NWF GROUP PLC

NWF Group plc
Annual Report and Accounts 2019

DELIVERING
PERFORMANCE AND STRATEGY

WE HAVE A STRONG RECORD OF

DELIVERING INCREASED SHAREHOLDER RETURNS

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

FUELS

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 550 million litres across the UK to 63,000 customers.

FIND OUT MORE ON PAGES 6 – 9

FOOD

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over 800,000ft² of warehousing and significant distribution assets.

FIND OUT MORE ON PAGES 10 – 11

FEEDS

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,750 customers in the UK, feeding one in six dairy cows in Britain.

FIND OUT MORE ON PAGES 12 – 13

OPERATIONAL HIGHLIGHTS

» **FUELS**
Headline operating profit of £5.6 million (2018: £6.9 million). Solid results from across the depot network benefiting from a volatile oil price and including two acquisitions within the financial year. Prior year benefited from extreme winter conditions.

» **FOOD**
Headline operating profit of £1.8 million (2018: £0.7 million).
Very strong performance with improved operational effectiveness managing new customers won in the last 18 months and supporting requirements for customers which stored additional products as a result of Brexit preparations.

» **FEEDS**
Headline operating profit of £2.8 million (2018: £3.0 million). Results stable with increased summer demand offset by weaker winter ruminant feed demand. Overall volumes were stable, with the business managing volatile commodity prices effectively.

FINANCIAL HIGHLIGHTS

Revenue

£671.3m +9.9%

2019	£671.3m
2018	£611.0m
2017	£555.8m

Headline operating profit[1]

£10.2m -3.8%

2019	£10.2m
2018	£10.6m
2017	£9.0m

CONTENTS

Headline profit before tax[1]

£9.7m -4.9%

2019	£9.7m
2018	£10.2m
2017	£8.5m

Total dividend per share

6.6p +4.8%

2019	6.6p
2018	6.3p
2017	6.0p

Fully diluted headline EPS[1]

15.8p -5.4%

2019	15.8p
2018	16.7p
2017	14.0p

Net debt to EBITDA

0.7x

2019	0.7x
2018	0.4x
2017	1.0x

1 Headline operating profit excludes exceptional items and amortisation of acquired intangibles. Headline profit before taxation excludes exceptional items, amortisation of acquired intangibles 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.

VIEW OUR WEBSITE AND DOWNLOAD THE LATEST INVESTOR PRESENTATION AND FACTSHEET AT

WWW.NWF.CO.UK

CHAIRMAN'S STATEMENT

THE BENEFIT OF THE NWF DIVERSIFIED AND SERVICE-LED BUSINESS MODEL WAS CLEARLY DEMONSTRATED IN THE YEAR

Summary

- Another year of good progress with the business delivering a strong set of results
- The Board is recommending a total dividend of 6.6p per share
- Cash generation remains a focus for the Group
- Your Board recognises the importance of good corporate governance

Overview

I am pleased to report another year of good progress with the business delivering a strong set of results. In addition, we completed two Fuels acquisitions during the year as well as Ribble Fuel Oils, completing after the year end, in line with our strategic plan. The net debt position of the Group is in line with our expectations, with cash generation being utilised to finance growth and acquisitions, and remained below 1.0x EBITDA at year end.

The benefit of the NWF diversified and service-led business model was clearly demonstrated in the year. The significant improvement in Food more than offset the marginally lower operating profit in Feeds.

TOTAL DIVIDEND PER SHARE

6.6p +4.8%

> Each of our trading divisions has scale and good market position, and is profitable and cash generative."

Fuels performed well, although not at the levels seen in the previous year where it benefited from extreme weather conditions.

As a consequence of the good progress achieved and the Group's cash generation, the Board is recommending a final dividend of 5.6p per share (record date: 1 November 2019; payment date: 5 December 2019) (2018: 5.3p) giving a total dividend of 6.6p per share (2018: 6.3p), a 4.8% 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 its own brand architecture as follows:

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

READ MORE ABOUT OUR DIVISIONS
ON PAGES 6 – 13

Key areas of focus for the Board in 2019 were:

Responding proactively to market conditions
The Group has responded well to some volatile market conditions experienced during the year. The warm, dry summer increased demand for animal feed whilst reducing the demand for heating oil. The mild winter also reduced demand for heating oil (particularly compared to the record demand in FY18) and for animal feed as grazing conditions were good. In Food, additional demand was experienced with customers seeking to hold extra stock in advance of the end of March as part of their Brexit planning. We secured additional warehouse space to meet our customers' needs during this period.

Delivering on strategy
The Group completed the acquisition of two Fuels businesses during the year, and one shortly after the year end, in line with our strategic plan. Our geographic reach was broadened through these acquisitions. Midland Fuel Oil Supplies operates to the south and east of Birmingham and Consols Oils operates in Cornwall. Ribble Fuel Oils operates in the North West extending our presence north and into Yorkshire. The UK fuels distribution market remains very fragmented and we see significant opportunity to expand our depot network through consolidation and leverage the benefits of our scale and expertise across a growing network.

Cash generation
Cash generation remains a focus for the Group and net debt has been maintained at less than 1.0x EBITDA in spite of increased commodity costs and completing two acquisitions before the year end.

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 oil and feed commodity prices was significant and the businesses managed this volatility effectively. In Fuels, oil (which is purchased on the spot market) oscillated between $50 per barrel and $86 per barrel for Brent Crude with further volatility resulting from exchange rates. In line with market practice, Feeds buys most of its raw materials under forward purchase contracts. Significant changes in feed input commodities were successfully managed through feed prices during the year.

Corporate governance
Your Board recognises the importance of good corporate governance and welcomes the changes to the AIM Rules which require the adoption of a recognised governance code and how the principles of that code are complied with. We have elected to adopt the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') which we believe has been constructed in a simple, practical and effective style and meaningful compliance with its ten main principles should provide shareholders with confidence in how the Group operates.

Board and stakeholders
My thanks go to my colleagues, our employees and all who have supported NWF throughout the year both inside and outside the Group.

BOARD AND SENIOR MANAGEMENT
ON PAGES 22 – 24

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 26 September 2019.

Philip Acton
Chairman
30 July 2019

CHIEF EXECUTIVE'S REVIEW

NWF HAS DELIVERED A STRONG SET OF RESULTS AND CONTINUES TO COMPLETE ACQUISITIONS IN LINE WITH THE GROUP'S STRATEGY

Summary

- Strong results – ahead of original market expectations but behind the record prior year
- Revenue growth in all three divisions – a result of increased activity and higher commodity prices
- Very strong profit improvement in Food – improved operational effectiveness with new customers
- Balance sheet remains strong with net debt at 0.7x EBITDA
- Delivery of strategy with three Fuels acquisitions increasing our penetration and geographic reach
- Increased dividend reflecting the Board's confidence in the business

Overview

NWF has delivered a strong set of results and continues to complete acquisitions in line with the Group's strategy. The record prior year benefited from the extreme weather conditions, favourable especially to Fuels. The Fuels division has performed well despite a mild winter and has completed three acquisitions with two being completed in the year. Food has outperformed with new customers and employees working effectively in a business which has been full throughout the year. In Feeds, a consistent result has been delivered despite variable market conditions. The strong performance has been converted into cash to fund growth initiatives and acquisitions. We are proposing an increased dividend and continue to see opportunity for further strategic and operational progress.

The Group delivered headline operating profit of £10.2 million (2018: £10.6 million) and headline profit before tax was 4.9% lower at £9.7 million (2018: £10.2 million). Diluted headline earnings per share was 5.4% lower at 15.8p (2018: 16.7p).

Cash management remains strong with net debt of £10.4 million (2018: £6.4 million), representing 0.7x EBITDA, after £2.8 million of net capital expenditure and £4.5 million of net acquisition expenditure (including acquisition-related costs and deferred consideration).

Outlook

In Fuels, we have a proven depot operating model and are leveraging our capability by increasing the depot network through acquisitions.

In Food, we are focused on continuing to improve efficiency working with our customers and managing the variable demand patterns that have been a consequence of businesses preparing for Brexit. 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 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 regard 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. Overall, the Board continues to remain confident about the Group's future prospects.

Richard Whiting
Chief Executive
30 July 2019

BUSINESS MODEL
ON PAGES 14 – 15

> **"We will therefore continue to consider acquisition opportunities, building on our successful track record."**

Q&A

with the Chief Executive, Richard Whiting

Q 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.

