NWF GROUP PLC

DELIVERING
FUEL, FOOD AND FEED

NWF Group plc Annual Report and Accounts 2018

WE HAVE A STRONG TRACK RECORD OF DELIVERING INCREASED SHAREHOLDER RETURNS

NWF Group is a specialist distributor of fuel, food and feed 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.

Download the latest investor presentations and fact sheets at www.nwf.co.uk

Operational highlights

- **Fuels** – headline operating profit of £6.9 million (2017: £4.5 million). Outstanding results from delivering excellent service during a long, cold winter. An increase in volumes, especially heating oil sales, and pence per litre profit.
- **Food** – headline operating profit of £0.7 million (2017: £3.0 million). Successful in winning 20,000 pallets of new contracted business, but significant challenges in the on-take of new customers with warehouse reorganisation and recruitment of new staff.
- **Feeds** – headline operating profit of £3.0 million (2017: £1.5 million). Results in line with plan with returns increasing as a consequence of investment in the prior year and improved market conditions with more stable milk prices.

Financial highlights

Revenue
£611.0m +9.9%

2018	£611.0m
2017	£555.8m
2016	£465.9m

Headline operating profit[1]
£10.6m +17.8%

2018	£10.6m
2017	£9.0m
2016	£8.7m

Headline profit before tax[1]
£10.2m +20.0%

2018	£10.2m
2017	£8.5m
2016	£8.3m

Diluted headline EPS[1]
16.7p +19.3%

2018	16.7p
2017	14.0p
2016	13.5p

Total dividend per share
6.3p +5.0%

2018	6.3p
2017	6.0p
2016	5.7p

Net debt to EBITDA
0.4x

2018	0.4x
2017	1.0x
2016	0.8x

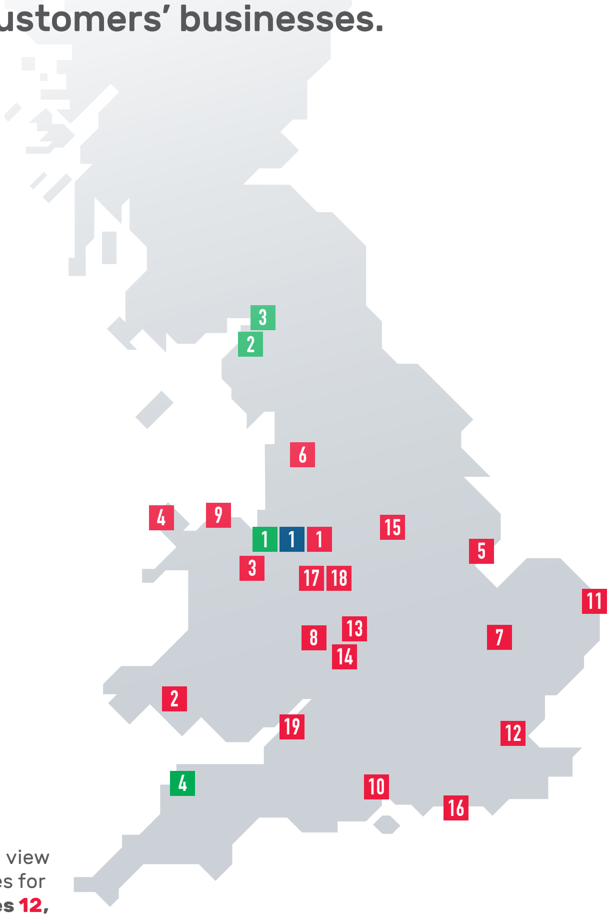
1 Headline operating profit excludes exceptional items (2017 only). Headline profit before taxation excludes exceptional items and the net finance cost in respect of the Group's defined benefit pension scheme. Diluted headline EPS also takes into account the taxation effect thereon.

Contents

VIEW OUR NEW WEBSITE AT WWW.NWF.CO.UK

WE DELIVER... EFFICIENCY AND SERVICE

NWF Group is a specialist distributor of fuel, food and feed across the UK. Established in 1871, the Group has over 140 years' experience in adding value to our customers' businesses.



Read more and view Divisional pages for locations **Pages 12, 14, 16**

FUELS

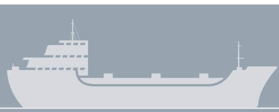
NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 500 million litres across the UK to 59,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell and Jet.

59,000 CUSTOMERS

203 PEOPLE

99 TANKERS

INVESTMENT CASE



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.

1

Strong management team: solid track record with ambition.

2

Growth opportunities: consolidate and optimise.

FOOD

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

122 TRUCKS
236 TRAILERS
543 PEOPLE
200 CUSTOMERS

£40.4M +3.6%
Revenue in 2018

FEEDS

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed, feeding one in six dairy cows in Britain.

39 TRUCKS
16 TRAILERS
198 PEOPLE
4,750 CUSTOMERS

£169.9M +7.4%
Revenue in 2018

£400.7M +11.7%
Revenue in 2018

3
Asset backing: £141.5 million total assets.

4
Focus on returns: ROCE and total shareholder return.

5
Good cash generation: cash flow before development spend of £7.1 million.

6
Growing dividend: proposed increased dividend in the year. 6.3p total dividend per share.

> I am pleased to report a record set of results with the business benefiting from some exceptional conditions, principally in the Fuels division."

THE CONSISTENT FOCUS ON EXCELLENCE IN CUSTOMER SERVICE ACROSS THE GROUP HAS BEEN CRITICAL TO OUR CONTINUED DEVELOPMENT

Overview

In my first year as Chairman I am pleased to report a record set of results with the business benefiting from some exceptional conditions, principally in the Fuels division. It is positive to note that the increase in revenue and profit has been converted into cash resulting in a lower level of year end net debt. At the same time we have a clear strategic development plan for the Group supported by significant funding capability with a renewed five-year banking facility.

The benefit of the NWF diversified and service-led business model was clearly demonstrated in the year. Fuels' outstanding performance was a result of an increase in commercial business and most significantly the capability at a local level to provide excellent service to customers through a long and cold winter period. Food outperformed in terms of new business wins but the on-take of 20,000 pallets of new business after winning multiple contracts proved operationally challenging. This resulted in the reorganisation of warehouses and the recruitment and training of over 50 new members of staff in a short space of time. Feeds delivered on investments made in the previous year in the feed mill expansions at Longtown and Wardle and has the operational platform to support future development.

As a consequence of the good progress achieved and the Group's strong cash generation, the Board is recommending a final dividend of 5.3p per share (record date: 2 November 2018; payment date: 6 December 2018) (2017: 5.0p) giving a total dividend of 6.3p per share (2017: 6.0p), a 5.0% increase on the prior year.

Our business

NWF Group is a specialist distributor delivering fuel, food and feed 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:

- Fuels: NWF Fuels (including a number of local sub-brands);
- Food: Boughey; and
- Feeds: NWF Agriculture, SC Feeds, New Breed and Jim Peet.

Key areas of focus for the Board in 2018 were:

Responding proactively to market conditions
The Group has responded well to some exceptional market conditions in the year. The long, cold winter resulted in some challenging conditions across the country as oil terminals, fuel depots and feed mills were inaccessible for periods of the winter as a result of snow and ice. The focus on service across the Group was put to the test and the result was very positive with additional customers being supplied by our Fuels division in particular. This was as a consequence of our local depot business model prioritising customers who had run out or had the potential to run out and reorganising tanker deliveries on an hourly basis to provide the best service across their respective territories. This delivered the benefits of additional volume and improved margins.

Benefiting from strategic investment
The Group has benefited from the previous investment in feed milling capacity and capability made at both Longtown in Cumbria and at Wardle in Cheshire. In the first full year of operations the mill at Longtown has supplied feed to customers across the North of England and Southern Scotland, with lower transport and operational costs as planned. The automated blend shed at Wardle has delivered both increased efficiency and capacity output.

Cash generation
Cash generation remains a focus for the Group and a further improvement in working capital has been achieved in Feeds, managed effectively at a time of greater stability 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 and has enabled 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 2018. In Fuels, oil (which is purchased on the spot market) moved between $45 per barrel and $80 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 were successfully passed through in feed price increases in the year.

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

In particular I would like to thank Sir Mark Hudson KCVO, who chaired the Group successfully over the past ten years, before retiring in September 2017. He helped guide me both as a Non-Executive and in stepping up to the role of Chairman. David Downie joined the Board as Non-Executive Director in February to complete the Board changes.

In addition I would like to recognise the significant contribution that Kevin Kennerley (Managing Director of NWF Fuels) has made in his 40 years' service to the Group from starting in the Wardle Fuel depot to assuming the role of Managing Director in 1992. Kevin has overseen the successful development of the Fuels division both organically and through acquisitions to the scale it is today and in his last year has delivered an outstanding result for the Group. Kevin retires at the end of September and will be succeeded by Richard Huxley, who joined the Group in May.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 27 September 2018.

Philip Acton
Chairman
31 July 2018

Read more about our business model
Pages 8 and 9

CHIEF EXECUTIVE'S REVIEW

Summary

- Record results for the Group benefiting from exceptional conditions
- Revenue growth in all three divisions – reflecting increased activity and higher commodity prices
- Outstanding result from Fuels, rewarded for excellent customer service in a long, cold winter
- Lower level of debt (0.4x EBITDA) as a result of strong cash conversion and continued working capital improvements
- Renewal of a five-year £65 million funding facility with RBS to support future development
- Increased dividend reflecting the Board's confidence in the business

NWF HAS DELIVERED RECORD RESULTS AND SIGNIFICANTLY REDUCED NET DEBT AND IS PROPOSING AN INCREASED DIVIDEND

Q&A
with Chief Executive, Richard Whiting

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 fuel, food and feed. The fundamentals of our markets are unchanged and we continue to monitor and plan contingencies with customers and suppliers.

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 (as it has in 2018), but an ability to sell a range of oil products has demonstrated some effective mitigation in milder conditions.

What were the key highlights from the last 12 months?
Delivering the return on the prior year investment in Feeds, securing 20,000 pallet spaces of new business in Food and the images of our Fuels tankers battling through the arctic conditions to ensure our customers could heat their homes during the long, cold winter. The customer service demonstrated in the last 12 months has been excellent and something to be really proud of.

Overview

NWF has delivered a record performance in exceptional conditions. The Fuels division has benefited from providing high levels of service to customers across the country through a long, cold winter. Food has won contracts that underpin its future development and we have delivered the planned increase in returns in Feeds as a result of the capital investment in the prior year and effective management of the business against a backdrop of more stable milk prices. The benefits of the record year have been converted into cash and the lower level of debt is supported by a renewed five-year banking facility. We are proposing an increased dividend and continue to see opportunity for further strategic and operational progress.

The Group delivered headline operating profit up 17.8% to £10.6 million (2017: £9.0 million) and headline profit before tax up 20.0% to a record £10.2 million (2017: £8.5 million). Diluted headline earnings per share were up 19.3% to 16.7p (2017: 14.0p).

Cash management remains strong with net debt of £6.4 million (2017: £13.0 million), representing 0.4x EBITDA. This has been achieved by generating net cash of £7.1 million after interest, tax, dividends and net replacement and maintenance capital expenditure of £2.9 million, reflecting the outstanding trading performance and further working capital improvements.

Read more about our markets and strategy
Pages 10 and 11

Outlook

In Fuels, we have a proven depot operating model and have demonstrated that the business can deliver an outstanding performance when service is at a premium. Volumes remain stable for the time of year. Richard Huxley is leading the business in its next stage of development.

