude towards proposed misstatements

Reporting threshold

We agreed with the Non-Executive Directors that we would report to them all individual audit differences in excess of £17,800 (2020 - £17,900). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial period 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. <p>In the light of the knowledge and understanding of the 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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • 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 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 Statement of Directors' Responsibilities, 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Through assessing our cumulative acquired knowledge and review of relevant sector information, we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud;
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the AIM Rules and tax legislation;
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates;

INDEPENDENT AUDITOR'S REPORT (continued)

- We discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for management bias in the valuation of investment properties. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to that key audit matter. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Our tests included:
 - obtaining an understanding of the control environment in monitoring compliance with laws and regulations and we considered the adequacy of controls around procurement fraud;
 - obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
 - enquiring of management as to:
 - the risks of non-compliance and any instances thereof and existence of any actual and potential litigation and claims; and
 - whether they were aware of any instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud.
 - performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
 - reviewing of Board meeting minutes; and
 - reviewing the financial statement disclosures and agreeing to supporting documentation where relevant to assess compliance with relevant laws and regulations discussed above.
- We also addressed the risk of management override of internal controls by:
 - testing the appropriateness of journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals;
 - assessing whether the judgements made in making accounting estimates are indicative of a potential bias by the Directors that represented a risk of material misstatement due to fraud; and

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

17 June 2021

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

WYNNSTAY PROPERTIES PLC

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 25 MARCH 2021

	Notes	2021	2020
		£'000	£'000
Property Income	2	2,438	2,271
Property Costs	3	(255)	(116)
Administrative Costs	4	<u>(593)</u>	<u>(572)</u>
		1,590	1,583
Movement in Fair Value of Investment Properties	10	1,748	(1,318)
Profit on Sale of Investment Property		<u>1,121</u>	<u>421</u>
Operating Income		4,459	686
Investment Income	6	1	2
Finance Costs	6	<u>(412)</u>	<u>(430)</u>
Income before Taxation		4,048	258
Taxation	7	<u>(395)</u>	<u>(135)</u>
Income after Taxation		<u>3,653</u>	<u>123</u>
Basic and diluted earnings per share	9	134.7p	4.5p

The company has no items of other comprehensive income.

WYNNSTAY PROPERTIES PLC
STATEMENT OF FINANCIAL POSITION 25 MARCH 2021

	Notes	2021 £'000	2020 £'000
Non-Current Assets			
Investment Properties	10	34,005	34,260
Investments	12	<u>3</u>	<u>3</u>
		<u>34,008</u>	<u>34,263</u>
Current Assets			
Accounts Receivable	14	342	244
Cash and Cash Equivalents		<u>2,001</u>	<u>1,289</u>
		<u>2,343</u>	<u>1,533</u>
Non-current assets held for Sale			
		<u>—</u>	<u>—</u>
		<u>2,343</u>	<u>1,533</u>
Current Liabilities			
Accounts Payable	15	(929)	(1,263)
Income Taxes Payable		(249)	(241)
Bank Loans Payable	16	<u>(10,000)</u>	<u>—</u>
		<u>(11,178)</u>	<u>(1,504)</u>
Net Current (Liabilities)/Assets		<u>(8,835)</u>	<u>29</u>
Total Assets Less Current Liabilities		25,173	34,292
Non-Current Liabilities			
Bank Loans Payable	16	—	(12,500)
Deferred Tax Payable	17	<u>(461)</u>	<u>(314)</u>
		<u>(461)</u>	<u>(12,814)</u>
Net Assets		<u>24,712</u>	<u>21,478</u>
Capital and Reserves			
Share Capital	18	789	789
Capital Redemption Reserve		205	205
Share Premium Account		1,135	1,135
Treasury Shares		<u>(1,570)</u>	<u>(1,570)</u>
Retained Earnings		<u>24,153</u>	<u>20,919</u>
		<u>24,712</u>	<u>21,478</u>
Net Asset Value per share		£9.11	£7.92

Approved by the Board and authorised for issue on 17 June 2021

P.G.H. Collins
Director

C.P. Williams
Director

Registered number: 00022473

WYNNSTAY PROPERTIES PLC
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 25 MARCH 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Income before taxation	4,048	258
Adjusted for:		
(Increase) / Decrease in fair value of investment properties	(1,748)	1,318
Interest income	(1)	(2)
Interest expense	412	430
Profit on disposal of investment properties	(1,121)	(421)
Movement in dilapidations for property sold	55	–
Changes in:		
Trade and other receivables	(98)	(88)
Trade and other payables	(326)	71
Cash generated from operations	1,221	1,566
Income taxes paid	(249)	(241)
Interest paid	(412)	(430)
Net cash from operating activities	<u>560</u>	<u>895</u>
Cash flows from investing activities		
Interest and other income received	1	2
Purchase of investment properties	(117)	(2,014)
Sale of investment properties	<u>3,187</u>	<u>1,975</u>
Net cash from investing activities	<u>3,071</u>	<u>(37)</u>
Cash flows from financing activities		
Dividends paid	(419)	(528)
Repayment of bank loans	<u>(2,500)</u>	–
Net cash from financing activities	<u>(2,919)</u>	<u>(528)</u>
Increase in cash and cash equivalents	712	330
Cash and cash equivalents at beginning of period	<u>1,289</u>	<u>959</u>
Cash and cash equivalents at end of period	<u>2,001</u>	<u>1,289</u>

