



NWF GROUP PLC

# INVESTING IN FUTURE GROWTH

ANNUAL REPORT AND ACCOUNTS 2017







# INVESTING IN **FEEDS FOOD FUELS**

**NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK.**

Our aim is to deliver total shareholder returns by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.



Read our At a glance spread on **Pages 2 and 3**

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## OPERATIONAL HIGHLIGHTS

- » **Feeds** – headline operating profit of £1.5 million (2016: £2.1 million). Good second half recovery, having been impacted by margin pressure due to increased commodity costs, particularly through the winter months. Volumes were robust and the mill developments in the North and Cheshire, completed during the year, have strengthened our operating platform.
- » **Food** – headline operating profit of £3.0 million (2016: £2.7 million). A strong result built on efficiently delivering increased activity levels with the business operating at capacity throughout the year.
- » **Fuels** – headline operating profit of £4.5 million (2016: £3.9 million). Strong volume growth across the depot network and the new depots in the South East exceeded expectations in their first full year.

## FINANCIAL HIGHLIGHTS

### Revenue

£555.8m +19.3%

2017	£555.8m
2016	£465.9m

### Headline operating profit<sup>1</sup>

£9.0m +3.4%

2017	£9.0m
2016	£8.7m

### Headline profit before tax<sup>1</sup>

£8.5m +2.4%

2017	£8.5m
2016	£8.3m

### Headline diluted EPS<sup>1</sup>

14.0p +3.7%

2017	14.0p
2016	13.5p

### Total dividend per share

6.0p +5.3%

2017	6.0p
2016	5.7p

### Net debt to EBITDA

1.0x

2017	1.0x
2016	0.8x

<sup>1</sup> Headline operating profit excludes exceptional items. Headline profit before taxation and headline diluted earnings per share exclude exceptional items and the net finance cost in respect of the Group's defined benefit pension and the taxation effect thereon where relevant. Statutory profit before taxation was £6.7 million (2016: £6.0 million).



Download the latest investor presentations and fact sheets at [www.nwf.co.uk](http://www.nwf.co.uk)



## AT A GLANCE

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. With a heritage in the agricultural sector, established in 1871, the Group has over 140 years' experience in adding value to our customers' businesses.

### FEEDS

The Agriculture division manufactures and sells animal feed and provides other nutritional products and advice to dairy, beef and sheep farmers from Scotland to Cornwall.

### INVESTMENT

Completion of significant investment in the feed mills in the North and in Cheshire. £5.2 million invested in the year.

**589,000 TONNES**

Volume increase of 1.6% against ruminant market growth of 1.5% sold under the NWF, Jim Peet, S.C. Feeds and New Breed brands.

### FOOD

The business consolidates full loads for its customers, being both food producers and importers, and ships across the UK daily to all the major supermarkets, cash and carry and food service customers.

### UTILISATION

Efficient utilisation of warehouse space and fleet. Storage levels stable and loads up 6% on prior year.

**PALLETS**

97,000 average pallets stored.

### SERVICE

Service level maintained at 99.7%, supported by industry leading IT and systems.

### FUELS

NWF Fuels is one of the largest authorised distributors of Texaco and a major customer of other fuel suppliers including Shell and Jet.

### GROWTH

Volume growth across the network.

**513 MILLION LITRES**

Volume increase of 8.2%.

**30 MILLION**

Cold starts contributed 30 million litres, ahead of expectation.

### Highlighting our performance

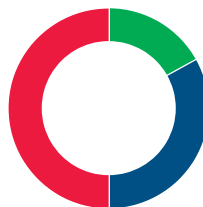
#### Revenue split

Feeds: 28.5%  
Food: 7.0%  
Fuels: 64.5%



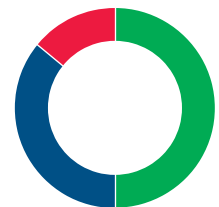
#### Headline operating profit split

Feeds: 16.7%  
Food: 33.3%  
Fuels: 50.0%



#### Operating net assets split

Feeds: 49.7%  
Food: 36.6%  
Fuels: 13.7%







## Serving our markets

### WELL POSITIONED

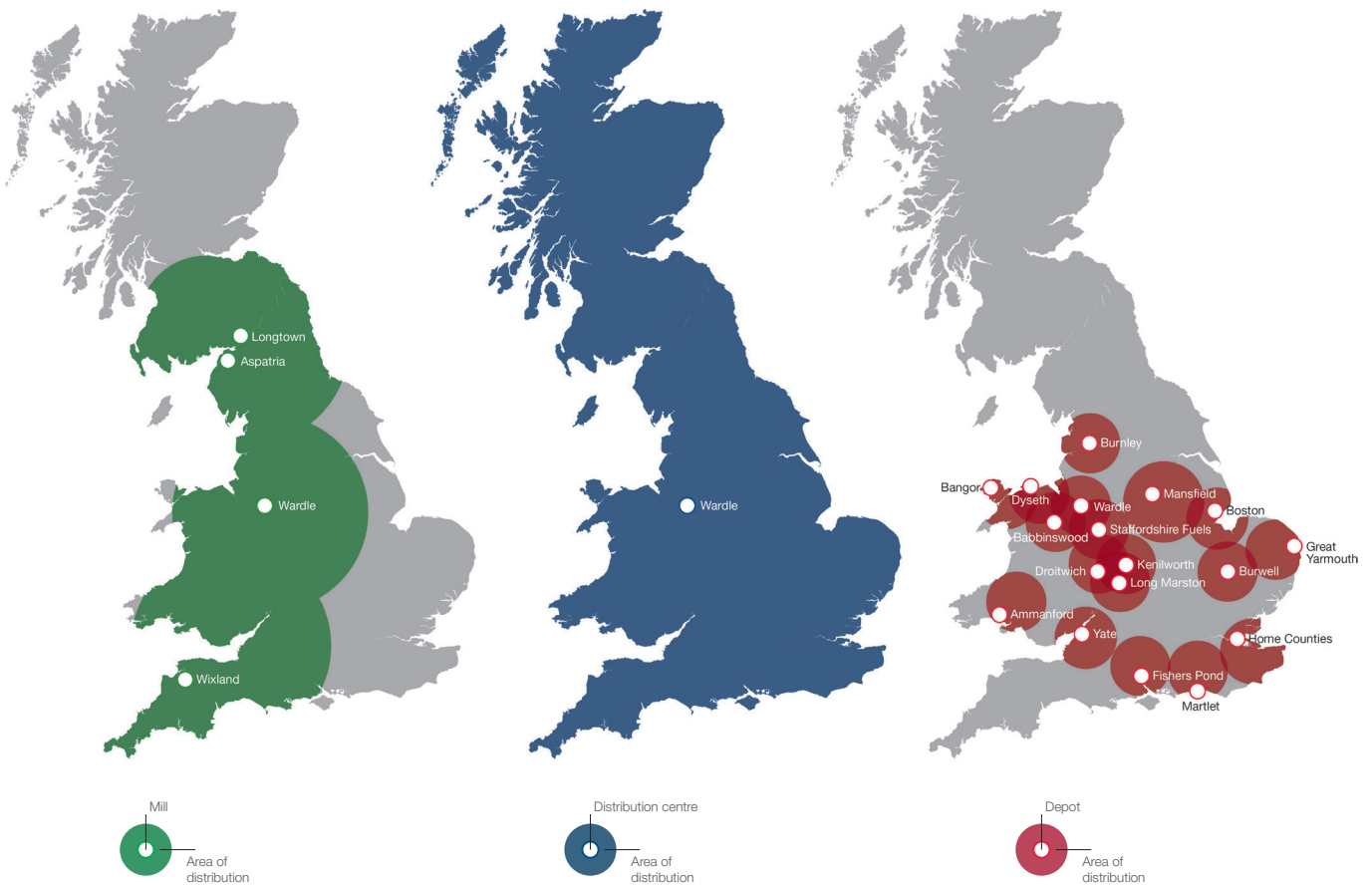
Manufacturing locations aligned to customers.

### NATIONAL PLAYER

UK-wide service from 800,000 square feet of warehouse space in Wardle.

### 19 DEPOTS

Low cost depot-focused operating model.



Read more in the Divisional review on Pages 12 to 17



## CHAIRMAN'S STATEMENT

I am pleased to report another robust performance for NWF and continued investment in the strategic development of the Group.



### Overview

In my last year as Chairman, I am pleased to report another robust performance for NWF and continued investment in the strategic development of the Group. Over the last ten years we have seen solid progress from the Group with revenue up from £361 million to £556 million, headline profit before tax up from £4.0 million to £8.5 million, headline earnings per share up from 5.8p to a record 14.0p this year and dividend per share up from 3.9p per share to 6.0p per share. Over the same period net debt has fallen from £52 million to £13 million.

During the year, strong performances from Food and Fuels more than offset the challenging conditions experienced in the Feeds market. Food remained at full capacity, operated efficiently and delivered more loads whilst maintaining service levels at 99.7%. Fuels increased volumes significantly, more than offsetting the impact of the mild weather in the first half with growth across the depot network and the successful development of our cold starts in the South East. Feeds volumes were stable, with growth in line with the market but, with increasing commodity costs, margins were under pressure and the business was not able to fully pass on these increases during the year.

The capability of the Group to deliver sustainable growth whilst experiencing tough trading conditions due to its diversified operations has again been demonstrated. The continued ambition of the Group has been shown by the significant investment in the feed mills in the North and in Cheshire. Strong cash generation has allowed this investment in the year whilst maintaining a satisfactorily low level of net debt and a robust balance sheet position.



In 2017, the capability of the Group to deliver sustainable growth due to its diversified operations has again been demonstrated.



As a consequence of the good progress achieved and the Group's strong cash generation, the Board is recommending a final dividend of 5.0p per share (record date: 3 November 2017; payment date: 4 December 2017) (2016: 4.7p) giving a total dividend of 6.0p per share (2016: 5.7p), a 5.3% increase on the prior year.

### Our business

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. Each of our trading divisions has scale and good market position, and is profitable and cash generative. Each division trades under different brands with their own brand architecture as follows:

- » Feeds: NWF Agriculture, S.C. Feeds, New Breed and Jim Peet
- » Food: Boughy
- » Fuels: NWF Fuels (including a number of local sub-brands)

Key areas of focus for the Board in 2017 were:

#### Investing in strategic development

The Group has invested in significantly increasing the capacity and improving efficiency of the mill at Longtown in Cumbria, which was acquired with the Jim Peet business in 2016. In parallel the blending facility at Wardle has been automated which improves the production capacity for this growing segment of the market and increases efficiency. Both were completed during the year, albeit the Longtown facility was delayed by a few months and so incurred some additional exceptional costs in the year.

#### Responding proactively to market conditions

The Group has responded effectively to some challenging market conditions in the year. In Feeds the year started with low milk prices and whilst feed volumes recovered with milk price increases, the volatility in the commodity and foreign exchange markets led to significant cost increases, which the business endeavoured to pass on to the market. In Food, further efficiencies have been gained from ensuring loads are ready for dispatch ahead of time and improved backload revenue was delivered. In Fuels, in spite of a mild first half, the business has delivered increased volumes and improved margins on key product lines to offset the impact of lower demand for heating oil.

#### Cash generation

Cash generation remains a priority for the Group and a further sustainable improvement in working capital has been achieved in Feeds that has been managed sensitively at a time of recovery in the dairy market.

#### Rewarding good service

The consistent focus on excellence in customer service across the Group has been critical to our continued development. It has enabled volume gains to be achieved in each of the three divisions in the year.

#### Commodity volatility

Volatility in the commodity markets impacted the Group's performance in 2017. In Fuels, oil (which is purchased on the spot market) moved between \$42 per barrel and \$57 per barrel for Brent Crude with further volatility resulting from exchange rates. In line with market practice, Feeds buys its raw materials under forward purchase contracts. Significant increases in feed input commodities in the year impacted margins as price increases were implemented after cost inflation was experienced.


#### Board changes

My thanks go to all who have supported NWF throughout the year both inside and outside the Group.

I am delighted that Philip Acton, Non-Executive Director, will be taking over from me as the Chairman of NWF Group, with effect from the Annual General Meeting in September. Philip has extremely valuable experience in listed agricultural businesses and has gained a good understanding of NWF since joining the Board almost four years ago. In addition, as previously announced, Lorraine Clinton will join the Board in September and brings a strong operational and commercial background which adds complementary skills to the Board. Chris Belsham, Finance Director, joined the Board in April 2017 and this completes the transition process for the Board to whom I wish the best for the future.

Finally, I wish to pay tribute to the Executive team, many of whom have worked with me during the entire 11 years that I have chaired the Board. As a group, they have displayed that combination of commitment, hard work, vision, humanity and humour that has made my job rewarding and NWF successful.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 28 September 2017.



#### Sir Mark Hudson KCVO

Chairman

1 August 2017

## CHIEF EXECUTIVE'S REVIEW

# Q&A

with Chief Executive Officer, Richard Whiting

NWF delivered a solid performance last year with increased activity in all three divisions and the benefits of the diversified business model resulted in record earnings per share.



### **How does Brexit impact NWF?**

We are a UK business, with three divisions which all performed well in the global financial crisis as they supply basic products to meet the country's needs for Feeds, Food and Fuels. We have not seen any changes in the demand for our products and services to date and monitor the situation closely.

### **Who are your largest shareholders?**

We have no shareholders greater than 5% but a number of significant pension funds and investment funds below 5% with whom we meet regularly.

### **Which is your favoured division?**

All three businesses are unique and deliver benefits to shareholders and have development potential. In addition, through operating in three separate markets the overall risk profile of the Group is reduced.

### **Does the pension scheme constrain the development potential of the Group?**

Our pension scheme is closed to both new members and future accrual and is carefully monitored by the Board and managed carefully alongside professional advice. We have a strong asset base and significant banking facilities to help invest in growth opportunities.

### **Are you just a dividend/yield stock?**

Whilst we recognise the value in the dividend, we are looking to deliver total shareholder return through a combination of share price accretion and a progressive dividend policy. We are looking to be strong and resilient but are also ambitious for the development of NWF.

### **Is the Group susceptible to weather and commodity price changes?**

Commodities can impact the Group in our Feeds business as we buy forward in line with the market and have a capability to outperform when conditions move in our favour. With an oil business that focuses on heating oil in the winter, cold weather will benefit the division, but an ability to sell a range of oil products has demonstrated some effective mitigation in recent milder conditions.



# We continue to see opportunity for further strategic and operational progress and our performance in the current financial year to date has been in line with our expectations.

## Summary

- » Increased activity in all three divisions
- » Completed strategic investment in Feeds operations
- » Delivered results in line with expectations – record EPS and dividend

NWF delivered a solid performance last year with increased activity in all three divisions and the benefits of the diversified business model resulting in record earnings per share. The increase in profitability and strong cash generation allowed the Group to continue its investment strategy, completing major feed mill expansions in the year.

The Group delivered headline operating profit up 3.4% to £9.0 million (2016: £8.7 million) and headline profit before tax up 2.4% to £8.5 million (2016: £8.3 million). Headline earnings per share were up 3.7% to a record level of 14.0p (2016: 13.5p).

Cash management remains strong with net debt of £13.0 million, representing 1.0x EBITDA. This has been achieved by generating net cash of £2.1 million after interest, tax, dividends and net replacement and maintenance capital expenditure of £4.0 million, but before development spend of £5.2 million, as a consequence of the trading performance and further sustainable working capital improvements.

## Outlook

In Feeds, margins and volumes are in line with our expectations for this time of the year. Our mills in the North, Cheshire and the South West are fully operational and aligned to the needs of our farming customers in these key areas of the country.

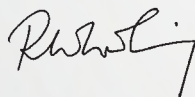
In Food, we are focused on business development activity to maintain utilisation levels at the Wardle site and have won some small new accounts to date. The Palletline operation continues to expand

and we are looking at further options to increase this segment of our business. We remain focused on continuing to provide excellent levels of service and value to our customers and supermarkets across the UK.

In Fuels, we have a proven depot operating model and have demonstrated that the business can deliver a solid result even when market conditions are adverse. Volumes remain robust for the time of year.

The Group has established a solid platform for development, has strong cash flows and flexible banking facilities to fund growth and has a strong asset base that provides resilience. We will therefore continue to review acquisition opportunities, building on our successful track record of acquiring and integrating businesses.

Performance to date in the current financial year has been in line with the Board's expectations. We expect to benefit from a full year of efficiencies at our new expanded Feeds operational base. Overall, the Board therefore remains confident about the Group's future prospects.



**Richard Whiting**  
Chief Executive  
1 August 2017

# OUR BUSINESS MODEL

Each of the divisions provides the opportunity for future development and growth.

## Our focus

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. Each of our trading divisions has scale and good market position, and is both profitable and cash generative.

### Understanding our markets

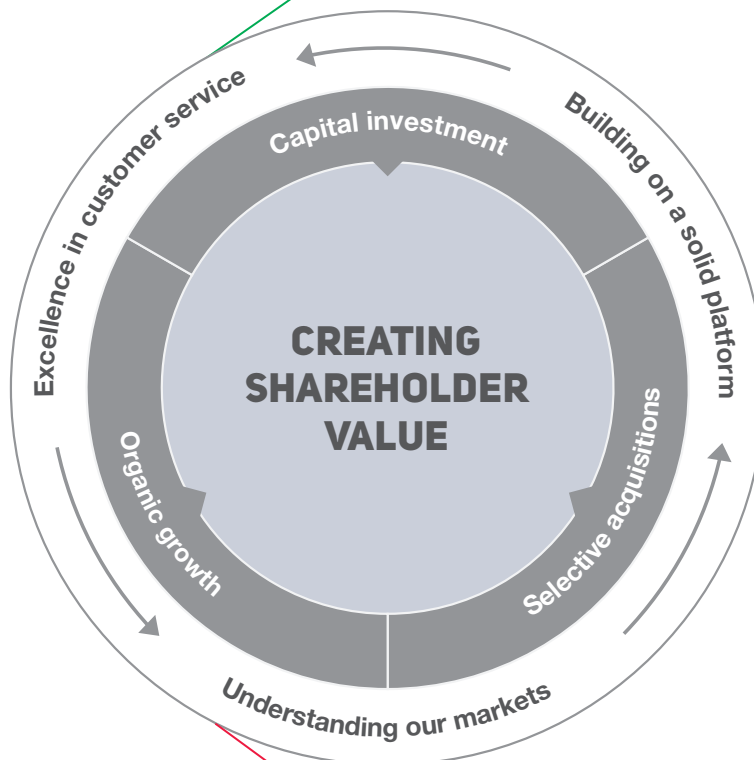
Established in 1871, the Group has over 140 years' experience in adding value to our customers through an in depth knowledge of the agricultural, distribution and oil markets.

### Excellence in customer service

Across the Group customer service is the number one priority. Whether it is delivering in excess of 99.7% service in Food, reaching nine out of ten callers who have run out of fuel on the same day or delivering to farm within 24 hours when needed by farmers, the business strives to provide the highest quality of service in all areas.

### Building on a solid platform

The Group has established a solid platform with strong profit development and cash conversion which has reduced debt. Competitive banking facilities and a substantial asset base will support the Group's development.