In Food, we are focused on improving efficiency, working with our new customers and improving the effectiveness of the additional members of staff recently recruited. We remain focused on continuing to provide excellent levels of service and value to our customers and supermarkets across the UK.

In Feeds, current 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 aligned to the needs of our farming customers in these key areas of the country.

With regards to Brexit, the fundamentals of our markets are unchanged and we continue to monitor and plan contingencies with customers and suppliers.

The Group has established a solid platform for further 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 consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses as well as investment in organic development.

Performance to date in the current financial year has been in line with the Board's expectations, which assume a return to more normal trading conditions in Fuels. Overall, the Board continues to remain confident about the Group's future prospects.

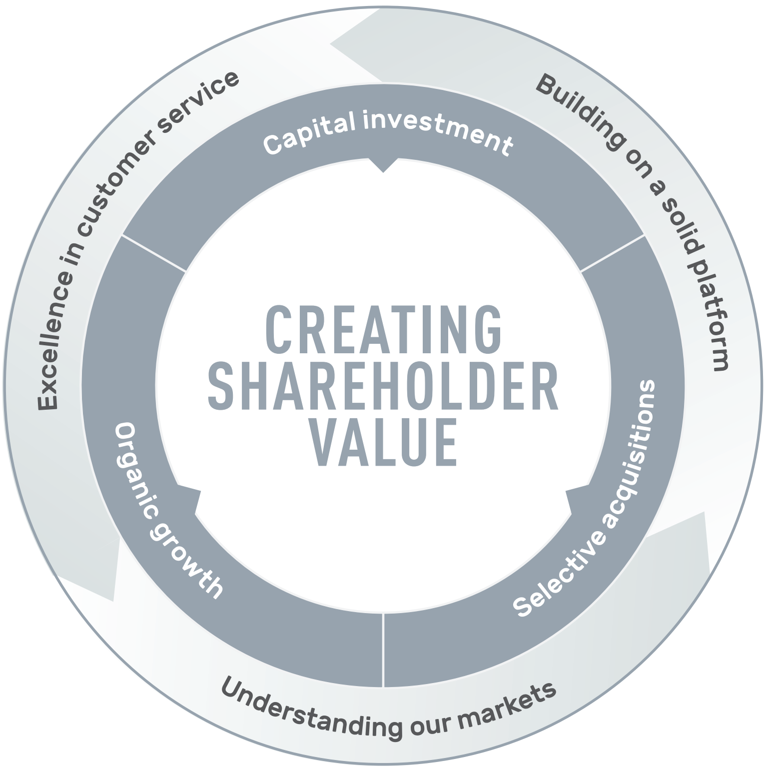
Richard Whiting
Chief Executive
31 July 2018

> **We will continue to consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses."**

EACH OF THE DIVISIONS PROVIDES THE OPPORTUNITY FOR FUTURE DEVELOPMENT AND GROWTH

OUR FOCUS

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 reaching nine out of ten callers who have run out of fuel on the same day, delivering excellent service levels in food 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. Renewed competitive banking facilities and a substantial asset base will support the Group's development.

FUELS

EXPERTS IN CUSTOMER SERVICE.

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

FOOD

DELIVERING ALL DAY, EVERY DAY.

Our key strengths

» Market leading national ambient grocery consolidation service
» High service levels
» 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

FEEDS

PROVIDING NUTRITIONAL ADVICE.

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

HOW VALUE IS CREATED

Customers

Excellent service provided to over 60,000 customers across the Group, the number one priority.

64,000 TOTAL CUSTOMERS

Employees and community

Year on year increase of 75 employees, investing in the local community and the future of NWF.

75 NEW JOBS CREATED AND EMPLOYEES TRAINED

Shareholders

Total shareholder return by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.

6.3P TOTAL DIVIDEND PER SHARE

RISK REDUCTION BY OPERATING IN THREE SIGNIFICANT, STABLE MARKETS

FUELS

Market overview

- A long, cold winter generated increased demand for heating oil
- The average Brent Crude oil price in the year was $63 per barrel compared to $51 per barrel in 2017
- There is a fragmented market for oil distribution
- Stable future demand for oil – other sources to meet increasing demand for energy

Development strategy

- Consolidation of UK fuel depots
- Organic growth of commercial and domestic customers

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 in the UK remains in short supply

Development strategy

- Maintain excellent levels of customer service
- Deliver operating efficiencies with optimised customer mix

FEEDS

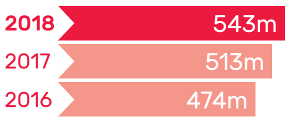
Market overview

- Strong demand – up 8.7% year on year
- Stable milk prices at over 27p per litre
- Milk production up 4.8%
- Five-year high for commodity prices

Development strategy

- Consolidation of the market – driving efficiency through a lower cost to serve
- Increase the breadth of nutritional offering through organic development and acquisitions

543m Litres



Performance
Pence per litre profit up 0.4p to 1.3p

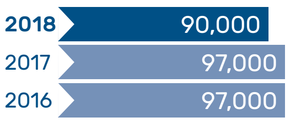
Principal risks

- Commodity prices – mitigated through daily purchasing and low stock holdings
- Climate – mitigated through a range of fuels and focus on service. Track record demonstrates resilience through mild winters and reward in cold winters

Future priorities

- Optimise product mix
- Target acquisitions that provide:
  - Expansion into existing geographical area
  - Increased business density in existing territories
  - Established customer mix

90,000 Pallets stored



Performance
Activity levels (loads) up 17% in the second half

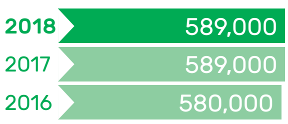
Principal risks

- Dependency on IT systems – mitigated through continual investment and close relationships with key software vendors and consultants

Future priorities

- Optimise customer mix
- Explore geographical expansion for Palletline
- Develop e-fulfilment capability

589,000 Tonnes



Performance
Delivered planned returns on prior year investment

Principal risks

- Commodity prices – mitigated through close relationships with key suppliers and the use of forward contracts
- Climate – mitigated through a focus on the dairy sector where there is a strong underlying demand all year round

Future priorities

- Organic development of nutritional advice and technical support offering
- Target acquisitions that provide:
  - Synergy with existing business
  - Development capability
  - A proven management team

EXPERTS IN CUSTOMER SERVICE: GOING THE EXTRA MILE

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 500 million litres across the UK to 59,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell and Jet.

1. WARDLE
2. AMMANFORD
3. BABBINSWOOD
4. BANGOR
5. BOSTON
6. BURNLEY
7. BURWELL
8. DROITWICH
9. DYSERTH
10. FISHERS POND
11. GREAT YARMOUTH/ BROADLANDS
12. HOME COUNTIES
13. KENILWORTH
14. LONG MARSTON
15. MANSFIELD
16. MARTLET
17. STAFFORDSHIRE FUELS
18. STOKE
19. YATE

Fuels has delivered an exceptional performance, benefiting from its high level of customer service in a long, cold winter. In many parts of the country, homes and businesses were impacted by snow and ice for prolonged periods. The focus on service by the local depot teams, rescheduling deliveries to focus on customers at risk of running out, won additional business and improved pence per litre margins. Growth was delivered across the depot network in all major fuel categories.

Volumes rose 5.8% to 543 million litres (2017: 513 million litres), and revenue increased by 11.7% to £400.7 million (2017: £358.6 million) as a result of higher oil prices and increased volumes. The average Brent Crude oil price in the year was $63 per barrel compared to $51 per barrel in the prior year.

Headline operating profit was up 53.3% to £6.9 million (2017: £4.5 million) as the additional volume and improved pence per litre margins generated an increase in profitability. 2018: 1.3 pence per litre (2017: 0.9 pence per litre).

With 59,000 customers being supplied across 19 fuel depots, Fuels operates in markets that are large and robust and, as a business, it has consistently proved it can effectively manage the volatility in oil prices. The industry remains highly fragmented, with many small operators, which we believe provides an opportunity for NWF to increase market share.

Revenue
£400.7m +11.7%

2018 £400.7m
2017 £358.6m
2016 £292.5m

Operating profit
£6.9m +53.3%

2018 £6.9m
2017 £4.5m
2016 £3.9m

Volume (litres)
543m +5.8%

2018 543m
2017 513m
2016 474m

"The Fuels division has benefited from providing high levels of service to customers across the country through a long, cold winter."

19
DEPOTS

99
TANKERS

59,000
CUSTOMERS

Find out more about our Fuels division and watch our video at **www.nwf.co.uk**

DELIVERING ALL DAY, EVERY DAY: 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.

1. WARDLE

This has been a year of major customer transition, which resulted in operating challenges for the division. Positively the business won contracts which total 20,000 pallet spaces of new business to replace a significant contract which had ended as anticipated. This ensures the future utilisation of space at the Wardle site. The on-take of these new customers was very challenging with multiple new accounts arriving in a short timeframe, with the recruitment and training of an additional 50 members of staff and the reorganisation of warehouse space to accommodate the new customers. The on-take of new customers has been completed, the associated resources are in place and we are now focused on improving operational efficiency.

Revenue increased 3.6% to £40.4 million (2017: £39.0 million). Storage overall was at an average of 90,000 pallets (2017: 97,000 pallets), reflecting the average pallets stored as customers transitioned during the year. More significantly, total outloads increased by 17% in the second half compared to prior year as the new customers have higher stock turn and therefore a greater distribution requirement. Headline operating profit was £0.7 million (2017: £3.0 million), reflecting the necessary costs of customer on-take, operating with new customers who have differing needs and a significant increase in the workforce who were less efficient in their initial period. The Palletline operation continues to grow and a fledgling e-fulfilment business has commenced with good potential for expansion.

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.

Revenue

£40.4m +3.6%

2018	£40.4m
2017	£39.0m
2016	£37.6m

Operating profit

£0.7m -76.7%

2018	£0.7m
2017	£3.0m
2016	£2.7m

Pallets stored

90,000 -7.2%

2018	90,000
2017	97,000
2016	97,000

> "Food has won contracts that underpin its future development."

COLLECTION FROM MANUFACTURER

100,000 PALLET CAPACITY

Find out more about our Food division and watch our video at **www.nwf.co.uk**

DELIVERING OVER 1 MILLION PALLETS A YEAR

PROVIDING NUTRITIONAL ADVICE: 24 HOURS A DAY

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.

1. WARDLE
2. ASPATRIA
3. LONGTOWN
4. WIXLAND

It has been a strong year, with Feeds delivering the increase in profitability planned following the significant investment in the prior year. The market environment was more positive with stable milk prices supporting our farming customers. Feed market volumes increased by 8.7% as farmers who had previously cut back on dairy feed increased usage and the long, cold winter increased market demand for sheep feed. In addition, commodity spot prices moved in an upward trend with a basket of commodities increasing 27% over the year, which was reflected in higher priced feed.

The new feed mill at Longtown, Cumbria, operated effectively throughout the year supplying customers in the North of England and Southern Scotland and the automated blends production facility at Wardle, Cheshire, increased capacity and improved efficiency as planned.

Revenue increased by 7.4% to £169.9 million (2017: £158.2 million) as a result of increased feed prices and additional sales of traded products in the year. Headline operating profit doubled to £3.0 million (2017: £1.5 million). Total feed volume was stable at 589,000 tonnes (2017: 589,000 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. New products have been successfully launched in the year, backed by training and multi-channel communications with farming customers.