Q Is the Group susceptible to commodity price changes and weather?

Commodities can impact the Group in our Feeds business as we buy forward in line with the market unlike our Fuels business where we simply buy on the spot market. Extreme weather conditions can enable NWF to outperform as illustrated by the performance in 2018 during an extended extreme cold period.

Q What were the key highlights from the last 12 months?

Delivering a significant profit improvement in Food following the business winning nearly 28,000 pallet spaces of new business in the previous 18 months. Delivery of three acquisitions in Fuels in the last 12 months has demonstrated clearly that we are delivering on strategy whilst the underlying performance in Fuels was strong. Feeds successfully navigated volatile markets across the prior 12-month period.

FUELS: At a glance and review of the year

Supplying fuel to commercial and domestic customers across the UK

NWF Fuels is the third largest distributor of fuel oil and fuel cards delivering over 550 million litres across the UK to 63,000 customers in FY19.

KEY NUMBERS

552M
LITRES IN FY19

23
DEPOTS

233
PEOPLE

126
TANKERS

WHAT WE DO

With 63,000 customers being supplied across 23 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 continue to believe provides an opportunity for NWF to further increase market share.

OUR STRATEGY

- » **Consolidate a highly fragmented market**
- » **Expand existing geographical area**
- » **Increase business density in existing territories**
- » **Active acquisition pipeline**

DELIVERING ON STRATEGY

Three Fuels acquisitions, increasing volumes by over 20%, and expanding geographic reach and penetration.

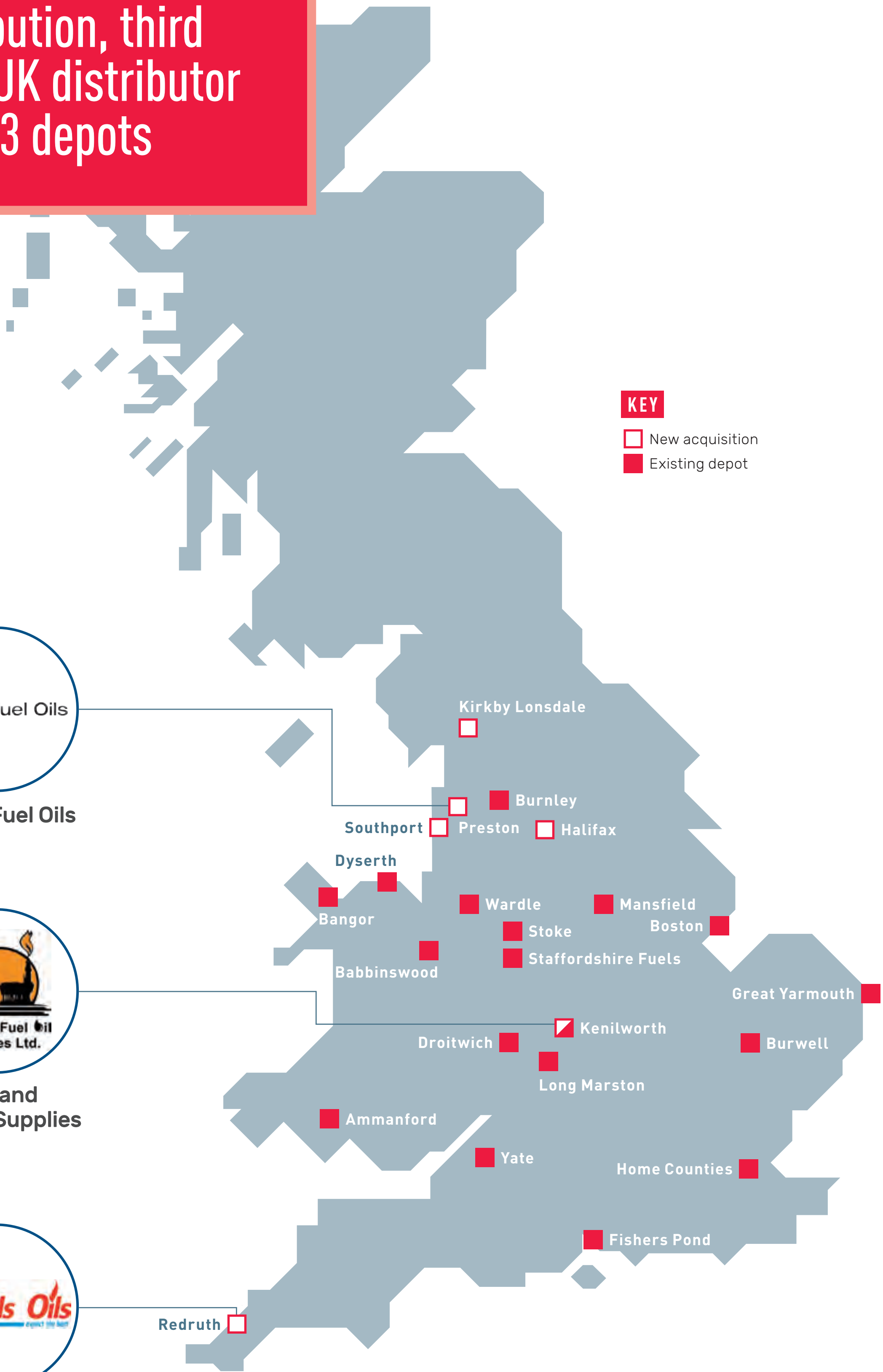
December 2018
Acquisition of Midland Fuel Oil Supplies

April 2019
Acquisition of Consols Oils

July 2019
Acquisition of Ribble Fuel Oils

FUELS: At a glance and review of the year continued

National Fuel distribution, third largest UK distributor – 23 depots



Ribble Fuel Oils

Ribble Fuel Oils

Midland Fuel Oil Supplies Ltd.

Midland Fuel Oil Supplies

Consols Oils

Consols Oils

REVIEW OF THE YEAR

Fuels has delivered a good performance, benefiting from its high level of customer service and managing a volatile oil price effectively. Profitability was lower than the record prior year when extreme weather conditions were experienced for some months. Underlying growth was delivered on gas oil with the milder conditions reducing demand for heating oil. Revenue growth reflected the higher oil price and contribution from acquisitions.

Volumes rose 1.7% to 552 million litres (2018: 543 million litres), and revenue increased by 10.6% to £443.0 million (2018: £400.7 million) as a result of higher oil prices and increased volumes. On a like for like basis (excluding acquisitions in the year) volumes were stable. The average Brent Crude oil price in the year was $70 per barrel compared to $63 per barrel in the prior year.

Headline operating profit was £5.6 million (2018: £6.9 million) with the impact of the mild winter being partially offset by volatility in the price of oil.

Good strategic progress has been made with three acquisitions: Midland (Midlands), Consols (South West) and, after the year end, Ribble (North West), expanding the depot network with five additional locations and adding over 20% to the volume of the division representing 110 million litres.

The Fuels division operates on a de-centralised model with depot management teams focused on optimising performance for the specific conditions of their local market. We continue to believe that this is the most effective way to maximise performance, given the industry structure, but we also believe there are opportunities to leverage benefits from the breadth of our growing network. As such we are investing in enhanced systems and capabilities for the Fuels division which we believe will improve efficiencies and provide a strong platform for continued growth.

With 63,000 customers (2018: 59,000) being supplied across 20 fuel depots in the year (2018: 19), 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 continue to believe provides an opportunity for NWF to further increase market share.

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

FUELS ACQUISITIONS

Delivery of strategy with three Fuels acquisitions increasing our penetration, scale and geographic reach:

» Midland Fuel Oil Supplies (December 2018) and Consols Oils (April 2019), both previously announced, adding 37 million litres per annum combined; and

» Ribble Fuel Oils, announced on 30 July 2019 – a 75 million litre business trading across four depot locations in the North West of England.

> **"The Fuels division has performed well despite a mild winter."**

KPIs

Revenue

£443.0m +10.6%

2019	**£443.0m**
2018	£400.7m
2017	£358.6m

Revenue increased as a result of increased oil prices and acquisitions

Operating profit

£5.6m -18.8%

2019	**£5.6m**
2018	£6.9m
2017	£4.5m

Strong result given the mild winter conditions

Volume (litres)

552m +1.7%

2019	**552m**
2018	543m
2017	513m

Like for like volume stable with increased gas oil sales offsetting lower heating oil demand

FOOD: At a glance and review of the year

The leading North West ambient grocery consolidator

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over 800,000ft^2 of warehousing and significant distribution assets. It works with over 200 customers including Arla and Typhoo.