WYNNSTAY PROPERTIES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 25 MARCH 2021

YEAR ENDED 25 MARCH 2021

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Account £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'000
Balance at 26 March 2020	789	205	1,135	(1,570)	20,919	21,478
Total comprehensive income for the year	–	–	–	–	3,653	3,653
Dividends – note 8	–	–	–	–	(419)	(419)
Balance at 25 March 2021	789	205	1,135	(1,570)	24,153	24,712

YEAR ENDED 25 MARCH 2020

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Account £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'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 – note 8	–	–	–	–	(528)	(528)
Balance at 25 March 2020	789	205	1,135	(1,570)	20,919	21,478

FUNDS AVAILABLE FOR DISTRIBUTION

	2021	2020
	£'000	£'000
Retained Earnings	24,153	20,919
Less: Cumulative Unrealised Fair Value Adjustment of Property Investments	(7,967)	(7,797)
Treasury Shares	<u>(1,570)</u>	<u>(1,570)</u>
Distributable Reserves	<u>14,616</u>	<u>11,552</u>

Continued

WYNNSTAY PROPERTIES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 25 MARCH 2021

Explanation of Capital and Reserves:

- **Share Capital:** This represents the subscription, at par value, of the Ordinary Shares of the Company.
- **Capital Redemption Reserve:** This represents money that the Company must retain when it has bought back shares, and which it cannot pay to shareholders as dividends: It is a non-distributable reserve and represents paid up share capital.
- **Share Premium Account:** This represents the subscription monies paid for Ordinary Shares of the Company in excess of their par value.
- **Treasury Shares:** This represents the total consideration and costs paid by the company when purchasing the 443,650 shares as referred to in Note 18.
- **Retained Earnings:** This represents the profits after tax that can be used to pay dividends. However, dividends can only be paid from Distributable Reserves as detailed in the preceding table.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

1. BASIS OF PREPARATION, ACCOUNTING POLICIES AND ESTIMATES

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. The Company's registered number is 00022473.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by applicable law. The financial statements have been presented in Pounds Sterling being the functional currency of the Company and rounded to the nearest thousand. The financial statements have been prepared under the historical cost basis modified for the revaluation of investment properties and financial assets measured at fair value through Operating Income.

(a) New Interpretations and Revised Standards Effective for the year ended 25 March 2021

The Directors have adopted all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and adopted by applicable law that are relevant to the operations and effective for accounting periods beginning on or after 26th March 2020.

- Amendment to IFRS 16: Leases Covid 19-Related Rent Concessions
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The adoption of these interpretations and revised standards had no material impact on the disclosures and presentation of the financial statements.

(b) Standards and Interpretations in Issue but not yet Effective

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the below revisions to existing standards or new interpretations or new standards with an effective date of implementation after the period of these financial statements.

The following new amendment applicable in future periods has not been early adopted as it is not expected to have a significant impact on the financial statements of the Company:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2022).

(c) Going concern

The financial statements have been prepared on a going concern basis. This requires the Directors to consider, as at the date of approving the financial statements, that there is reasonable expectation that the Company has adequate financial resources to continue to operate, and to meet its liabilities as they fall due for payment, for at least twelve months following the approval of the financial statements.

The Company has performed a series of reasonable and appropriate financial tests to ensure that the Company has sufficient cash resources and borrowing facilities and with sufficient covenant margin, in particular to manage the potential financial impact of the Covid-19 pandemic on its business under going concern principles.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

These tests included the following:

- Reviewing cash balances and borrowing facilities to cover at least twelve months of operations, including financing costs and continuation of employment and advisory costs as currently contracted without any reduction for cost saving initiatives;
- Modelling of financial covenant ratios, including tests of a major hypothetical diminution in property portfolio valuation and of interest cover ratios; and
- Reviewing a cash flow forecast scenario to test potential hypothetical falls in rental income, including liquidity for the risks of vacant space when leases expire and properties are not re-let during the forecast period and on various assumptions regarding the costs, timing, funding and operational risks of any developments undertaken.

The results of the financial stress tests described above show that the Company has cash and borrowing facilities to cover at least twelve months of operations, assuming that the borrowing facilities are refinanced as planned and described in Note 16, and that the Company will satisfy the financial covenant ratios in the borrowing facilities as described in Note 16. In addition, the Statement of Financial Position as at 25 March 2021 shows that the Company held a cash balance of £2m and net assets of £24.7m and had a low gearing ratio of 32.4%. As a result, if the refinancing of the borrowing facilities cannot be completed as planned, the Company's investment properties provide security for alternative secured lending or for realising cash through sale. In the light of the foregoing considerations, the Directors consider that the adoption of the going concern basis is reasonable and appropriate.

1.2 Accounting Policies

Investment Properties

All the Company's investment properties are independently revalued annually and stated at fair value as at 25 March. The aggregate of any resulting increases or decreases are taken to operating income within the Statement of Comprehensive Income. The basis of independent valuation is described in Note 10.

Investment properties are recognised as acquisitions or disposals based on the date of contract completion.