Average milk prices in Great Britain were stable, increasing from 26.8p to 27.4p per litre over the period with a high of 31.7p per litre in November 2017. On the back of this more positive environment, milk production increased by 5% to 12.4 billion litres (2017: 11.8 billion litres), a similar level to 2016.

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.

Revenue
£169.9m +7.4%

2018	£169.9m
2017	£158.2m
2016	£135.8m

Operating profit
£3.0m +100%

2018	£3.0m
2017	£1.5m
2016	£2.1m

Tonnes
589,000 –%

2018	589,000
2017	589,000
2016	580,000

We have delivered the planned increase in returns in Feeds as a result of the capital investment in the prior year and effective management of the business against a backdrop of more stable milk prices.”

QUALITY ASSURED

SUPPLYING OVER 4,750 FARMERS

Find out more about our Feeds division and watch our video at **www.nwf.co.uk**

FEEDING 1 IN 6 DAIRY COWS IN BRITAIN

GROUP FINANCIAL REVIEW

Summary

- All divisions profitable and cash generative
- Headline profit before tax of £10.2 million (2017: £8.5 million)
- Diluted headline EPS of 16.7p (2017: 14.0p)
- Net debt of £6.4 million (2017: £13.0 million)
- Committed banking facilities in place to October 2023

THE GROUP HAS ESTABLISHED A SOLID PLATFORM FOR DEVELOPMENT WITH OUR RENEWED BANKING FACILITIES

Group results

Group revenue increased by 9.9% to £611.0 million (2017: £555.8 million) reflecting higher activity levels and increased oil and commodity prices. Headline operating profit was £10.6 million, an increase of 17.8% (2017: £9.0 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) decreased by £0.1 million to £0.4 million, reflecting lower average net debt levels during the year, with interest cover increasing to 26.5x (excluding IAS 19 net pension finance costs) (2017: 18.0x).

Headline profit before taxation increased by 20.0% to £10.2 million (2017: £8.5 million). Profit before taxation increased by £3.0 million to £9.7 million (2017: £6.7 million). There were no exceptional items in the year (2017: £1.2 million).

The headline basic earnings per share of 16.8p represented an increase of 20% (2017: 14.0p), whilst diluted headline earnings per share increased by 19.3% to 16.7p (2017: 14.0p). The proposed full year dividend per share increased by 5.0% to 6.3p which reflects the Board's confidence in the Group, its strong underlying cash generation and its future prospects. The proposed dividend equates to a dividend cover ratio of 2.7x.

The finance costs in respect of the defined benefit pension scheme were slightly lower than prior year at £0.5 million (2017: £0.6 million) reflecting the lower pension deficit.

The tax charge for the year was £1.9 million (2017: £1.2 million) which represents an effective tax rate of 20.0%, which is in line with our underlying rate (2017: 17.9%). 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. The post-tax profit for the year was £7.8 million (2017: £5.5 million).

Group results for the year ended 31 May

	2018 £m	2017 £m
Revenue	**611.0**	555.8
Cost of sales and administrative expenses	**(600.4)**	(548.0)
Headline operating profit[1]	**10.6**	9.0
Exceptional items	**–**	(1.2)
Operating profit	**10.6**	7.8
Financing costs	**(0.9)**	(1.1)
Headline profit before tax[1]	**10.2**	8.5
Exceptional items	**–**	(1.2)
Net finance cost in respect of defined benefit pension scheme	**(0.5)**	(0.6)
Profit before taxation	**9.7**	6.7
Income tax expense	**(1.9)**	(1.2)
Profit for the year	**7.8**	5.5
Headline EPS[1]	**16.8p**	14.0p
Diluted headline EPS[1]	**16.7p**	14.0p
Dividend per share	**6.3p**	6.0p
Headline dividend cover[1]	**2.7x**	2.3x
Interest cover	**26.5x**	18.0x

1 Headline operating profit is statutory operating profit of £10.6 million (2017: £7.8 million) before exceptional items of £Nil (2017: £1.2 million). Headline profit before taxation is statutory profit before taxation of £9.7 million (2017: £6.7 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.5 million (2017: £0.6 million) and the exceptional items. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

"Group level ROCE has increased to 15.1% primarily due to the strong trading performance in Fuels and Feeds."

Read more about our risks
Pages 22 and 23

GROUP FINANCIAL REVIEW CONTINUED

Balance sheet as at 31 May

	2018 £m	2017 £m
Tangible and intangible fixed assets	**67.9**	69.4
Net working capital	**2.5**	3.5
Net debt	**(6.4)**	(13.0)
Contingent deferred consideration	**(0.8)**	(1.4)
Current tax liabilities	**(1.1)**	(0.6)
Deferred tax liabilities (net)	**(0.5)**	–
Provisions	**(0.1)**	(0.3)
Retirement benefit obligations	**(17.1)**	(19.9)
Net assets	**44.4**	37.7

Balance sheet summary

The Group increased net assets by £6.7 million to £44.4 million (31 May 2017: £37.7 million). This reflects the robust trading performance during the year with a retained profit for the year of £4.9 million (2017: £2.7 million) and a decrease in the accounting valuation of the pension deficit.

Tangible and intangible assets decreased by £1.5 million to £67.9 million as at 31 May 2018 (31 May 2017: £69.4 million) as depreciation and amortisation charges exceeded capital expenditure. The depreciation and amortisation charges for the year to 31 May 2018 were £3.7 million and £0.8 million respectively (2017: £3.4 million and £0.8 million respectively).

Group level ROCE (based on headline operating profit) has increased to 15.1% as at 31 May 2018 (31 May 2017: 12.4%) primarily due to the strong trading performance in Fuels and Feeds.

The Group has continued to focus on reducing net working capital which decreased by £1.0 million in the year. The Group's inventories increased by £1.5 million to £5.7 million (31 May 2017: £4.2 million) with trade and other receivables increasing to £64.1 million (31 May 2017: £61.3 million) and an increase in trade and other payables to £67.5 million (31 May 2017: £62.2 million).

Net debt decreased by £6.6 million to £6.4 million (31 May 2017: £13.0 million), reflecting the conversion of the strong trading results into cash, the focus on working capital improvement and lower capital expenditure in the year following significant capital investment in the prior year. At the year end, the Group's net debt to EBITDA ratio was 0.4x (2017: 1.0x).

The deficit of the Group's defined benefit pension scheme decreased by £2.8 million to £17.1 million (31 May 2017: £19.9 million). The value of pension scheme assets decreased by £3.2 million to £36.3 million (31 May 2017: £39.5 million) predominantly as a result of transfers out and the value of the scheme liabilities decreased by £6.0 million to £53.4 million (31 May 2017: £59.4 million) as a result of the increase in the discount rate used to calculate the present value of the future obligations (31 May 2018: 2.75%; 31 May 2017: 2.60%).

Cash flow and banking facilities

The Group has continued to deliver further improvements in working capital during the year which, together with the robust trading performance, has resulted in strong underlying cash generation. This cash generation, combined with lower capital expenditure, has resulted in a decrease in net debt of £6.6 million at the year end. The closing net debt of £6.4 million represents a net debt to EBITDA ratio of 0.4x.

Net cash generated from operating activities was £12.9 million (2017: £8.9 million) representing a cash conversion ratio of 121.7% of headline operating profit (2017: 98.9%). Our consistent focus on working capital has resulted in a decrease of £1.0 million (2017: £0.2 million) through continued initiatives in the Feeds and Fuels divisions.

Net capital expenditure in the year at £2.9 million (2017: £9.2 million) was lower than the annual depreciation charge of £3.7 million (2017: £3.4 million) reflecting the significant capital investment made in the prior year.

Cash flow and banking facilities for the year ended 31 May

	2018 £m	2017 £m
Operating cash flows before movements in working capital and provisions	**13.9**	10.8
Working capital movements	**1.0**	0.2
Utilisation of provision	**(0.2)**	(0.2)
Interest paid	**(0.4)**	(0.5)
Tax paid	**(1.4)**	(1.4)
Net cash generated from operating activities	**12.9**	8.9
Capital expenditure (net of receipts from disposals)	**(2.9)**	(9.2)
Payment of contingent deferred consideration	**(0.5)**	–
Net cash absorbed by investing activities	**(3.4)**	(9.2)
Net (decrease)/increase in bank borrowings	**(7.0)**	2.4
Capital element of finance lease and HP payments	**(0.1)**	(0.1)
Dividends paid	**(2.9)**	(2.8)
Net decrease in cash and cash equivalents	**(0.5)**	(0.8)
Cash and cash equivalents at beginning of year	**1.0**	1.8
Cash and cash equivalents at end of year	**0.5**	1.0

The Group's banking facilities, totalling £65.0 million, were renewed in June 2018 and are committed through to 31 October 2023 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 and 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 2023.

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 2018 was 205.5p (31 May 2017: 136.5p) and the range of market prices during the year was between 131.5p and 211.5p.

Chris Belsham
Finance Director
31 July 2018

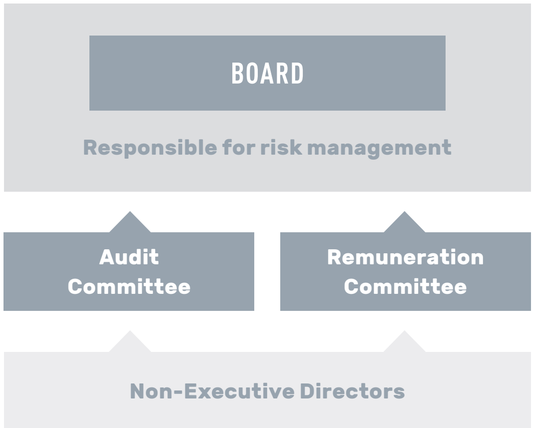
THE GROUP'S OPERATIONS EXPOSE IT TO A VARIETY OF FINANCIAL RISKS

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 2018

▲ Increase – No change ▼ Decrease

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
1. Brexit		
The uncertainty around the implications of the UK leaving the European Union and potential associated 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.	– We continue to monitor and plan contingencies with customers and suppliers.
2. Commodity prices and volatility in raw material prices		
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.	– Increased commodity prices in both Fuels and Feeds have been successfully passed through in the year.

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
3. Impact of climate 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 and animal feeds. 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.	– Remains a principal risk in Fuels and Feeds.
4. 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.	– Whilst the deficit has reduced in the year, this remains a risk.
5. 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.	– A number of Board and divisional Director changes have been successfully completed in the year but the risk remains.
6. 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.	– Remains a principal risk.
7. 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.	– Remains a principal risk.
8. 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.	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.	– Remains a principal risk.

BOARD OF DIRECTORS AND COMPANY SECRETARY

PHILIP ACTON
Chairman

A R

Experience

Joined the Board in 2013, became Chairman in 2017. 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

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

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

■ CHAIRMAN OF COMMITTEE
A AUDIT COMMITTEE
R REMUNERATION COMMITTEE

OVERVIEW
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FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

YVONNE MONAGHAN
Independent Non-Executive Director

A R

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

DAVID DOWNIE
Independent Non-Executive Director

A R

Experience

Joined the Board in 2018. Holds a BSc in agriculture and spent over 15 years as a senior executive at ASDA. Currently non-executive chairman of a private coffee group which trades as Cafe2u Limited and Red Bean Coffee Limited.