# FEEDS

## Our key strengths

- » Key nutritional advisor to over 4,750 ruminant farmers across the UK
- » Technical support for farmers to improve yields and farm profitability
- » Class leading customer service
- » Manufacture of high quality products
- » High asset utilisation of mills and blend sheds delivering value to customers
- » Efficient transport fleet delivering direct to farm

# FOOD

## Our key strengths

- » Market leading national ambient grocery consolidation service
- » High service levels of 99.7%
- » Award winning IT team and industry leading systems with customers utilising live stock and delivery data
- » Efficient warehousing and transport delivering a value proposition for food manufacturers and importers
- » High warehouse and vehicle asset utilisation

# FUELS

## Our key strengths

- » Industry leading customer service from 19 depots across the UK
- » Scale delivers efficiency and value for commercial and domestic customers
- » Delivery flexibility focusing on delivering to oil users who have experienced a run-out
- » Supply agreements with major oil companies for security of supply and competitive pricing

## Creating shareholder value

Our strategy is to deliver total shareholder returns by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.

Strong management team

Growth opportunities

Asset backing

Focus on returns

Good cash generation

Growing dividend

Total dividend per share

6.0p +5.3%

2017	6.0p
2016	5.7p

Read about Group Strategy on Pages 10 and 11



# OUR MARKETS AND STRATEGY

The NWF business model is robust – outperformance in one division can offset tougher market conditions in another.

## FEEDS

### Market overview

- » Stable demand – up 1.5% year on year
- » Suppressed milk price in the first half of the year, improving in the second half of the year, up 31% to 26.9 ppl
- » Milk production down 5% to 11.8 billion litres
- » Commodity price increases with a double impact from sterling weakness

### Market information

Wheat futures price LIFFE (price per tonne £)



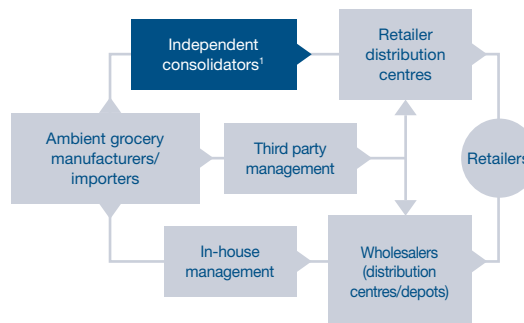
## FOOD

### Market overview

- » Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient
- » The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers
- » Market conditions remain difficult as the supermarkets fight for share in a static market
- » Warehousing remains in short supply

### Market information

Ambient grocery supply chain



1 Boughey's current position in the supply chain.

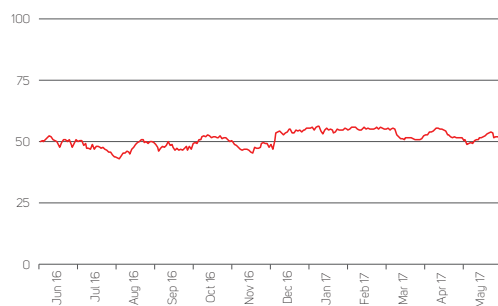
## FUELS

### Market overview

- » The business generated good volume growth which helped to mitigate lower market demand for heating oil due to a warm autumn and winter
- » The average Brent Crude oil price in the year was \$51 per barrel compared to \$45 per barrel in 2016, and was more stable in the year (between \$42 and \$57 per barrel)

### Market information

Oil prices (Brent Crude \$/barrel – Oil Market Journal)





**Development strategy**

- » Continue our track record of organic growth
- » Increase the focus on nutritional advice and technical support
- » Identify and bolt on complementary agriculture businesses
- » Diversify the agriculture offering from a focused ruminant feed base

589,000  
tonnes

2017	589,000
2016	580,000

**Performance**

Maintained market share with increased volumes

**Future priorities**

- » Deliver benefits from operational investment
- » Drive industry consolidation for synergy and scale economies

Read more about Feeds on  
**Pages 12 and 13**

**Development strategy**

- » Maintain excellent levels of customer service
- » Improve operational efficiencies and return on assets
- » Optimise customer mix

97,000  
pallets

2017	97,000
2016	97,000

**Performance**

Activity levels (loads) over 6% ahead of prior year

**Future priorities**

- » Fully utilise the Wardle facility
- » Continue development of Palletline, exploring geographical expansion

Read more about Food on  
**Pages 14 and 15**

**Development strategy**

- » Develop organic growth from existing network and through establishment of new depots
- » Bolt-on acquisitions across the UK
- » Synergy with existing depots
- » Geographic expansion

513m  
litres

2017	513m
2016	474m

**Performance**

Record volume growth to over 500 million litres

**Future priorities**

- » Optimise product mix
- » Target bolt-on acquisitions and cold starts

Read more about Fuels on  
**Pages 16 and 17**



## DIVISIONAL REVIEW

# FEEDS

## Investing in development

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed, feeding one in six dairy cows in Britain. The business supplies over 4,750 farmers from Scotland to Cornwall.

**Outlook for Feeds**

- » Margins and volumes are in line with our expectations for this time of year
- » Our mills in the North, Cheshire and the South West are fully operational
- » We are aligned to the needs of our farming customers in these key areas of the country

2017 was a year of investment for Feeds whilst operating in a volatile market environment. Low milk prices at the start of the year depressed market volumes for feed over the summer. As milk prices increased, feed demand recovered and for the year as a whole ruminant feed market volumes were ahead by 1.5%, albeit with the growth coming from sheep feed. In addition, commodity prices increased significantly through the year, increasing by 17% from the start of the year until March 2017, since when they have eased back.

The new feed mill in Longtown, Cumbria, was completed in the year, although later than anticipated, and the automated blends production facility in

**Revenue**

£158.2m +16.5%

2017	£158.2m
2016	£135.8m

**Operating profit**

£1.5m (28.6)%

2017	£1.5m
2016	£2.1m

**Tonnes**

589,000 +1.6%

2017	589,000
2016	580,000





Cheshire opened in line with the project plan. These investments complete the operational reorganisation for Feeds and the exceptional costs incurred relating to this project. This provides world-class operating units close to our key farming customers from the South West of England to Scotland and gives an effective platform for further development.

Revenue increased by 16.5% to £158.2 million (2016: £135.8 million) as a result of increased volumes, feed prices and additional sales of traded products in the year. Headline operating profit was £1.5 million (2016: £2.1 million) as a consequence of the impact of increasing commodity prices on margins. Total feed volume was 1.6% higher at 589,000 tonnes (2016: 580,000 tonnes).

A key strategic priority for the business remains to increase the nutritional focus in Feeds by providing high quality advice and value added products to our farming customers. This has been of particular

importance in the year to support our farming customers as the milk price has increased and farmers look to increase yields.

Average milk prices in Great Britain increased during the year by 6.4p per litre to 26.9p in May 2017, a level that, positively, is above the average cost of production and therefore reducing the hardship faced by dairy farmers at the start of the year. Despite this, milk production fell by 5% to 11.8 billion litres (2016: 12.4 billion litres) as the UK herd size had reduced as a consequence of a low milk price.

Feeds has a very broad customer base working with over 4,750 farmers across the country. This base, and the underlying robust demand for milk and dairy products, results in a reasonably stable overall demand for our feed in most market conditions.



## DIVISIONAL REVIEW

**FOOD**

## Delivering service and efficiency

Boughey Distribution is a leading consolidator of ambient grocery products with significant warehousing and distribution assets.

The business consolidates full loads from its customers, the food producers and importers, and ships across the UK daily to all the major supermarkets, cash and carry and food service customers.

**Outlook for Food**

- » Business development activity to maintain utilisation at the Wardle site
- » Palletline continues to expand with further options considered
- » Remain focused on excellent levels of customer service

This has been another strong year in Food despite the supermarkets' continued competition for market share. The business has operated efficiently with its warehouses remaining full throughout the year, and the business responded effectively to increased demand for our customers' products measured in outloads, whilst service levels have been maintained at 99.7%. The Palletline operation in Cheshire has developed ahead of expectations and has greater resources deployed. The Mercedes trucks brought into the fleet have continued to perform well, ahead of our initial expectations, and more of these trucks will be brought into the fleet in the coming months.

**Revenue**

£39.0m +3.7%

2017	£39.0m
2016	£37.6m

**Operating profit**

£3.0m +11.1%

2017	£3.0m
2016	£2.7m

**Pallets stored**

97,000 –

2017	97,000
2016	97,000





Revenue increased 3.7% to £39.0 million (2016: £37.6 million). Storage overall was at an average of 97,000 pallets (2016: 97,000 pallets), reflecting the full-year benefit of customers won in the prior year and some organic customer growth. This offset lower contracted volumes with a major customer, as previously announced. Total loads were 6.3% higher than the prior year. Headline operating profit increased by 11.1% to £3.0 million (2016: £2.7 million), as a consequence of increased activity, improved backload revenue and increased Palletline activity. As previously announced, we have storage capacity available at Wardle and have increased business development activity to fill this space during 2018.

Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers. The business has a leading position in consolidating ambient grocery products in the North West, with high service levels, industry leading systems and a strong operating performance being the key components of its customer proposition.

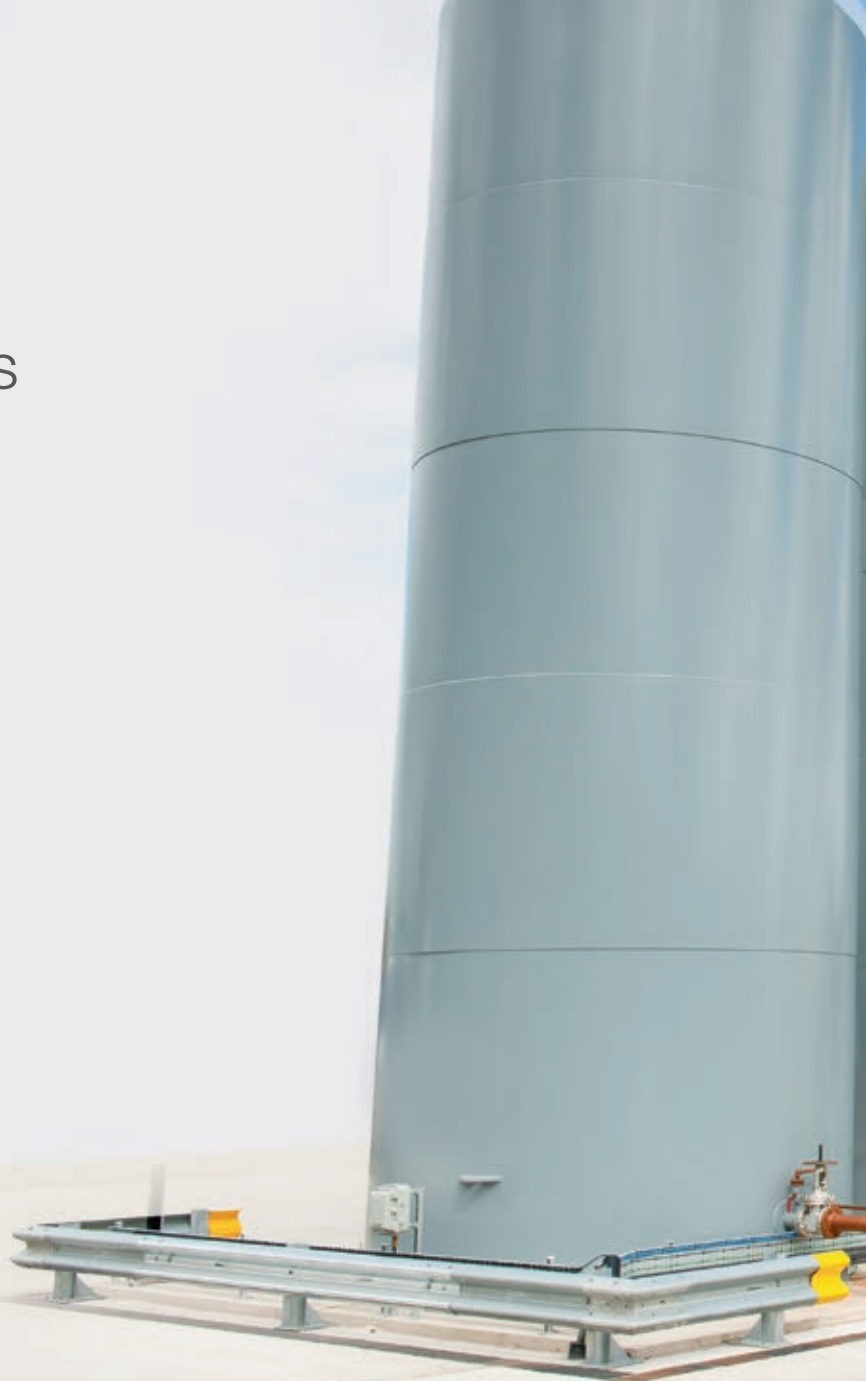


## DIVISIONAL REVIEW

# FUELS

Volume growth across a successful network

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 500 million litres across the UK to 58,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell and Jet.



### Outlook for Fuels

- » We have a proven depot operating model
- » The business can deliver a solid result even when market conditions are adverse
- » Volumes remain robust for the time of year

Fuels has delivered significant growth in the year breaking through the 500 million litres mark for the first time. Growth was delivered across the depot network and this, along with robust margins, mitigated effectively the warm weather of the first half and consequent lower demand for heating oil. In addition, the cold starts (Home Counties Fuels and Martlet Fuels) performed ahead of expectations delivering in excess of 30 million litres in the year.

#### Revenue

£358.6m +22.6%

2017	£358.6m
2016	£292.5m

#### Operating profit

£4.5m +15.4%

2017	£4.5m
2016	£3.9m

#### Volume

513m +8.2%

2017	513m
2016	474m



Volumes rose 8.2% to 513 million litres (2016: 474 million litres), whilst revenue increased by 22.6% to £358.6 million (2016: £292.5 million) as a result of higher oil prices and a greater proportion of diesel and gas oil sales in the year. The average Brent Crude oil price in the year was \$51 per barrel compared to \$46 per barrel in the prior year.

Headline operating profit was up 15.4% to £4.5 million (2016: £3.9 million) as the additional volume generated an increase in profitability.

With 58,000 customers being supplied across 19 fuel depots, Fuels operates in markets that are large and robust and can effectively manage the volatility in oil prices.

## GROUP FINANCIAL REVIEW

The Group has established a solid platform for development, has competitive banking facilities and a strong asset base.



### Summary

- » All divisions profitable and cash generative
- » £5.2 million development investment in the Cheshire and Northern mills
- » Headline profit before tax of £8.5 million (2016: £8.3 million)
- » Exceptional costs of £1.2 million (2016: net cost of £1.6 million) arising from restructuring costs
- » Diluted headline EPS of 14.0p (2016: 13.5p)
- » Net debt of £13.0 million (31 May 2016: £9.9 million)
- » Committed banking facilities in place to October 2019

### Group results

Group revenue increased by 19.3% to £555.8 million (2016: £465.9 million) reflecting higher activity levels, increased oil and commodity prices and the contribution from the acquisitions in 2016. Headline operating profit was £9.0 million, an increase of 3.4% (2016: £8.7 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) increased by £0.1 million to £0.5 million, reflecting the higher average net debt levels during the year resulting from the three acquisitions last year and the investment in the Northern and Cheshire mills in the year, with interest cover decreasing to 18.0x (excluding IAS 19 net pension finance costs) (2016: 21.8x).

Headline profit before taxation increased by 2.4% to £8.5 million (2016: £8.3 million). Exceptional items totalling £1.2 million have been recognised in the year, the cash impact of which was £1.0 million. These represent restructuring costs in the Feeds business as the investment in the mills was completed and the mill at Longtown commenced production in the year. Profit before taxation has increased by £0.7 million to £6.7 million (2016: £6.0 million).





Revenue increased in the year reflecting higher activity levels, increased oil and commodity prices and the contribution from the acquisitions in 2016. Headline operating profit increased by 3.4% to £9.0 million.

### Group results for the year ended 31 May

	2017 £m	2016 £m
<b>Revenue</b>	<b>555.8</b>	465.9
Operating expenses	<b>(548.0)</b>	(458.8)
Headline operating profit <sup>1</sup>	<b>9.0</b>	8.7
Exceptional items	<b>(1.2)</b>	(1.6)
<b>Operating profit</b>	<b>7.8</b>	7.1
Financing costs	<b>(1.1)</b>	(1.1)
Headline profit before tax <sup>1</sup>	<b>8.5</b>	8.3
Net finance cost in respect of defined benefit pension scheme	<b>(0.6)</b>	(0.7)
Exceptional items	<b>(1.2)</b>	(1.6)
<b>Profit before taxation</b>	<b>6.7</b>	6.0
Income tax expense	<b>(1.2)</b>	(1.2)
<b>Profit for the year</b>	<b>5.5</b>	4.8
<b>Headline EPS<sup>1</sup></b>	<b>14.0p</b>	13.6p
<b>Diluted headline EPS<sup>1</sup></b>	<b>14.0p</b>	13.5p
<b>Dividend per share</b>	<b>6.0p</b>	5.7p
<b>Dividend cover<sup>1</sup></b>	<b>2.3x</b>	2.4x
<b>Interest cover</b>	<b>18.0x</b>	21.8x

<sup>1</sup> Headline operating profit is statutory operating profit of £7.8 million (2016: £7.1 million) before exceptional items of £1.2 million (2016: £1.6 million). Headline profit before taxation is statutory profit before taxation of £6.7 million (2016: £6.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.6 million (2016: £0.7 million) and the exceptional items and the taxation effect thereon where relevant. Dividend cover is calculated using headline EPS.

The headline basic earnings per share of 14.0p represented an increase of 2.9% (2016: 13.6p), whilst diluted headline earnings per share increased by 3.7% to 14.0p (2016: 13.5p). The proposed full-year dividend per share is an increase of 5.3% to 6.0p, which reflects the Board's confidence in the robustness of the Group's earnings, strong underlying cash generation and future prospects. The proposed dividend equates to a dividend cover ratio of 2.3x.

The finance costs in respect of the defined benefit pension scheme were slightly lower than the prior year at £0.6 million (2016: £0.7 million).

The tax charge for the year is £1.2 million (2016: £1.2 million), which represents an effective tax rate of 17.9% (2016: 20.4%). However, this has been reduced by an adjustment in respect of the prior year of £0.2 million which has resulted from the prudent assessment at 31 May 2016 of the tax impact of capital allowances and exceptional items recognised in the year ended 31 May 2016. The Group's headline effective rate of tax is slightly above the standard rate at 20%. The Group's future underlying effective rate of tax is expected to fall in line with the decrease in the main rate of corporation tax. After the exceptional items noted above, the post-tax profit for the year was £5.5 million (2016: £4.8 million).

# GROUP FINANCIAL REVIEW CONTINUED

## Balance sheet as at 31 May

	2017 £m	2016 £m
Tangible and intangible fixed assets	<b>69.4</b>	64.4
Net working capital	<b>3.5</b>	3.7
Net debt	<b>(13.0)</b>	(9.9)
Contingent deferred consideration	<b>(1.4)</b>	(1.4)
Current tax liabilities	<b>(0.6)</b>	(0.9)
Deferred tax liabilities	—	(0.4)
Provisions	<b>(0.3)</b>	(0.5)
Retirement benefit obligations	<b>(19.9)</b>	(18.3)
<b>Net assets</b>	<b>37.7</b>	36.7

### Balance sheet summary

The Group has increased net assets by £1.0 million to £37.7 million (31 May 2016: £36.7 million). This reflects the robust underlying trading performance during the year with a retained profit for the year of £2.7 million (2016: £2.2 million) which has been partly offset by an increase in the accounting valuation of the pension deficit.

Tangible and intangible assets have increased by £5.0 million to £69.4 million as at 31 May 2017 (31 May 2016: £64.4 million) as a result of the capital expenditure of £9.4 million. The depreciation and amortisation charges for the year to 31 May 2017 were £3.4 million and £0.8 million respectively (2016: £3.2 million and £0.7 million respectively).