Assets held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount or fair value less cost to sell.

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 revalued holding costs of the properties and the net proceeds from their disposal.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

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 year 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 property.

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.

Pensions

Pension contributions towards employee's pension plan are charged to the statement of comprehensive income as incurred. The pension scheme 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 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 where the receipt is treated as part of the proceeds of sale of the property. See Notes 2, 11 and 15.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

1.3 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 which are revalued annually by the Directors having taken advice from the Company's independent external valuers, on the basis described in Note 10, as well as the judgement taken by the Directors as to whether a property is being held for sale.

The Covid-19 pandemic and the UK Government's lockdown and other measures are considered in the Strategic Report on page 14 and have also been considered in relation to the adoption of the going concern basis for these Financial Statements (see Note 1.1 above). Each of these passages is expressly incorporated by reference into this note.

There are no other judgemental areas identified by management that could have a material effect on the financial statements at the reporting date.

Rental income comprises rents earned and received during the period. Other property income comprises historical unexpended dilapidations received from the reletting of properties (see Note 15).

2. PROPERTY INCOME	2021	2020
	£'000	£'000
Rental income	2,140	2,271
Other property income	<u>298</u>	<u>—</u>
	<u>2,438</u>	<u>2,271</u>

Rental income comprises rents earned and received during the period. Other property income comprises historical unexpended dilapidations received from the reletting of properties (see Note 15).

3. PROPERTY COSTS	2021	2020
	£'000	£'000
Empty rates	47	37
Property management	<u>176</u>	<u>20</u>
	223	57
Legal fees	21	33
Agents fees	<u>11</u>	<u>26</u>
	<u>255</u>	<u>116</u>

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 25 MARCH 2021

4. ADMINISTRATIVE COSTS	2021	2020
	£'000	£'000
Rents payable – operating lease rentals	28	28
General administration, including staff costs	522	504
Auditors' remuneration: Audit fees	38	36
Tax services	<u>5</u>	<u>4</u>
	<u>593</u>	<u>572</u>
5. STAFF COSTS	2021	2020
	£'000	£'000
Staff costs, including Directors' fees, during the year were as follows:		
Wages and salaries	278	251
Social security costs	32	33
Other pension costs	<u>13</u>	<u>13</u>
	<u>323</u>	<u>297</u>
Further details of Directors' emoluments, totalling £290,796 (2020: £264,192), are shown in the Directors' Report on page 12. There are no other key management personnel.		
	2021	2020
	No.	No.
The average number of employees, including Non-Executive Directors, engaged wholly in management and administration was:	<u>5</u>	<u>5</u>
The number of Directors for whom the Company paid pension benefits during the year was:	<u>1</u>	<u>1</u>
6. FINANCE COSTS (NET)	2021	2020
	£'000	£'000
Interest payable and finance costs on bank loans	412	430
Less: Bank interest receivable	<u>(1)</u>	<u>(2)</u>
	<u>411</u>	<u>428</u>

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

7. TAXATION	2021	2020
	£'000	£'000
(a) Analysis of the tax charge for the year:		
UK Corporation tax at 19% (2020: 19%)	249	231
Under provision in previous year	=	<u>10</u>
Total current tax charge	249	241
Deferred tax – temporary differences	<u>146</u>	<u>(106)</u>
Tax charge for the year	<u>395</u>	<u>135</u>
(b) Factors affecting the tax charge for the year:		
Net Income before taxation	<u>4,048</u>	<u>258</u>
Current Year:		
Corporation tax thereon at 19% (2020 – 19%)	769	49
Expenses not deductible for tax purposes	–	13
Capital gains tax on disposals	26	–
Under provision in prior years	–	10
Deferred tax charge arising from tax rate change to 19% (2020: 19%)	–	49
Profit on disposal of properties disallowed	<u>(213)</u>	–
Deferred tax adjustments	<u>(187)</u>	<u>14</u>
Total tax charge for the year	<u>395</u>	<u>135</u>
8. DIVIDENDS	2021	2020
	£'000	£'000
Second interim dividend paid in year of 7.5p per share		
(2020: Final dividend 12.0p per share)	203	325
Interim dividend paid in year of 8.0p per share		
(2020: Interim dividend 7.5p per share)	<u>216</u>	<u>203</u>
	<u>419</u>	<u>528</u>

On 17 June 2021 the Board resolved to pay a final dividend of 13p per share which will be recorded in the Financial Statements for the year ending 25 March 2022.

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing Income after Taxation attributable to Ordinary Shareholders of £3,653,000 (2020: £123,000) by the weighted average number of 2,711,617 (2020: 2,711,617) ordinary shares in issue during the period excluding shares held as treasury. There are no instruments in issue that would have the effect of diluting earnings per share.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

10. INVESTMENT PROPERTIES	2021	2020
	£'000	£'000
Properties		
Balance at beginning of financial year	34,260	33,695
Additions	117	2,014
Disposals	(2,120)	(131)
Revaluation Surplus/(diminution)	<u>1,748</u>	<u>(1,318)</u>
	34,005	34,260
Assets held for Sale	<u>—</u>	<u>—</u>
Balance at end of financial year	<u>34,005</u>	<u>34,260</u>

The Company's freehold properties were valued as at 25 March 2021 by BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of external valuers. The valuations were undertaken in accordance with the requirements of IFRS 13 and the RICS Valuation – Global Standards 2020.