Key skills

» Sector experience
» Mergers and acquisitions
» Strategy

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

RICHARD HUXLEY
Managing Director, Fuels

Experience

Joined the Fuels division in May 2018 and will become Managing Director of the division in September following an effective handover with Kevin Kennerley. Richard has held significant commercial leadership roles in complex distribution businesses including Brammer and RS Components (part of Electrocomponents plc).

Key skills

- Leadership
- Operations
- Sales and marketing

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

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
Link Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Independent auditors
PricewaterhouseCoopers LLP
No. 1, 1 Hardman Street
Manchester M3 3EB

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

> The Board currently comprises two Executive and three Non-Executive Directors."

THE BOARD IS COMMITTED TO ACHIEVING HIGH STANDARDS OF CORPORATE GOVERNANCE, INTEGRITY AND BUSINESS ETHICS FOR ALL OF THE ACTIVITIES OF THE GROUP

We are pleased to note the changes to the AIM rules which require AIM-listed businesses to adopt a recognised code and detail how the company complies with the code. We are currently considering the recognised code options and will by 28 September 2018 include on our website the code the Board of Directors has decided to apply, detailing where we comply and where we do not, and the reasons.

The main ways in which we currently comply with the UK Corporate Governance Code 2016 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 pages 24 and 25. The roles of Chairman and Chief Executive are separated, are 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board composition and operation continued

Board composition

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 the Senior 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 ended 31 May 2018 and all members attended. The operations of the Audit Committee are set out in the separate Audit Committee Report on pages 30 and 31. 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 David Downie, 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 to 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 are 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 and all Directors are subject to annual re-election. Biographical details of all Directors are set out on pages 24 and 25.

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 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.

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 Annual General Meeting ('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 2 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 and 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 were renewed on 29 June 2018 and are committed through to October 2023. There is significant headroom both in terms of covenant compliance and funding availability. Undrawn facilities at 31 May 2018 were £51.8 million (2017: £43.8 million).
- The Group has prepared financial projections to 31 May 2020 which project positive earnings and demonstrate covenant compliance at all quarterly covenant test dates.

> **The Chairman and the Non-Executive Directors will always make themselves available to meet with shareholders."**

- 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 2018 was 0.4x (2017: 1.0x).

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

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."

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31 May 2018.

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 38 and the Auditors' Report on pages 39 to 42. 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 fourth 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 provide 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 and fixed assets

The Group's goodwill and fixed assets are material balances. 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.

Yvonne Monaghan
Chair of the Audit Committee
31 July 2018

DIRECTORS' REMUNERATION REPORT

> Rewarding performance with an aligned remuneration strategy."

Dear shareholder,
I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2018.

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 David Downie (Chair) – appointed 1 February 2018
- Mr Philip Acton
- Mrs Yvonne Monaghan

Our performance in 2017/18

This has been a record year for NWF Group plc. The Group has responded well to some exceptional market conditions in the year.

Key pay out-turns for 2017/18

For 2017/18, the performance achieved against financial and operational targets resulted in 80% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 16.7p at 31 May 2018, 54% of the LTIP awards granted at the start of 2014/15 will vest in August 2018.

Looking forward to 2018/19

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 Plan ('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.

David Downie
Chairman of the Remuneration Committee
31 July 2018

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:

- 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[2] £'000	Pension £'000	**2018 Total £'000**	2017 Total £'000
B J Banner (to August 2016)	–	–	–	–	–	**–**	263
C J Belsham (from April 2017)	170	11	197[1]	–	26	**404**	24
R A Whiting	283	35	216	174	75	**783**	423
Non-Executive							
T P Acton	62	–	–	–	–	**62**	38
D S Downie (from February 2018)	13	–	–	–	–	**13**	–
Sir Mark Hudson KCVO (to September 2017)	25	–	–	–	–	**25**	72
Y M Monaghan	40	–	–	–	–	**40**	38
Aggregate emoluments	593	46	413	174	101	**1,327**	858

1 Includes an award of shares to the value of £50,000. The award was taken net of taxation and NI resulting in a net award of 15,900 shares.

2 Calculated as LTIP award for the three years ended 31 May 2018 (89,694 shares) at the three-month average share price of £1.94. This award has vested, but has not been exercised as at the date of this report.

DIRECTORS' REMUNERATION REPORT CONTINUED

2018/19 remuneration policy

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

Element	Policy
Base salary	» Positioned competitively in line with the market. » For 2018/19, Directors' salaries will be as follows: » CEO: £290,000; and » Group Finance Director: £174,250.
Annual bonus	» Maximum opportunity for Executive Directors is 100% of base salary. » Performance is measured over one financial year. » Weightings and targets are reviewed and set at the start of each financial year. » For 2018/19, 75% of the bonus will be based on headline profit before tax performance with the remaining 25% based on the achievement of personal objectives. » 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. » Malus and clawback provisions will be applied in the case of: » a gross misstatement of the performance of the business; » gross misconduct; or » a miscalculation of the extent to which targets have been met.
Long-term Incentive Plan	» Maximum opportunity for Executive Directors is 100% of base salary at the time of the award. » Awards are made annually. » Performance is measured over three years. » For 2018/19, the award will be subject to EPS performance as follows: » 30% will vest for performance of RPI + 2% per annum; and » up to a maximum of 100% will vest for performance of RPI + 2% to 8% per annum. » Malus and clawback provisions will be applied in the case of: » a gross misstatement of the performance of the business; » gross misconduct; or » a miscalculation of the extent to which targets have been met.
Pension	» 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. » 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.
Benefits	» The Executives are entitled to a standard Director benefits package, including a company car and private medical cover.

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 on absolute EPS performance in the year ending 31 May 2018. 2016 awards are based on absolute EPS performance in the year ending 31 May 2019. 2017 awards are based on absolute EPS performance in the year ending 31 May 2020.

	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[1]	No. of shares vesting at threshold (30%)	EPS for threshold vesting[1]	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
	1 August 2017	147.5p	191,864	£283,000	20.2p	57,559	16.7p	31 May 2020
C J Belsham	1 August 2017	147.5p	115,254	£170,000	20.2p	34,576	16.7p	31 May 2020

1 EPS targets based on headline earnings per share ('EPS') – year ending 31 May 2018 for the 2015 award, year ending 31 May 2019 for the 2016 award and year ending 31 May 2020 for the 2017 award.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2018

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 2018.

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 £611.0 million (2017: £555.8 million) and profit after tax of £7.8 million (2017: £5.5 million).

The Directors recommend a final dividend for the year of 5.3p per share (2017: 5.0p) which, if approved at the AGM, will be payable on 6 December 2018. Together with the interim dividend paid during the year of 1.0p per share (2017: 1.0p), this will result in a total dividend of 6.3p per share (2017: 6.0p) amounting to £3.1 million (2017: £2.9 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:

» Philip Acton

» Chris Belsham

» Sir Mark Hudson KCVO (resigned 28 September 2017)

» Yvonne Monaghan

» Richard Whiting

» David Downie (appointed 1 February 2018)

The Directors who held office during the year and as at 31 May 2018 had the following interests in the ordinary shares of the Company:

Name of Director	31 May 2018 Number
T P Acton	**30,000**
C J Belsham	**15,900**
Sir Mark Hudson KCVO	**582,600**
Y M Monaghan	**10,000**
R A Whiting	**310,767**

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:

	31 May 2018 Number
C J Belsham	**115,254**
R A Whiting	**442,428**

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 205.5p (31 May 2017: 136.5p) and the range of market prices during the year was between 131.5p and 211.5p.

No changes took place in the interests of Directors between 31 May 2018 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	Number	%
Festa Lífeyrissjóður	**2,382,389**	**4.90**
Sameinaði Lífeyrisjóðurinn	**2,382,389**	**4.90**
Lífeyrissjóður Vestmannaeyja	**2,382,389**	**4.90**
Söfnunarsjóður Lífeyrisréttinda	**2,372,944**	**4.88**

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).

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
31 July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MAY 2018

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 the 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
31 July 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NWF GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- NWF Group plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated balance sheet and the Parent Company balance sheet as at 31 May 2018; the Consolidated income statement; the Consolidated statement of comprehensive income and the Parent Company statement of comprehensive income; the Consolidated statement of changes in equity and the Parent Company statement of changes in equity; and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £484,000 (2017: £393,000), based on 5% of profit before tax (2017: 5% of profit before tax and exceptional items).
- Overall Parent Company materiality: £547,000 (2017: £603,000), based on 1% of total assets.

- The Group consists of four trading entities, alongside its head office company and other holding companies. Our audit focused on those entities with the most significant contribution to the Group's results, being NWF Agriculture Limited, NWF Fuels Limited and Boughey Distribution Limited; along with the head office company.
- The components within the scope of our work accounted for 98% of Group revenue and 94% of Group profit before tax.

- Defined benefit pension plan liabilities (Group and Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF NWF GROUP PLC

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension plan liabilities Refer to page 31 (Audit Committee Report), note 2 (Accounting policies), page 53 (Critical accounting estimates and judgments) and note 22. The Group has a defined benefit pension plan net liability of £17.1m (2017: £19.9m), which is significant in the context of both the overall balance sheet, the results of the Group and the market capitalisation of the Group. A major constituent of this net liability is the value attributed to the gross liabilities of the pension scheme. The valuation of these gross liabilities of £53.4m (2017: £59.4m) requires significant judgment and expertise primarily in respect of the key assumptions used. These assumptions include both financial assumptions e.g. the discount rate and inflation, but also key demographic assumptions e.g. mortality rates. Modest changes in a number of these key assumptions can have a material impact on the calculation of the liability. We therefore focused our work on this area.	We obtained the external actuary's report used in valuing the scheme's liabilities and determined, using our experience of the valuation of similar schemes, and our own pension specialists, that the methodologies adopted by the actuary in forming the valuation were consistent with industry practice and our expectations. We also agreed the key financial assumptions used within the valuation of the scheme's liabilities, including the discount and inflation rates, to our internally developed benchmarks. Further we considered the appropriateness of the approach taken to setting the mortality assumptions and we found them to be reasonable. Disclosures We read the disclosures within the financial statements in respect of the defined benefit scheme and, based on our work, determined that they are consistent with accounting standards.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is managed on an entity basis with four trading entities, along with a head office company and three holding companies. The Group's trading entities are all based in the UK and operate their own accounting function, which report to the Group finance team. Consistent with the Group's operations, we scoped our audit at an entity level, performing a full scope audit in respect of three of the four trading entities and the head office company, ensuring significant coverage of all balances across the Group.

Audit work across the Group, including the trading entities and head office company, was performed by the same audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Parent Company financial statements
Overall materiality	£484,000 (2017: £393,000).	£547,000 (2017: £603,000).
How we determined it	5% of profit before tax (2017: 5% of profit before tax and exceptional items).	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	Total assets is considered to be appropriate as the Parent company is not profit oriented. The company acts as a holding company, holding investments in subsidiaries along with investment property which is utilised by the Group's trading entities.