Group-level ROCE has decreased to 12.4% as at 31 May 2017 (31 May 2016: 12.9%) primarily due to the increased capital base.

The Group has continued to focus on reducing net working capital, which has decreased by £0.2 million despite the increase in revenue resulting from increased commodity prices.

The Group's inventories have increased by £0.8 million to £4.2 million (31 May 2016: £3.4 million) with trade and other receivables increasing to £61.3 million (31 May 2016: £52.8 million) and an increase in trade and other payables to £62.2 million (31 May 2016: £52.7 million).

Net debt increased by £3.1 million to £13.0 million (31 May 2016: £9.9 million), reflecting the capital investment in the year of £9.4 million partly offset by the strong underlying cash generation of the Group resulting from a combination of the trading performance and further reductions in working capital. At the year end, the Group's net debt to EBITDA ratio was 1.0x (2016: 0.8x).

The deficit of the Group's defined benefit pension scheme increased by £1.6 million to £19.9 million (31 May 2016: £18.3 million). The value of pension scheme assets increased by £5.0 million to £39.5 million (31 May 2016: £34.5 million). The value of the scheme liabilities increased by £6.6 million to £59.4 million (31 May 2016: £52.8 million) as a result of the reduction in the discount rate used to calculate the present value of the future obligations (31 May 2017: 2.60%; 31 May 2016: 3.55%).

### Cash flow and banking facilities

The Group has continued to deliver further sustained improvements in working capital during the year which, together with the robust trading performance, has resulted in strong underlying cash generation. Net debt has increased by £3.1 million as a result of £9.2 million of net capital expenditure, including the development investment in the Cheshire and Northern mills of £5.2 million. The closing net debt of £13.0 million represents a net debt to EBITDA ratio of 1.0x.

Net cash generated from operating activities was £8.9 million (2016: £11.9 million) representing a cash conversion ratio of 98.9% of headline operating profit (2016: 136.8%). Our consistent focus on working capital has resulted in a decrease of £0.2 million (2016: £5.2 million), despite significant increases in commodity prices, through continued initiatives to reduce debtor days, particularly in the Feeds division.

Net capital expenditure in the year at £9.2 million (2016: £3.4 million) was significantly ahead of the annual depreciation charge of £3.4 million (2016: £3.2 million). The main focus of capital expenditure was the investment in the Cheshire and Northern mills.

## Cash flow and banking facilities for the year ended 31 May

	2017 £m	2016 £m
<b>Operating cash flows before movements in working capital and provisions</b>	<b>10.8</b>	9.1
Working capital movements	0.2	5.2
Utilisation of provision	(0.2)	—
Interest paid	(0.5)	(0.4)
Tax paid	(1.4)	(2.0)
<b>Net cash generated from operating activities</b>	<b>8.9</b>	11.9
Capital expenditure (net of receipts from disposals)	(9.2)	(3.4)
Acquisition of subsidiaries	—	(7.5)
<b>Net cash absorbed by investing activities</b>	<b>(9.2)</b>	(10.9)
Repayment of bank borrowings in respect of acquisitions	—	(2.0)
Net increase in bank borrowings	2.4	5.5
Capital element of finance lease and HP payments	(0.1)	(0.1)
Dividends paid	(2.8)	(2.6)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(0.8)</b>	1.8
Cash and cash equivalents at beginning of year	1.8	—
<b>Cash and cash equivalents at end of year</b>	<b>1.0</b>	1.8

The Group's banking facilities, totalling £65.0 million, are committed through to 31 October 2019 with the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility, which are renewed annually. There remains substantial facility headroom available to support the development of the Group. Within the total facility of £65.0 million, the Group has an invoice discounting facility, the availability of which depends on the level of trade receivables available for refinancing which is subject to a maximum drawdown of £50.0 million. The banking facilities are provided subject to ongoing compliance with conventional banking covenants against which the Group has substantial levels of headroom.

### Going concern

The Group has an agreement with The Royal Bank of Scotland Group for credit facilities totalling £65.0 million. With the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility, which are renewed annually, these facilities are committed through to 31 October 2019.

Accordingly, the Directors, having made suitable enquiries, and based on financial performance to date and the available banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### Share price

The market price per share of the Company's shares at 31 May 2017 was 136.5p (31 May 2016: 152.0p) and the range of market prices during the year was between 133.0p and 178.0p.



**Chris Belsham**  
Finance Director  
1 August 2017



# PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s operations expose it to a variety of financial risks: price risk, interest rate risk, credit risk and liquidity risk. There is no significant foreign exchange risk in respect of the Group’s operations.

Given the size of the Group, the Directors have not established a sub-committee of the Board to monitor financial risk management, but have established policies that are implemented and monitored by the Executive Directors.

Effective risk management aids decision making, underpins the delivery of the Group’s strategy and objectives and helps to ensure that the risks the Group takes are adequately assessed and actively managed. The Group regularly monitors its key risks and reviews its management processes and systems to ensure that they are effective and consistent with good practice. The Board is ultimately responsible for the Group’s risk management. The risk management process involves the identification and prioritisation of key risks, together with appropriate controls and plans for mitigation, which are then reported to the Board.

As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The table below shows the principal risks and uncertainties which could have a material adverse impact on the Group. This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or which are believed to be immaterial, which could have an adverse effect on the Group.

### Risk management framework



### Change in 2017

▲ Increase    — No change    ▼ Decrease

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
<b>Brexit</b>		
The uncertainty around the implications of the European Union exit and exchange rate volatility creates commodity price risk.	We are a UK business, with three divisions which all performed well in the global financial crisis as they supply basic products to meet the country’s needs for Feeds, Food and Fuels. We have not seen any changes in the demand for our products and services to date and monitor the situation closely.	—
<b>Commodity prices and volatility in raw material prices</b>		
The Group’s Feeds and Fuels divisions operate in sectors which are vulnerable to volatile commodity prices both for fuel and for raw materials.	The Group maintains close relationships with key suppliers, enabling optimal negotiated prices, and where appropriate implements purchasing framework agreements. The Feeds business utilises forward contracts for key raw materials to ensure that impact of volatility can be partially mitigated through committed prices and volumes.  Multiple sources of supply are maintained for all key raw materials.	—

## RISK DESCRIPTION AND IMPACT

## MITIGATING ACTIONS

## CHANGE

**Climate – impact on earnings volatility**

The demand for both the Feeds and Fuels divisions is impacted by climatic conditions and the severity of winter conditions in particular, which directly affect the demand for heating products. The inherent uncertainty regarding climatic conditions represents a risk of volatility in the profitability of the Fuels and Feeds divisions.

Whilst the Fuels division seeks to mitigate this risk through the provision of a range of fuels including commercial fuels, there will always be volatility in the profitability of the Fuels division related to climate. The Feeds division seeks to mitigate the extent of climatic conditions on the profitability of the business through its concentration on the key dairy sector where there is a strong underlying demand.

**Pension scheme volatility**

Increases in the ongoing deficit associated with the Group's defined benefit pension scheme would adversely impact on the strength of the Group's balance sheet and could lead to an increase in cash contributions payable by the Group.

The defined benefit pension scheme has been closed to new entrants since 2002 and from April 2016, closed to future accrual. Regular meetings are held with both the scheme's trustees and professional advisors to monitor and review the investment policy, the Group's funding requirements and any other available opportunities to mitigate this risk.

**Recruitment, retention and development of our key people**

Recruiting and retaining the right people is crucial for the success of the Group and its development.

Remuneration policies are regularly reviewed to ensure employees are appropriately incentivised. Succession planning and development of key employees are also considered by the Board. The Remuneration Committee also ensures that it receives appropriate benchmark data which is used in the monitoring and formulation of remuneration policy for key employees and Executives.

**Infrastructure and IT systems**

IT system failures or business interruption events (such as cyber-attacks) could have a material impact on the Group's ability to operate effectively.

The Group has internal IT support teams together with close relationships with key software vendors and consultants. Significant investment has been made by the Group in upgrading and maintaining its core IT systems in each of the three operating divisions.

**Non-compliance with legislation and regulations**

The Group operates in diverse markets and each sector has its own regulatory and compliance frameworks which require ongoing monitoring to ensure that the Group maintains full compliance with all legislative and regulatory requirements. Any incident of major injury or fatality or which results in significant environmental damage could result in reputational or financial damage to the Group.

Expertise within the operating divisions is supplemented by ongoing advice from professional advisors and the involvement of the Head Office function which closely monitors existing business practices and any anticipated changes in regulatory practices or requirements.

The Group employs appropriately qualified and experienced health and safety personnel and retains health and safety specialists to ensure compliance.

**Strategic growth and change management**

A failure to identify, execute or integrate acquisitions, change management programmes or other growth opportunities could impact on the profitability and strategic development of the Group. A major consolidation amongst competitors, a new market entrant or other competitor activity could impact the Group's profitability or development opportunities.

The Group management team is engaged in ongoing active review of competitor activity, development and acquisition opportunities. All potential acquisitions are subject to a review of their ability to generate a return on capital employed and their strategic fit with the Group. The Group conducts appropriate internal and external due diligence prior to completing any acquisition.



# BOARD OF DIRECTORS AND COMPANY SECRETARY



**1.**  
**Sir Mark Hudson KCVO**  
Non-Executive Chairman of the Board

#### Experience

Joined the Board in 1985, became Chairman in 2006. An agricultural business advisor and retired dairy farmer. Past president of the CLA, past chairman of the Game and Wildlife Conservation Trust and chairman of council, Duchy of Lancaster.

#### Key skills

- » Sector experience
- » Experienced chairman

**2.**  
**Richard Whiting**  
Chief Executive

#### Experience

Joined in 2007. Previously group finance director of Heywood Williams Group plc, after joining as business development director from Brand-Rex Ltd, where he was managing director of the datacom division.

#### Key skills

- » Strategy and leadership
- » Sales and marketing
- » Operations
- » Finance
- » Mergers and acquisitions

**3.**  
**Chris Belsham**  
Finance Director

#### Experience

Joined as Finance Director in 2017. Previously an equity partner and head of corporate finance at Irwin Mitchell LLP having joined the business in 2014 from KPMG Corporate Finance. Qualified as a Chartered Accountant with PwC in 1999.

#### Key skills

- » Finance
- » Mergers and acquisitions
- » Strategy

**4.**  
**Yvonne Monaghan**  
Independent Non-Executive Director

#### Experience

Joined the Board in 2013. Currently chief financial officer of Johnson Service Group plc. A chartered accountant, qualifying with Deloitte Haskins & Sells in 1982.

#### Key skills

- » Finance
- » Mergers and acquisitions
- » Current plc board experience

**5.**  
**Philip Acton**  
Independent Non-Executive Director

#### Experience

Joined the Board in 2013, worked for 17 years in agriculture as chief operating officer for Genus Europe and Asia and group finance director of Genus plc. Prior to that spent ten years in the electrical engineering sector as group finance director of Scholes Group plc.

#### Key skills

- » Sector experience
- » Finance
- » Mergers and acquisitions

**6.**  
**Rob Andrew**  
Company Secretary

#### Experience

Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc.

#### Key skills

- » Health and safety
- » Human resources
- » Company secretarial
- » Property



# SENIOR MANAGEMENT AND ADVISORS



**7.**  
**Keith Forster**  
Managing Director, Food

### Experience

Appointed Managing Director of the Food division in November 2004, having joined the Group in 2001. Previously held senior positions in a number of distribution businesses.

### Key skills

- » Leadership
- » Operations
- » Sales and marketing
- » Finance

**8.**  
**Kevin Kennerley**  
Managing Director, Fuels

### Experience

Appointed Managing Director of the Fuels division in November 1992, having joined the Group in 1978.

### Key skills

- » Leadership
- » Operations
- » Sales and marketing

**9.**  
**Andrew Downie**  
Managing Director, Feeds

### Experience

Appointed Managing Director of the Feeds division in February 2015. Previously held the position of head of operations at ABF plc and senior positions at AB World Foods and Patak's Foods Limited.

### Key skills

- » Leadership
- » Operations
- » Sales and marketing

## ADVISORS

**Registrars**  
Capita Asset Services  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Independent auditors**  
PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester M2 3PW

**Bankers**  
The Royal Bank of Scotland  
Corporate Banking  
2nd Floor  
1 Spinningfields Square  
Manchester M3 3AP

**Nominated advisor and broker**  
Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

**Solicitors**  
Brabners LLP  
Horton House  
Exchange Flags  
Liverpool L2 3YL

**Financial PR**  
MHP Communications  
6 Agar Street  
London WC2N 4HN

**Registered office**  
NWF Group plc  
Wardle  
Nantwich  
Cheshire CW5 6BP

**Registered number**  
2264971

# CORPORATE GOVERNANCE STATEMENT



## The Board is committed to achieving high standards of corporate governance, integrity and business ethics for all of the activities of the Group.

Under the rules of AIM, the Group is not required to comply with the UK Corporate Governance Code 2016 ('the Code'). Nevertheless, the Board has taken steps to comply with the Code insofar as it can be applied practically and appropriately, given the size of the Group and the nature of its operations. The main ways in which it does this are described below.

### Board composition and operation

The Board currently comprises two Executive and three Non-Executive Directors. The names of the Directors together with their roles and biographical details are set out on page 24. The roles of Chairman and Chief Executive are separated, clearly understood and have been agreed by the Board. The Chairman is responsible for the Board. The Chief Executive is responsible for the operating performance of the Group. A formal schedule of matters requiring Group Board approval is maintained and regularly reviewed, covering such areas as Group strategy, approval of budgets, financial results, Board appointments and dividend policy. The Board normally meets once a month and additional meetings are called when required. Comprehensive briefing papers are sent to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

### Board composition

Chairman: 1

Executive Directors: 2

Non-Executive Directors: 2



Due to the infrequency of senior appointments, the Board does not maintain a standing Nomination Committee but will form one as appropriate if required. The current Chief Executive's and Group Finance Director's appointments were approved by the Board, after receiving a recommendation from a Committee of the Board, consisting of the Non-Executive Directors, that was formed specifically for that purpose. The Committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants.

The Board annually conducts an appraisal of its own performance and that of each Director consisting of individual assessments using prescribed questionnaires that are completed by all Directors. The results are reviewed, and individual feedback is given, by an independent Non-Executive Director in respect of assessments of the Chairman and by the Chairman in respect of assessments of each of the other Directors and of the Board as a whole.

All Directors are subject to retirement by rotation in accordance with the Articles of Association.

The service contracts of Executive Directors require one year's notice or less.

### Audit Committee

The Audit Committee consists of all three Non-Executive Directors and is chaired by Yvonne Monaghan, an independent Non-Executive Director. The Audit Committee met on two occasions during the year and all members attended. The operations of the Audit Committee are set out in the separate Audit Committee Report on pages 28 and 29. Its terms of reference will be made available at the AGM and on the Company's website.

### Remuneration Committee

The Remuneration Committee consists of all three Non-Executive Directors and is chaired by Philip Acton, an independent Non-Executive Director. The Remuneration Committee met on a number of occasions during the year. Its remit is to determine, on behalf of the Board, appropriate short and long-term total reward packages for the Executive Directors and will also satisfy itself that good practices apply to all Group employees through the relevant management structures. Its terms of reference will be made available at the AGM and on the Company's website.

## Directors

Each of the Directors is subject to election by the shareholders at the first Annual General Meeting after their appointment. Thereafter, all Directors are subject to retirement by rotation in accordance with the Articles of Association. Biographical details of all Directors are set out on page 24. After 11 years' service as Chairman, Sir Mark Hudson KCVO has made the decision to step down at this year's AGM to be held in September 2017. Philip Acton, currently Non-Executive Director and Chairman of the Remuneration Committee, has accepted the position of Chairman, which he will commence upon the conclusion of the AGM. Lorraine Clinton has been appointed as a Non-Executive Director and will join the Board with effect from 28 September 2017.

The Non-Executive Directors have received appointment letters setting out their terms of appointment. All Non-Executive Directors are appointed for one year with renewal for further one-year terms if performance is satisfactory. The retiring Chairman has served for more than nine years on the Board, which does not comply with the Code's definition of independence. The Board considers that the other two Non-Executive Directors meet the independence tests. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

The appointment of new Non-Executive Directors to the Board is considered by the whole Board.

## Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide it with reasonable assurance regarding the reliability of financial information that is used within the business and for publication and the safeguarding of assets. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. Some examples of internal controls operated by the Group are given below and elsewhere in this statement.

The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to operational management.

The Group's risk management programme, which assesses key risks and the required internal controls that are delegated to Directors and managers at all levels in the Group, is reviewed regularly in order to ensure that it continues to meet the Board's requirements.

## Shareholders

The Chairman and the Non-Executive Directors will always make themselves available to meet with shareholders. Each AGM is a particular opportunity for this. Normal relationships with shareholders are maintained by the Executive Directors who brief the Board on shareholder issues and who relate the views of the Group's advisors to the Board. The Board

believes that the disclosures set out on pages 6 to 23 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

## Share capital structures

Details of the Company's share capital can be found in the 'Takeover Directive requirements' section of the Directors' Report and in note 21 of the Group financial statements.

## Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Group Financial Review. In addition, note 19 of the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of financial instruments and hedging activities and its exposure to price, interest rate, credit and liquidity risk. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future based on the following factors:

- » The Group's banking facilities totalling £65.0 million with The Royal Bank of Scotland Group are committed through to October 2019. There is significant headroom both in terms of covenant compliance and funding availability. Undrawn facilities at 31 May 2017 were £43.8 million (2016: £36.3 million).
- » The Group has prepared financial projections to 31 May 2019 which project positive earnings and demonstrate covenant compliance at all quarterly covenant test dates.
- » Calculations to support covenant compliance are prepared and reviewed on a quarterly basis.
- » The Group monitors capital risk on the basis of net debt/ EBITDA ratio, which at 31 May 2017 was 1.0x (2016: 0.8x).

On the basis of the above, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Forward-looking statements

The Annual Report and Accounts includes certain statements that are forward-looking statements. These statements appear in a number of places throughout the strategic report and include statements regarding the Group's intentions, beliefs or current expectations and those of its officers, Directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Group's businesses. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated.



# AUDIT COMMITTEE REPORT



## Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 May 2017.

### Composition

The Audit Committee consists of all three Non-Executive Directors and is chaired by myself as an independent Non-Executive Director. The Audit Committee met on two occasions during the year and all members attended.

### Responsibilities

The Audit Committee has terms of reference in place which have been formally approved by the Board and are made available at the AGM and on the Company's website. Its primary responsibilities include reviewing the effectiveness of the Group's internal control systems and monitoring the integrity of the Group's financial statements and external announcements of the Group's results. The Committee reports to the Board on all these matters.

### Experience of the Audit Committee

The Audit Committee comprises all three Non-Executive Directors, two of whom are qualified Chartered Accountants and have extensive industry experience in senior finance roles.

### External audit

The Audit Committee also approves the appointment and remuneration of the Group's external auditors and satisfies itself that they maintain their independence regardless of any non-audit work performed by them. The Group adopts the following policy governing the performance of non-audit work by the auditors. The auditors are permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing they have the skill, competence and integrity to carry out the work and are considered to be the most appropriate advisors to undertake such work in the best interests of the Group. All assignments are monitored by the Committee.

The respective responsibilities of the Directors and external auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 36 and the Auditors' Report on pages 37 and 38. Details of services provided by, and fees payable to, the auditors are shown in note 5 of the Group financial statements.

Whilst the Audit Committee has not adopted a formal policy in respect of the rotation of the external auditors, one of its principal duties is to make recommendations to the Board in relation to the appointment of the external auditors. Various factors are taken into account by the Committee in this respect, including the quality of the reports provided to the Committee, the level of service provided and the level of understanding of the Group's business.