The valuation of each property was on the basis of Fair Value. The valuers reported that the total aggregate Fair Value of the properties held by the Company was £34,005,000.

The valuer's opinions were primarily derived from comparable recent market transactions on arms-length terms.

In the financial year ending 25 March 2021, the total fees earned by the valuer from Wynnstay Properties PLC and connected parties were less than 5% of the valuer's company turnover.

The valuation complies with International Financial Reporting Standards. The definition adopted by the International Accounting Standards Board (IASB) in IFRS 13 is Fair Value, defined as: 'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.'

These recurring fair value measurements for non-financial assets use inputs that are not based on observable market data, and therefore fall within level 3 of the fair value hierarchy.

The significant unobservable market data used is property equivalent yields which range from 5.00% to 8.43%, with an average equivalent yield of 6.72% (2020: 6.97%) and an average weighted equivalent yield of 6.38% (2020: 6.67%) for the portfolio.

There have been no transfers between levels of the fair value hierarchy. Movements in the fair value are recognised in profit or loss.

A 0.5% decrease in the weighted equivalent yield would result in a corresponding increase of £3.06 million in the fair value movement through profit or loss. A 0.5% increase in the same yield would result in a corresponding decrease of £2.59 million in the fair value movement through profit or loss.

The above calculations exclude the development land at Petersfield, which has been assessed on the residual method consistent with prior years.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

11. OPERATING LEASES RECEIVABLE	2021	2020
	£'000	£'000
The following are the future minimum lease payments receivable under non-cancellable operating leases which expire:		
Not later than one year	391	2,081
Between 1 and 5 years	3,519	2,703
Over 5 years	<u>1,710</u>	<u>409</u>
	<u>5,620</u>	<u>5,193</u>

Rental income under operating leases recognised through profit or loss amounted to £2,140,000 (2020: £2,271,000).

Typically, the properties were let for a term of between 5 and 10 years at a market rent with rent reviews every 5 years. The above maturity analysis reflects future minimum lease payments receivable to the next break clause in the operating lease. The properties are generally leased on terms where the tenant has the responsibility for repairs and running costs for each individual unit with a service charge payable to cover common services provided by the landlord on certain properties. The Company manages the services provided for a management fee and the service charges are not recognised as income in the accounts of the Company as any receipts are netted off against the associated expenditures with any residual balance being shown as a liability.

If the tenant does not carry out its responsibility for repairs and the Company receives a dilapidations payment, the resulting cash is recorded in revenue as other property income unless a property has been agreed to be sold where the receipt is treated as part of the proceeds of sale of the property. See Notes 2, 11 and 15.

12. INVESTMENTS	2021	2020
	£'000	£'000
Quoted investments	<u>3</u>	<u>3</u>

13. SUBSIDIARY COMPANY

The Company has the following dormant subsidiary which the Directors consider immaterial to, and thus has not been consolidated into, the financial statements. The subsidiary holds the legal title to an access road to an investment property, the use of which is shared between the Company, its tenants at the property and neighbouring premises.

Scanreach Limited	80% owned	Dormant	Net Assets: £4,437 (2020: £4,437)
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WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 25 MARCH 2021

14. ACCOUNTS RECEIVABLE	2021	2020
	£'000	£'000
Trade receivables	322	224
Other receivables	<u>20</u>	<u>20</u>
	<u>342</u>	<u>244</u>

Trade receivables include an adjustment for credit losses of £6,282 (2020: nil). Trade receivables of £nil (2020: nil) are considered past due, but not impaired.

15. ACCOUNTS PAYABLE	2021	2020
	£'000	£'000
Trade payables	28	21
Other creditors	65	103
Provision for property repairs	–	344
Deferred income	535	572
Accruals	<u>301</u>	<u>223</u>
	<u>929</u>	<u>1,263</u>

Movements in Provision for property repairs comprise:	2021	2020
	£'000	£'000
Opening balance as at 26 March:	344	249
Dilapidations received during period	–	122
Dilapidations utilised during period	–	(27)
Dilapidations taken to revenue as other property income	298	–
Dilapidations on sold properties	<u>56</u>	<u>–</u>
Closing balance as at 25 March:	<u>–</u>	<u>344</u>

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

16. BANK LOANS PAYABLE	2021	2020
	£'000	£'000
Current loan	10,000	–
Non-current loan	<u>–</u>	<u>12,500</u>
	<u>10,000</u>	<u>12,500</u>

In December 2016, a five-year facility comprising a Fixed Rate Facility of £10 million and a Revolving Credit Facility of £3.5 million was entered into providing a total committed credit facility of £13.5 million. Interest on loan amounts drawn down under the Fixed Rate Facility of £10 million was charged at 3.35% per annum for the year ended 25 March 2021 (2020: £10 million). Interest on loan amounts drawn down during the year ended 25 March 2021 under the Revolving Credit Facility was charged at 2.49% over three-month LIBOR, with no loan amounts being drawn down as at 25 March 2021 (2020: £2.5 million). Upon the refinancing of the £10 million facility described below the loan will revert from a Current loan to a Non-current loan.