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £350,000 and £450,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £24,000 (Group audit) (2017: £20,000) and £25,000 (Parent Company audit) (2017: £30,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF NWF GROUP PLC

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
31 July 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2018

	Note	2018 £m	2017 £m
Revenue	3,4	**611.0**	555.8
Cost of sales		**(580.7)**	(528.7)
Gross profit		**30.3**	27.1
Administrative expenses		**(19.7)**	(19.3)
Headline operating profit[1]		**10.6**	9.0
Exceptional items	5	**–**	(1.2)
Operating profit	4	**10.6**	7.8
Finance costs	7	**(0.9)**	(1.1)
Headline profit before taxation[1]		**10.2**	8.5
Net finance cost in respect of the defined benefit pension scheme		**(0.5)**	(0.6)
Exceptional items	5	**–**	(1.2)
Profit before taxation	5	**9.7**	6.7
Income tax expense[2]	8	**(1.9)**	(1.2)
Profit for the year attributable to equity shareholders		**7.8**	5.5
Earnings per share (pence)			
Basic	10	**16.0**	11.3
Diluted	10	**15.9**	11.3
Headline earnings per share (pence)[1]			
Basic	10	**16.8**	14.0
Diluted	10	**16.7**	14.0

1 Headline operating profit is statutory operating profit of £10.6 million (2017: £7.8 million) before exceptional items of £Nil (2017: £1.2 million). Headline profit before taxation is statutory profit before taxation of £9.7 million (2017: £6.7 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.5 million (2017: £0.6 million) and the exceptional items. Headline earnings per share also take into account the taxation effect thereon.

2 Taxation on exceptional items in the current year has reduced the charge by £Nil (2017: £0.3 million).

The notes on pages 48 to 72 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018

	Note	**2018 £m**	2017 £m
Profit for the year attributable to equity shareholders		**7.8**	5.5
Items that will never be reclassified to profit or loss:			
Re-measurement gain/(loss) on defined benefit pension scheme	22	**2.0**	(1.8)
Tax on items that will never be reclassified to profit or loss	20	**(0.4)**	0.3
Total other comprehensive income/(expense)		**1.6**	(1.5)
Total comprehensive income for the year		**9.4**	4.0

The notes on pages 48 to 72 form part of these Group financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2018

	Note	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	11	**45.7**	46.6
Intangible assets	12	**22.2**	22.8
Deferred income tax assets	20	**3.1**	3.5
		71.0	72.9
Current assets			
Inventories	13	**5.7**	4.2
Trade and other receivables	14	**64.1**	61.3
Cash and cash equivalents	15	**0.5**	1.0
Derivative financial instruments	19	**0.2**	0.2
		70.5	66.7
Total assets		**141.5**	139.6
Current liabilities			
Trade and other payables	16	**(67.5)**	(62.2)
Current income tax liabilities		**(1.1)**	(0.6)
Borrowings	18	**(0.1)**	(0.1)
Contingent deferred consideration		**(0.8)**	(0.5)
		(69.5)	(63.4)
Non-current liabilities			
Borrowings	18	**(6.8)**	(13.9)
Contingent deferred consideration		**–**	(0.9)
Deferred income tax liabilities	20	**(3.6)**	(3.5)
Retirement benefit obligations	22	**(17.1)**	(19.9)
Provisions	17	**(0.1)**	(0.3)
		(27.6)	(38.5)
Total liabilities		**(97.1)**	(101.9)
Net assets		**44.4**	37.7
Equity			
Share capital	21	**12.2**	12.1
Other reserves		**32.2**	25.6
Total equity		**44.4**	37.7

The Group financial statements on pages 43 to 72 were approved by the Board of Directors on 31 July 2018 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 48 to 72 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2016	12.0	0.9	23.8	36.7
Profit for the year	–	–	5.5	5.5
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme (note 22)	–	–	(1.8)	(1.8)
Tax on items that will never be reclassified to profit or loss (note 20)	–	–	0.3	0.3
Total comprehensive income for the year	–	–	4.0	4.0
Transactions with owners:				
Dividends paid (note 9)	–	–	(2.8)	(2.8)
Issue of shares	0.1	–	(0.1)	–
Value of employee services	–	–	(0.2)	(0.2)
	0.1	–	(3.1)	(3.0)
Balance at 31 May 2017	12.1	0.9	24.7	37.7
Profit for the year	**–**	**–**	**7.8**	**7.8**
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme (note 22)	**–**	**–**	**2.0**	**2.0**
Tax on items that will never be reclassified to profit or loss (note 20)	**–**	**–**	**(0.4)**	**(0.4)**
Total comprehensive income for the year	**–**	**–**	**9.4**	**9.4**
Transactions with owners:				
Dividends paid (note 9)	**–**	**–**	**(2.9)**	**(2.9)**
Issue of shares	**0.1**	**–**	**(0.1)**	**–**
Value of employee services	**–**	**–**	**0.2**	**0.2**
	0.1	**–**	**(2.8)**	**(2.7)**
Balance at 31 May 2018	**12.2**	**0.9**	**31.3**	**44.4**

The notes on pages 48 to 72 form part of these Group financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2018

	Note	**2018 £m**	2017 £m
Net cash generated from operating activities	24	**12.9**	8.9
Cash flows from investing activities			
Purchase of intangible assets	12	**(0.2)**	(0.3)
Purchase of property, plant and equipment	11	**(2.9)**	(9.1)
Payment of contingent deferred consideration		**(0.5)**	–
Proceeds on sale of property, plant and equipment		**0.2**	0.2
Net cash used in investing activities		**(3.4)**	(9.2)
Cash flows from financing activities			
(Decrease)/increase in bank borrowings		**(7.0)**	2.4
Capital element of finance lease and hire purchase payments		**(0.1)**	(0.1)
Dividends paid	9	**(2.9)**	(2.8)
Net cash used in financing activities		**(10.0)**	(0.5)
Net decrease in cash and cash equivalents	25	**(0.5)**	(0.8)
Cash and cash equivalents at beginning of year	25	**1.0**	1.8
Cash and cash equivalents at end of year	25	**0.5**	1.0

The notes on pages 48 to 72 form part of these Group financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

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 sale and distribution of fuel oils, the warehousing and distribution of ambient groceries and the manufacture and sale of animal feeds. 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 31 July 2018.

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 2017.

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 IAS 7	Statement of Cash Flows	1 June 2017
Amendment to IAS 12	Income Taxes	1 June 2017

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
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

The Group will adopt IFRS 9 for the financial year starting 1 June 2018. The Group does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets or liabilities held. However, IFRS 9 does introduce an 'expected loss' model for recognising impairment of financial assets held at amortised cost, and therefore the Directors have concluded that the measurement of impairment of trade receivables will change under this model. The impact of this change is not anticipated to be a material increase in the level of impairment recognised.

2. Significant accounting policies continued

Adoption of new and revised standards continued

IFRS 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018. For the Group, transition to IFRS 15 will take place on 1 June 2018. The standard requires entities to apportion revenue earned from contracts to individual promises or performance obligations, based on a five-step model. An assessment of the impact of IFRS 15 has been completed. Revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue, since IFRS 15 will continue to allow the recognition of revenue at the point when control passes.

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. For the Group, transition to IFRS 16 will take place on 1 June 2019. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is less than 12 months, or the asset value is low. The Group has material operating leases and therefore the adoption of the standard is expected to have a material impact on the financial statements of the Group. On adoption of IFRS 16, the Group will recognise a right of use asset and a lease liability on the balance sheet for all applicable leases. As a result, there will be a material increase in gross assets and a corresponding increase in gross liabilities. Within the income statement, depreciation and interest expense will increase and operating lease costs will decrease. The net impact on the income statement has not yet been quantified. The impact of IFRS 16 will continue to be reviewed to the date of adoption.

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.

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:

Fuels and Feeds

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

2. Significant accounting policies continued

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.

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 and machinery	3 – 10 years
Commercial vehicles	4 – 8 years
Cars	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.

2. Significant accounting policies continued

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 (three to seven 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.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

2. Significant accounting policies continued

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.

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 2018, the Group operated one (2017: 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.

2. Significant accounting policies continued

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.

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 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.

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.

There are no critical accounting judgements adopted in preparing the financial statements.

3. Revenue

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

	2018 £m	2017 £m
Sale of goods	**570.6**	516.9
Rendering of services	**40.4**	38.9
	611.0	555.8

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 Fuels, Food and Feeds.

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.

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

Fuels – sale and distribution of domestic heating, industrial and road fuels

Food – warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres

Feeds – manufacture and sale of animal feeds and other agricultural products

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

4. Segment information continued

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.

2018	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	406.2	41.0	169.9	617.1
Inter-segment revenue	(5.5)	(0.6)	–	(6.1)
Revenue	400.7	40.4	169.9	611.0
Result				
Headline operating profit	6.9	0.7	3.0	10.6
Operating profit as reported	6.9	0.7	3.0	10.6
Finance costs (note 7)				(0.9)
Profit before taxation				9.7
Income tax expense (note 8)				(1.9)
Profit for the year				7.8
Other information				
Depreciation and amortisation	1.4	1.6	1.5	4.5

2018	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	54.3	30.9	52.7	137.9
Deferred income tax assets (note 20)				3.1
Cash at bank and in hand				0.5
Consolidated total assets				141.5
Liabilities				
Segment liabilities	(44.7)	(4.6)	(18.3)	(67.6)
Current income tax liabilities				(1.1)
Deferred income tax liabilities (note 20)				(3.6)
Borrowings (note 18)				(6.9)
Contingent deferred consideration				(0.8)
Retirement benefit obligations (note 22)				(17.1)
Consolidated total liabilities				(97.1)

4. Segment information continued

2017	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	364.0	39.6	158.2	561.8
Inter-segment revenue	(5.4)	(0.6)	–	(6.0)
Revenue	358.6	39.0	158.2	555.8
Result				
Headline operating profit	4.5	3.0	1.5	9.0
Segment exceptional items (note 5)	–	–	(1.2)	(1.2)
Operating profit as reported	4.5	3.0	0.3	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
Other information				
Depreciation and amortisation	1.5	1.5	1.2	4.2

2017	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	51.9	30.1	53.1	135.1
Deferred income tax assets (note 20)				3.5
Cash at bank and in hand				1.0
Consolidated total assets				139.6
Liabilities				
Segment liabilities	(42.0)	(3.5)	(17.0)	(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)

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2018 £m	2017 £m
Cost of inventories recognised as an expense (included in cost of sales)	**534.1**	484.4
Depreciation of property, plant and equipment (note 11)	**3.7**	3.4
Amortisation of other intangible assets (note 12)	**0.8**	0.8
Profit on disposal of property, plant and equipment	**(0.1)**	–
Operating lease charges – land and buildings	**0.2**	0.2
Operating lease charges – other	**3.8**	3.7
Staff costs (note 6)	**35.9**	33.3
Exceptional items	**–**	1.2

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

5. Profit before taxation continued

An exceptional cost of £Nil (2017: £1.2 million) is included in administrative expenses. Exceptional items by type are as follows:

	2018 £m	2017 £m
Restructuring costs	–	(1.2)

Prior year exceptional items

Restructuring costs – during the prior 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 included redundancy and relocation payments, costs in respect of site closure and other restructuring costs.

Services provided by the Company's auditors

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

	2018 £'000	2017 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	42	35
Fees payable to the Company's auditors for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	82	82
– non-audit assurance services	13	46
– tax compliance services	29	–
Total auditors' remuneration	166	163

6. Staff costs

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

	2018 Number	2017 Number
Fuels	209	211
Food	475	460
Feeds	208	216
Head office	14	14
	906	901

Staff costs (including Directors) are outlined below. Directors' remuneration is also set out in the Remuneration Report, within the table entitled Directors' emoluments – audited information, on page 33.