PricewaterhouseCoopers LLP have been the Company's external auditors for many years. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness and independence. Accordingly, it has not considered it necessary to date to require the firm to re-tender for the audit work. The auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner is in the third year of his term as audit partner. There are no contractual obligations restricting the Company's choice of auditors.

### Internal audit

The Group does not have a formal internal audit function but performs targeted reviews and visits to operations by the Head Office team and professional advisors. The results of these reviews are communicated back to the Audit Committee. This approach is considered appropriate and proportionate given the extensive work performed by the external auditors.

### Internal control and risk management

An internal control update is provided to the Audit Committee at each meeting. The principal risks are also reviewed and any changes in risk ratings are discussed to ensure that appropriate risk mitigations are in place where relevant.

### Going concern

Financial projections covering a period of not less than two years are prepared to support the appropriateness review of going concern. Sensitivities are calculated to ensure that headroom exists in both financial resources and covenants, both of which are sufficient.

### Significant issues considered in relation to the financial statements

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provides details on the main financial reporting judgements. The Committee also reviews reports by the external auditors on the half-year and full-year results which highlight any issues arising from their work undertaken in respect of the half-year review and year-end audit. The specific areas of audit and accounting risk reviewed by the Committee were:

#### 1. The carrying value of goodwill

The Group's goodwill is a material balance. Annual impairment reviews are performed which use key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates. The Committee is comfortable with the key assumptions applied and management's conclusion that no impairment has occurred.

#### 2. The carrying value of trade receivables

The Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Committee has reviewed the current year provisions against trade receivables, including an assessment of the adequacy of the prior year provisions and is satisfied with management's conclusions that the provisioning levels are appropriate.

#### 3. Pensions including obligations and assumptions

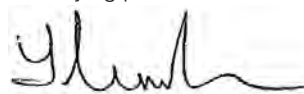
The Group's defined benefit pension scheme is material to its financial position. The amounts shown in the balance sheet are highly sensitive to changes in key actuarial assumptions which are set by reference to advice from professional advisors. Full disclosure of the pension scheme is provided in note 22 to the financial statements.

#### 4. Deferred consideration

Accounting for deferred consideration has been reviewed in light of performance criteria.

#### 5. Exceptional items

The Committee has considered the presentation of the Group financial statements and, in particular, the presentation of exceptional items and the items included within such categories. The Committee has discussed these items with management and agreed that the presentation is consistent with the Group's accounting policy and provides more meaningful information to shareholders about the underlying performance of the Group.



**Yvonne Monaghan**

Chair of the Audit Committee

1 August 2017

# DIRECTORS' REMUNERATION REPORT



## Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2017.

The aim of our report is to provide shareholders with information to understand our remuneration strategy and its linkage to the Group's financial performance. The following Directors were members of the Remuneration Committee when matters relating to the Executive Directors' remuneration were being considered:

### Members of the Remuneration Committee

Mr T P Acton

Sir Mark Hudson KCVO

Mrs Y M Monaghan

### Our performance in 2016/17

This has been another year of solid results for NWF Group plc, despite many challenges in the Group's operating markets. The business model proved robust with tough conditions in the market for dairy feeds more than offset by further growth in the Fuels division and a solid performance in the Food division in the year.

### Key pay out-turns for 2016/17

For 2016/17, the performance achieved against financial and operational targets resulted in 14% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 14.0p at 31 May 2017, 0% of the LTIP awards granted at the start of 2014/15 will vest in August 2017.

### Looking forward to 2017/18

We continue to work with Deloitte LLP, our professional advisors, to ensure our remuneration structure supports the evolving strategy of the Company and our growth ambitions over the coming years and is at the appropriate levels in the current marketplace. The key reward schemes can be summarised as follows:

- » Annual bonus – an annual bonus with performance criteria based upon a mixture of profit-based and personal objectives as set by the Remuneration Committee.
- » Long-term Incentive Plans ('LTIP') – three-year share-based payments with the performance criteria being based upon EPS growth over the term of the award.

I do hope that this clearly explains our approach to remuneration and enables you to appreciate how it underpins our business growth strategy.

**Philip Acton**

Chairman of the Remuneration Committee

1 August 2017



## Remuneration policy

As an AIM-listed entity, the Company is not required to fully apply the Listing Rules of the Financial Conduct Authority or the BIS Directors' Remuneration Reporting Regulations and hence is not required to present a board report on remuneration in accordance with those rules. Nevertheless, the Board considers it appropriate for the Company to provide shareholders with information with respect to Executive remuneration. The report is unaudited, unless otherwise stated.

The Company's remuneration principles are as follows – these have been taken from the Association of British Insurers' ('ABI') 'Principles of Remuneration':

- » remuneration structures should be appropriate to the specific business, efficient and cost effective in delivery;
- » complexity is discouraged in favour of simple and understandable remuneration structures;
- » remuneration structures should seek to align Executive and shareholder interests including through a meaningful level of personal shareholding;
- » remuneration structures should promote long-term focus through features such as deferral and measuring performance over the long term;
- » structures should include performance adjustments (malus) and/or clawback provisions;
- » pay should be aligned to the long-term sustainable success and the desired corporate culture throughout the organisation; and
- » the Remuneration Committee ensures that rewards properly reflect business performance.

## Directors' emoluments – audited information

Name of Director	Fees/basic salary £'000	Benefits £'000	Bonus £'000	LTIP <sup>1</sup> £'000	Pension £'000	Loss of office £'000	2017 total £'000	2016 total £'000
B J Banner (to August 2016)	43	7	—	—	6	207	<b>263</b>	322 <sup>2</sup>
C J Belsham (from April 2017)	20	1	—	—	3	—	<b>24</b>	—
R A Whiting	277	34	39	—	73	—	<b>423</b>	601 <sup>2</sup>
<b>Non-Executive</b>								
T P Acton	38	—	—	—	—	—	<b>38</b>	38
Sir Mark Hudson KCVO	72	—	—	—	—	—	<b>72</b>	72
Y M Monaghan	38	—	—	—	—	—	<b>38</b>	38
<b>Aggregate emoluments</b>	<b>488</b>	<b>42</b>	<b>39</b>	<b>—</b>	<b>82</b>	<b>207</b>	<b>858</b>	<b>1,071</b>

1 Calculated as LTIP award for the three years ended 31 May 2017 of £Nil.

2 Includes LTIP award for the three years ended 31 May 2016 (57,984 and 266,667 shares) at the mid-market share price on 31 May 2016 (£1.52).

# DIRECTORS' REMUNERATION REPORT CONTINUED

## 2017/18 remuneration policy

The table below summarises the key features of our remuneration policy:

Element	Policy
<b>Base salary</b>	<ul style="list-style-type: none"> <li>» Positioned competitively in line with the market.</li> <li>» For 2017/18, Directors' salaries will be as follows:               <ul style="list-style-type: none"> <li>» CEO £283,000; and</li> <li>» CFO £170,000.</li> </ul> </li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>» Maximum opportunity for Executive Directors is 100% of base salary.</li> <li>» Performance is measured over one financial year.</li> <li>» Weightings and targets are reviewed and set at the start of each financial year.</li> <li>» For 2017/18, 60% of the bonus will be based on headline profit before tax performance with the remaining 40% based on the achievement of personal objectives.</li> <li>» Profit bonus has a minimum threshold set at 95% achievement of budget. Personal objectives bonus is restricted by 50% if profit target is not met.</li> <li>» Malus and clawback provisions will be applied in the case of:               <ul style="list-style-type: none"> <li>» a gross misstatement of the performance of the business;</li> <li>» gross misconduct; or</li> <li>» a miscalculation of the extent to which targets have been met.</li> </ul> </li> </ul>
<b>Long-term Incentive Plan</b>	<ul style="list-style-type: none"> <li>» Maximum opportunity for Executive Directors is 100% of base salary at the time of the award.</li> <li>» Awards are made annually.</li> <li>» Performance is measured over three years.</li> <li>» For 2017/18, the award will be subject to EPS performance as follows:               <ul style="list-style-type: none"> <li>» 30% will vest for performance of RPI + 3% per annum; and</li> <li>» up to a maximum of 100% will vest for performance of RPI + 3% to 10% per annum.</li> </ul> </li> <li>» Malus and clawback provisions will be applied in the case of:               <ul style="list-style-type: none"> <li>» a gross misstatement of the performance of the business;</li> <li>» gross misconduct; or</li> <li>» a miscalculation of the extent to which targets have been met.</li> </ul> </li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>» R A Whiting is entitled to receive pension contributions from the Company totalling 30% of base salary. He can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme.</li> <li>» C J Belsham is entitled to receive pension contributions from the Company totalling 15% of base salary. He can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>» The Executives are entitled to a standard Director benefits package.</li> </ul>

### Terms and conditions for Non-Executive Directors

Non-Executive Directors do not have service contracts but appointment letters setting out their terms of appointment. All Non-Executive Directors are appointed for one year with renewal for further one-year terms if performance is satisfactory, normally renewable on a similar basis subject to re-election at the Company's Annual General Meeting.

### Long-term Incentive Plan

The table below summarises the outstanding Performance Share Plan awards. 2015 awards are based solely on NWF Group plc's absolute EPS performance in the year ending 31 May 2018. 2016 awards are based solely on absolute EPS performance in the year ending 31 May 2019.

	Award date	Share price at date of grant	No. of shares vesting at maximum	Face value of shares vesting at maximum	EPS for maximum vesting <sup>1</sup>	No. of shares vesting at threshold (30%)	EPS for threshold vesting <sup>1</sup>	Performance period ending
R A Whiting	30 September 2015	164.0p	165,854	£272,000	18.5p	49,756	15.3p	31 May 2018
	12 August 2016	172.5p	160,870	£277,500	19.1p	48,261	15.7p	31 May 2019

<sup>1</sup> EPS targets based on headline earnings per share ('EPS') – year ending 31 May 2018 for the 2015 award and year ending 31 May 2019 for the 2016 award.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MAY 2017

The Directors present their report together with the audited financial statements of the Parent Company ('the Company') and the Group for the year ended 31 May 2017.

### Business review and future developments

A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the strategic report.

### Results and dividends

The Group recorded revenue in the year of £555.8 million (2016: £465.9 million) and profit after tax of £5.5 million (2016: £4.8 million).

The Directors recommend a final dividend for the year of 5.0p per share (2016: 4.7p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 4 December 2017. Together with the interim dividend paid during the year of 1.0p per share (2016: 1.0p), this will result in a total dividend of 6.0p per share (2016: 5.7p) amounting to £2.9 million (2016: £2.8 million).

### Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the strategic report. Further information relating to the financial risks of the Group has been included within note 19, Financial instruments and risk management.

### Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- » T P Acton
- » B J Banner (resigned 31 August 2016)
- » C J Belsham (appointed 18 April 2017)
- » Sir Mark Hudson KCVO
- » Y M Monaghan
- » R A Whiting

After 11 years' service as Chairman, Sir Mark Hudson KCVO has made the decision to step down at this year's AGM to be held in September 2017. Philip Acton, currently Non-Executive Director of NWF Group plc and Chairman of the Remuneration Committee, has accepted the position of Chairman which he will commence upon the conclusion

of the AGM. Lorraine Clinton has been appointed as a Non-Executive Director and will join the Board with effect from 28 September 2017.

The Directors who held office during the year and as at 31 May 2017 had the following interests in the ordinary shares of the Company:

Name of Director	31 May 2017 Number
T P Acton	<b>30,000</b>
B J Banner	<b>12,500</b>
C J Belsham	—
Sir Mark Hudson KCVO	<b>602,600</b>
Y M Monaghan	<b>10,000</b>
R A Whiting	<b>310,767</b>

In addition to the interests in ordinary shares shown above, the Group operates a Performance Share Plan ('the LTIP') for senior executives, under which certain Directors have been granted conditional share awards. Subject to achieving performance targets, the maximum number of ordinary shares which could be issued to Directors in the future under such awards is shown below:

Name of Director	31 May 2017 Number
R A Whiting	<b>326,724</b>

Further information on the Directors' interests in the LTIP conditional share awards can be found in the Directors' Remuneration Report.

The market price of the Company's shares at the end of the financial year was 136.5p (31 May 2016: 152.0p) and the range of market prices during the year was between 133.0p and 178.0p.

No changes took place in the interests of Directors between 31 May 2017 and the date of signing the financial statements.

Further details on related party transactions with Directors are provided in note 27 of the Group financial statements.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of the Directors, which were in force during the year and up to the date of this report.

## Major shareholdings

Name of shareholder	31 May 2017 Number	31 May 2017 %
Festa Lífeyrissjóður	<b>2,382,389</b>	<b>4.90</b>
Sameinaði Lífeyrisjóðurinn	<b>2,382,389</b>	<b>4.90</b>
Lífeyrissjóður Vestmannaeyja	<b>2,382,389</b>	<b>4.90</b>
Söfnunarsjóður Lífeyrisréttinda	<b>2,372,944</b>	<b>4.88</b>

## Employees

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

## Takeover Directive requirements

The Company has one class of equity share, namely 25p ordinary shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons.

Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Company's website ([www.nwf.co.uk](http://www.nwf.co.uk)).

## Notice of Annual General Meeting

A Notice of AGM, with explanatory notes, accompanies these financial statements.

## Corporate governance

The Group's statement on corporate governance can be found in the Statement on Corporate Governance which is incorporated by reference and forms part of this Directors' Report.

## Disclosure of information to auditors

The Directors of the Company at the date of the approval of this report confirm 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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

By order of the Board



**Rob Andrew**

Company Secretary

Wardle

Nantwich

Cheshire

CW5 6BP

Registered number: 2264971

1 August 2017

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MAY 2017

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- » select suitable accounting policies and then apply them consistently;
- » state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- » make judgements and accounting estimates that are reasonable and prudent; and
- » prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent 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 Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' report confirm that, to the best of their knowledge:

- » the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- » the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- » the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Rob Andrew**  
 Company Secretary  
 Wardle  
 Nantwich  
 Cheshire  
 CW5 6BP  
 Registered number: 2264971  
 1 August 2017



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF NWF GROUP PLC

### Report on the Group financial statements

#### Our opinion

In our opinion, NWF Group plc's Group financial statements (the 'financial statements'):

- » give a true and fair view of the state of the Group's affairs as at 31 May 2017 and of its profit and cash flows for the year then ended;
- » have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- » have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report and Accounts 2017 (the 'Annual Report'), comprise:

- » the Consolidated balance sheet as at 31 May 2017;
- » the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- » the Consolidated cash flow statement for the year then ended;
- » the Consolidated statement of changes in equity for the year then ended; and
- » the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- » the information given in the Strategic report and the Directors' report for the financial year 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.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF NWF GROUP PLC

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- » whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- » the reasonableness of significant accounting estimates made by the Directors; and
- » the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

### Other matter

We have reported separately on the Parent Company financial statements of NWF Group plc for the year ended 31 May 2017.



### Graham Parsons (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

1 August 2017

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2017

	Notes	2017 £m	2016 £m
<b>Revenue</b>	3,4	<b>555.8</b>	465.9
Cost of sales		<b>(528.7)</b>	(439.3)
<b>Gross profit</b>		<b>27.1</b>	26.6
Administrative expenses		<b>(19.3)</b>	(19.5)
Headline operating profit <sup>1</sup>		<b>9.0</b>	8.7
Exceptional items	5	<b>(1.2)</b>	(1.6)
<b>Operating profit</b>	4	<b>7.8</b>	7.1
Finance costs	7	<b>(1.1)</b>	(1.1)
Headline profit before taxation <sup>1</sup>		<b>8.5</b>	8.3
Net finance cost in respect of the defined benefit pension scheme		<b>(0.6)</b>	(0.7)
Exceptional items	5	<b>(1.2)</b>	(1.6)
<b>Profit before taxation</b>	5	<b>6.7</b>	6.0
Income tax expense <sup>2</sup>	8	<b>(1.2)</b>	(1.2)
<b>Profit for the year attributable to equity shareholders</b>		<b>5.5</b>	4.8
<b>Earnings per share (pence)</b>			
Basic	10	<b>11.3</b>	9.8
Diluted	10	<b>11.3</b>	9.7
<b>Headline earnings per share (pence)<sup>1</sup></b>			
Basic	10	<b>14.0</b>	13.6
Diluted	10	<b>14.0</b>	13.5

1 Headline operating profit is statutory operating profit of £7.8 million (2016: £7.1 million) before exceptional items of £1.2 million (2016: £1.6 million). Headline profit before taxation is statutory profit before taxation of £6.7 million (2016: £6.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.6 million (2016: £0.7 million) and the exceptional items and the taxation effect thereon where relevant.

2 Taxation on exceptional items in the current year has reduced the charge by £0.3 million (2016: £0.1 million).

The notes on pages 44 to 68 form part of these Group financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MAY 2017

	Note	2017 £m	2016 £m
Profit for the year attributable to equity shareholders		<b>5.5</b>	4.8
Items that will never be reclassified to profit or loss:			
Re-measurement (loss)/gain on defined benefit pension scheme	22	<b>(1.8)</b>	0.2
Tax on items that will never be reclassified to profit or loss	20	<b>0.3</b>	(0.3)
<b>Total other comprehensive income</b>		<b>(1.5)</b>	(0.1)
<b>Total comprehensive income for the year</b>		<b>4.0</b>	4.7

The notes on pages 44 to 68 form part of these Group financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2017

	Note	2017 £m	2016 £m
<b>Non-current assets</b>			
Property, plant and equipment	11	46.6	41.1
Intangible assets	12	22.8	23.3
Deferred income tax assets	20	3.5	3.4
		<b>72.9</b>	67.8
<b>Current assets</b>			
Inventories	13	4.2	3.4
Trade and other receivables	14	61.3	52.8
Cash and cash equivalents	15	1.0	1.8
Derivative financial instruments	19	0.2	0.2
		<b>66.7</b>	58.2
<b>Total assets</b>		<b>139.6</b>	126.0
<b>Current liabilities</b>			
Trade and other payables	16	(62.2)	(52.7)
Current income tax liabilities		(0.6)	(0.9)
Borrowings	18	(0.1)	(0.1)
Contingent deferred consideration		(0.5)	—
Derivative financial instruments	19	—	—
		<b>(63.4)</b>	(53.7)
<b>Non-current liabilities</b>			
Borrowings	18	(13.9)	(11.6)
Contingent deferred consideration		(0.9)	(1.4)
Deferred income tax liabilities	20	(3.5)	(3.8)
Retirement benefit obligations	22	(19.9)	(18.3)
Provisions	17	(0.3)	(0.5)
		<b>(38.5)</b>	(35.6)
<b>Total liabilities</b>		<b>(101.9)</b>	(89.3)
<b>Net assets</b>		<b>37.7</b>	36.7
<b>Equity</b>			
Share capital	21	12.1	12.0
Other reserves		25.6	24.7
<b>Total equity</b>		<b>37.7</b>	36.7

The Group financial statements on pages 39 to 68 were approved by the Board of Directors on 1 August 2017 and were signed on its behalf by:



**R A Whiting**  
Director



**C J Belsham**  
Director

The notes on pages 44 to 68 form part of these Group financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MAY 2017

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>Balance at 1 June 2015</b>	12.0	0.9	21.9	34.8
Profit for the year	—	—	4.8	4.8
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme (note 22)	—	—	0.2	0.2
Tax on items that will never be reclassified to profit or loss (note 20)	—	—	(0.3)	(0.3)
Total comprehensive income for the year	—	—	4.7	4.7
Transactions with owners:				
Dividends paid (note 9)	—	—	(2.6)	(2.6)
Value of employee services	—	—	(0.3)	(0.3)
Credit to equity for equity-settled share-based payments (note 23)	—	—	0.1	0.1
	—	—	(2.8)	(2.8)
<b>Balance at 31 May 2016</b>	12.0	0.9	23.8	36.7
Profit for the year	—	—	<b>5.5</b>	<b>5.5</b>
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme (note 22)	—	—	<b>(1.8)</b>	<b>(1.8)</b>
Tax on items that will never be reclassified to profit or loss (note 20)	—	—	<b>0.3</b>	<b>0.3</b>
Total comprehensive income for the year	—	—	<b>4.0</b>	<b>4.0</b>
Transactions with owners:				
Dividends paid (note 9)	—	—	<b>(2.8)</b>	<b>(2.8)</b>
Issue of shares	<b>0.1</b>	—	<b>(0.1)</b>	—
Value of employee services	—	—	<b>(0.2)</b>	<b>(0.2)</b>
	<b>0.1</b>	—	<b>(3.1)</b>	<b>(3.0)</b>
<b>Balance at 31 May 2017</b>	<b>12.1</b>	<b>0.9</b>	<b>24.7</b>	<b>37.7</b>

The notes on pages 44 to 68 form part of these Group financial statements.