KEY NUMBERS

100,000
PALLET SPACES

252
TRAILERS

612
PEOPLE

127
TRUCKS

WHAT WE DO

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.

OUR STRATEGY

» **Optimise the customer mix**

» **Optimise storage and distribution solutions on the Wardle site**

» **Value added niche businesses:**

  » **E-fulfilment**

  » **Palletline**

» **Targeted expansion backed by customer and retailer contracts**

REVIEW OF THE YEAR

This has been a year of significant improvement, with new customers won in 2018 and 2019 delivering improved operating effectiveness. The business has had high storage levels throughout the year as a result of new customers and customers requiring additional stock in preparation for Brexit.

Revenue increased by 18.6% to £47.9 million (2018: £40.4 million). Storage overall was at an average of 100,000 pallets (2018: 90,000 pallets), with external warehousing being utilised throughout the year. Significantly, total outloads increased by 8.5% on the prior year reflecting the increased activity of new customers won in the last 18 months. Headline operating profit was £1.8 million (2018: £0.7 million), reflecting the significant improvements in managing new customers, improving prices and improving operating effectiveness. The e-fulfilment business has continued to grow in the year with seven customers now utilising the service.

Additional stock was stored for our customers prior to the end of March as a Brexit contingency. The additional costs incurred utilising overflow warehousing on their behalf were recovered from customers, with the majority of stock having been shipped by the year end.

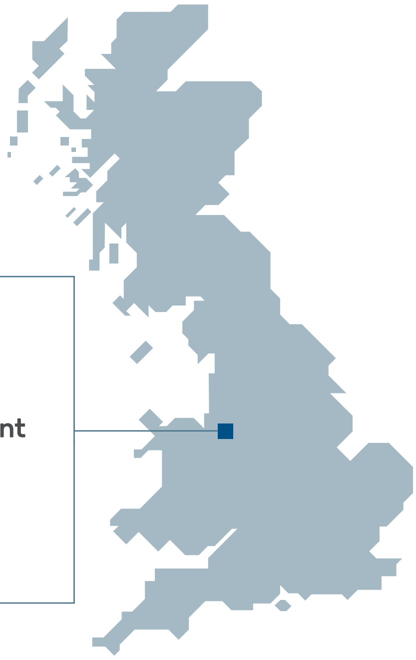
Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers. 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.

> **"Food has outperformed expectations with new customers and employees working effectively in a business which has been full throughout the year."**

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

7 customers utilising e-fulfilment

8,000 pallets of new business won in 2019



KPIs

Revenue

£47.9m +18.6%

2019	**£47.9m**
2018	£40.4m
2017	£39.0m

Increased activity including supporting customers' Brexit stocking requirements

Operating profit

£1.8m +157.1%

2019	**£1.8m**
2018	£0.7m
2017	£3.0m

Delivering improved operating effectiveness with new customers

Pallets stored

100,000 +11.1%

2019	**100,000**
2018	90,000
2017	97,000

The business has remained fully utilised throughout the year

FEEDS: At a glance and review of the year

Delivering nutritional advice and feed to ruminant farmers across the UK

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,750 customers in the UK, feeding one in six dairy cows in Britain. It operates from sites in Cumbria, Lancashire, Cheshire and Devon.

WHAT WE DO

NWF provides nutritional advice to farmers across the country with over 50 trained nutritional advisors analysing forage and farmers' objectives to deliver feed to optimise performance. Feed is then produced from mills across the UK and delivered directly to farmers with the majority of the business being dairy, but also supporting beef and sheep farmers.

OUR STRATEGY

- **Consolidate the UK ruminant feed market (NWF no. 2, feeding one in six dairy cows)**
- **Utilise national operational platform**
- **Continue to develop feed volumes across the country**
- **Expand nutritional range**

KEY NUMBERS

591,000
TONNES

203
PEOPLE

38
TRUCKS

13
TRAILERS

REVIEW OF THE YEAR

There has been some volatility in the feeds market during the year with a significant increase in demand from farmers in the long dry summer period who increased feed rates to offset a lack of forage. In the winter this was reversed with good grazing conditions reducing ruminant feed demand, particularly for sheep feed, in comparison to the long cold winter in FY18. Commodity prices increased by over 10% to the end of August and then consistently fell to end the year 14% lower. Customers experienced higher summer prices but then gained relief in the autumn and winter periods.

Investment was made in operations and ensured high service levels were maintained across the country throughout the year.

Revenue increased by 6.2% to £180.4 million (2018: £169.9 million) broadly as a result of increased feed prices. Headline operating profit was £2.8 million (2018: £3.0 million). Total feed volume was stable at 591,000 tonnes (2018: 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 27.1p to 27.9p per litre over the period with a high of 31.6p per litre in November 2018. On the back of this more positive environment, milk production increased by 1.6% to 12.6 billion litres (2018: 12.4 billion litres).

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.

> **"In Feeds, a consistent result has been delivered despite variable market conditions."**

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

Longtown investment delivering for Scottish and northern customers

Strong reputation for high quality nutritional advice

KPIs

Revenue

£180.4m +6.2%

Year	Revenue
2019	**£180.4m**
2018	£169.9m
2017	£158.2m

Increased commodity prices and increased activity levels

Operating profit

£2.8m -6.7%

Year	Operating profit
2019	**£2.8m**
2018	£3.0m
2017	£1.5m

Stable in spite of volatile conditions and a milder winter

Tonnes

591,000 +0.3%

Year	Tonnes
2019	**591,000**
2018	589,000
2017	589,000

Stable against a market which has slightly declined

FOCUSING ON CREATING VALUE

Group focus

INDUSTRY INSIGHT

Excellence in customer service
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.

Building on a solid platform
The Group has established a solid platform with strong profit development and cash conversion. Competitive banking facilities support the Group's development.

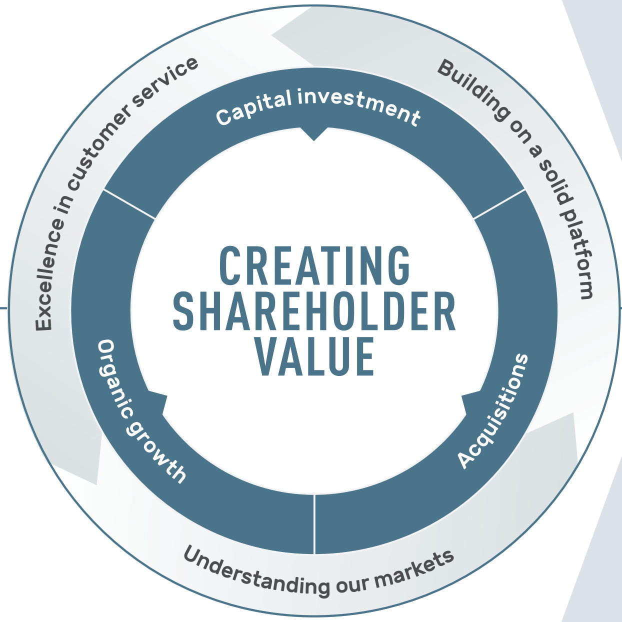
Understanding our markets
Established in 1871, the Group adds value to our customers through an in depth knowledge of the oil, food distribution and agricultural markets.

STRATEGIC DIRECTION

Capital investment
Our strategy is to maintain a position of financial strength whilst growing the business through considered investment in people, plant and equipment.

Acquisitions
The Group's strategy is to make key acquisitions to increase penetration, scale or geographic reach within its divisions.

Organic growth
Organic growth continues to be driven through our diversified and service led divisions.



INVESTMENT CASE

1. Strong management team
Solid track record with ambition.

2. Growth opportunities
Consolidate and optimise.

3
acquisitions completed in Fuels

1
clear strategy

Divisional strengths

FUELS

- Industry leading customer service from 23 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

- 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

- 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

Value creation

CUSTOMERS

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

68,000 TOTAL CUSTOMERS

EMPLOYEES AND COMMUNITY

Year on year increase of 105 employees, investing in the local community and the future of NWF.