	2018 £m	2017 £m
Wages and salaries	31.6	29.4
Social security costs	3.3	3.1
Share-based payments (note 23)	0.2	–
Other pension costs (note 22)	0.8	0.8
	35.9	33.3

In addition to the above staff costs, the Group incurred £0.1 million termination costs (2017: £0.4 million), and £4.2 million (2017: £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

	2018 £m	2017 £m
Interest on bank loans and overdrafts	**0.4**	0.5
Total interest expense	**0.4**	0.5
Net finance cost in respect of defined benefit pension schemes (note 22)	**0.5**	0.6
Total finance costs	**0.9**	1.1

No borrowing costs were capitalised in the year ended 31 May 2018 (2017: £Nil).

8. Income tax expense

	2018 £m	2017 £m
Current tax		
UK corporation tax on profits for the year	**1.9**	1.4
Adjustments in respect of prior years	**(0.1)**	(0.2)
Current tax expense	**1.8**	1.2
Deferred tax		
Adjustments in respect of prior years	**0.1**	–
Deferred tax expense (note 20)	**0.1**	–
Total income tax expense	**1.9**	1.2

During the year ended 31 May 2018, corporation tax has been calculated at 19.0% of estimated assessable profit for the year (2017: 19.8%).

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%.

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

	2018 £m	2017 £m
Profit before taxation	**9.7**	6.7
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.0% (2017: 19.8%)	**1.8**	1.3
Effects of:		
– expenses not deductible for tax purposes	**0.1**	0.1
– adjustments in respect of prior years	**–**	(0.2)
Total income tax expense	**1.9**	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

	2018 £m	2017 £m
Final dividend for the year ended 31 May 2017 of 5.0p (2016: 4.7p) per share	**2.4**	2.3
Interim dividend for the year ended 31 May 2018 of 1.0p (2017: 1.0p) per share	**0.5**	0.5
Amounts recognised as distributions to equity shareholders in the year	**2.9**	2.8
Proposed final dividend for the year ended 31 May 2018 of 5.3p (2017: 5.0p) per share	**2.6**	2.4

The proposed final dividend is subject to approval at the AGM on 27 September 2018 and has not been included as a liability in these Group financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

10. Earnings per share

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

	2018	2017
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**7.8**	5.5
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**48,658**	48,620
Weighted average dilutive effect of conditional share awards	**173**	24
Weighted average number of shares for the purposes of diluted earnings per share	**48,831**	48,644
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**16.0**	11.3
Diluted earnings per ordinary share	**15.9**	11.3
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	**16.8**	14.0
Diluted headline earnings per ordinary share	**16.7**	14.0

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

	2018 £m	2017 £m
Profit for the year attributable to equity shareholders	**7.8**	5.5
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	**0.5**	0.6
Exceptional items	**–**	1.2
Tax effect of the above	**(0.1)**	(0.5)
Headline earnings	**8.2**	6.8

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
Cost					
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)
At 31 May 2017	36.5	1.5	22.5	9.8	70.3
Additions	0.5	–	1.7	0.7	2.9
Disposals	–	–	–	(0.4)	(0.4)
At 31 May 2018	**37.0**	**1.5**	**24.2**	**10.1**	**72.8**
Accumulated depreciation					
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)
At 1 June 2017	8.9	0.3	9.4	5.1	23.7
Charge for the year	1.1	–	1.9	0.7	3.7
Disposals	–	–	–	(0.3)	(0.3)
At 31 May 2018	**10.0**	**0.3**	**11.3**	**5.5**	**27.1**
Carrying amount					
At 31 May 2018	**27.0**	**1.2**	**12.9**	**4.6**	**45.7**
At 31 May 2017	27.6	1.2	13.1	4.7	46.6

11. Property, plant and equipment continued

The Group has pledged certain freehold land and buildings with a carrying value of £23.1 million (31 May 2017: £23.2 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 2018 of £0.2 million and £0.2 million (31 May 2017: £0.3 million and £0.2 million) respectively. The depreciation charges for the year ended 31 May 2018 relating to these assets were £Nil and £0.1 million (2017: £Nil and £0.1 million) respectively.

12. Intangible assets

	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost				
At 1 June 2016	20.7	5.6	1.0	27.3
Additions	–	0.3	–	0.3
At 1 June 2017	20.7	5.9	1.0	27.6
Additions	–	0.2	–	0.2
At 31 May 2018	**20.7**	**6.1**	**1.0**	**27.8**
Accumulated amortisation				
At 1 June 2016	0.6	3.2	0.2	4.0
Charge for the year	–	0.7	0.1	0.8
At 1 June 2017	0.6	3.9	0.3	4.8
Charge for the year	–	0.7	0.1	0.8
At 31 May 2018	**0.6**	**4.6**	**0.4**	**5.6**
Carrying amount				
At 31 May 2018	**20.1**	**1.5**	**0.6**	**22.2**
At 31 May 2017	20.1	2.0	0.7	22.8

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

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:

	2018 £m	2017 £m
Feeds	**11.9**	11.9
Fuels	**8.2**	8.2
	20.1	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 2019 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 pre-tax discount rate based on comparative businesses, is 9.3% (2017: 8.7%) 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 2018 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

13. Inventories

	2018 £m	2017 £m
Raw materials and consumables	**2.7**	2.8
Finished goods and goods for resale	**3.0**	1.4
	5.7	4.2

14. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**60.8**	59.0
Less: provision for impairment	**(1.1)**	(1.0)
Trade receivables – net	**59.7**	58.0
VAT recoverable	**1.3**	0.3
Other receivables	**0.1**	0.3
Prepayments and accrued income	**3.0**	2.7
	64.1	61.3

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 2018, trade receivables of £22.9 million (31 May 2017: £24.9 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:

	2018 £m	2017 £m
Up to three months	**21.7**	23.2
Over three months	**1.2**	1.7
	22.9	24.9

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

	2018 £m	2017 £m
At 1 June	**1.0**	1.0
Provision for receivables impairment	**0.2**	0.3
Receivables written off in the year	**(0.1)**	(0.3)
At 31 May	**1.1**	1.0

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

	2018 £m	2017 £m
Cash at bank and in hand	**0.5**	1.0

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

16. Trade and other payables

	2018 £m	2017 £m
Current		
Trade payables	**60.6**	55.6
Social security and other taxes	**1.0**	0.9
Accruals and deferred income	**5.9**	5.7
	67.5	62.2

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

17. Provisions

	2018 £m	2017 £m
Other provision	**0.1**	0.3

A provision of £0.1 million is held as at 31 May 2018 to account for the indirect tax relating to a business acquired in a 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

	2018 £m	2017 £m
Current		
Obligations under hire purchase agreements	**0.1**	0.1
Non-current		
Invoice discounting advances	**2.8**	9.8
Obligations under hire purchase agreements	**–**	0.1
Revolving credit facility	**4.0**	4.0
	6.8	13.9
Total borrowings	**6.9**	14.0

The Group's banking facilities, provided by The Royal Bank of Scotland, were renewed on 29 June 2018 and are committed until 31 October 2023. Further information on the renewed facilities, which total £65.0 million (2017: £65.0 million), is outlined below.

Invoice discounting advances
Invoice discounting advances at 31 May 2018 were drawn under a committed facility with an expiry date of 31 October 2023 (2017: 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 (2017: £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% (2017: 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 2018 totalling £2.8 million (2017: £9.8 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. The Group will incur non-utilisation fees only in respect of committed and undrawn facilities of up to £20.0 million (2017: £20.0 million).

Revolving credit facility
The Group has a revolving credit facility of £10.0 million (2017: £10.0 million) with an expiry date of 31 October 2023 (2017: 31 October 2019). Interest is charged on amounts drawn down at 1.60 – 1.85% per annum above LIBOR (2017: 1.60 – 1.85% above LIBOR) depending on the ratio of net debt to EBITDA.

The amount drawn down under the revolving credit facility at 31 May 2018 is £4.0 million (2017: £4.0 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 2018 is repayable on demand and is subject to a maximum limit of £1.0 million (2017: £1.0 million). None of the facility was utilised at 31 May 2018 (2017: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2017: 1.5% per annum over the bank's base rate).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

18. Borrowings continued

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 issues 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 2023.

Bank borrowings amounting to £6.8 million (2017: £13.8 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:

	2018 £m	2017 £m
Between two and five years	6.8	13.8

Bank borrowing facilities by expiry date

The Group has a number of bank borrowing facilities which were partly drawn down at 31 May 2018. The Group is in compliance with all covenants.

	2018		2017	
Facilities expiring:	Facility £m	Amount drawn £m	Facility £m	Amount drawn £m
Within one year	1.0	–	1.0	–
Between two and five years	57.6	6.8	56.6	13.8
	58.6	6.8	57.6	13.8

The availability of invoice discounting facilities included above, amounting to £47.6 million (31 May 2017: £46.6 million), is dependent on the level of trade receivables available for refinancing.

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

Obligations under hire purchase agreements

Obligations under hire purchase agreements are repayable as follows:

	Minimum payments		Present value of payments	
	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	0.1	0.1	0.1	0.1
Between two and five years	–	0.1	–	0.1
Present value of obligations	0.1	0.2	0.1	0.2
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
			0.1	0.2

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 2018 and 2017 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 64 and 65 (forward supply contracts) were classified as Level 2 in the current and prior year. There were no transfers between levels in either the current or prior year.

Financial liabilities

The book value, fair value and interest rate profile of the Group's financial liabilities were as follows:

At 31 May 2018	**Total book and fair value £m**	**Fixed interest rate %**
Financial liabilities carried at amortised cost:		
Trade and other payables	**67.5**	**–**
Hire purchase obligations repayable within one year	**0.1**	**–**
	67.6	**–**
Floating rate invoice discounting advances	**2.8**	**–**
Revolving credit facility	**4.0**	**–**
Hire purchase obligations repayable after one year	**–**	**–**
	6.8	**–**
Total	**74.4**	**–**

At 31 May 2017	Total book and fair value £m	Fixed interest rate %
Financial liabilities carried at amortised cost:		
Trade and other payables	62.2	–
Hire purchase obligations repayable within one year	0.1	–
	62.3	–
Floating rate invoice discounting advances	9.8	–
Revolving credit facility	4.0	–
Hire purchase obligations repayable after one year	0.1	–
	13.9	–
Total	76.2	–

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

19. Financial instruments and risk management continued

Financial assets

The book value, fair value and interest rate profile of the Group's financial assets were as follows:

At 31 May 2018	Total book and fair value £m	Fixed interest rate %
Trade and other receivables	61.1	–
Financial assets carried at amortised cost: cash and cash equivalents	0.5	–
Financial assets carried at fair value: derivatives	0.2	–
	61.8	–

At 31 May 2017	Total book and fair value £m	Fixed interest rate %
Trade and other receivables	58.6	–
Financial assets carried at amortised cost: cash and cash equivalents	1.0	–
Financial assets carried at fair value: derivatives	0.2	–
	59.8	–

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 the 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 2018, the Group had open forward supply contracts with a principal value of £36.2 million (31 May 2017: £42.1 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 2017: £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 (2017: £Nil).

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.

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 2018 profit before taxation by approximately £0.2 million (2017: £0.2 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.