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2017

	Note	2017 £m	2016 £m
<b>Net cash generated from operating activities</b>	24	<b>8.9</b>	11.9
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	12	<b>(0.3)</b>	(0.3)
Purchase of property, plant and equipment	11	<b>(9.1)</b>	(3.2)
Proceeds on sale of property, plant and equipment		<b>0.2</b>	0.1
Acquisition of subsidiaries – cash paid (net of cash acquired)		<b>–</b>	(7.5)
<b>Net cash used in investing activities</b>		<b>(9.2)</b>	(10.9)
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings in respect of acquisitions		<b>–</b>	(2.0)
Increase in bank borrowings		<b>2.4</b>	5.5
Capital element of finance lease and hire purchase payments		<b>(0.1)</b>	(0.1)
Dividends paid	9	<b>(2.8)</b>	(2.6)
<b>Net cash (used in)/generated from financing activities</b>		<b>(0.5)</b>	0.8
<b>Net (decrease)/increase in cash and cash equivalents</b>	25	<b>(0.8)</b>	1.8
Cash and cash equivalents at beginning of year	25	<b>1.8</b>	–
<b>Cash and cash equivalents at end of year</b>	25	<b>1.0</b>	1.8

The notes on pages 44 to 68 form part of these Group financial statements.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

## 1. General information

NWF Group plc ('the Company') is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The principal activities of NWF Group plc and its subsidiaries (together 'the Group') are the manufacture and sale of animal feeds, the sale and distribution of fuel oils and the warehousing and distribution of ambient groceries. Further information on the nature of the Group's operations and principal activities is set out in note 4 of the Group financial statements.

The address of the Company's registered office is NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP. The Company has its primary listing on AIM, part of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 1 August 2017.

## 2. Significant accounting policies

The Group's principal accounting policies, all of which have been applied consistently to all of the years presented, are set out below.

### Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), IFRS Interpretations Committee ('IFRS IC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are outlined in the critical accounting estimates and judgements section of these accounting policies. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

### Headline profit before taxation and headline earnings

The Directors consider that headline operating profit, headline profit before taxation and headline earnings per share measures, referred to in these Group financial statements, provide useful information for shareholders on underlying trends and performance.

Headline profit before taxation is reported profit before taxation after adding back the net finance cost in respect of the Group's defined benefit pension scheme and exceptional items, to show the underlying performance of the Group.

The calculations of basic and diluted headline earnings per share are shown in note 10 of the Group financial statements.

### Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2016.

The Group has adopted the following new standards, amendments and interpretations now applicable. None of these standards and interpretations have had any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 10	Consolidated Financial Statements	1 June 2016
Amendment to IFRS 11	Joint Arrangements	1 June 2016
Amendment to IFRS 12	Disclosure of Interests in Other Entities	1 June 2016
IFRS 14	Regulatory Deferral Accounts	1 June 2016
Amendment to IAS 1	Presentation of Financial Statements	1 June 2016
Amendment to IAS 16	Property, Plant and Equipment	1 June 2016
Amendment to IAS 27	Separate Financial Statements	1 June 2016
Amendment to IAS 28	Investments in Associates and Joint Ventures	1 June 2016
Amendment to IAS 38	Intangible Assets	1 June 2016
Amendment to IAS 41	Agriculture	1 June 2016
Annual improvements to IFRS 2014	Various	1 June 2016

## 2. Significant accounting policies *continued*

### Adoption of new and revised standards *continued*

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IAS 7	Statement of Cash Flows	1 June 2017
Amendment to IAS 12	Income Taxes	1 June 2017
IFRS 9	Financial Instruments: Classification and Measurement	1 June 2018
IFRS 15	Revenue from Contracts with Customers	1 June 2018
Amendment to IFRS 2	Share-based Payments	1 June 2018
Amendment to IAS 40	Investment Properties	1 June 2018
Annual improvements to IFRS 2014 – 2016	Various	1 June 2018
IFRS 16	Leases	1 June 2019

Other than IFRS 16, none of these standards or interpretations are expected to have a material impact on the Group. Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the balance sheet except for those with a very low value. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities, and the consolidated income statement is expected to have an increased depreciation expense; however, the lease expense will reduce by a similar amount. The Group will make an assessment of the full impact in due course.

### Consolidation

The Group financial statements incorporate the financial statements of NWF Group plc ('the Company') and entities controlled by the Company (its 'subsidiaries') made up to 31 May each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the initial accounting for a business combination is incomplete by the end of the first reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the date of acquisition that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed at the date of acquisition, and is subject to a maximum of one year.



# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 2. Significant accounting policies *continued*

#### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts, and after eliminating sales within the Group. Specific types of revenue are recognised as follows:

#### Feeds and Fuels

Revenue from the sale of goods in each of these segments is recognised when they are delivered to the customer and title has passed. Revenue from sale of fuels includes fuel duty.

#### Food

Revenue from storage, distribution, handling and re-packaging of clients' products is recognised when the relevant service has been performed.

#### Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

#### Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments. Segment reporting information is shown in note 4 of the Group financial statements.

#### Taxation

The income tax expense represents the sum of current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### Borrowing costs

Borrowing costs that are directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which it is approved by the Company's shareholders.

## 2. Significant accounting policies *continued*

### Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to reduce their cost to their residual values over their useful economic lives, as follows:

Freehold and long leasehold buildings	10 – 50 years
Plant, machinery and equipment	3 – 10 years
Commercial vehicles	4 – 8 years
Motor vehicles	4 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying value and are recognised in the income statement.

### Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included within intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the income statement and are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each of the Group's cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which they arose, identified according to operating segment.

#### Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognised at fair value at the date of acquisition. Brands have a finite useful life and are carried at cost less accumulated amortisation and represent an acquired intangible asset. Amortisation is calculated, using the straight-line method, to allocate the cost of brands over their estimated useful lives (10 to 20 years).

#### Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs incurred to acquire computer software licences and directly attributable costs incurred to bring the software into use are capitalised. Directly attributable costs include software development employee costs. Capitalised computer software costs are amortised over their estimated useful lives on a straight-line basis (3 to 7 years).

### Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Non-financial assets, other than goodwill, that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 2. Significant accounting policies *continued*

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out ('FIFO') method. The cost of raw materials, consumables, finished goods and goods for resale comprises purchase cost and, in the case of finished goods, the cost of transporting the goods to their stock location.

Net realisable value comprises the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to the income statement within administrative expenses.

#### Derivative financial instruments and hedging activities

A derivative is initially recognised at fair value on the date that the associated contract is entered into and then is re-measured at fair value at each subsequent balance sheet date.

The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. During the current and prior year, none of the Group's derivative financial instruments have been designated as effective hedges. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, restructuring costs, acquisition-related costs, costs of implementing new systems and income from legal settlements. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

#### Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

#### Retirement benefit costs

The Group operates various pension schemes, including defined contribution and defined benefit schemes.

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the income statement when they are due.

The liability recognised in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

## 2. Significant accounting policies *continued*

### Retirement benefit costs *continued*

The net pension finance cost is determined by applying the discount rate, used to measure the defined benefit pension obligation at the beginning of the accounting period, to the net pension obligation at the beginning of the accounting period taking into account any changes in the net pension obligation during the period as a result of cash contributions and benefit payments.

Pension scheme expenses are charged to the income statement within administrative expenses.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Net defined benefit pension scheme deficits before tax relief are presented separately on the balance sheet within non-current liabilities. The attributable deferred income tax asset is included within the deferred income tax asset in the balance sheet and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

### Share-based payments

In the year ended 31 May 2017, the Group operated one (2016: one) equity-settled share-based payment plan, details of which can be found in note 23 of the Group financial statements.

The fair value of the employee services received in exchange for the grant of share awards is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by the use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Employer social security contributions payable in connection with the grant of share awards is considered an integral part of the grant itself and the charge is treated as a cash-settled transaction.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### Leases and hire purchase agreements

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Depreciation is provided at rates consistent with that for similar assets or over the term of the lease, where shorter than the useful economic life.

Other leases are classified as finance leases.

Assets and liabilities under finance leases and hire purchase agreements are recognised in the balance sheet at the inception of the agreement at amounts equal to their fair value or, if lower, the net present value of the minimum payments under the agreement. Depreciation on hire purchase and leased assets is provided at rates consistent with that for similar assets that are owned by the Group.

Subsequent to initial recognition, payments made are apportioned between the finance charge element and the reduction in the capital value of the outstanding liability. The finance charge is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.



# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 2. Significant accounting policies *continued*

#### Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 47. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates, both in arriving at expected future cash flows and a suitable discount rate in order to calculate the present value of these flows. Further details can be found in note 12 of the Group financial statements.

#### Estimated impairment of trade receivables

The Group regularly reviews the recoverability of trade receivables. A provision for impairment is made where the Group believes that it will not be able to collect amounts due according to the original terms of sale. Provisions for impairment are estimates of future events and are therefore uncertain. Further details can be found in note 14 of the Group financial statements.

#### Defined benefit pension scheme – valuation assumptions

The balance sheet carrying values of defined benefit pension scheme surpluses or deficits are calculated using independently commissioned actuarial valuations. These valuations are based on a number of assumptions, including the most appropriate mortality rates to apply to the profile of scheme members and the financial assumptions regarding discount rates and inflation. All of these are estimates of future events and are therefore uncertain. Further details can be found in note 22 of the Group financial statements.

#### Estimated fair value of derivatives and other financial instruments

The Group has certain financial instruments (forward supply contracts) that are not in an active market and cannot be valued by reference to unadjusted quoted prices for identical instruments. The Group, therefore, uses its judgement to select valuation techniques and makes assumptions that are mainly based on observable market data in respect of equivalent instruments at the balance sheet date. Further details can be found in note 19 of the Group financial statements.

#### Valuation of acquired intangibles

IFRS 3(R) requires separately identifiable intangible assets to be recognised on acquisitions. The principal estimates used in valuing these intangible assets are generally based on the future cash flow forecast to be generated by these assets, and the selection of appropriate discount rates to apply to the cash flows.

#### Classification of exceptional items

Certain items of income and expense are classified as exceptional items due to their nature or size and are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Exceptional items, together with the net finance cost in respect of the Group's defined benefit arrangements are excluded from underlying performance measures in order to present a more meaningful measure of the underlying ('headline') performance of the business. Further details can be found in note 5 of the Group financial statements.

### 3. Revenue

An analysis of the Group's revenue is as follows:

	2017 £m	2016 £m
Sale of goods	<b>516.9</b>	428.3
Rendering of services	<b>38.9</b>	37.6
	<b>555.8</b>	465.9

### 4. Segment information

The chief operating decision-maker has been identified as the Board of Directors ('the Board'). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined that the operating segments, based on these reports, are Feeds, Food and Fuels.

The Board considers the business from a products/services perspective. In the Board's opinion, all of the Group's operations are carried out in the same geographical segment, namely the UK.

#### 4. Segment information *continued*

The nature of the products/services provided by the operating segments is summarised below:

- Feeds – manufacture and sale of animal feeds and other agricultural products
- Food – warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres
- Fuels – sale and distribution of domestic heating, industrial and road fuels

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of operating profit ('headline operating profit'). Finance income and costs are not included in the segment result that is assessed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets exclude deferred income tax assets and cash at bank and in hand. Segment liabilities exclude taxation, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

2017	Feeds £m	Food £m	Fuels £m	Group £m
<b>Revenue</b>				
Total revenue	158.2	39.6	364.0	561.8
Inter-segment revenue	–	(0.6)	(5.4)	(6.0)
Revenue	158.2	39.0	358.6	555.8
<b>Result</b>				
Headline operating profit	1.5	3.0	4.5	9.0
Segment exceptional items (note 5)	(1.2)	–	–	(1.2)
Operating profit as reported	0.3	3.0	4.5	7.8
Finance costs (note 7)				(1.1)
Profit before taxation				6.7
Income tax expense (note 8)				(1.2)
Profit for the year				5.5
<b>Other information</b>				
Depreciation and amortisation	1.2	1.5	1.5	4.2
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	53.1	30.1	51.9	135.1
Deferred income tax assets (note 20)				3.5
Cash at bank and in hand				1.0
Consolidated total assets				139.6
<b>Liabilities</b>				
Segment liabilities	(17.0)	(3.5)	(42.0)	(62.5)
Current income tax liabilities				(0.6)
Deferred income tax liabilities (note 20)				(3.5)
Borrowings (note 18)				(14.0)
Contingent deferred consideration				(1.4)
Retirement benefit obligations (note 22)				(19.9)
Consolidated total liabilities				(101.9)

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 4. Segment information *continued*

2016	Feeds £m	Food £m	Fuels £m	Group £m
<b>Revenue</b>				
Total revenue	135.8	38.1	297.8	471.7
Inter-segment revenue	—	(0.5)	(5.3)	(5.8)
Revenue	135.8	37.6	292.5	465.9
<b>Result</b>				
Headline operating profit	2.1	2.7	3.9	8.7
Segment exceptional items (note 5)	(2.6)	(0.1)	(0.2)	(2.9)
	(0.5)	2.6	3.7	5.8
Group exceptional items (note 5)				1.3
Operating profit as reported				7.1
Finance costs (note 7)				(1.1)
Profit before taxation				6.0
Income tax expense (note 8)				(1.2)
Profit for the year				4.8
<b>Other information</b>				
Depreciation and amortisation	1.0	1.5	1.4	3.9

2016	Feeds £m	Food £m	Fuels £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	45.1	31.0	44.7	120.8
Deferred income tax assets (note 20)				3.4
Cash at bank and in hand				1.8
Consolidated total assets				126.0
<b>Liabilities</b>				
Segment liabilities	(14.6)	(3.9)	(34.7)	(53.2)
Current income tax liabilities				(0.9)
Deferred income tax liabilities (note 20)				(3.8)
Borrowings (note 18)				(11.7)
Contingent deferred consideration				(1.4)
Retirement benefit obligations (note 22)				(18.3)
Consolidated total liabilities				(89.3)

### 5. Profit before taxation

Profit before taxation is stated after charging:

	2017 £m	2016 £m
Cost of inventories recognised as an expense (included in cost of sales)	<b>484.4</b>	401.9
Depreciation of property, plant and equipment (note 11)	<b>3.4</b>	3.2
Amortisation of other intangible assets (note 12)	<b>0.8</b>	0.7
Impairment/loss on disposal of property, plant and equipment	<b>—</b>	1.2
Operating lease charges – land and buildings	<b>0.2</b>	0.2
Operating lease charges – other	<b>3.7</b>	3.5
Staff costs (note 6)	<b>33.3</b>	31.9
Exceptional items	<b>1.2</b>	1.6

## 5. Profit before taxation *continued*

An exceptional cost of £1.2 million (2016: net cost of £1.6 million) is included in administrative expenses. Exceptional items by type are as follows:

	2017 £m	2016 £m
Restructuring costs	<b>(1.2)</b>	(2.6)
Acquisition-related costs	—	(0.3)
Net gain on pension scheme closure	—	1.3
Net exceptional cost	<b>(1.2)</b>	(1.6)

### Current year exceptional items

During the year the Group incurred restructuring costs of £1.2 million in Feeds as it completed its mill development projects in the North and Cheshire and the associated restructuring to align the business with its production facilities. The restructuring costs include redundancy and relocation payments, costs in respect of site closure and other restructuring costs.

Of the £1.2 million exceptional items, £1.0 million has been recognised as a cash outflow in the year to 31 May 2017. A further £0.2 million will impact cash in future periods.

### Prior year exceptional items

Restructuring costs – during the prior year the Group incurred restructuring costs relating to redundancy payments, impairment of property, plant and equipment in respect of site closures, lease provisions for onerous leases and other restructuring costs.

Acquisition-related costs – the acquisition-related costs comprise professional fees and other costs in relation to the three acquisitions made during the prior year.

Net gain on pension scheme closure – as a result of the closure of the Group's defined benefit pension scheme to future accrual with effect from 6 April 2016 a gain was recognised relating to the impact of lower future inflationary increases, net of the associated legal and professional costs.

### Services provided by the Company's auditors

During the year, the Group obtained the following services from the Company's auditors:

	2017 £'000	2016 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	<b>35</b>	35
Fees payable to the Company's auditors for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	<b>82</b>	112
– non-audit assurance services	<b>46</b>	37
Total auditors' remuneration	<b>163</b>	184

## 6. Staff costs

The average monthly number of persons (including Directors) employed in the Group during the year was:

	2017 Number	2016 Number
Feeds	<b>216</b>	217
Food	<b>460</b>	460
Fuels	<b>211</b>	220
Head Office	<b>14</b>	16
	<b>901</b>	913



# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 6. Staff costs *continued*

Staff costs (including Directors) are outlined below. Directors' remuneration is also set out in the Remuneration Report on page 31 and in note 27.

	2017 £m	2016 £m
Wages and salaries	29.4	28.5
Social security costs	3.1	2.7
Share-based payments (note 23)	—	0.1
Other pension costs (note 22)	0.8	0.6
	<b>33.3</b>	31.9

In addition to the above staff costs, the Group incurred £0.4 million of termination costs (2016: £Nil), of which £0.2 million is included in exceptionals, and £3.3 million (2016: £3.3 million) in respect of costs of agency workers.

Other pension costs above are amounts charged to operating profit in respect of defined contribution and defined benefit pension schemes. They do not include amounts in respect of defined benefit pension schemes included in finance costs, amounts in respect of scheme expenses included in administrative costs and actuarial gains and losses included in the statement of comprehensive income.

### 7. Finance costs

	2017 £m	2016 £m
Interest on bank loans and overdrafts	0.5	0.4
Total interest expense	0.5	0.4
Net finance cost in respect of defined benefit pension schemes (note 22)	0.6	0.7
Total finance costs	1.1	1.1

No borrowing costs were capitalised in the year ended 31 May 2017 (2016: £Nil).

### 8. Income tax expense

	2017 £m	2016 £m
<b>Current tax</b>		
UK corporation tax on profits for the year	1.4	1.4
Adjustments in respect of prior years	(0.2)	—
Current tax expense	1.2	1.4
<b>Deferred tax</b>		
Origination and reversal of temporary differences	—	—
Effect of decreased tax rate on opening balance	—	(0.2)
Deferred tax credit (note 20)	—	(0.2)
Total income tax expense	1.2	1.2

During the year ended 31 May 2017, as a result of the reduction in the UK corporation tax rate from 20.0% to 19.0% from 1 April 2017, corporation tax has been calculated at 19.8% of estimated assessable profit for the year (2016: 20%).