105 NEW JOBS CREATED

SHAREHOLDERS

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

6.6P TOTAL DIVIDEND PER SHARE

3. Asset backing

Strong balance sheet.

149.1
million total assets

4. Focus on returns

Return on capital employed is a key metric.

13.4%
Group ROCE

5. Good cash generation

£0.5 million of cash generated before development expenditure.

62.7%
cash conversion

6. Growing dividend

Increased dividend in nine out of the last ten years.

6.6p
total dividend per share

THE GROUP HAS ESTABLISHED A SOLID PLATFORM TO DELIVER M&A ACTIVITY

Summary

» Headline profit before tax of £9.7 million (2018: £10.2 million)

» Diluted headline EPS of 15.8p (2018: 16.7p)

» Net debt of £10.4 million (2018: £6.4 million)

» Committed banking facilities in place to October 2023

Group results

Group revenue increased by 9.9% to £671.3 million (2018: £611.0 million) reflecting higher activity levels and increased oil and commodity prices. Headline operating profit was £10.2 million, a decrease of 3.8% (2018: £10.6 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) increased by £0.1 million to £0.5 million, reflecting the acquisitions made during the year, with interest cover of 20.4x (excluding IAS 19 net pension finance costs) (2018: 26.5x).

GROUP REVENUE

£671.3M +9.9%

Headline profit before taxation decreased by 4.9% to £9.7 million (2018: £10.2 million). Profit before taxation decreased by £1.0 million to £8.7 million (2018: £9.7 million). There were exceptional items in the year of £0.5 million relating to GMP equalisation and acquisition costs (2018: £Nil).

The headline basic earnings per share of 15.8p represented a decrease of 6.0% (2018: 16.8p), whilst diluted headline earnings per share decreased by 5.4% to 15.8p (2018: 16.7p). The proposed full year dividend per share increased by 4.8% to 6.6p 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 2.4x.

The finance costs in respect of the defined benefit pension scheme were slightly lower than prior year at £0.4 million (2018: £0.5 million) reflecting the lower average pension deficit across the year.

The tax charge for the year was £1.9 million (2018: £1.9 million) which represents an effective tax rate, pre-exceptionals, of 20.8%, which is in line with our underlying rate (2018: 20.0%). 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 £6.8 million (2018: £7.8 million).

> **"The Group has completed two acquisitions in the year with a total consideration (net of cash acquired) of £3.5 million. The closing net debt of £10.4 million represents a net debt to EBITDA ratio of 0.7x."**

Group results for the year ended 31 May

	2019 £m	2018 £m
Revenue	**671.3**	611.0
Cost of sales and administrative expenses	**(661.7)**	(600.4)
Headline operating profit[1]	**10.2**	10.6
Exceptional items	**(0.5)**	–
Amortisation of acquired intangibles	**(0.1)**	–
Operating profit	**9.6**	10.6
Financing costs	**(0.9)**	(0.9)
Headline profit before tax[1]	**9.7**	10.2
Exceptional items	**(0.5)**	–
Amortisation of acquired intangibles	**(0.1)**	–
Net finance cost in respect of defined benefit pension scheme	**(0.4)**	(0.5)
Profit before taxation	**8.7**	9.7
Income tax expense	**(1.9)**	(1.9)
Profit for the year	**6.8**	7.8
Headline EPS[1]	**15.8p**	16.8p
Diluted headline EPS[1]	**15.8p**	16.7p
Dividend per share	**6.6p**	6.3p
Headline dividend cover[1]	**2.4**	2.7
Interest cover	**20.4**	26.5

1 Headline operating profit is statutory operating profit of £9.6 million (2018: £10.6 million) before exceptional items of £0.5 million (2018: £Nil) and amortisation of acquired intangibles of £0.1 million (2018: £Nil). Headline profit before taxation is statutory profit before taxation of £8.7 million (2018: £9.7 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.4 million (2018: £0.5 million), the exceptional items and amortisation of acquired intangibles. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

GROUP FINANCIAL REVIEW CONTINUED

Group results continued

Balance sheet as at 31 May

	2019 £m	2018 £m
Tangible and intangible fixed assets	**70.2**	67.9
Net working capital	**6.3**	2.5
Net debt	**(10.4)**	(6.4)
Contingent deferred consideration	**–**	(0.8)
Current tax liabilities	**(1.1)**	(1.1)
Deferred tax liabilities (net)	**(0.6)**	(0.5)
Provisions	**–**	(0.1)
Retirement benefit obligations	**(17.3)**	(17.1)
Net assets	**47.1**	44.4

Balance sheet summary

The Group increased net assets by £2.7 million to £47.1 million (31 May 2018: £44.4 million). This reflects the robust trading performance during the year with a retained profit for the year of £3.7 million (2018: £4.9 million) partially offset by an increase in the accounting valuation of the pension deficit.

Tangible and intangible fixed assets increased by £2.3 million to £70.2 million as at 31 May 2019 (31 May 2018: £67.9 million) largely as a result of the intangible assets arising on acquisitions. The depreciation and amortisation charges for the year to 31 May 2019 were £3.9 million and £0.8 million respectively (2018: £3.7 million and £0.8 million respectively).

Group level ROCE (based on headline operating profit) is 13.4% as at 31 May 2019 (31 May 2018: 15.1%).

Net working capital increased by £3.8 million in the year as a result of commodity prices and a high level of trading in May 2019. The Group's inventories decreased by £0.1 million to £5.6 million (31 May 2018: £5.7 million) with trade and other receivables increasing to £67.2 million (31 May 2018: £64.1 million) and a decrease in trade and other payables to £66.7 million (31 May 2018: £67.5 million).

Net debt increased by £4.0 million to £10.4 million (31 May 2018: £6.4 million), reflecting the acquisitions in the year. At the year end, the Group's net debt to EBITDA ratio was 0.7x (2018: 0.4x).

The deficit of the Group's defined benefit pension scheme increased by £0.2 million to £17.3 million (31 May 2018: £17.1 million). The value of pension scheme assets increased by £1.7 million to £38.0 million (31 May 2018: £36.3 million) predominantly as a result of asset returns and the value of the scheme liabilities increased by £1.9 million to £55.3 million (31 May 2018: £53.4 million) as a result of the decrease in the discount rate used to calculate the present value of the future obligations (31 May 2019: 2.50%; 31 May 2018: 2.75%).

Cash flow and banking facilities

The Group has completed two acquisitions in the year with a total consideration (net of cash acquired) of £3.5 million. The closing net debt of £10.4 million represents a net debt to EBITDA ratio of 0.7x.

Working capital increased as a result of commodity prices and a high level of trading in May 2019. Net cash generated from operating activities was £6.4 million (2018: £12.9 million) representing a cash conversion ratio of 62.7% of headline operating profit (2018: 121.7%).

Net capital expenditure in the year at £2.8 million (2018: £2.9 million) was lower than the annual depreciation charge of £3.9 million (2018: £3.7 million) reflecting the move to contract hire tankers in Fuels.

Cash flow and banking facilities for the year ended 31 May

	2019 £m	2018 £m
Operating cash flows before movements in working capital and provisions	**12.8**	13.9
Working capital movements	**(3.9)**	1.0
Utilisation of provision	**(0.1)**	(0.2)
Interest paid	**(0.5)**	(0.4)
Tax paid	**(1.9)**	(1.4)
Net cash generated from operating activities	**6.4**	12.9
Capital expenditure (net of receipts from disposals)	**(2.8)**	(2.9)
Acquisition of subsidiaries – cash paid (net of cash acquired)	**(3.5)**	–
Payment of contingent deferred consideration	**(0.8)**	(0.5)
Net cash absorbed by investing activities	**(7.1)**	(3.4)
Net increase/(decrease) in bank borrowings	**6.2**	(7.0)
Capital element of finance lease and HP payments	**(0.1)**	(0.1)
Dividends paid	**(3.1)**	(2.9)
Net increase/(decrease) in cash and cash equivalents	**2.3**	(0.5)
Cash and cash equivalents at beginning of year	**0.5**	1.0
Cash and cash equivalents at end of year	**2.8**	0.5

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 forecasts along with 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 2019 was 169.0p (31 May 2018: 205.5p) and the range of market prices during the year was between 136.5p and 212.5p.

Chris Belsham
Finance Director
30 July 2019

FOCUSING ON MITIGATING 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.