The loan is repayable in one instalment on 17 December 2021. The loan includes the following financial covenants which were complied with during the year:

- Rental income shall not be less than 2.25 times the interest costs
- The loan shall at no time exceed 50% of the market value of the properties secured.

The facility is secured by fixed charges over freehold land and buildings owned by the Company, which at the year-end had a combined value of £33,185,000 (2020: £33,520,000). The undrawn element of the facility available at 25 March 2021 was £3,500,000 (2020: £1,000,000).

Interest charged under the existing facility is linked to LIBOR as the reference rate. The Financial Conduct Authority has required that LIBOR is phased out by the end of 2021 and be replaced by alternatives. Handelsbanken plc has advised the Company that it has decided to use Bank of England Base Rate as its reference rate for all new facilities to the Company.

On 14 June 2021 the Company signed an agreement for a new five-year facility of £10 million, which offers the Company the choice at drawdown of fixed or floating rates of interest linked to the Bank of England Base Rate. Under the agreement, the financial covenants are the same as in the existing facility described above and the facility will be available for drawdown up to and including 17 December 2021. The Company intends to draw down under this new facility to refinance the existing £10m facility on or before its expiry on 17 December 2021.

Due to the complexities of transitioning from LIBOR to Bank of England Base Rate as the reference rate for revolving credit facilities, Handelsbanken plc has advised the Company that, as at 17 June 2021, it is not yet in a position to offer to refinance the existing £3.5 million Revolving Credit Facility. It currently hopes to begin offering revolving credit facilities around the start of the calendar quarter beginning 1 July 2021 and has indicated, without formal commitment, that it intends (subject to contract, market conditions and satisfactory due diligence and documentation) to refinance the Company's existing £3.5m facility. Indicative terms and a draft agreement have been provided to the Company, with the same financial covenants and the detailed terms being similar to those under the new £10m facility.

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

17. DEFERRED TAX	2021	2020
	£'000	£'000
Deferred Tax brought forward	314	420
Charge /(credit) for the year	<u>147</u>	<u>(106)</u>
Deferred Tax carried forward	<u>461</u>	<u>314</u>

A deferred tax liability of £461,000 (2020: £314,000) is recognised in respect of the investment properties and has been calculated at a tax rate of 19%. Future corporation tax rates of 25% have been promulgated since 25 March 2021 which could give rise to an additional £146,000 in deferred tax charge in future periods.

18. SHARE CAPITAL	2021	2020
	£'000	£'000
Authorised		
8,000,000 Ordinary Shares of 25p each:	2,000	2,000
Allotted, Called Up and Fully Paid		
3,155,267 Ordinary shares of 25p each:	<u>789</u>	<u>789</u>

All shares rank equally in respect of shareholder rights.

A deferred tax liability of £461,000 (2020: £314,000) is recognised in respect of the investment properties and has been calculated at a tax rate of 19%. Future corporation tax rates of 25% have been promulgated since 25 March 2021 which could give rise to an additional £146,000 in deferred tax charge in future periods.

In March 2010, the company acquired 443,650 Ordinary shares of Wynnstay Properties Plc from Channel Hotels and Properties Ltd at a price of £3.50 per share. These shares, representing in excess of 14% of the total shares in issue, are held in Treasury. As a result, the total number of shares with voting rights is 2,711,617.

19. FINANCIAL INSTRUMENTS

The objective of the Company's policies is to manage the Company's financial risk, secure cost effective funding for the Company's operations and minimise the adverse effects of fluctuations in the financial markets on the value of the Company's financial assets and liabilities, on reported profitability and on the cash flows of the Company.

At 25 March 2021 the Company's financial instruments comprised borrowings, cash and cash equivalents, short term receivables and short-term payables. The main purpose of these financial instruments was to raise finance for the Company's operations. Throughout the period under review, the Company has not traded in any other financial instruments. The Board reviews and agrees policies for managing each of the associated risks and they are summarised below:

Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in connection with property leases and the investment of surplus cash.

Continued

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

19. FINANCIAL INSTRUMENTS (Continued)

Tenant rent payments are monitored regularly, and appropriate action is taken to recover monies owed or, if necessary, to terminate the lease. The Company carefully vets prospective new tenants from a credit risk perspective. Bad debts are mitigated by close engagement with tenant businesses within a well-diversified mix of some 56 tenants across the portfolio and close monitoring of rental income receipts. In the light of the Covid-19 pandemic the Company has regularly reviewed the portfolio, including feedback from engagement with tenants, in order to assess the risk of tenant failures.

The Company has no significant concentration of credit risk associated with trading counterparties (considered to be over 5% of net assets) with exposure spread over a large number of tenancies. In terms of concentration of individual tenant's rents versus total gross annual passing rents the Company has 5 tenants whose rent, on an individual basis, is between 5.0% and 8.5% of total gross annual passing rents.

Funds are invested and loan transactions contracted only with banks and financial institutions with a high credit rating. Concentration of credit risk exists to the extent that as at 25 March 2021 and 2020 current account and short-term deposits were held with two financial institutions, Handelsbanken PLC and C Hoare & Co. The combined exposure to credit risk on cash and cash equivalents at 25 March 2021 was £2,001,000 (2020: £1,289,000).