Further reductions in the UK corporation tax rate, to 17% with effect from 1 April 2020, were substantively enacted into law before the balance sheet date. In the opinion of the Directors, the relevant timing differences are expected to reverse after 1 April 2020 and therefore deferred tax has been provided at a rate of 17%.

## 8. Income tax expense *continued*

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2017 £m	2016 £m
Profit before taxation	<b>6.7</b>	6.0
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.8% (2016: 20.0%)	<b>1.3</b>	1.2
Effects of:		
– expenses not deductible for tax purposes	<b>0.1</b>	0.2
– adjustments in respect of prior years	<b>(0.2)</b>	–
– impact on deferred tax of reduction in the UK corporation tax rate	<b>–</b>	(0.2)
Total income tax expense	<b>1.2</b>	1.2

The Directors expect that the Group will have a higher than standard tax charge in the future as a result of the level of the Group's disallowable expenses.

## 9. Equity dividends

	2017 £m	2016 £m
Final dividend for the year ended 31 May 2016 of 4.7p (2015: 4.4p) per share	<b>2.3</b>	2.1
Interim dividend for the year ended 31 May 2017 of 1.0p (2016: 1.0p) per share	<b>0.5</b>	0.5
Amounts recognised as distributions to equity shareholders in the year	<b>2.8</b>	2.6
Proposed final dividend for the year ended 31 May 2017 of 5.0p (2016: 4.7p) per share	<b>2.4</b>	2.3

The proposed final dividend is subject to approval at the AGM on 28 September 2017 and has not been included as a liability in these Group financial statements.

## 10. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2017	2016
<b>Earnings (£m)</b>		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	<b>5.5</b>	4.8
<b>Number of shares (000s)</b>		
Weighted average number of shares for the purposes of basic earnings per share	<b>48,620</b>	48,469
Weighted average dilutive effect of conditional share awards	<b>24</b>	420
Weighted average number of shares for the purposes of diluted earnings per share	<b>48,644</b>	48,889
<b>Earnings per ordinary share (pence)</b>		
Basic earnings per ordinary share	<b>11.3</b>	9.8
Diluted earnings per ordinary share	<b>11.3</b>	9.7
<b>Headline earnings per ordinary share (pence)</b>		
Basic headline earnings per ordinary share	<b>14.0</b>	13.6
Diluted headline earnings per ordinary share	<b>14.0</b>	13.5

The calculation of basic and diluted headline earnings per share is based on the following data:

	2017 £m	2016 £m
Profit for the year attributable to equity shareholders	<b>5.5</b>	4.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	<b>0.6</b>	0.7
Exceptional items	<b>1.2</b>	1.6
Tax effect of the above	<b>(0.5)</b>	(0.5)
<b>Headline earnings</b>	<b>6.8</b>	6.6

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 11. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Plant and machinery £m	Cars and commercial vehicles £m	Total £m
<b>Cost</b>					
At 1 June 2015	34.5	1.5	22.4	8.9	67.3
Additions	0.5	—	1.7	1.0	3.2
Acquired	1.2	—	1.6	1.0	3.8
Disposals	(0.1)	—	(10.2)	(0.7)	(11.0)
At 1 June 2016	36.1	1.5	15.5	10.2	63.3
Additions	0.4	—	7.2	1.5	9.1
Disposals	—	—	(0.2)	(1.9)	(2.1)
<b>At 31 May 2017</b>	<b>36.5</b>	<b>1.5</b>	<b>22.5</b>	<b>9.8</b>	<b>70.3</b>
<b>Accumulated depreciation</b>					
At 1 June 2015	7.4	0.2	16.3	4.7	28.6
Acquired	—	—	0.1	0.5	0.6
Charge for the year	0.8	0.1	1.2	1.1	3.2
Disposals	(0.1)	—	(9.5)	(0.6)	(10.2)
At 1 June 2016	8.1	0.3	8.1	5.7	22.2
Charge for the year	0.8	—	1.4	1.2	3.4
Disposals	—	—	(0.1)	(1.8)	(1.9)
<b>At 31 May 2017</b>	<b>8.9</b>	<b>0.3</b>	<b>9.4</b>	<b>5.1</b>	<b>23.7</b>
<b>Carrying amount</b>					
<b>At 31 May 2017</b>	<b>27.6</b>	<b>1.2</b>	<b>13.1</b>	<b>4.7</b>	<b>46.6</b>
At 31 May 2016	28.0	1.2	7.4	4.5	41.1

The Group has pledged certain freehold land and buildings with a carrying value of £23.2 million (31 May 2016: £23.9 million) to secure banking facilities granted to the Group.

Included in plant and machinery and cars and commercial vehicles above are assets acquired under hire purchase agreements with a carrying value at 31 May 2017 of £0.3 million and £0.2 million (31 May 2016: £0.3 million and £0.3 million) respectively. The depreciation charges for the year ended 31 May 2017 relating to these assets were £Nil and £0.1 million (2016: £Nil and £0.1 million) respectively.

### 12. Intangible assets

	Goodwill £m	Computer software £m	Brands £m	Total £m
<b>Cost</b>				
At 1 June 2015	13.3	5.4	0.6	19.3
Additions	7.4	0.3	0.4	8.1
Disposals	—	(0.1)	—	(0.1)
At 1 June 2016	20.7	5.6	1.0	27.3
Additions	—	0.3	—	0.3
<b>At 31 May 2017</b>	<b>20.7</b>	<b>5.9</b>	<b>1.0</b>	<b>27.6</b>
<b>Accumulated amortisation</b>				
At 1 June 2015	0.6	2.6	0.2	3.4
Charge for the year	—	0.7	—	0.7
Disposals	—	(0.1)	—	(0.1)
At 1 June 2016	0.6	3.2	0.2	4.0
Charge for the year	—	0.7	0.1	0.8
<b>At 31 May 2017</b>	<b>0.6</b>	<b>3.9</b>	<b>0.3</b>	<b>4.8</b>
<b>Carrying amount</b>				
<b>At 31 May 2017</b>	<b>20.1</b>	<b>2.0</b>	<b>0.7</b>	<b>22.8</b>
At 31 May 2016	20.1	2.4	0.8	23.3

Amortisation or impairment charges have been charged to administrative expenses in the consolidated income statement.

## 12. Intangible assets *continued*

### Goodwill

Goodwill acquired is allocated, at acquisition, to cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying value of goodwill is allocated as follows:

	2017 £m	2016 £m
Feeds	<b>11.9</b>	11.9
Fuels	<b>8.2</b>	8.2
	<b>20.1</b>	20.1

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2018 and forecasts for the following four years. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The rate used to discount the projected cash flows, being a post-tax risk-adjusted discount rate, is 7.2% (2016: 9.9%) for all business segments. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 22 and 23, would also impact each CGU in a similar manner.

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns. Having completed the 2017 impairment reviews of both the Feeds and Fuels divisions, no impairments have been identified. Management does not consider that there is any reasonable downside scenario which would result in an impairment.

## 13. Inventories

	2017 £m	2016 £m
Raw materials and consumables	<b>2.8</b>	2.3
Finished goods and goods for resale	<b>1.4</b>	1.1
	<b>4.2</b>	3.4

## 14. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	<b>59.0</b>	51.0
Less: provision for impairment	<b>(1.0)</b>	(1.0)
Trade receivables – net	<b>58.0</b>	50.0
VAT recoverable	<b>0.3</b>	0.1
Other receivables	<b>0.3</b>	0.7
Prepayments and accrued income	<b>2.7</b>	2.0
	<b>61.3</b>	52.8

The fair value of trade and other receivables is equivalent to their carrying amount. Trade and other receivables are non-interest bearing and are substantially denominated in Sterling. At 31 May 2017, trade receivables of £24.9 million (31 May 2016: £19.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 £m	2016 £m
Up to three months	<b>23.2</b>	17.9
Over three months	<b>1.7</b>	2.0
	<b>24.9</b>	19.9



# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 14. Trade and other receivables *continued*

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 £m	2016 £m
At 1 June	1.0	1.1
Provision for receivables impairment	0.3	0.5
Receivables written off in the year	(0.3)	(0.6)
<b>At 31 May</b>	<b>1.0</b>	<b>1.0</b>

The provision for impairment relates to trade receivable balances greater than three months old. The creation and release of provisions for impaired receivables have been included in administrative expenses in the income statement.

The other classes of receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable.

### 15. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	1.0	1.8

The fair value of cash and cash equivalents is equivalent to their carrying amount.

### 16. Trade and other payables

	2017 £m	2016 £m
<b>Current</b>		
Trade payables	55.6	44.4
Social security and other taxes	0.9	1.0
Accruals and deferred income	5.7	7.3
	<b>62.2</b>	<b>52.7</b>

The fair value of trade and other payables is equivalent to their carrying amount.

### 17. Provisions

	2017 £m	2016 £m
Other provision	0.3	0.5

A provision of £0.3 million has been recognised as at 31 May 2017 to account for the indirect tax relating to a business acquired in the prior year. The movement represents payments to HMRC in the year with the remainder expected to be settled after more than one year.

### 18. Borrowings

	2017 £m	2016 £m
<b>Current</b>		
Obligations under hire purchase agreements	0.1	0.1
<b>Non-current</b>		
Invoice discounting advances	9.8	1.4
Obligations under hire purchase agreements	0.1	0.2
Revolving credit facility	4.0	10.0
	<b>13.9</b>	<b>11.6</b>
<b>Total borrowings</b>	<b>14.0</b>	<b>11.7</b>

The Group's banking facilities, provided by The Royal Bank of Scotland, were renewed and increased on 19 June 2014 and are committed until 31 October 2019. Further information on the renewed facilities which total £65.0 million (2016: £65.0 million) is outlined below.

## 18. Borrowings *continued*

### Invoice discounting advances

Invoice discounting advances at 31 May 2017 were drawn under a committed facility with an expiry date of 31 October 2019 (2016: 31 October 2019). The availability of invoice discounting facilities is dependent on the level of current trade receivables available for refinancing and is subject to a maximum drawdown of £50.0 million (2016: £50.0 million).

The facility is secured by way of a fixed and floating charge against the Group's trade receivables. Interest is charged at 1.25% (2016: 1.25%) per annum above the bank's base rate.

Invoice discounting advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, all of the invoice discounting advances at 31 May 2017 totalling £9.8 million (2016: £1.4 million) are presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities.

The Group incurred non-utilisation fees on its committed invoice discounting facility. Under the renewed terms the Group will incur non-utilisation fees only in respect of committed and undrawn facilities of up to £20.0 million (2016: £20.0 million).

### Revolving credit facility

At 31 May 2017, the Group has a revolving credit facility of £10.0 million (2016: £10.0 million) with an expiry date of 31 October 2019 (2016: 31 October 2019). Interest is charged on amounts drawn down at 1.60 – 1.85% per annum above LIBOR (2016: 1.60 – 1.85% above LIBOR) depending on the level of net debt to EBITDA.

The amount drawn down under the revolving credit facility at 31 May 2017 is £4.0 million (2016: £10.0 million).

The Group incurs non-utilisation fees on its committed revolving credit facility.

### Bank overdrafts

The Group's net bank overdraft facility at 31 May 2017 is repayable on demand and is subject to a maximum limit of £1.0 million (2016: £1.0 million). None of the facility was utilised at 31 May 2017 (2016: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2016: 1.5% per annum over the bank's base rate).

### Bank guarantee

The Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the year.

The above facilities are subject to quarterly covenant tests on interest cover and net debt to EBITDA ratios. The covenants have been set at levels that provide sufficient headroom and flexibility for the Group until maturity of the facilities in October 2019.

Bank borrowings amounting to £13.8 million (2016: £11.4 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

All bank borrowings are denominated in Sterling and are repayable as follows:

	2017 £m	2016 £m
Between two and five years	<b>13.8</b>	11.4

### Bank borrowing facilities by expiry date

The Group has a number of bank borrowing facilities which were partly drawn down at 31 May 2017. The Group is in compliance with all covenants.

	2017		2016	
	Facility £m	Amount drawn £m	Facility £m	Amount drawn £m
Facilities expiring:				
Within one year	<b>1.0</b>	—	1.0	—
Between two and five years	<b>56.6</b>	<b>13.8</b>	46.7	11.4
	<b>57.6</b>	<b>13.8</b>	47.7	11.4

The availability of invoice discounting facilities included above, amounting to £46.6 million (31 May 2016: £36.7 million), is dependent on the level of current debt available for refinancing.

The facilities above do not include the £4.0 million bank guarantee agreement facility.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 18. Borrowings *continued*

#### Obligations under hire purchase agreements

Obligations under hire purchase agreements are repayable as follows:

	Minimum payments		Present value of payments	
	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	0.1	0.1	0.1	0.1
Between two and five years	0.1	0.2	0.1	0.2
Present value of obligations	0.2	0.3	0.2	0.3
Analysed as:				
Amounts due for settlement within 12 months (shown as current liabilities)			0.1	0.1
Amounts due for settlement after 12 months			0.1	0.2
			0.2	0.3

All hire purchase obligations are denominated in Sterling.

### 19. Financial instruments and risk management

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, obligations under hire purchase agreements, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2017 and 2016 were denominated in Sterling. There is no material foreign exchange risk in respect of these instruments.

The carrying amounts of all of the Group's financial instruments are measured at amortised cost in the financial statements, with the exception of derivative financial instruments. Derivative financial instruments are measured subsequent to initial recognition at fair value.

IFRS 13 (amended) 'Financial Instruments: Disclosures' requires disclosure of financial instruments measured at fair value, grouped into Levels 1 to 3 below, based on the degree to which fair value is observable:

- » Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities;
- » Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1 above, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- » Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's derivative financial instruments as described on pages 61 and 62 (forward supply contracts) were classified as Level 2 in the current and prior year. There were no transfers between levels in either the current and prior year.

#### Financial liabilities

The book value, fair value and interest rate profile of the Group's financial liabilities, other than non-interest-bearing short-term trade and other payables, for which book value equates to fair value, were as follows:

	Total book and fair value £m	Fixed interest rate %
<b>At 31 May 2017</b>		
Financial liabilities carried at fair value: derivatives	—	—
Financial liabilities carried at amortised cost:		
Hire purchase obligations repayable within one year	0.1	—
	0.1	—
Floating rate invoice discounting advances	9.8	—
Revolving credit facility	4.0	—
Hire purchase obligations repayable after one year	0.1	—
	13.9	—
<b>Total</b>	<b>14.0</b>	<b>—</b>

## 19. Financial instruments and risk management *continued*

### Financial liabilities *continued*

	Total book and fair value £m	Fixed interest rate %
At 31 May 2016		
Financial liabilities carried at fair value: derivatives	—	—
Financial liabilities carried at amortised cost:		
Hire purchase obligations repayable within one year	0.1	—
	0.1	—
Floating rate invoice discounting advances	1.4	—
Revolving credit facility	10.0	—
Hire purchase obligations repayable after one year	0.2	—
	11.6	—
<b>Total</b>	<b>11.7</b>	<b>—</b>

Fair values of hire purchase obligations have been calculated by discounting at prevailing market rates.

### Financial assets

The book value, fair value and interest rate profile of the Group's financial assets, other than non-interest-bearing short-term trade and other receivables, for which book value equates to fair value, were as follows:

	Total book and fair value £m	Fixed interest rate %
At 31 May 2017		
Financial assets carried at amortised cost: cash and cash equivalents	1.0	—
Financial assets carried at fair value: derivatives	0.2	—
	1.2	—

	Total book and fair value £m	Fixed interest rate %
At 31 May 2016		
Financial assets carried at amortised cost: cash and cash equivalents	1.8	—
Financial assets carried at fair value: derivatives	0.2	—
	2.0	—

### Financial risk management

The Group's operations expose it to a variety of financial risks: price risk; interest rate risk; credit risk; and liquidity risk. Given the size of the Group, the Directors have not established a sub-committee of the Board to monitor financial risk management, but have established policies that are implemented and monitored by the Executive Directors.

#### Price risk

The Group is exposed to commodity price risk principally in respect of certain raw materials in its Feeds business and oil-related products in the Fuels business.

The Feeds business enters into forward supply contracts in order to manage the impact of price movements on its gross margin. At 31 May 2017, the Group had open forward supply contracts with a principal value of £42.1 million (31 May 2016: £25.5 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £0.2 million (31 May 2016: £0.2 million).

The fair value of forward supply contracts is based on generally accepted valuation techniques using inputs from observable market data on equivalent instruments at the balance sheet date. The contracts are settled on a gross cash basis and are classified as current assets or liabilities, as all contractual cash flows fall due to be settled in less than one year.

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £Nil have been credited to the income statement in the year (2016: £0.1 million).

The Fuels business' oil-related products are subject to changes in the world commodity price for crude oil. However, the relatively low stockholding maintained and daily price monitoring systems used to determine selling prices enable the business to effectively manage the risk of gross margin erosion. Forward supply contracts are not utilised by this business.

The extent of these risks is regularly reviewed and assessed by the Executive Directors and reported back to the Board. This process is considered to be effective given the size and nature of the risks involved, but will be reviewed in the future should circumstances change.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 19. Financial instruments and risk management *continued*

#### Financial risk management *continued*

##### Interest rate risk

The Group is exposed to interest rate risk due to its floating rate borrowings.

The Directors review the interest rate hedging policy on at least an annual basis. The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2017 profit before taxation by approximately £0.2 million (2016: £0.1 million).

##### Credit risk

Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the Executive Directors. In addition, the Fuels business maintains credit insurance for certain higher value accounts in order to manage the potential financial loss incurred on certain bad debts.

##### Liquidity risk

The Group actively maintains a mixture of medium-term and short-term debt finance, which is designed to ensure that it has access to sufficient available funds for ongoing working capital needs as well as planned capital investment and expansion generally. The amount of debt finance required is reviewed at least annually by the Directors.

All of the Group's financial instruments, with the exception of certain borrowings (see note 18), have a contractual maturity of less than one year, based on the earliest date on which the contractual cash flows are required to be settled.

##### Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital risk on the basis of the net debt/EBITDA ratio. This ratio is calculated as net debt divided by earnings before interest, depreciation and amortisation as shown below:

	2017	2016
Borrowings (£m) (note 18)	<b>14.0</b>	11.7
Less: cash at bank and in hand (£m)	<b>(1.0)</b>	(1.8)
Net debt (£m)	<b>13.0</b>	9.9
Headline EBITDA (£m) (adjusted for exceptional items – see note 5)	<b>13.2</b>	12.6
Net debt/EBITDA ratio	<b>1.0x</b>	0.8x

The Group targets a net debt/EBITDA ratio between 1.0 and 2.0x.

### 20. Deferred taxation

The following are the principal categories of deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 June 2015	4.2	(4.1)	(0.1)	—
Credit to income statement (note 8)	(0.7)	0.5	—	(0.2)
Acquisition	0.3	—	—	0.3
Charge to equity	—	0.3	—	0.3
At 31 May 2016	3.8	(3.3)	(0.1)	0.4
(Credit)/debit to income statement (note 8)	(0.2)	0.2	—	—
Acquisition made in prior year	(0.1)	—	—	(0.1)
Credit to equity	—	(0.3)	—	(0.3)
<b>At 31 May 2017</b>	<b>3.5</b>	<b>(3.4)</b>	<b>(0.1)</b>	<b>—</b>



## 21. Share capital

	Number of shares 000s	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2015, 31 May 2016 and 31 May 2017	80,000	20.0
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2015	48,350	12.0
Issue of shares	178	—
Balance at 31 May 2016	48,528	12.0
Issue of shares (see below)	116	0.1
<b>Balance at 31 May 2017</b>	<b>48,644</b>	<b>12.1</b>

During the year ended 31 May 2017, 116,139 (2016: 178,103) shares with an aggregate nominal value of £29,035 (2016: £44,526) were issued under the Group's conditional Performance Share Plan.