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.

Principal risks and uncertainties

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. There is also some uncertainty around demand in agriculture given the trading relationship with Europe and the subsidy support received by farmers.	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 Fuels, Food and Feeds.	**No change** 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.	**No change** Increased commodity prices in both Fuels and Feeds have been successfully managed through 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 oil 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.	**No change** 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.	**No change** Remains a principal 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.	**No change** Remains a principal risk.
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.	**No change** 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.	**No change** 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.	**No change** Remains a principal risk.

EXPERIENCED CAPABLE BOARD

PHILIP ACTON
Chairman

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
Group 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

YVONNE MONAGHAN
Independent Non-Executive Director

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

Key skills
- Finance
- Mergers and acquisitions
- Current plc board experience
- Strategy

DAVID DOWNIE
Independent Non-Executive Director

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 vacant property service company which trades as VPS Group.

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. 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
1 Hardman Square
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
02264971

> "Your Board recognises the importance of good corporate governance."

Dear shareholder,

Your Board recognises the importance of good corporate governance and welcomed the changes to the AIM Rules which required the adoption of a recognised governance code and how the principles of that code are complied with.

We elected to adopt the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') which we believe is constructed in a simple, practical and effective style and meaningful compliance with its ten main principles should provide shareholders with confidence in how the Company operates.

In my role as Chairman, I am responsible for the Board including its effective leadership and composition, assessing and improving its performance, and leading the Company's corporate governance culture. The corporate governance culture will be measured against the QCA Code fundamentals and regularly reviewed with developments and changes communicated to shareholders.

In the disclosure that follows we share details of our current governance structures and practices including where and why we differ from any of the expectations set by the QCA Code.

The Board anticipates that whilst the Company will comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code to the extent that it is appropriate for a company of our size and nature. As an example of how we have supplemented the QCA Code with provisions of the UK Corporate Governance Code, we put resolutions to the 2018 Annual General Meeting seeking the re-election of all Directors, which will be done annually. This, along with the formal adoption of the QCA Code, is an important change to our governance arrangements.

Philip Acton
Chairman
30 July 2019

The QCA Code is built on the three fundamentals of **delivering growth, maintaining a dynamic management framework and building trust**, each of which the Board is committed to, as it believes these will support the Company's medium to long-term success. The ten QCA principles are:

DELIVER GROWTH

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

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

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

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

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

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

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

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

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

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

BUILD TRUST

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

Deliver growth

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

The Group's business model is set out on pages 14 and 15 and on the business model page of our website, www.nwf.co.uk/about-us/business-model.

The challenges, including the principal risks and uncertainties affecting our businesses and which may prevent the Group from delivering its strategy, are explained on pages 20 and 21.

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

Whilst the Company has a diverse range of shareholders, they can be broadly categorised as follows:

1. four independent pension funds registered in Iceland (each holding c. 5% of the issued share capital) as set out on page 35;
2. other institutional investors;
3. private individuals; and
4. employees and ex-employees.

The Board continuously seeks to engage with and understand shareholders' views and meet their needs and expectations.

The Board has a proactive approach to shareholder liaison, led by the Chief Executive, and feedback is provided regularly to the Board. This approach includes our AGM (where votes in favour are consistently over 75%), open days, biannual investor roadshows and annual meetings with significant shareholders.

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

The Group creates value through a focus on shareholders, customers, suppliers, employees and the local community.

Investor feedback is sought after each final and half year results announcement and the AGM offers a good opportunity for all shareholders to express their views directly to the Board. This feedback has resulted in changes to investor presentations.

Feedback from customers is regularly obtained through account managers and sales representatives, surveys and service metrics.

Feedback from suppliers is regularly obtained through relationships with both account managers and senior management.

Employee feedback is obtained in a number of ways including team meetings and forums across the Group's divisions.

The business model, on pages 14 and 15, sets out how these relationships shape the focus of the Group.

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

An explanation of the Group's strategy is set out on pages 14 to 15 including a risk analysis on pages 20 and 21.

The annual report from the Audit Committee, which discusses internal control and risk management, is set out on pages 29 and 30.

Divisional management teams produce detailed monthly financial and commercial reports for the Board. Divisional management meetings are held monthly and are attended by the Executive Directors, where existing and potential risks to the business and their management are reviewed.

A rolling programme of risk and controls testing is undertaken across the Group with a focus on various key areas of risk identified. This programme is undertaken through a combination of internal and external resource.

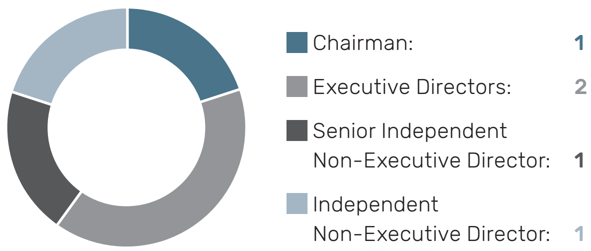
The risks faced by the Group are formally documented in risk registers which are discussed at the biannual Audit Committee meetings.

Maintain a dynamic management framework

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

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 22 and 23. 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.

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. Terms of reference for the Audit and Remuneration Committees are included on our website, www.nwf.co.uk/about-us/governance/corporate-governance-statement.

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.

Maintain a dynamic management framework continued

Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair continued

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

Non-Executive Directors' time commitment is reviewed to ensure it is sufficient to fulfil their roles.

Attendance of Directors at meetings is set out below:

	Board	Audit Committee	Remuneration Committee
T P Acton	●●●●●●●●●●●	●●	●●●
C J Belsham	●●●●●●●●●●●	–	–
D S Downie	○●●●●●●●●●●	○●	○●●
Y M Monaghan	●●●●●●●●●●●	●●	●●●
R A Whiting	●●●●●●●●●●●	–	–

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

The biographical details of the Directors, including their skills and experience, are set out on pages 22 and 23. The biographical details of the senior Group management team are set out on page 24.

The Board is satisfied that it has an appropriate mix of skills, personal qualities and capabilities and is not dominated by one person or a group of people.

The Board and the Committees to the Board are supported by external advisors on a regular basis.

All Directors are subject to re-election each year and the service agreements for Non-Executive Directors are renewed annually.

Currently we do not formally comply with this principle in its entirety. However, the principle and its application will be considered further and updated no later than the publication of the next Annual Report and Accounts.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board conducts an annual appraisal of its own performance and that of each Executive Director. External facilitation has not been used to date but may be engaged in the future where appropriate.

Individual feedback is given by the Chairman to the Board and to the Chairman by the Senior Independent Non-Executive Director. There is a dedicated Board session for feedback.

The Board sets annual objectives for the Executive Directors, reviews and approves annual objectives for the senior Group management team and measures performance against them.

The Group continuously monitors succession planning, assessing the structure of the Board and its performance to ensure appropriate development and mentoring needs are identified.

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

The Business Model section, on pages 14 and 15, sets out the values of the Group.

Our values are centred around our customers, employees, community and shareholders. Our values are upheld through policies and corporate discipline with regular employee engagement and customer and shareholder feedback used to confirm that these behaviours are recognised and respected.

The Group seeks to provide excellent customer service to its 68,000 customers and develop its workforce, creating new jobs each year, and has a progressive dividend policy rewarding shareholders over the long term.

Excellent customer service underpins each of the divisions, providing a competitive advantage.

The Group embraces an equal opportunities culture, from new starters to internal promotions, and supports continuous professional development.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The governance structure for the Group is as follows:

Board of Directors

The Chairman is responsible for the Board including its effective leadership and composition, assessing and improving its performance, and leading the Company's corporate governance culture.

Terms of reference and a schedule of matters reserved for the Board can be found in the Governance section of our website, www.nwf.co.uk/about-us/governance/corporate-governance-statement.

The Board is satisfied that the current structure is appropriate and it continuously reviews the governance framework in line with the Group's plans for growth.

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 22 and 23.

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 the publication and 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Maintain a dynamic management framework continued

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board continued

Internal control continued

Membership as at 31 May 2019:

See the Board of Directors section on pages 22 and 23.

Meetings held in the financial year:

Eleven

Audit Committee

The Audit Committee consists of the Chairman and two 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 2019. The operations of the Audit Committee are set out in the separate Audit Committee Report on pages 29 and 30. Its terms of reference will be made available at the AGM and are on the Company's website.