Currency Risk

As all of the Company's assets and liabilities are denominated in Pounds Sterling, there is no exposure to currency risk.

Interest Rate Risk

The Company is exposed to interest rate risk that could affect cash flow as it currently borrows at both floating and fixed interest rates. The Company monitors and manages its interest rate exposure on a periodic basis, but does not take out financial instruments to mitigate the risk. The Company finances its operations through a combination of retained profits and bank borrowings.

Liquidity Risk

The Company seeks to manage liquidity risk to ensure sufficient funds are available to meet the requirements of the business and to invest cash assets safely and profitably. The Board regularly reviews available cash to ensure there are sufficient resources for working capital requirements.

Interest Rate Sensitivity

Financial instruments affected by interest rate risk include loan borrowings and cash deposits. The analysis below shows the sensitivity of the statement of comprehensive income and equity to a 0.5% change in interest rates:

	0.5% decrease in interest rates		0.5% increase in interest rates	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Impact on interest payable – gain/(loss)	–	13	–	(13)
Impact on interest receivable – (loss)/gain	<u>(10)</u>	<u>(6)</u>	<u>10</u>	<u>6</u>
Total impact on pre-tax profit and equity	<u>(10)</u>	<u>7</u>	<u>10</u>	<u>(7)</u>

Continued

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 25 MARCH 2021

19. FINANCIAL INSTRUMENTS (Continued)

The calculation of the net exposure to interest rate fluctuations was based on the following as at 25 March:

	2021	2020
	£'000	£'000
Floating rate borrowings (bank loans)	–	(2,500)
Less: cash and cash equivalents	<u>2,001</u>	<u>1,292</u>
	<u>2,001</u>	<u>(1,208)</u>

Fair Value of Financial Instruments

Except as detailed in the following table, management consider the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate to their fair value.

	2021	2021	2020	2020
	Book Value	Fair Value	Book Value	Fair Value
	£'000	£'000	£'000	£'000
Interest bearing borrowings (note 15)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,500)</u>	<u>(12,500)</u>
Total	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,500)</u>	<u>(12,500)</u>

	2021	2020
	£'000	£'000
Categories of Financial Instruments		
Financial assets:		
Quoted investments measured at fair value	3	3
Loans and receivables measured at amortised cost	342	244
Cash and cash equivalents measured at amortised cost	<u>2,001</u>	<u>1,289</u>
Total financial assets	<u>2,346</u>	1,536
Non-financial assets	<u>34,005</u>	<u>34,260</u>
Total assets	<u>36,351</u>	<u>35,796</u>
Financial liabilities at amortised cost	<u>11,639</u>	<u>14,318</u>
Total liabilities	<u>11,639</u>	14,318
Shareholders' equity	<u>24,712</u>	<u>21,478</u>
Total shareholders' equity and liabilities	<u>36,351</u>	<u>35,796</u>

The only financial instruments measured subsequent to initial recognition at fair value as at 25 March are quoted investments. These are included in level 1 in the IFRS 13 fair value hierarchy as they are based on quoted prices in active markets.

Continued

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 MARCH 2021

19. FINANCIAL INSTRUMENTS (Continued)

Capital Management

The primary objectives of the Company's capital management are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders: and
- to enable the Company to respond quickly to changes in market conditions and to take advantage of opportunities.

Capital comprises shareholders' equity plus net borrowings. The Company monitors capital using loan to value and gearing ratios. The former is calculated by reference to total debt as a percentage of the year end valuation of the investment property portfolio. Gearing ratio is the percentage of net borrowings divided by shareholders' equity. Net borrowings comprise total borrowings less cash and cash equivalents. The Company's policy is that the net loan to value ratio should not exceed 50% and the gearing ratio should not exceed 100%.

	2021	2020
	£'000	£'000
Net borrowings and overdraft	10,000	12,500
Cash and cash equivalents	<u>(2,001)</u>	<u>(1,289)</u>
Net borrowings	<u>7,999</u>	<u>11,211</u>
Shareholders' equity	<u>24,712</u>	<u>21,478</u>
Investment properties	<u>34,005</u>	<u>34,260</u>
Loan to value ratio	29.4%	36.5%
Net borrowings to value ratio	23.5%	32.7%
Gearing ratio	32.4%	52.2%

20. RELATED PARTY TRANSACTIONS

Related Party Transactions with the Directors have been disclosed under Directors' Emoluments in the Directors' Report on page 12. There were no other Related Party Transactions during the year (2020: £27,416).