The maximum total number of ordinary shares, which may vest in the future in respect of conditional Performance Share Plan awards outstanding at 31 May 2017, amounted to 867,014 (31 May 2016: 1,164,392). These shares will only be issued subject to satisfying certain performance criteria (see Directors' Remuneration Report and note 23).

## 22. Retirement benefit schemes

### Defined contribution schemes

The Group operates several defined contribution pension schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to the income statement of £0.8 million (2016: £0.5 million) represents the contributions payable to these schemes by the Group at the rates specified in the scheme rules.

There were no outstanding or prepaid contributions at the balance sheet date (31 May 2016: £Nil).

### Defined benefit scheme

The Group operates a defined benefit pension scheme providing benefits based on final pensionable earnings.

#### NWF Group Benefits Scheme

The scheme is administered by a fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to new members during the year ended 31 May 2002 and closed to future accrual with effect from April 2016. A curtailment gain of £1.3 million arose on the closure of the scheme (as active member benefits became linked to CPI rather than future salary increases) and was included within exceptional items in the prior year.

The latest full triennial actuarial valuation of this scheme was completed in the year ended 31 May 2015, with a deficit of £14.1 million at the valuation date of 31 December 2013. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method. In these financial statements this liability has been updated in order to derive the IAS 19R valuation as of 31 May 2017. The next full triennial valuation will be completed in the year ending 31 May 2018.

The average duration of the benefit obligation at the balance sheet date is 20 years. The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 49% of the liabilities are attributable to current and former employees and 51% to current pensioners.

The Group expects to make total contributions of £1.5 million in the year ending 31 May 2018.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 22. Retirement benefit schemes *continued*

#### Defined benefit scheme *continued*

##### NWF Group Benefits Scheme *continued*

The scheme typically exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk, as described below:

- » Investment risk. The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, it will create a scheme deficit. Currently, the scheme has a relatively balanced investment in equities, bonds, property funds and alternatives, cash and diversified growth funds. Due to the long-term nature of scheme liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equities, property funds and diversified growth funds to leverage the return generated by the fund.
- » Interest risk. A decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return on the scheme's bond investments.
- » Longevity risk. The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of the scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.

The risk relating to benefits to be paid to dependents of scheme members is re-insured by an external insurance company.

No other post-retirement benefits are provided to these employees.

The principal actuarial assumptions as at the balance sheet date, used for the purposes of the actuarial valuations, were as follows:

	2017 %	2016 %
Discount rate	<b>2.60</b>	3.55
Future salary increases	<b>n/a</b>	n/a
RPI inflation	<b>3.15</b>	2.90
CPI inflation	<b>2.15</b>	1.90
Pension increases in payment (LPI 5%)	<b>3.10</b>	2.80

The mortality assumptions adopted imply the following life expectancies:

	2017 Years	2016 Years
Current pensioners – male life expectancy at age 65	<b>22.0</b>	22.2
Future pensioners currently aged 45 – male life expectancy at age 65	<b>23.4</b>	23.9

The 2017 mortality assumptions above are based on S2PXA tables with CMI 2016 improvements and a long-term trend rate of 1.25% (2016: S1PXA with CMI 2015 improvements and a long-term trend rate of 1.25%).

The amounts recognised in the balance sheet in respect of the defined benefit scheme are as follows:

	2017 £m	2016 £m
Present value of defined benefit obligations	<b>(59.4)</b>	(52.8)
Fair value of scheme assets	<b>39.5</b>	34.5
<b>Deficit in the scheme recognised as a liability in the balance sheet</b>	<b>(19.9)</b>	(18.3)
Related deferred tax asset (note 20)	<b>3.4</b>	3.3
<b>Net pension liability</b>	<b>(16.5)</b>	(15.0)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2017 £m	2016 £m
Current service cost	<b>0.1</b>	0.5
Past service credit	<b>—</b>	(1.3)
Administrative expenses	<b>0.4</b>	0.2
Interest on the net defined benefit liability	<b>0.6</b>	0.7
<b>Total cost recognised in the income statement</b>	<b>1.1</b>	0.1

**22. Retirement benefit schemes** *continued***Defined benefit scheme** *continued*NWF Group Benefits Scheme *continued*

Gains and losses arising from the re-measurement of the net defined benefit liability have been reported in the statement of comprehensive income, as shown below:

	2017 £m	2016 £m
Actuarial gain/(loss) on plan assets	5.1	(1.1)
Actuarial (loss)/gain arising from changes in financial assumptions	(6.9)	1.3
<b>Re-measurement (loss)/gain</b>	<b>(1.8)</b>	0.2

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2016 £m
At 1 June	52.8	54.9
Current service cost	0.1	0.5
Interest cost	1.8	2.0
Re-measurement losses/(gains):		
– actuarial losses/(gains) arising from changes in financial assumptions	6.9	(1.3)
Benefits paid	(2.2)	(2.0)
Past service credit	–	(1.3)
<b>At 31 May</b>	<b>59.4</b>	52.8

Changes in the fair value of scheme assets are as follows:

	2017 £m	2016 £m
At 1 June	34.5	34.7
Interest income	1.2	1.3
Re-measurement gains/(losses):		
– actuarial gains/(losses) on plan assets	5.1	(1.1)
Contributions by employer	1.3	1.8
Expenses	(0.4)	(0.2)
Benefits paid	(2.2)	(2.0)
<b>At 31 May</b>	<b>39.5</b>	34.5

The major categories and fair values of scheme assets at the balance sheet date are as follows:

	Fair value of assets	
	2017 £m	2016 £m
Equities	9.6	7.4
Corporate bonds	7.9	7.2
Liability-driven investment fund	7.6	5.9
Property fund	0.7	0.6
Diversified Growth Fund	13.1	13.1
Cash	0.6	0.3
<b>Total</b>	<b>39.5</b>	34.5

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property used by the Group at the balance sheet date.

The actual return on scheme assets was a gain of £6.3 million (2016: £0.2 million gain).

Asset-liability matching reviews of the NWF Group Benefits Scheme are performed regularly. The results of reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the underlying volatility inherent in investment performance and the risk of a significant increase in the scheme deficit, by providing information used to determine the scheme's investment strategy.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 22. Retirement benefit schemes *continued*

#### Defined benefit scheme *continued*

##### NWF Group Benefits Scheme *continued*

The main strategic choices that are formulated in an actuarial and technical policy document of the fund are described below:

- » asset mix is based on 22% equity investments, 21% bond allocation, 40% diversified growth fund and 17% property funds and alternative assets;
- » it is the policy of the fund to cover its exposure to the interest rate risk of the defined benefit liability by the use of bond investments only. The fund has not used interest rate derivatives to hedge its exposure to interest rate risk in the current and prior year;
- » inflation risk is mitigated by the use of liability-driven investment ('LDI') funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets. Within the 21% bond allocation, there is a 15% LDI fund allocation which results in approximately 30% exposure to changes in inflation;
- » consideration has been given to using LDI funds to give improved leveraged protection against changes in interest rates. However, the current policy is to use LDI funds to hedge inflation risk only, given that the majority of the scheme's liabilities are inflation linked;
- » the fund does not have a material foreign exchange exposure and does not, therefore, use foreign exchange derivatives to hedge its foreign exchange risk; and
- » active management is within the diversified growth fund, bond investments, property funds and alternative assets. All equity investments are passively managed.

Virtually all equity and bonds have quoted prices in active markets.

There has been no change in the processes used by the Group to manage its risks from the prior year.

Significant actuarial assumptions for the determination of the defined benefit liability are discount rate, price inflation and mortality. The sensitivity analyses shown below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the balance sheet dates, while holding all other assumptions constant.

Impact on defined benefit obligation	Increase £m	Decrease £m
0.25% change in discount rate	(2.7)	2.7
0.25% change in RPI inflation	1.8	(1.8)
1 year change in the life expectancy at age 65	2.1	(2.1)

### 23. Share-based payments

In the year ended 31 May 2017, the Group operated one (2016: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £Nil in respect of equity-settled share-based payment transactions in the year ended 31 May 2017 (2016: £0.1 million).

#### Long-term Incentive Plan ('the Plan')

The Group operates a Performance Share Plan for senior executives, further details of which can be found in the Directors' Remuneration Report in the Group financial statements. Under the Plan, the Group has made awards of conditional shares, which have yet to be exercised, to certain Directors on 30 September 2015 (vesting date: September 2018) and 12 August 2016 (vesting date: August 2019). The vesting of these conditional share awards is subject to the Group achieving absolute earnings per share targets.

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards outstanding at 31 May 2017, 31 May 2016, 31 May 2015 and 31 May 2014, are as shown below.

	2017 Number of conditional shares	2016 Number of conditional shares	2015 Number of conditional shares	2014 Number of conditional shares
At 1 June	1,164,392	1,083,361	843,151	826,989
Granted in the year	304,421	417,073	355,794	391,525
Exercised in the year	(219,130)	(336,042)	(115,584)	(116,192)
Lapsed/forfeited in the year	(382,669)	—	—	(259,171)
<b>At 31 May</b>	<b>867,014</b>	1,164,392	1,083,361	843,151

The estimate of the fair value of the services received in return for the conditional share awards is measured based on a Black Scholes model. The aggregate of the estimated fair values of the awards at 31 May 2017 shown above is £1.3 million (31 May 2016: £1.5 million), before taking into account the likelihood of achieving non-market-based performance conditions.

### 23. Share-based payments *continued*

#### Long-term Incentive Plan ('the Plan') *continued*

For awards granted in the current and prior years, the inputs into the Black Scholes model are as follows:

	2017	2016	2015	2014
Share price at grant date	<b>£1.73</b>	£1.64	£1.49	£1.24
Exercise price	<b>£Nil</b>	£Nil	£Nil	£Nil
Expected volatility	<b>20.99%</b>	20.55%	20.55%	22.13%
Expected life	<b>2.81 years</b>	2.67 years	2.82 years	2.75 years
Expected dividend yield	<b>3.47%</b>	3.79%	3.56%	4.22%
Risk-free interest rate	<b>0.03%</b>	0.69%	1.32%	0.73%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### 24. Net cash generated from operating activities

	2017 £m	2016 £m
Operating profit	<b>7.8</b>	7.1
Adjustments for:		
Depreciation of property, plant and equipment	<b>3.4</b>	3.2
Amortisation of other intangible assets	<b>0.8</b>	0.7
Impairment/loss on disposal of fixed assets	—	0.7
Share-based payment expense	—	0.1
Value of employee services	<b>(0.2)</b>	(0.3)
Fair value gain on financial derivatives	—	(0.1)
Net gain on pension scheme closure	—	(1.3)
Difference between pension charge and cash contributions	<b>(1.0)</b>	(1.0)
Operating cash flows before movements in working capital and provisions	<b>10.8</b>	9.1
Movements in working capital:		
(Increase)/decrease in inventories	<b>(0.8)</b>	0.9
(Increase)/decrease in receivables	<b>(8.5)</b>	7.7
Increase/(decrease) in payables	<b>9.5</b>	(3.4)
Utilisation of provision	<b>(0.2)</b>	—
<b>Net cash generated from operations</b>	<b>10.8</b>	14.3
Interest paid	<b>(0.5)</b>	(0.4)
Income tax paid	<b>(1.4)</b>	(2.0)
<b>Net cash generated from operating activities</b>	<b>8.9</b>	11.9

### 25. Analysis of cash and cash equivalents and reconciliation to net debt

	1 June 2016 £m	Cash flow £m	Other non-cash movements £m	31 May 2017 £m
Cash and cash equivalents (note 15)	1.8	(0.8)	—	<b>1.0</b>
Debt due after one year	(11.4)	(2.4)	—	<b>(13.8)</b>
Hire purchase obligations due within one year	(0.1)	—	—	<b>(0.1)</b>
Hire purchase obligations due after one year	(0.2)	0.1	—	<b>(0.1)</b>
<b>Total Group</b>	<b>(9.9)</b>	<b>(3.1)</b>	—	<b>(13.0)</b>

### 26. Operating lease commitments

At the balance sheet date, the Group has commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2017 £m	Land and buildings 2016 £m	Other 2017 £m	Other 2016 £m
Within one year	<b>0.1</b>	0.1	<b>3.0</b>	2.8
Between two to five years inclusive	<b>0.5</b>	0.5	<b>6.9</b>	4.9
After five years	<b>0.6</b>	0.7	—	—
	<b>1.2</b>	1.3	<b>9.9</b>	7.7



# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 MAY 2017

### 26. Operating lease commitments *continued*

The Group leases various land and buildings on short-term operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various cars and commercial vehicles and plant and equipment under operating leases. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

### 27. Related party transactions

#### Key management compensation

The remuneration of key management personnel of the Group, who are the Executive and Non-Executive Directors of the Company, the Executive Directors of its subsidiaries and certain key managers of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures':

	2017 £m	2016 £m
Short-term employee benefits (salary and bonus)	2.6	2.8
Post-employment benefits	0.2	0.2
Termination benefits	0.3	0.1
Share-based payments	0.4	0.2
	<b>3.5</b>	<b>3.3</b>

Further information on remuneration of Directors can be found in the Directors' Remuneration Report.

#### Directors' transactions

Sir Mark Hudson KCVO purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,070 as a customer of the Group in the year ended 31 May 2017 (2016: £556). At 31 May 2017, the amount outstanding was £Nil (31 May 2016: £Nil). During the year, the highest amount outstanding totalled £633 (2016: £420).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,887 as a customer of the Group in the year ended 31 May 2017 (2016: £1,882). At 31 May 2017, the amount outstanding was a credit balance of £744 (31 May 2016: £652 credit). During the year, the balance remained in credit (2016: the balance remained in credit).

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,555 as a customer of the Group in the year ended 31 May 2017 (31 May 2016: £272). At 31 May 2017, the amount outstanding was £Nil (31 May 2016: £Nil). During the year, the highest amount outstanding totalled £732 (31 May 2016: £286).

### 28. Commitments for capital expenditure

	2017 £m	2016 £m
Authorised, contracted but not provided for	0.6	3.4

### 29. Contingent liabilities

The Group's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Group has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2017 of £23.2 million (31 May 2016: £23.9 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £13.8 million at 31 May 2017 (31 May 2016: £11.4 million).

The Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the current or prior year.

The Company and certain subsidiaries have granted a fixed and floating charge in favour of the trustees of a defined benefit pension scheme (the NWF Group Benefits Scheme). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million (31 May 2016: £5.0 million), and a floating charge over all other assets.

The Company has also given certain guarantees to third parties in respect of operating lease and supply agreement commitments due from various subsidiary companies.

No loss is expected to result from this arrangement.

# PARENT COMPANY INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF NWF GROUP PLC

### Report on the Parent Company financial statements

#### Our opinion

In our opinion, NWF Group plc's Parent Company financial statements (the 'financial statements'):

- » give a true and fair view of the state of the Parent Company's affairs as at 31 May 2017;
- » have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- » have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual report and Accounts 2017 (the 'Annual Report'), comprise:

- » the Parent Company balance sheet as at 31 May 2017;
- » the Parent Company statement of comprehensive income for the year then ended;
- » the Parent Company statement of changes in equity for the year then ended; and
- » the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- » the information given in the Strategic report and the Directors' report for the financial year 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.

In addition, in light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- » we have not received all the information and explanations we require for our audit; or
- » adequate accounting records have not been kept by the Parent Company, 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.

We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# PARENT COMPANY INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF NWF GROUP PLC

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- » whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- » the reasonableness of significant accounting estimates made by the directors; and
- » the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

### Other matter

We have reported separately on the group financial statements of NWF Group plc for the year ended 31 May 2017.



### Graham Parsons (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

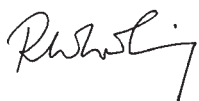
1 August 2017

# PARENT COMPANY BALANCE SHEET

AS AT 31 MAY 2017

	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Property, plant and equipment	3	0.2	0.1
Investment property	4	23.6	24.3
Investments – shares in subsidiary undertakings	5	0.4	0.4
Deferred tax asset	6	3.4	3.4
		<b>27.6</b>	28.2
<b>Current assets</b>			
Trade and other receivables	7	31.0	24.9
Cash and cash equivalents		1.7	0.7
		<b>32.7</b>	25.6
<b>Current liabilities</b>			
Trade and other payables	8	(12.5)	(5.5)
<b>Net current assets</b>		<b>20.2</b>	20.1
<b>Total assets less current liabilities</b>		<b>47.8</b>	48.3
<b>Non-current liabilities</b>			
Borrowings		(4.0)	(10.0)
Deferred income tax liabilities	6	(2.6)	(2.8)
Retirement benefit liabilities		(19.9)	(18.3)
<b>Net assets</b>		<b>21.3</b>	17.2
<b>Capital and reserves</b>			
Accumulated losses at 1 June before profit for the year		(0.3)	(14.9)
Profit for the year		8.6	19.2
Retained earnings at 31 May		8.3	4.3
Called up share capital	9	12.1	12.0
Share premium account		0.9	0.9
<b>Total shareholders' funds</b>		<b>21.3</b>	17.2

The Parent Company financial statements on pages 71 to 80 were approved by the Board of Directors on 1 August 2017 and were signed on its behalf by:



**R A Whiting**  
Director



**C J Belsham**  
Director

The notes on pages 74 to 80 form part of these Parent Company financial statements.

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MAY 2017

	Note	2017 £m	2016 £m
Profit for the year attributable to equity shareholders		<b>8.6</b>	19.2
Items that will never be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme		<b>(1.8)</b>	0.2
Tax on items that will never be reclassified to profit or loss	6	<b>0.3</b>	(0.3)
<b>Total other comprehensive income</b>		<b>(1.5)</b>	(0.1)
<b>Total comprehensive income for the year</b>		<b>7.1</b>	19.1

The notes on pages 74 to 80 form part of these Parent Company financial statements.



# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2017

	Called up share capital £m	Share premium account £m	(Accumulated losses)/retained earnings £m	Total shareholders' funds £m
<b>Balance at 1 June 2015</b>	12.0	0.9	(12.0)	0.9
Profit for the year	—	—	19.2	19.2
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	—	—	0.2	0.2
Tax on items that will never be reclassified to profit or loss	—	—	(0.3)	(0.3)
Total comprehensive income for the year	—	—	19.1	19.1
Transactions with owners:				
Dividends paid	—	—	(2.6)	(2.6)
Value of employee services	—	—	(0.3)	(0.3)
Credit to equity for equity-settled share-based payments	—	—	0.1	0.1
	—	—	(2.8)	(2.8)
<b>Balance at 31 May 2016</b>	12.0	0.9	4.3	17.2
Profit for the year	—	—	<b>8.6</b>	<b>8.6</b>
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	—	—	<b>(1.8)</b>	<b>(1.8)</b>
Tax on items that will never be reclassified to profit or loss	—	—	<b>0.3</b>	<b>0.3</b>
Total comprehensive income for the year	—	—	<b>7.1</b>	<b>7.1</b>
Transactions with owners:				
Dividends paid	—	—	<b>(2.8)</b>	<b>(2.8)</b>
Issue of shares	<b>0.1</b>	—	<b>(0.1)</b>	—
Value of employee services	—	—	<b>(0.2)</b>	<b>(0.2)</b>
	<b>0.1</b>	—	<b>(3.1)</b>	<b>(3.0)</b>
<b>Balance at 31 May 2017</b>	<b>12.1</b>	<b>0.9</b>	<b>8.3</b>	<b>21.3</b>

The notes on pages 74 to 80 form part of these Parent Company financial statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

## 1. Significant accounting policies

### Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'), on the going concern basis and under the historical cost convention modified for fair values, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. Effective 1 June 2014 the Company transitioned from previously applicable UK Generally Accepted Accounting Principles to FRS 101. The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

These financial statements and accompanying notes have been prepared in accordance with the reduced disclosure framework for all years presented.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- » the following paragraphs of IAS 1 'Presentation of Financial Statements':
  - » 10(d) (statement of cash flows);
  - » 16 (statement of compliance with all IFRS);
  - » 11 (cash flow statement information); and
  - » 134 – 136 (capital management disclosures);
- » IFRS 7 'Financial Instruments: Disclosures';
- » IAS 7 'Statement of Cash Flows';
- » IAS 24 (paragraphs 17 and 18a) 'Related Party Disclosures' (key management compensation); and
- » IAS 24 'Related Party Disclosures' – the requirement to disclose related party transactions between two or more members of a group.