19. Financial instruments and risk management continued

Financial risk management continued

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 headline operating profit before interest, depreciation and amortisation as shown below:

	2018	2017
Borrowings (£m) (note 18)	**6.9**	14.0
Less: cash at bank and in hand (£m)	**(0.5)**	(1.0)
Net debt (£m)	**6.4**	13.0
Headline EBITDA (£m) (EBITDA adjusted for exceptional items – see note 5)	**15.1**	13.2
Net debt/EBITDA ratio	**0.4x**	1.0x

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 2016	3.8	(3.3)	(0.1)	0.4
(Credit)/debit to income statement (note 8)	(0.2)	0.2	–	–
Prior year adjustment	(0.1)	–	–	(0.1)
Credit to equity	–	(0.3)	–	(0.3)
At 31 May 2017	3.5	(3.4)	(0.1)	–
Debit/(credit) to income statement (note 8)	0.1	0.1	(0.1)	0.1
Debit to equity	–	0.4	–	0.4
At 31 May 2018	**3.6**	**(2.9)**	**(0.2)**	**0.5**

21. Share capital

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2016	48,528	12.0
Issue of shares (see below)	116	0.1
Balance at 31 May 2017	48,644	12.1
Issue of shares (see below)	16	0.1
Balance at 31 May 2018	**48,660**	**12.2**

During the year ended 31 May 2018, 15,900 (2017: 116,139) shares with an aggregate nominal value of £3,975 (2017: £29,035) 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 2018, amounted to 1,096,487 (31 May 2017: 867,014). These shares will only be issued subject to satisfying certain performance criteria (see Directors' Remuneration Report and note 23).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

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 (2017: £0.8 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 2017: £Nil).

Defined benefit scheme

The Group operates a defined benefit pension scheme providing benefits based on final pensionable earnings, which is closed to future accrual.

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.

The latest full triennial actuarial valuation of this scheme was completed in the year ended 31 May 2018, with a deficit of £19.1 million at the valuation date of 31 December 2016. 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 2018. The next full triennial valuation will be completed in the year ending 31 May 2021.

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 £2.1 million (including a contribution to scheme expenses) in the year ending 31 May 2019.

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

	2018 %	2017 %
Discount rate	2.75	2.60
Future salary increases	n/a	n/a
RPI inflation	3.05	3.15
CPI inflation	2.05	2.15
Pension increases in payment (LPI 5%)	2.95	3.10

The mortality assumptions adopted imply the following life expectancies:

	2018 Years	2017 Years
Current pensioners – male life expectancy at age 65	21.9	22.0
Future pensioners currently aged 45 – male life expectancy at age 65	23.3	23.4

The 2018 mortality assumptions above are based on S2PXA tables with CMI 2017 improvements and a long-term trend rate of 1.25% (2017: S2PXA tables with CMI 2016 improvements and a long-term trend rate of 1.25%).

22. Retirement benefit schemes continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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

	2018 £m	2017 £m
Present value of defined benefit obligations	(53.4)	(59.4)
Fair value of scheme assets	36.3	39.5
Deficit in the scheme recognised as a liability in the balance sheet	**(17.1)**	(19.9)
Related deferred tax asset (note 20)	2.9	3.4
Net pension liability	**(14.2)**	(16.5)

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

	2018 £m	2017 £m
Current service cost	–	0.1
Administrative expenses	0.4	0.4
Interest on the net defined benefit liability	0.5	0.6
Total cost recognised in the income statement	**0.9**	1.1

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:

	2018 £m	2017 £m
Actuarial (loss)/gain on plan assets	(0.6)	5.1
Actuarial gain/(loss) arising from changes in financial assumptions	2.6	(6.9)
Re-measurement gain/(loss)	**2.0**	(1.8)

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

	2018 £m	2017 £m
At 1 June	59.4	52.8
Current service cost	–	0.1
Interest cost	1.5	1.8
Re-measurement (gains)/losses:		
– actuarial (gains)/losses arising from changes in financial assumptions	(2.6)	6.9
Benefits paid	(4.9)	(2.2)
At 31 May	**53.4**	59.4

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

	2018 £m	2017 £m
At 1 June	39.5	34.5
Interest income	1.0	1.2
Re-measurement (losses)/gains:		
– actuarial (losses)/gains on plan assets	(0.6)	5.1
Contributions by employer	1.7	1.3
Expenses	(0.4)	(0.4)
Benefits paid	(4.9)	(2.2)
At 31 May	**36.3**	39.5

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

22. Retirement benefit schemes continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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

	Fair value of assets	
	2018 £m	2017 £m
Equities	**7.6**	9.6
Corporate bonds	**7.6**	7.9
Liability-driven investment fund	**6.7**	7.6
Property fund	**0.4**	0.7
Diversified growth fund	**13.0**	13.1
Cash	**0.5**	0.6
Annuity policies	**0.5**	–
Total	**36.3**	39.5

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 £0.4 million (2017: £6.3 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.

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;
- the fund does not have a material foreign exchange exposure and does not, therefore, use foreign exchange derivatives to hedge its foreign exchange risk;
- active management is within the diversified growth fund, bond investments, property funds and alternative assets. All equity investments are passively managed; and
- there are 22 pensioner members with annuity policies held in the name of the pension scheme Trustee. The arrangements are held with Aviva plc and Scottish Widows Limited. These policies fully match the pension obligations of those pensioners insured and are therefore set equal to the present value of the related obligations.

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 balance sheet dates, while holding all other assumptions constant.

Impact on defined benefit obligation	Increase £m	Decrease £m
0.25% change in discount rate	(2.5)	2.5
0.25% change in RPI inflation	1.7	(1.7)
One-year change in the life expectancy at age 65	2.1	(2.1)

23. Share-based payments

In the year ended 31 May 2018, the Group operated one (2017: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £0.2 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2018 (2017: £Nil).

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: August 2018) and 12 August 2016 (vesting date: August 2019) and 1 August 2017 (vesting date: August 2020). 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 2018, 31 May 2017, 31 May 2016 and 31 May 2015, are as shown below.

	2018 Number of conditional shares	2017 Number of conditional shares	2016 Number of conditional shares	2015 Number of conditional shares
At 1 June	**867,014**	1,164,392	1,083,361	843,151
Granted in the year	**478,347**	304,421	417,073	355,794
Exercised in the year	**–**	(219,130)	(336,042)	(115,584)
Lapsed/forfeited in the year	**(248,874)**	(382,669)	–	–
At 31 May	**1,096,487**	867,014	1,164,392	1,083,361

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 2018 shown above is £1.6 million (31 May 2017: £1.3 million), before taking into account the likelihood of achieving non-market-based performance conditions.

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

	2018	2017	2016	2015
Share price at grant date	**£1.48**	£1.73	£1.64	£1.49
Exercise price	**£Nil**	£Nil	£Nil	£Nil
Expected volatility	**21.42%**	20.99%	20.55%	20.55%
Expected life	**2.83 years**	2.81 years	2.67 years	2.82 years
Expected dividend yield	**3.89%**	3.47%	3.79%	3.56%
Risk-free interest rate	**0.27%**	0.03%	0.69%	1.32%

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

24. Net cash generated from operating activities

	2018 £m	2017 £m
Operating profit	**10.6**	7.8
Adjustments for:		
Depreciation of property, plant and equipment	**3.7**	3.4
Amortisation of other intangible assets	**0.8**	0.8
Profit on disposal of fixed assets	**(0.1)**	–
Share-based payment expense	**0.2**	–
Value of employee services	**–**	(0.2)
Contribution to pension scheme not recognised in income statement	**(1.3)**	(1.0)
Operating cash flows before movements in working capital and provisions	**13.9**	10.8
Movements in working capital:		
Increase in inventories	**(1.5)**	(0.8)
Increase in receivables	**(2.8)**	(8.5)
Increase in payables	**5.3**	9.5
Utilisation of provision	**(0.2)**	(0.2)
Net cash generated from operations	**14.7**	10.8
Interest paid	**(0.4)**	(0.5)
Income tax paid	**(1.4)**	(1.4)
Net cash generated from operating activities	**12.9**	8.9

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

	1 June 2017 £m	Cash flow £m	Other non-cash movements £m	31 May 2018 £m
Cash and cash equivalents (note 15)	1.0	(0.5)	–	**0.5**
Debt due after one year	(13.8)	7.0	–	**(6.8)**
Hire purchase obligations due within one year	(0.1)	–	–	**(0.1)**
Hire purchase obligations due after one year	(0.1)	0.1	–	**–**
Total Group	(13.0)	6.6	–	**(6.4)**

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 2018 £m	Land and buildings 2017 £m	Other 2018 £m	Other 2017 £m
Within one year	**0.1**	0.1	**3.3**	3.0
Between two to five years inclusive	**0.4**	0.5	**8.5**	6.9
After five years	**0.5**	0.6	**–**	–
	1.0	1.2	**11.8**	9.9

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':

	2018 £m	2017 £m
Short-term employee benefits (salary and bonus)	**3.4**	2.6
Post-employment benefits	**0.3**	0.2
Termination benefits	**0.1**	0.3
Share-based payments	**0.3**	0.4
	4.1	3.5

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 £1,123 as a customer of the Group in the year ended 31 May 2018 (2017: £1,070). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £634 (2017: £633).

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,108 as a customer of the Group in the year ended 31 May 2018 (31 May 2017: £1,555). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £584 (31 May 2017: £732).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,679 as a customer of the Group in the year ended 31 May 2018 (2017: £1,887). At 31 May 2018, the amount outstanding was a credit balance of £405 (31 May 2017: £744 credit). During the year, the balance remained in credit (2017: the balance remained in credit).

S R Andrew purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,589 as a customer of the Group in the year ended 31 May 2018 (2017: £1,399). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £364). During the year, the highest amount outstanding totalled £467 (2017: £419).

K R Kennerley purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,746 as a customer of the Group in the year ended 31 May 2018 (2017: £1,694). At 31 May 2018, the amount outstanding was £779 (31 May 2017: £245). During the year, the highest amount outstanding totalled £1,195 (2017: £648 credit).

M Adcock purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,332 as a customer of the Group in the year ended 31 May 2018 (31 May 2017: £1,157). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £202 credit). During the year, the highest amount outstanding totalled £540 (31 May 2017: £158).

K Forster purchased, in the normal course of business and under normal terms and conditions, goods to the value of £893 as a customer of the Group in the year ended 31 May 2018 (31 May 2017: £725). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £893 (31 May 2017: £725).

G Franks purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,281 as a customer of the Group in the year ended 31 May 2018 (31 May 2017: £977). At 31 May 2018, the amount outstanding was £520 (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £520 (31 May 2017: £558).

28. Commitments for capital expenditure

	2018 £m	2017 £m
Authorised and contracted but not provided for	**0.1**	0.6

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

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 2018 of £23.1 million (31 May 2017: £23.2 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 £6.8 million at 31 May 2018 (31 May 2017: £13.8 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 issues 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 2017: £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 these arrangements.