WYNNSTAY PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 25 MARCH 2021

21. SEGMENTAL REPORTING

	Industrial		Retail		Office		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income	1,676	1,703	140	168	324	400	2,140	2,271
Other Property Income	298	–	–	–	–	–	298	–
Profit /(Loss) on investment property at fair value	<u>2,093</u>	<u>(863)</u>	<u>50</u>	<u>(200)</u>	<u>(395)</u>	<u>(255)</u>	<u>1,748</u>	<u>(1,318)</u>
Total income and gain	4,067	840	190	(32)	(71)	145	4,186	953
Property expenses	(215)	(116)	(5)	–	5)	–	(255)	(116)
Segment profit/(loss)	<u>3,852</u>	<u>724</u>	<u>185</u>	<u>(32)</u>	<u>(106)</u>	<u>145</u>	<u>3,931</u>	<u>837</u>
Unallocated corporate expenses							(593)	(572)
Profit on sale of investment property							1,121	421
Operating income							<u>4,459</u>	<u>686</u>
Interest expense (all relating to property loans)							(412)	(430)
Interest income and other income							1	2
Income before taxation							<u>4,048</u>	<u>258</u>

Other information	Industrial		Retail		Office		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	27,665	26,480	2,505	2,490	3,835	5,290	34,005	34,260
Segment assets held as security	26,845	26,170	2,505	2,060	3,835	5,290	33,185	33,520

22. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the financial year, but not recognised as liabilities in the financial statements is: £1,518,000 (2020: £nil).

WYNNSTAY PROPERTIES PLC
FIVE YEAR FINANCIAL REVIEW

Years Ended 25 March:	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
STATEMENT OF COMPREHENSIVE INCOME					
Property Income	2,438	2,271	2,216	2,182	2,028
Profit before movement in fair value of investment properties and taxation	1,179	1,155	1,196	1,150	999
Income before Taxation	4,048	258	2,247	2,991	3,198
Income after Taxation	3,653	123	1,928	2,632	2,797
STATEMENT OF FINANCIAL POSITION					
Investment Properties	34,005	34,260	35,095	30,070	29,515
Equity Shareholders' Funds	24,712	21,478	21,883	20,443	18,265
PER SHARE					
Basic earnings	134.7p	4.5p	71.1p	97.1p	103.1p
Dividends Paid and Proposed	21.0p	15.0p	19.0p	17.5p	15.8p
Net Asset Value	911p	792p	807p	754p	674p

WYNNSTAY PROPERTIES PLC

NOTICE OF MEETING

During the preparation of our annual report to shareholders, it seemed likely that due to the forthcoming relaxation or removal of government measures and guidance, we would be able to hold the meeting in the usual form and to welcome the maximum number of shareholders we could accommodate within any continuing safety constraints government measures and guidelines and the requirements of the venue.

However, in the past few days, the government has announced that the existing regulations will continue for at least another four weeks and it seems possible that there could be a further extension or, at least, some continuing restrictions. Most pertinently, the current regulations place a limit on the number of individuals and households permitted to gather indoors.

In the light of these developments, the Board has decided, with great reluctance, to restrict attendance at this year's AGM. It considered, but dismissed, the possibility of deferring the AGM until mid-September due to the possibility of further waves of the pandemic resulting in new restrictions after the summer.

The Board will ensure a quorum is present and we recommend that, in view of the current regulations on indoor gatherings, no other shareholders attend in person. The meeting will be purely functional and address just the formal resolutions detailed in the notice of meeting necessary to enable the Board to conduct the business and affairs of the Company. Voting on all resolutions will be conducted by poll vote and shareholders are strongly encouraged to complete and return a form of proxy to ensure that all votes are included.

Shareholders will need to appoint "the Chairman of the meeting" as their proxy as no other person will be able to attend the AGM on their behalf this year. To do so, simply follow the instructions on the Form of Proxy and return the form so as to be received no later than 48 hours before the commencement of the meeting.

Shareholders who have registered for Link services online can also benefit from the ability to cast their proxy votes electronically, rather than by post. Shareholders not already registered for Link services online will need their investor code, which can be found on their share certificate or dividend tax voucher, in order to register.

In the unlikely event that a further change in government regulation make it both possible and practicable to hold the meeting at the last minute as an open meeting we will notify shareholders via an announcement on the Regulatory News Services and on our website.

To maximise shareholder engagement in these difficult circumstances, shareholders are encouraged to ask those questions in writing that they might have wished to ask in person at the AGM. Questions should be emailed to company.secretary@wynnstayproperties.co.uk or sent by letter to the Company's office in advance of the AGM. You will receive a written response and, if there are common themes raised by a number of shareholders, we aim to provide a summary for all shareholders, grouping themes and topics together where appropriate, on the Company's website following the AGM.

If you need help with voting online, please contact our Registrars, Link Group on Tel: 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday (excluding public holidays in England and Wales). You can also contact them by email at shareholderenquiries@linkgroup.co.uk

NOTICE IS HEREBY GIVEN that the one hundred and thirty fifth ANNUAL GENERAL MEETING of the Members of Wynnstay Properties PLC will be held at The Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS on Tuesday 20 July 2021, at 2.30 p.m. The business of the meeting will be to consider and, if thought fit, to pass the following ordinary and special resolutions.

ORDINARY RESOLUTIONS

- 1 To receive the Report of the Directors and the Financial Statements for the year ended 25 March 2021.
- 2 To declare a final dividend for the year ended 25 March 2021 of 13 pence per ordinary share.
- 3 To fix the remuneration of the Directors.
- 4 To reappoint BDO LLP as auditors of the Company, to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of the Company and to authorise the Directors to determine their remuneration.
- 5 To re-elect Mr C.H. Delevingne as a Director of the Company, who retires and offers himself for re-election.
- 6 To re-elect Mr C.P. Williams as a Director of the Company, who retires and offers himself for re-election.
- 7 That the Directors of the Company are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “Act”), in substitution for all previous authorisations, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company (“Rights”) up to an aggregate nominal amount of £39,440.75, and this authorisation shall, unless previously revoked by resolution of the Company, expire on 31 December 2022 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2022. The Company may, at any time before such expiry, make offers or enter into agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement as if this authorisation had not expired.