Membership as at 31 May 2019:

- Y M Monaghan (Chair)
- T P Acton
- D S Downie

Meetings held in the financial year:

Two

Remuneration Committee

The Remuneration Committee consists of the Chairman and two Non-Executive Directors and is chaired by David Downie, an independent Non-Executive Director. The Remuneration Committee met on three 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.

Membership as at 31 May 2019:

- D S Downie (Chair)
- Y M Monaghan
- T P Acton

Meetings held in the financial year:

Three

BUILD TRUST

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

The governance structure for the Group is set out on page 22. The Audit Committee and Remuneration Committee reports are set out on pages 29 to 34.

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 relay the views of the Group's advisors to the Board.

The Board believes that the disclosures set out on pages 1 to 21 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In addition, Peel Hunt, in its capacity as the Company's nominated advisor and broker, is engaged to liaise with investors and report back to the Board. Shareholders' views are also received during the AGM through the opportunity to ask questions of the Board and less formally after the AGM.

The Investors section of our website, www.nwf.co.uk/investors, includes historical Annual Reports, notices of AGMs and voting history (where there have been no significant votes against) for a minimum of five years.

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 22 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 20 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 2019 were £45.2 million (2018: £51.8 million).
- The Group has prepared financial projections to 31 May 2021 which project positive earnings and demonstrate covenant compliance at all quarterly covenant test dates.
- Calculations to support covenant compliance are prepared and reviewed on a quarterly basis.
- The Group monitors capital risk on the basis of net debt/EBITDA ratio, which at 31 May 2019 was 0.7x (2018: 0.4x).

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 the Chairman and Non-Executive Directors, two of whom are qualified Chartered Accountants and have extensive experience in senior finance roles."

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31 May 2019.

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

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 the Chairman and two Non-Executive Directors, two of whom are qualified Chartered Accountants and have extensive 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 37 and the Auditors' Report on pages 38 to 41. 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 has completed his last year of his term as audit partner. There are no contractual obligations restricting the Company's choice of auditors.

AUDIT COMMITTEE REPORT CONTINUED

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 for the size of the organisation.

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. Acquisition accounting

During the year, the Group acquired 100% of the share capital of both Midland Fuel Oil Supplies Limited and Consols Oils Limited. The Audit Committee considered the methodology used by management in determining the fair value of the customer relationships and brands acquired and the disclosures within the financial statements. The Committee is comfortable with management's approach.

2. 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.

3. 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.

4. 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 23 to the financial statements.

5. Exceptional items

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

Yvonne Monaghan
Chair of the Audit Committee
30 July 2019

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SHAREHOLDER INFORMATION

> "Rewarding performance with an aligned remuneration strategy."

Dear shareholder,
I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2019.

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)
- Mr Philip Acton
- Mrs Yvonne Monaghan

Our performance in 2018/19

This has been a year of good progress for NWF Group plc, delivering a strong set of results.

Key pay out-turns for 2018/19

For 2018/19, the performance achieved against financial and operational targets resulted in 70% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 15.8p at 31 May 2019, none of the LTIP awards granted at the start of 2015/16 will vest in August 2019.

Looking forward to 2019/20

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
30 July 2019

DIRECTORS' REMUNERATION REPORT CONTINUED

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 £'000	Pension £'000	**2019 Total £'000**	2018 Total £'000
C J Belsham	174	12	123	–	23	**332**	404
R A Whiting	290	35	204	–	76	**605**	783
Non-Executive							
T P Acton	75	–	–	–	–	**75**	62
D S Downie (from February 2018)	40	–	–	–	–	**40**	13
Sir Mark Hudson KCVO (to September 2017)	–	–	–	–	–	**–**	25
Y M Monaghan	40	–	–	–	–	**40**	40
Aggregate emoluments	619	47	327	–	99	**1,092**	1,327

2019/20 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 2019/20, Directors' salaries will be as follows: » CEO: £297,250; and » Group Finance Director: £178,600.
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 2019/20, 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. » 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 2019/20, 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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. 2016 awards are based on absolute EPS performance in the year ended 31 May 2019. As the EPS target has not been met, these will not vest. 2017 awards are based on absolute EPS performance in the year ending 31 May 2020. 2018 awards are based on absolute EPS performance in the year ending 31 May 2021.

	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	12 August 2016	172.5p	160,870	£277,500	19.8p	48,261	16.4p	31 May 2019
	1 August 2017	147.5p	191,864	£283,000	20.2p	57,559	16.7p	31 May 2020
	1 August 2018	197.5p	146,835	£290,000	22.9p	44,051	19.4p	31 May 2021
C J Belsham	1 August 2017	147.5p	115,254	£170,000	20.2p	34,576	16.7p	31 May 2020
	1 August 2018	197.5p	88,228	£174,250	22.9p	26,468	19.4p	31 May 2021

1 EPS targets based on headline earnings per share ('EPS') – year ended 31 May 2019 for the 2016 award, year ending 31 May 2020 for the 2017 award and year ending 31 May 2021 for the 2018 award.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2019

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 2019.

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 £671.3 million (2018: £611.0 million) and profit after tax of £6.8 million (2018: £7.8 million).

The Directors recommend a final dividend for the year of 5.6p per share (2018: 5.3p) which, if approved at the AGM, will be payable on 5 December 2019. Together with the interim dividend paid during the year of 1.0p per share (2018: 1.0p), this will result in a total dividend of 6.6p per share (2018: 6.3p) amounting to £3.2 million (2018: £3.1 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 20, 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

» David Downie

» Yvonne Monaghan

» Richard Whiting

The Directors who held office during the year and as at 31 May 2019 had the following interests in the ordinary shares of the Company:

Name of Director	31 May 2019 Number
T P Acton	30,000
C J Belsham	19,625
D S Downie	10,000
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 2019 Number
C J Belsham	203,482
R A Whiting	338,699

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 169.0p (31 May 2018: 205.5p) and the range of market prices during the year was between 136.5p and 212.5p.

No changes took place in the interests of Directors between 31 May 2019 and the date of signing the financial statements.

Further details on related party transactions with Directors are provided in note 28 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.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

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: 02264971
30 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MAY 2019

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: 02264971
30 July 2019

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 2019 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 and Parent Company balance sheets as at 31 May 2019; the consolidated income statement; the consolidated and Parent Company statements of comprehensive income; the consolidated and Parent Company statements 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: £436,000 (2018: £484,000), based on 5% of profit before tax.
- Overall Parent Company materiality: £350,000 (2018: £350,000), based on 0.6% 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 97% of Group revenue and 95% of Group profit before tax.

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

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.

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.

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension plan liabilities Refer to the Audit Committee Report, note 2 (Accounting policies and Critical accounting estimates and judgments) and note 23. The Group has a defined benefit pension plan net liability of £17.3m (2018: £17.1m), 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 £55.3m (2018: £53.4m) 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. Group and Parent	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. We found the assumptions used to be reasonable. 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.
Acquisition accounting Refer to the Audit Committee Report, note 2 (Accounting policies and Critical accounting estimates and judgments) and notes 11 and 13. The Group acquired Midland Fuel Oil Supplies Limited in December 2018 and Consols Oils Limited in April 2019. Acquisition accounting requires the Group to assess the fair values of assets and liabilities acquired as well as recognising and valuing any associated intangibles. Intangible assets of £0.6m have been recognised in relation to brands and customer relationships, alongside £2.5m of goodwill. The valuation of intangibles requires management estimates and judgement. Changes in such estimates and assumptions applied in valuing the assets and liabilities could materially impact the recognised value of intangibles. Group	We obtained and read the relevant terms of the purchase agreements to inform our further audit procedures to test the accounting for the acquisitions. We tested the recognition in the consolidated financial statements of the provisional fair value of the assets and liabilities acquired (and residual goodwill). In doing so, we: » agreed consideration paid through to bank statement, noting no errors; » tested the Directors' valuation of the acquired customer relationship by testing if the assumptions used in the calculations were consistent with our understanding of the acquisition and through agreement to supporting evidence. We found no significant inconsistencies in the assumptions determined by the Directors; » used valuation specialists to review management's calculations and assumptions. We determined that the methodologies utilised were reasonable; » considered whether any other intangible assets should have been identified by the Directors, based on our understanding of the transactions, our knowledge of the businesses, the purchase agreements and discussions with the Directors. None were identified; and » tested whether other assets and liabilities acquired had been recognised at fair value and considered whether post-acquisition trading had identified any additional items that should have been recognised as fair value adjustments on acquisition with no material differences identified.