PARENT COMPANY BALANCE SHEET
AS AT 31 MAY 2018

	Note	2018 £m	2017 £m
Fixed assets			
Property, plant and equipment	3	**0.2**	0.2
Investment property	4	**23.2**	23.6
Investments – shares in subsidiary undertakings	5	**0.4**	0.4
Deferred tax asset	6	**3.0**	3.4
		26.8	27.6
Current assets			
Trade and other receivables	7	**27.9**	31.0
Cash and cash equivalents		**–**	1.7
		27.9	32.7
Current liabilities			
Trade and other payables	8	**(10.8)**	(12.5)
Net current assets		**17.1**	20.2
Total assets less current liabilities		**43.9**	47.8
Non-current liabilities			
Borrowings		**(4.0)**	(4.0)
Deferred income tax liabilities	6	**(2.6)**	(2.6)
Retirement benefit obligations		**(17.1)**	(19.9)
Net assets		**20.2**	21.3
Capital and reserves			
Retained earnings/(accumulated losses) at 1 June before profit for the year		**7.1**	(0.3)
Profit for the year		**–**	8.6
Retained earnings at 31 May		**7.1**	8.3
Called up share capital	9	**12.2**	12.1
Share premium account		**0.9**	0.9
Total shareholders' funds		**20.2**	21.3

The Parent Company financial statements on pages 73 to 83 were approved by the Board of Directors on 31 July 2018 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 76 to 83 form part of these Parent Company financial statements.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018

	Note	2018 £m	2017 £m
Profit for the year attributable to equity shareholders		–	8.6
Items that will never be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme		2.0	(1.8)
Tax on items that will never be reclassified to profit or loss	6	(0.4)	0.3
Total other comprehensive income/(expense)		**1.6**	(1.5)
Total comprehensive income for the year		**1.6**	7.1

The notes on pages 76 to 83 form part of these Parent Company financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m
Balance at 1 June 2016	12.0	0.9	4.3	17.2
Profit for the year	–	–	8.6	8.6
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	–	–	(1.8)	(1.8)
Tax on items that will never be reclassified to profit or loss	–	–	0.3	0.3
Total comprehensive income for the year	–	–	7.1	7.1
Transactions with owners:				
Dividends paid	–	–	(2.8)	(2.8)
Issue of shares	0.1	–	(0.1)	–
Value of employee services	–	–	(0.2)	(0.2)
	0.1	–	(3.1)	(3.0)
Balance at 31 May 2017	12.1	0.9	8.3	21.3
Profit for the year	**–**	**–**	**–**	**–**
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	**–**	**–**	**2.0**	**2.0**
Tax on items that will never be reclassified to profit or loss	**–**	**–**	**(0.4)**	**(0.4)**
Total comprehensive income for the year	**–**	**–**	**1.6**	**1.6**
Transactions with owners:				
Dividends paid	**–**	**–**	**(2.9)**	**(2.9)**
Issue of shares	**0.1**	**–**	**(0.1)**	**–**
Value of employee services	**–**	**–**	**0.2**	**0.2**
	0.1	**–**	**(2.8)**	**(2.7)**
Balance at 31 May 2018	**12.2**	**0.9**	**7.1**	**20.2**

The notes on pages 76 to 83 form part of these Parent Company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

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, and in accordance with the Companies Act 2006 (as applicable to companies using FRS 101) 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 equity-settled share-based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

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 2017.

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

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

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
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

None of these standards and interpretations are expected to have a material effect on the Company's results or net assets.

1. Significant accounting policies continued

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 £Nil including dividends received (2017: £8.6 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 (please refer to note 9 of the Group financial statements).

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.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

1. Significant accounting policies continued

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 2018, the Company operated one (2017: 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.

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 32 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
Cost		
At 1 June 2017	0.7	0.7
At 31 May 2018	**0.7**	**0.7**
Accumulated depreciation		
At 1 June 2017	0.5	0.5
Charge for the year	–	–
At 31 May 2018	**0.5**	**0.5**
Carrying amount		
At 31 May 2018	**0.2**	**0.2**
At 31 May 2017	0.2	0.2

4. Investment property

	Investment property £m	Total £m
Cost		
At 1 June 2017	32.3	32.3
Additions	0.4	0.4
At 31 May 2018	**32.7**	**32.7**
Accumulated depreciation		
At 1 June 2017	8.7	8.7
Charge for the year	0.8	0.8
At 31 May 2018	**9.5**	**9.5**
Carrying amount		
At 31 May 2018	**23.2**	**23.2**
At 31 May 2017	23.6	23.6

The fair value of the investment property at 31 May 2018 was £27.6 million (31 May 2017: £26.7 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 (2017: £2.7 million) and direct operating expenses of £1.9 million (2017: £1.8 million) arising from investment property have been recognised in the income statement.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

5. Investments – shares in subsidiary undertakings

	£m
Cost and carrying amount	
At 1 June 2017 and 31 May 2018	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
Boughey 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.

6. Deferred taxation

	2018 £m	2017 £m
Accelerated capital allowances	**2.5**	2.6
On retirement benefit liability	**(2.9)**	(3.4)
	(0.4)	(0.8)

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

	£m
At 1 June 2016 (net asset)	(0.6)
Debit to income statement	0.1
Credit to equity	(0.3)
At 31 May 2017 (net asset)	(0.8)
Debit to income statement	–
Debit to equity	0.4
At 31 May 2018 (net asset)	**(0.4)**

7. Trade and other receivables

	2018 £m	2017 £m
Amounts owed by Group undertakings	**26.7**	30.1
Prepayments and accrued income	**0.3**	0.2
Corporation tax recoverable	**0.8**	0.6
VAT recoverable	**0.1**	0.1
	27.9	31.0

All of the amounts owed by Group undertakings shown above are repayable on demand. Interest has been charged on these Group loans in the year at 2.0% (2017: 2.0%) per annum.

8. Trade and other payables

	2018 £m	2017 £m
Trade payables	**0.3**	0.2
Amounts owed to Group undertakings	**8.4**	10.9
Accruals and deferred income	**1.9**	1.3
Other taxation and social security	**0.2**	0.1
	10.8	12.5

The Group has a net bank overdraft facility amounting to £1 million, none of which has been utilised by the Company at 31 May 2018 (31 May 2017: £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 £8.4 million (31 May 2017: £10.9 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 2.0% (2017: 2.0%) per annum. Any remaining amounts are non-interest-bearing trade balances.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2018

9. Called up share capital

	Number of shares 000s	Total £m
Authorised: ordinary shares of 25p each		
Balance at 1 June 2016, 31 May 2017 and 31 May 2018	80,000	20.0

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2016	48,528	12.0
Issue of shares	116	0.1
Balance at 31 May 2017	48,644	12.1
Issue of shares	16	0.1
Balance at 31 May 2018	**48,660**	**12.2**

During the year ended 31 May 2018, 15,900 (2017: 116,139) shares with an aggregate nominal value of £3,975 (2017: £29,035) 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 2018, amounted to 1,096,487 (31 May 2017: 867,014). 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

	2018 £m	2017 £m
Wages and salaries	**1.9**	1.0
Social security costs	**0.2**	0.2
Share-based payments	**0.2**	–
Termination costs	**–**	0.2
Other pension costs	**0.1**	0.1
	2.4	1.5

The average monthly number of persons (including Directors) employed in the Company during the year was 14 (2017: 14).

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 £1,123 as a customer of the Group in the year ended 31 May 2018 (2017: £1,070). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £634 (2017: £633).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,679 as a customer of the Group in the year ended 31 May 2018 (2017: £1,887). At 31 May 2018, the amount outstanding was a credit balance of £405 (31 May 2017: £744 credit). During the year, the balance remained in credit (2017: 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 £Nil as a customer of the Group in the year ended 31 May 2018 (31 May 2017: £1,555). At 31 May 2018, the amount outstanding was £Nil (31 May 2017: £Nil). During the year, the highest amount outstanding totalled £Nil (31 May 2017: £732).

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

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 £0.2 million in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2018 (2017: £Nil).

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 £1.7 million (2017: £1.3 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2017: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2017: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2017: £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 2018 of £23.1 million (31 May 2017: £23.2 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 £6.8 million at 31 May 2018 (31 May 2017: £13.8 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 issues 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 2017: £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 these arrangements.

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 Wychwood Park Hotel, Weston, Crewe, CW2 5GP on Thursday 27 September 2018 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 2018 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend of 5.3p per share for the year ended 31 May 2018 payable to shareholders on the register on 2 November 2018.
3. To re-elect Philip Acton as a Director of the Company.
4. To re-elect Yvonne Monaghan as a Director of the Company.
5. To re-elect Richard Whiting as a Director of the Company.
6. To re-elect Christopher Belsham as a Director of the Company.
7. To elect David Downie 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.
8. 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 and that the directors be authorised to set the auditors' remuneration.

Special business

9. That the Board of Directors of the Company ('the Board') be generally and unconditionally authorised to allot Relevant Securities (as hereinafter defined):

 9.1 up to an aggregate nominal amount of £4,062,537 (the equivalent of 16,250,147 ordinary shares); and

 9.2 comprising equity securities (as defined by Section 560 of the Companies Act 2006 ('the Act')) up to an aggregate nominal amount of £8,125,074 (the equivalent of 32,500,294 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 9.1 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 existing holdings; and

 (b) to holders of other equity securities as required by the rights of those securities,

 but subject to such limits, exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory 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 9 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 9, '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); or
   - 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 9 include the grant of such rights.

Special business continued

10. That, subject to the passing of Resolution 9 on page 84, 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 9 on page 84 or to sell treasury shares as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    10.1 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 9.2 of Resolution 9 on page 84, 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 then held by them subject to such limits, 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

    10.2 the allotment (otherwise than pursuant to paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £609,381

    and in each case such power shall expire upon the expiry of the general authority conferred by Resolution 9 on page 84, 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.

    All previous unutilised authorities under sections 570 and 573 of the Act shall cease to have effect (save to the extent that they are exercisable by reason of any offer or agreement made prior to the date of this Resolution 10 which would or might require shares to be allotted on or after that date.

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, Link 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 25 September 2018.
4. Only those members entered on the register of members of the Company at the close of business on 25 September 2018 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 25 September 2018 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 27 September 2018 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, Link 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 Application 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. 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 Link 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 Link 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. 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 presentation of the Annual Report and Accounts for the financial year ended 31 May 2018, the declaration of a final dividend, the reappointment of each of Philip Acton, Yvonne Monaghan, Richard Whiting and Christopher Belsham as a Director of the Company, the appointment of David Downie as a Director of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors and the authorisation of the Directors to set the auditors' remuneration.

Special business

Resolution 9 will be proposed as an Ordinary Resolution and Resolution 10 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 9 – 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 9.1 of Resolution 9 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £4,062,537 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 6 August 2018. As at close of business on 6 August 2018 the Company did not hold any treasury shares.

Paragraph 9.2 of Resolution 9 will, if passed, authorise the Directors to allot unissued shares in connection with a rights or other issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities, up to a maximum aggregate nominal amount of £8,125,074 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 6 August 2018 (such amount to be reduced by the nominal amount of any relevant securities issued under the authority conferred by paragraph 9.1 of Resolution 9).

The authorities sought in Resolution 9 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 10 – disapplication of pre-emption rights (Special Resolution)

Resolution 10, 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 shareholdings then existing; (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 £609,381 which represents 5% of the issued ordinary share capital of the Company as it was at close of business on 6 August 2018. 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	27 September 2018
Dividend:	
– Ex-dividend date	1 November 2018
– Record date	2 November 2018
– Payment date	6 December 2018
Announcement of half-year results	Early February 2019
Publication of Interim Report	Early February 2019
Interim dividend paid	May 2019
Financial year end	31 May 2019
Announcement of full-year results	Early August 2019
Publication of Annual Report and Accounts	Late August 2019

DIVISIONAL CONTACTS

Fuels	Tel: 01829 260900 www.nwffuels.co.uk
Food	Tel: 01829 260704 www.boughey.co.uk
Feeds	Tel: 0800 262397 www.nwfagriculture.co.uk

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