SPECIAL RESOLUTION

- 8 That the Directors of the Company are empowered (i) pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorisation conferred by Resolution 7 above and (ii) pursuant to section 573 of the Act to allot equity securities (within the meaning of section 560(3) of the Act), in each case as if section 561 of the Act did not apply to the allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities made (i) to holders of ordinary shares in the Company in proportion (as nearly as many as practicable) to the respective number of ordinary shares held by them on the record date for such offer and (ii) to holders of other equity securities as may be required by the rights attached to those securities or, if the Directors consider it desirable, as may be permitted by such rights, but subject in each case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (b) the allotment (otherwise than pursuant to paragraph (a) above) of further equity securities up to any aggregate nominal amount of £39,440.75,

and this power shall, unless previously revoked by resolution of the Company, expire on 31 December 2022 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2022. The Company may, at any time before the expiry of this power, make offers or enter into agreements 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 as if this power had not expired.

Registered Office:
Hamilton House
Mabledon Place
London WC1H 9BB

By Order of the Board,
Susan Wallace
Secretary
17 June 2021

WYNNSTAY PROPERTIES PLC
NOTICE OF MEETING

Procedural Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM) may appoint one or more proxies to attend, speak and vote in their stead. The proxy need not be a Member of the Company. A form of proxy is enclosed. Whilst ordinarily lodging a form of proxy does not preclude a member from attending and voting at the AGM, due to Covid-19 restrictions no additional members over and above the quorum are advised to attend the AGM on 20 July 2021. Members are strongly encouraged to complete and return a form of proxy appointing the ‘Chairman of the meeting’ as their proxy to ensure their votes are included in the poll vote conducted on all resolutions.
2. To be valid, the completed and signed form of proxy must either be returned to the Company’s Registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; or shareholders registered for Link services online can vote online at www.signalshares.com for which you will need your investor code which can be found on your share certificate or your dividend tax voucher. Whichever means of return is used this must be done in sufficient time to ensure the form is received by 2.30 p.m. on Friday 16 July 2021, being 48 hours before the commencement of the meeting.
3. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person (including by corporate representative) or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members.
4. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share. As no additional members or their representatives are advised to attend the AGM on 20 July 2021, corporate members are strongly encouraged to complete and return a form of proxy appointing the ‘Chairman of the meeting’ as their proxy to ensure their votes are included in the poll vote.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at close of business on 16 July 2021 shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after close of business on 16 July 2021 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Whilst copies of all Directors’ Service Contracts are ordinarily made available for inspection during normal business hours at the Company’s registered office up to the date of the AGM and at the place of the AGM from 15 minutes before the start of the meeting until conclusion of the meeting, in the light of the present conditions arising from the pandemic, copies will be made available to members of the Company on receipt of a valid request.

WYNNSTAY PROPERTIES PLC
BIOGRAPHIES OF THE DIRECTORS

Philip G.H. Collins (Non-Executive Chairman) aged 73, is a Solicitor and was Chairman of the Office of Fair Trading from 2005 to 2014. He was formerly a partner in an international firm based in the City where he specialised in E.U. law, with particular emphasis on competition issues. Previously, after practising for some years in the corporate and commercial field, he was seconded for a period to work as Chief Legal Adviser in an industrial group. Appointed a Director of Wynnstay Properties in 1988 and elected Chairman in October 1998.

Paul Williams (Managing Director) aged 63 is a Chartered Surveyor and holds a Degree in Land Management as well as an MBA. He has spent his entire career in commercial property including a fourteen-year period with MEPC where he held a number of senior positions. Paul has also worked for Lloyds TSB, Legal & General, GE Pensions and Credit Suisse Asset Management and joined Wynnstay Properties as Managing Director in February 2006.

Charles H. Delevingne (Non-Executive) aged 71. After spending his early career as a partner with prominent estate agencies, in 1981 he founded Harvey White Properties Limited, a substantial private commercial property investment company. Appointed a Director of Wynnstay Properties in June 2002.

Paul Mather (Non-Executive) aged 66 is a Chartered Surveyor who has spent his career focused on active asset management of commercial portfolios and developments in central London. He was a senior director at BNP Paribas Real Estate for 13 years and group portfolio manager for Greycoat PLC for 17 years. Appointed a director of Wynnstay Properties in March 2017.

Caroline Tolhurst (Non-Executive) aged 59, is a Chartered Surveyor and a Chartered Secretary with more than 30 years' experience in property and investment sectors. She was Company Secretary at Grosvenor Limited and NewRiver Retail Limited and compliance officer for Knight Frank LLP's regulated businesses. She is also a Board member and Committee Chair at A2Dominion Housing Group Limited, Bilby plc and LocatED Property Limited. Appointed a director of Wynnstay Properties in March 2017.

Link's Group's Customer Support Centre

You can contact Link's Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone: UK – 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk

By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.