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.

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.

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

Report on the audit of the financial statements continued

Our audit approach continued

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	£436,000 (2018: £484,000).	£350,000 (2018: £350,000).
How we determined it	5% of profit before tax.	0.6% of total assets.
Rationale for benchmark applied	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 Parent Company acts as a holding company, holding investments in subsidiaries along with investment property which is utilised by the Group's trading entities.

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 £208,700 and £400,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £22,000 (Group audit) (2018: £24,000) and £22,000 (Parent Company audit) (2018: £24,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 Annual Report and Accounts, 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.

Report on the audit of the financial statements continued

Reporting on other information continued

Strategic Report and Annual Report and Accounts

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Annual Report and Accounts for the year ended 31 May 2019 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 Annual Report and Accounts.

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, 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.

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
30 July 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £m	2018 £m
Revenue	3,4	**671.3**	611.0
Cost of sales		**(640.4)**	(580.7)
Gross profit		**30.9**	30.3
Administrative expenses		**(21.3)**	(19.7)
Headline operating profit[1]		**10.2**	10.6
Exceptional items	5	**(0.5)**	–
Amortisation of acquired intangibles	13	**(0.1)**	–
Operating profit	4	**9.6**	10.6
Finance costs	7	**(0.9)**	(0.9)
Headline profit before taxation[1]		**9.7**	10.2
Net finance cost in respect of the defined benefit pension scheme		**(0.4)**	(0.5)
Exceptional items	5	**(0.5)**	–
Amortisation of acquired intangibles	13	**(0.1)**	–
Profit before taxation	5	**8.7**	9.7
Income tax expense[2]	8	**(1.9)**	(1.9)
Profit for the year attributable to equity shareholders		**6.8**	7.8
Earnings per share (pence)			
Basic	10	**13.9**	16.0
Diluted	10	**13.9**	15.9
Headline earnings per share (pence)[1]			
Basic	10	**15.8**	16.8
Diluted	10	**15.8**	16.7

1 Headline operating profit is statutory operating profit of £9.6 million (2018: £10.6 million) before exceptional items of £0.5 million (2018: £Nil) and amortisation of acquired intangibles of £0.1 million (2018: £Nil). Headline profit before taxation is statutory profit before taxation of £8.7 million (2018: £9.7 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.4 million (2018: £0.5 million), the exceptional items and amortisation of acquired intangibles. 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 £0.1 million (2018: £Nil).

The results relate to continuing operations.

The notes on pages 47 to 73 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019

	Note	**2019 £m**	2018 £m
Profit for the year attributable to equity shareholders		**6.8**	7.8
Items that will never be reclassified to profit or loss:			
Re-measurement (loss)/gain on defined benefit pension scheme	23	**(1.2)**	2.0
Tax on items that will never be reclassified to profit or loss	21	**0.2**	(0.4)
Total other comprehensive (expense)/income		**(1.0)**	1.6
Total comprehensive income for the year		**5.8**	9.4

The notes on pages 47 to 73 form part of these Group financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2019

	Note	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	12	**45.5**	45.7
Intangible assets	13	**24.7**	22.2
Deferred income tax assets	21	**3.1**	3.1
		73.3	71.0
Current assets			
Inventories	14	**5.6**	5.7
Trade and other receivables	15	**67.2**	64.1
Cash and cash equivalents	16	**2.8**	0.5
Derivative financial instruments	20	**0.2**	0.2
		75.8	70.5
Total assets		**149.1**	141.5
Current liabilities			
Trade and other payables	17	**(66.7)**	(67.5)
Current income tax liabilities		**(1.1)**	(1.1)
Borrowings	19	**(0.2)**	(0.1)
Contingent deferred consideration		**–**	(0.8)
		(68.0)	(69.5)
Non-current liabilities			
Borrowings	19	**(13.0)**	(6.8)
Deferred income tax liabilities	21	**(3.7)**	(3.6)
Retirement benefit obligations	23	**(17.3)**	(17.1)
Provisions	18	**–**	(0.1)
		(34.0)	(27.6)
Total liabilities		**(102.0)**	(97.1)
Net assets		**47.1**	44.4
Equity			
Share capital	22	**12.2**	12.2
Other reserves		**34.9**	32.2
Total equity		**47.1**	44.4

The Group financial statements on pages 42 to 46 were approved by the Board of Directors on 30 July 2019 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 47 to 73 form part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 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 loss on defined benefit pension scheme (note 23)	–	–	2.0	2.0
Tax on items that will never be reclassified to profit or loss (note 21)	–	–	(0.4)	(0.4)
Total other comprehensive income	–	–	1.6	1.6
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
Profit for the year	**–**	**–**	**6.8**	**6.8**
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme (note 23)	**–**	**–**	**(1.2)**	**(1.2)**
Tax on items that will never be reclassified to profit or loss (note 21)	**–**	**–**	**0.2**	**0.2**
Total other comprehensive expense	**–**	**–**	**(1.0)**	**(1.0)**
Total comprehensive income for the year	**–**	**–**	**5.8**	**5.8**
Transactions with owners:				
Dividends paid (note 9)	**–**	**–**	**(3.1)**	**(3.1)**
Issue of shares	**–**	**–**	**–**	**–**
Value of employee services	**–**	**–**	**(0.1)**	**(0.1)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.1**	**0.1**
	–	**–**	**(3.1)**	**(3.1)**
Balance at 31 May 2019	**12.2**	**0.9**	**34.0**	**47.1**

The notes on pages 47 to 73 form part of these Group financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £m	2018 £m
Net cash generated from operating activities	25	**6.4**	12.9
Cash flows from investing activities			
Purchase of intangible assets	13	**(0.2)**	(0.2)
Purchase of property, plant and equipment	12	**(2.8)**	(2.9)
Acquisition of subsidiaries – cash paid (net of cash acquired)	11	**(3.5)**	–
Payment of contingent deferred consideration		**(0.8)**	(0.5)
Proceeds on sale of property, plant and equipment		**0.2**	0.2
Net cash used in investing activities		**(7.1)**	(3.4)
Cash flows from financing activities			
Increase/(decrease) in bank borrowings		**6.2**	(7.0)
Capital element of finance lease and hire purchase payments		**(0.1)**	(0.1)
Dividends paid	9	**(3.1)**	(2.9)
Net cash generated from/(used in) financing activities		**3.0**	(10.0)
Net increase/(decrease) in cash and cash equivalents	26	**2.3**	(0.5)
Cash and cash equivalents at beginning of year	26	**0.5**	1.0
Cash and cash equivalents at end of year	26	**2.8**	0.5

The notes on pages 47 to 73 form part of these Group financial statements.

1. General information

NWF Group plc ('the Company') is a public limited company incorporated and domiciled in England, United Kingdom, 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 30 July 2019.

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.

Going concern

Based on financial performance to date and forecasts along with the available banking facilities, there is 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.

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, exceptional items and amortisation of intangibles, 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 2018.

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 year beginning on
IFRS 9	Financial Instruments: Classification and Measurement	1 June 2018
IFRS 15	Revenue from Contracts with Customers	1 June 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 June 2018
Amendment to IFRS 2	Share-based Payments	1 June 2018
Amendment to IAS 40	Investment Properties	1 June 2018
Annual improvements 2014 – 2016	Various	1 June 2018

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 year beginning on
IFRIC 23	Uncertainty over Income Tax Treatments	1 June 2019
Annual improvements 2015 - 2017	Various	1 June 2019
Amendment to IAS 19	Employee Benefits	1 June 2019
Amendment to IFRS 9	Financial Instruments	1 June 2019
IFRS 16	Leases	1 June 2019

IFRS 16 'Leases' is effective for financial years commencing 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 shorter than 12 months, or the asset value is low. For the Group, it will result in the recognition of almost all leases on the balance sheet as a right of use asset, with a corresponding lease liability.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

2. Significant accounting policies continued

Adoption of new and revised standards continued

The Group currently leases both properties and vehicles under a series of operating lease contracts which will be impacted by the new standard. These types of leases can no longer be recognised as operating leases and will need to be brought onto the Group's balance sheet from the date of adoption of the new standard. The Group has elected to apply the following practical expedients:

» In determining whether existing contracts meet the definition of a lease, the Group will not reassess those contracts previously identified as leases and will not apply the standard to those contracts not previously identified as leases.