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures:

- » IFRS 2 'Share-based Payments' in respect of Group settled equity share-based payments; and
- » certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

### Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £8.6 million including dividends received (2016: £19.2 million). The profit for the year is shown in the statement of changes in equity and on the face of the balance sheet. There are no material differences between the profit for the year in the current and prior year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

### Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders.

### Property, plant and equipment

Property, plant and equipment are stated at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of property, plant and equipment over their useful economic life on a straight-line basis as follows:

Freehold buildings	10 – 50 years
Plant and machinery	3 – 10 years

Freehold land is not depreciated. Assets under construction are not depreciated until they are put into use.

Borrowing costs that are directly attributable to the construction of qualifying assets are capitalised.

### Investment properties

Owner-occupied land and buildings owned by the Company and which are rented to subsidiary companies are treated as investment properties in accordance with IAS 40 'Investment Property'. Investment properties are valued using the cost model. Investment properties are stated at cost, which includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of the investment property over its useful economic life on a straight-line basis over 10 – 50 years.

## 1. Significant accounting policies *continued*

### Investment in subsidiary undertakings

Investments in Group undertakings are stated at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

### Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the Board. The deferred tax assets and liabilities are not discounted.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. Subsequent to initial recognition, receivables are measured at amortised cost, using the effective interest method.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to the income statement within administrative expenses.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Retirement benefit costs

The Company operates various pension schemes, including defined contribution and defined benefit schemes.

### Defined contribution schemes

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the income statement when they are due.

### Defined benefit scheme

The Company is the sponsoring employer in a funded Group-operated defined benefit pension scheme, the NWF Group Benefits Scheme, and has therefore recognised the defined liability, in full, on the Company balance sheet.

The liability recognised in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The net pension finance cost is determined by applying the discount rate, used to measure the defined benefit pension obligation at the beginning of the accounting period, to the net pension obligation at the beginning of the accounting period taking into account any changes in the net pension obligation during the period as a result of cash contributions and benefit payments.

Pension scheme expenses are charged to the income statement within administrative expenses.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Net defined benefit pension scheme deficits before tax relief are presented separately on the balance sheet within non-current liabilities. The attributable deferred income tax asset is included within the deferred income tax asset in the balance sheet and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

### Share-based payments

In the year ended 31 May 2017, the Company operated one (2016: one) equity-settled share-based payment plan. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MAY 2017

## 1. Significant accounting policies *continued*

### Share-based payments *continued*

The fair value determined at the grant date of equity-settled share-based payments issued to the Company's employees is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The fair value determined at the grant date of equity-settled share-based payments issued to employees of subsidiary undertakings is recognised as an addition to the cost of investment in subsidiary undertakings on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by the use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Employer social security contributions payable in connection with the grant of share awards are considered an integral part of the grant itself and the charge is treated as a cash-settled transaction.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

### Critical accounting estimates

The critical accounting estimates set out in the Group financial statements also apply to the Company.

## 2. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 31 of the Group financial statements. Details of auditors' remuneration are shown in note 5 of the Group financial statements.

## 3. Property, plant and equipment

	Plant and machinery £m	Total £m
<b>Cost</b>		
At 1 June 2016	0.6	0.6
Additions	0.2	0.2
Disposals	(0.1)	(0.1)
<b>At 31 May 2017</b>	<b>0.7</b>	<b>0.7</b>
<b>Accumulated depreciation</b>		
At 1 June 2016	0.5	0.5
Charge for the year	0.1	0.1
Disposals	(0.1)	(0.1)
<b>At 31 May 2017</b>	<b>0.5</b>	<b>0.5</b>
<b>Carrying amount</b>		
<b>At 31 May 2017</b>	<b>0.2</b>	<b>0.2</b>
At 31 May 2016	0.1	0.1

## 4. Investment property

	Investment property £m	Total £m
<b>Cost</b>		
At 1 June 2016	32.2	32.2
Additions	0.1	0.1
<b>At 31 May 2017</b>	<b>32.3</b>	<b>32.3</b>
<b>Accumulated depreciation</b>		
At 1 June 2016	7.9	7.9
Charge for the year	0.8	0.8
<b>At 31 May 2017</b>	<b>8.7</b>	<b>8.7</b>
<b>Carrying amount</b>		
<b>At 31 May 2017</b>	<b>23.6</b>	<b>23.6</b>
At 31 May 2016	24.3	24.3

#### 4. Investment property *continued*

The fair value of the investment property at 31 May 2017 was £26.7 million (31 May 2016: £26.4 million). The valuation is based on a market valuation by an independent RICS valuer with recent experience in the location and category of the asset being valued. Rental income of £2.7 million (2016: £2.7 million) and direct operating expenses of £1.8 million (2016: £1.8 million) arising from investment property have been recognised in the income statement.

#### 5. Investments – shares in subsidiary undertakings

	£m
<b>Cost and carrying amount</b>	
At 1 June 2016 and 31 May 2017	0.4

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings:

Company	Business activity
NWF Agriculture Holdings Limited	Holding company – Feeds operations
NWF Distribution Holdings Limited	Holding company – Food operations
NWF Fuels Holdings Limited	Holding company – Fuels operations
Home Counties Fuels Limited	Dormant
Dragon Petroleum Limited	Dormant
Lincolnshire Fuels Limited	Dormant
North Western Farmers Limited	Dormant
NWF Limited	Dormant
Figaro Number Two Limited	Dormant

All of the above companies are registered and operate in England and Wales. The registered office for all directly owned subsidiary undertakings is Wardle, Nantwich, Cheshire CW5 6BP.

The Company also indirectly owns all of the issued ordinary shares of the following subsidiary undertakings:

Company	Business activity
NWF Agriculture Limited	Supplier of animal feedstuffs and seeds
New Breed (UK) Limited	Supplier of animal feedstuffs and seeds
Bouhey Distribution Limited	Warehousing and food distribution
NWF Fuels Limited	Fuel distribution
S.C. Feeds Limited	Dormant
Jim Peet (Agriculture) Limited	Dormant
Staffordshire Fuels Limited	Dormant
Evesons Fuels Limited	Dormant
Swan Petroleum Limited	Dormant
Evesons (Worcestershire) Limited	Dormant
Nutrition Express Limited	Dormant
Broadland Fuels Limited	Dormant
J G W Thomas & Son Limited	Dormant
Fuel Oil Supply Co Limited	Dormant
Knutsford Domestic Fuel Oil Company Limited	Dormant
Figaro Number One Limited	Dormant

All of the above companies are registered and operate in England and Wales. The registered office for all indirectly owned subsidiary undertakings is Wardle, Nantwich, Cheshire CW5 6BP.



# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MAY 2017

## 6. Deferred taxation

	2017 £m	2016 £m
Accelerated capital allowances	2.6	2.8
On retirement benefit liability	(3.4)	(3.3)
Other timing differences	—	(0.1)
	<b>(0.8)</b>	<b>(0.6)</b>

The movement on the deferred tax asset in the year was as follows:

	£m
At 1 June 2015 (net asset)	(1.1)
Debit to income statement	0.2
Debit to equity	0.3
At 31 May 2016 (net asset)	(0.6)
Debit to income statement	0.1
Credit to equity	(0.3)
<b>At 31 May 2017 (net asset)</b>	<b>(0.8)</b>

## 7. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	—	0.1
Amounts owed by Group undertakings	30.1	23.1
Prepayments and accrued income	0.2	0.3
Corporation tax recoverable	0.6	0.7
VAT recoverable	0.1	0.7
	<b>31.0</b>	<b>24.9</b>

All of the amounts owed by Group undertakings shown above are repayable on demand.

## 8. Trade and other payables

	2017 £m	2016 £m
Trade payables	0.2	0.5
Amounts owed to Group undertakings	10.9	3.4
Accruals and deferred income	1.3	1.5
Other taxation and social security	0.1	0.1
	<b>12.5</b>	<b>5.5</b>

The Group has a net bank overdraft facility amounting to £1.0 million, none of which has been utilised by the Company at 31 May 2017 (31 May 2016: £Nil). This facility is secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group, which incorporate a fixed charge over trade receivables and floating charges over all their other assets.

All of the amounts owed to Group undertakings shown above are repayable on demand. Included in these amounts is £10.9 million (31 May 2016: £3.4 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 2.0% (2016: 2.0%) per annum. Any remaining amounts are non-interest-bearing trade balances.

## 9. Called up share capital

	Number of shares 000s	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2015, 31 May 2016 and 31 May 2017	80,000	20.0
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2015	48,350	12.0
Issue of shares	178	—
Balance at 31 May 2016	48,528	12.0
Issue of shares	116	0.1
<b>Balance at 31 May 2017</b>	<b>48,644</b>	<b>12.1</b>

During the year ended 31 May 2017, 116,139 (2016: 178,103) shares with an aggregate nominal value of £29,035 (2016: £44,526) were issued under the Group's conditional Performance Share Plan and SAYE share option scheme.

The maximum total number of ordinary shares, which may vest in the future in respect of conditional Performance Share Plan awards outstanding at 31 May 2017, amounted to 867,014 (31 May 2016: 1,164,392). These shares will only be issued subject to satisfying certain performance criteria (see Directors' Remuneration Report and note 23 of the Group financial statements).

## 10. Employee benefit expense

	2017 £m	2016 £m
Wages and salaries	1.0	1.0
Social security costs	0.2	0.1
Share-based payments	—	0.3
Termination costs	0.2	—
Other pension costs	0.1	0.1
	<b>1.5</b>	<b>1.5</b>

The average monthly number of persons (including Directors) employed in the Company during the year was 14 (2016: 16).

## 11. Related party transactions

The Company has taken advantage of the exemption included in IAS 24 'Related Party Disclosures' to not disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a group whose financial statements are publicly available.

### Directors' transactions

Sir Mark Hudson KCVO purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,070 as a customer of the Group in the year ended 31 May 2017 (2016: £556). At 31 May 2017, the amount outstanding was £Nil (31 May 2016: £Nil). During the year, the highest amount outstanding totalled £633 (2016: £420).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,887 as a customer of the Group in the year ended 31 May 2017 (2016: £1,882). At 31 May 2017, the amount outstanding was a credit balance of £744 (31 May 2016: £652 credit). During the year, the balance remained in credit (2016: the balance remained in credit).

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,555 as a customer of the Group in the year ended 31 May 2017 (31 May 2016: £272). At 31 May 2017, the amount outstanding was £Nil (31 May 2016: £Nil). During the year, the highest amount outstanding totalled £732 (31 May 2016: £286).

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MAY 2017

## 12. Share-based payments

### The Performance Share Plan ('the LTIP')

The Company operates a Performance Share Plan for senior executives, further details of which can be found in the Directors' Remuneration Report in the Group financial statements.

Under the LTIP, the Company has made awards of conditional shares to certain Directors and employees, details of which can be found in note 23 of the Group financial statements.

The Company recognised total expenses of £Nil in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2017 (2016: £0.1 million).

## 13. Pensions

The Company is the sponsoring employer in the NWF Group Benefits Scheme, a pension arrangement providing benefits based on final pensionable pay. Details of the NWF Group Benefits Scheme, its liabilities and assets, together with the principal assumptions used in the valuation of its liabilities, are given in note 22 to the Group financial statements.

Contributions into the scheme and amounts charged to the profit and loss account during the year were £1.3 million (2016: £1.8 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2016: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2016: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2016: £Nil).

## 14. Contingent liabilities

The Company's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Company has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2017 of £23.2 million (31 May 2016: £23.9 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Company has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £13.8 million at 31 May 2017 (31 May 2016: £11.7 million).

The Company has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Company to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the current or prior year.

The Company and certain subsidiaries have granted a fixed and floating charge in favour of the trustees of a defined benefit pension scheme (the NWF Group Benefits Scheme). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million (31 May 2016: £5.0 million), and a floating charge over all other assets.

The Company has also given certain guarantees to third parties in respect of operating lease and supply agreement commitments due from various subsidiary companies.

No loss is expected to result from this arrangement.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ('the Meeting') of NWF Group plc ('the Company') will be held at The Derbyshire Suite, Wychwood Park Hotel, Weston, Crewe CW2 5GP on Thursday 28 September 2017 at 10.30 a.m. to transact the following business:

## Ordinary business

1. To receive, adopt and approve the Company's annual accounts for the financial year ended 31 May 2017 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend of 5.0p per share for the year ended 31 May 2017.
3. To re-elect R A Whiting as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.
4. To elect C J Belsham as a Director of the Company, who, having been appointed since the last Annual General Meeting, is to be proposed for election in accordance with the Articles of Association of the Company.
5. To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company at a remuneration to be determined by the Directors.

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolution 6 as an Ordinary Resolution and as to Resolution 7 as a Special Resolution.

6. That the Board of Directors of the Company ('the Board') be generally and unconditionally authorised to allot Relevant Securities (as hereinafter defined):
  - 6.1 up to an aggregate nominal amount of £4,053,718 (the equivalent of 16,214,873 ordinary shares); and
  - 6.2 comprising equity securities (as defined by Section 560 of the Companies Act 2006 ('the Act')) up to an aggregate nominal amount of £8,107,437 (the equivalent of 32,429,746 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 6.1 above) in connection with an offer by way of a rights issue:
    - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this Annual General Meeting or, if earlier, the date of the next Annual General Meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Board may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This Resolution 6 revokes and replaces all unexercised authorities previously granted to the Board to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

For the purposes of this Resolution 6, 'Relevant Securities' means:

- » shares in the Company other than shares allotted pursuant to:
  - » an employee share scheme (as defined by Section 1166 of the Act);
  - » a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - » a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; or
- » any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Act). References to the allotment of Relevant Securities in this Resolution 6 include the grant of such rights.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### Ordinary business *continued*

7. That, subject to the passing of Resolution 6 on page 81, the Board be and it is hereby empowered, pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 6 on page 81 or by way of a sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
- 7.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities (but in the case of the authority granted under paragraph 6.2 of Resolution 6 on page 81, by way of a rights issue only) where the equity securities respectively attributable to the interests of all those persons at such record dates as the Board may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the Board may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depositary receipts or any other matter whatsoever; and
- 7.2 the allotment (otherwise than pursuant to paragraph 7.1 above) of equity securities up to an aggregate nominal amount of £608,058,

and in each case shall expire upon the expiry of the general authority conferred by Resolution 6 on page 81, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Board may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

These notes are important and require your immediate attention.

1. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the Meeting on his/her behalf. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company.
2. A form of proxy for use in connection with the Meeting is enclosed with the document of which this notice forms part. Completion and return of a form of proxy will not prevent a shareholder from attending and voting in person at the Meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
3. To appoint a proxy or proxies, shareholders must complete a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so that it is received no later than 10.30 a.m. on 26 September 2017.
4. Only those members entered on the register of members of the Company at the close of business on 26 September 2017 or, in the event that this Meeting is adjourned, in the register of members as at the close of business on the day two days before the date of any adjourned Meeting, shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after the close of business on 26 September 2017 or, in the event that this Meeting is adjourned, in the register of members after the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.



5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 10.30 a.m. on 28 September 2017 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank form of proxy and a form of proxy which states the number of shares to which it applies, the specific form of proxy shall be counted first, regardless of whether it was sent or received before or after the blank form of proxy, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank form of proxy. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting:
  - » copies of all service agreements or letters of appointment under which the Directors of the Company are employed by the Company.
9. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
  - » calling Capita Asset Services: 0871 664 0300 (calls cost 12p per minute plus network extras. Lines are open 9.00 a.m. – 5.30 p.m. Monday – Friday).

# EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

## Ordinary business

Each resolution will be proposed as an Ordinary Resolution other than Resolution 7, which will be proposed as a Special Resolution. This means that, for each of the resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

The Ordinary Resolutions are entirely routine and deal with the approval of the Annual Report and Accounts for the financial year ended 31 May 2017, the declaration of a final dividend, the reappointment of R A Whiting as a Director of the Company, the appointment of C J Belsham as a Director of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors.

Resolution 6 will be proposed as an Ordinary Resolution and Resolution 7 will be proposed as a Special Resolution. In order for a Special Resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

## Resolution 6 – authority to allot shares (Ordinary Resolution)

The authority conferred on the Directors at last year's Annual General Meeting to allot the share capital of the Company expires at the conclusion of the forthcoming Annual General Meeting. The Board recommends that this authority be renewed.

Paragraph 6.1 of Resolution 6 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £4,053,718 which represents an amount which is equal to one-third of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company (excluding treasury shares) as it was at close of business on 1 August 2017. As at close of business on 1 August 2017 the Company did not hold any treasury shares.

Paragraph 6.2 of Resolution 6 will, if passed, authorise the Directors to allot unissued shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities or as the Directors may otherwise consider necessary, up to a maximum aggregate nominal amount of £8,107,437 which represents an amount which is equal to two-thirds of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company as it was at close of business on 1 August 2017 (such amount to be reduced by the nominal amount of any relevant securities issued under the authority conferred by paragraph 6.1 of Resolution 6).

The authorities sought in Resolution 6 are in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such existing authorities. The authorities will each expire 15 months after the date of the Annual General Meeting or, if earlier, at the conclusion of the next Annual General Meeting of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

## Resolution 7 – disapplication of pre-emption rights (Special Resolution)

Resolution 7, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to issue equity securities of the Company for cash without application of the pre-emption rights provided by Section 561 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their existing shareholdings; (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue; and (iii) for cash up to an aggregate nominal value of £608,058 which represents 5% of the issued ordinary share capital of the Company as it was at close of business on 2 August 2017. The authority being sought is in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such authorities and will expire 15 months after the date of the Annual General Meeting or, if earlier, at the conclusion of the next Annual General Meeting of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

The authority sought and the limits set by this resolution will also disapply the application of Section 561 of the Act from a sale of treasury shares to the extent also specified in this resolution.

# FINANCIAL CALENDAR

Annual General Meeting	28 September 2017
Dividend:	
– Ex-dividend date	2 November 2017
– Record date	3 November 2017
– Payment date	4 December 2017
Announcement of half-year results	Early February 2018
Publication of Interim Report	Early February 2018
Interim dividend paid	May 2018
Financial year end	31 May 2018
Announcement of full-year results	Early August 2018
Publication of Annual Report and Accounts	Late August 2018

## DIVISIONAL CONTACTS

Feeds	Tel: 0800 262397 <a href="http://www.nwfagriculture.co.uk">www.nwfagriculture.co.uk</a>
Food	Tel: 01829 260704 <a href="http://www.boughey.co.uk">www.boughey.co.uk</a>
Fuels	Tel: 01829 260900 <a href="http://www.nwffuels.co.uk">www.nwffuels.co.uk</a>

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