» Short-term leases (leases of shorter than 12 months and leases with fewer than 12 months remaining) as at the date of adoption of the new standard will not be within the scope of IFRS 16.

» Leases for which the asset is of low value, for example a photocopier, will not be within the scope of IFRS 16.

The Group has elected to apply the simplified transition approach with the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at 1 June 2019. The Group estimates that the impact of IFRS 16 will be material to items in the balance sheet but not overall net assets, with an estimated increase in assets of £16.5 million and an increase in liabilities of £16.5 million at 1 June 2019. The effect of IFRS 16 on the income statement is expected to be a £0.2 million increase in operating profit and a £0.3 million increase in finance costs. There will be no net cash flow impact arising from the adoption of the new standard.

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. Accumulated experience is used to estimate and provide for these items, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Group does not expect to have any contracts where the period between transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2. Significant accounting policies continued

Revenue recognition continued

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 the performance obligations have been met; that is, the products are delivered to the specific location, the risk of loss has been transferred and the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from sale of fuels includes fuel duty.

Food

Revenue from storage, handling and re-packaging of customers' products is recognised when the relevant service has been performed and the performance obligations have been met. For distribution revenue performance obligations are met when the customers' products arrive at the destination.

Revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a daily, weekly or monthly basis and consideration is payable when invoiced. A receivable is recognised when the services are provided, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

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

Segment reporting

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

Taxation

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

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

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

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

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

Borrowing costs

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

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

Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

2. Significant accounting policies continued

Property, plant and equipment continued

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
Cars and commercial vehicles	4 – 8 years

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

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

Intangible assets

Goodwill

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

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

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

Brands

Separately acquired brands are shown at historical cost less accumulated amortisation. 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 of 10 years.

Customer relationships

Separately acquired customer relationships are shown at historical cost less accumulated amortisation. Customer relationships acquired in a business combination are recognised at fair value at the date of acquisition. Customer relationships 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 these assets over their estimated useful lives of 10 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.

2. Significant accounting policies continued

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, effective from 1 June 2018, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Under the new accounting standard, the Group continues to establish a provision for impairment of trade receivables 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. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

In addition, IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for receivables impairment, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectable, it is written off against the provision for receivables impairment. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Derivative financial instruments and hedging activities

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

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

Cash and cash equivalents

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

Trade and other payables

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

Exceptional items

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

Bank borrowings

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

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

Retirement benefit costs

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

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the income statement when they are due. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

2. Significant accounting policies continued

Retirement benefit costs continued

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

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

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

Share-based payments

In the year ended 31 May 2019, the Group operated one (2018: one) equity-settled share-based payment plan, details of which can be found in note 24 of the Group financial statements.

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

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

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

Provisions

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

Leases and hire purchase agreements

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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 or over the term of the lease, where shorter than the useful economic life.

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, including the impact of GMP, 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 23 of the Group financial statements.

Valuation of acquired intangibles

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

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

3. Revenue

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

	2019 £m	2018 £m
Sale of goods	**623.4**	570.6
Rendering of services	**47.9**	40.4
	671.3	611.0

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.

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.

2019	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	449.5	48.4	180.4	678.3
Inter-segment revenue	(6.5)	(0.5)	–	(7.0)
Revenue	443.0	47.9	180.4	671.3
Result				
Headline operating profit	5.6	1.8	2.8	10.2
Segment exceptional item (note 5)	(0.2)	–	–	(0.2)
Group exceptional item (note 5)				(0.3)
Amortisation of acquired intangibles	(0.1)	–	–	(0.1)
Operating profit as reported				9.6
Finance costs (note 7)				(0.9)
Profit before taxation				8.7
Income tax expense (note 8)				(1.9)
Profit for the year				6.8
Other information				
Depreciation and amortisation	1.4	1.6	1.7	4.7
Fixed asset additions	0.5	0.6	1.7	2.8

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

4. Segment information continued

2019	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	**61.2**	**30.3**	**51.7**	**143.2**
Deferred income tax assets (note 21)				**3.1**
Cash at bank and in hand (note 16)				**2.8**
Consolidated total assets				**149.1**
Liabilities				
Segment liabilities	**(46.4)**	**(5.3)**	**(15.0)**	**(66.7)**
Current income tax liabilities				**(1.1)**
Deferred income tax liabilities (note 21)				**(3.7)**
Borrowings (note 19)				**(13.2)**
Retirement benefit obligations (note 23)				**(17.3)**
Consolidated total liabilities				**(102.0)**

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
Fixed asset additions	0.7	0.7	1.5	2.9

4. Segment information continued

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 21)				3.1
Cash at bank and in hand (note 16)				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 21)				(3.6)
Borrowings (note 19)				(6.9)
Contingent deferred consideration				(0.8)
Retirement benefit obligations (note 23)				(17.1)
Consolidated total liabilities				(97.1)

5. Profit before taxation

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

	2019 £m	2018 £m
Cost of inventories recognised as an expense (included in cost of sales)	**589.9**	534.1
Depreciation of property, plant and equipment (note 12)	**3.9**	3.7
Amortisation of other intangible assets (note 13)	**0.8**	0.8
Profit on disposal of property, plant and equipment	**(0.1)**	(0.1)
Operating lease charges – land and buildings	**0.3**	0.2
Operating lease charges – other	**4.2**	3.8
Staff costs (note 6)	**40.1**	35.9
Exceptional items	**0.5**	–

An exceptional cost of £0.5 million (2018: £Nil) is included in administrative expenses. Exceptional items by type are as follows:

	2019 £m	2018 £m
GMP equalisation	**0.3**	–
Acquisition-related costs	**0.2**	–
Exceptional cost	**0.5**	–

GMP equalisation – On 26 October 2018, the High Court issued a judgement involving the Lloyds Banking Group defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits. The judgement has implications for many defined benefit schemes, including the NWF Group Benefits Scheme.

We have worked with our actuarial advisors to understand the implications of the High Court judgement for the NWF Group Benefits Scheme and, as a result, have recorded a non-cash £0.3 million pre-tax exceptional expense to reflect our best estimate of the effect on our reported pension liabilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

5. Profit before taxation continued

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. It is expected that there will be further court hearings to further clarify the application of GMP equalisation in practice. Also, it is not yet known whether Lloyds Banking Group will appeal the High Court judgement. Whilst the financial statements reflect the best estimate of the impact on pension liabilities reflecting the information currently available, that estimate reflects several assumptions. The Directors will continue to monitor any further clarifications or court hearings arising from the Lloyds Banking Group case and consider the impact on pension liabilities accordingly.

The Directors have made the judgement that the estimated effect of GMP equalisation on the Group's pension liabilities is a past service cost that should be reflected through the consolidated income statement and that any subsequent change in the estimate of that should be recognised in other comprehensive income. The judgement is based on the fact that the reported pension liabilities for the NWF Group Benefits Scheme did not previously include any amount in respect of GMP equalisation.

Acquisition-related costs – The acquisition-related costs comprise professional fees and other costs in relation to the two acquisitions made during the year. Of the total cost, £0.2 million impacted cash in the year.

Services provided by the Company's auditors

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

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	31	42
Fees payable to the Company's auditors for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	123	82
– non-audit assurance services	3	13
– tax compliance services	59	29
Total auditors' remuneration	216	166

6. Staff costs

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

	2019 Number	2018 Number
Fuels	217	209
Food	580	475
Feeds	217	208
Head office	14	14
	1,028	906

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 32.

	2019 £m	2018 £m
Wages and salaries	35.2	31.6
Social security costs	3.7	3.3
Share-based payments (note 24)	0.1	0.2
Other pension costs (note 23)	1.1	0.8
	40.1	35.9

In addition to the above staff costs, the Group incurred £Nil termination costs (2018: £0.1 million), and £4.7 million (2018: £4.2 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

	2019 £m	2018 £m
Interest on bank loans and overdrafts	**0.5**	0.4
Total interest expense	**0.5**	0.4
Net finance cost in respect of defined benefit pension schemes (note 23)	**0.4**	0.5
Total finance costs	**0.9**	0.9

Borrowing costs of £0.2 million were capitalised in the year ended 31 May 2019 (2018: £Nil).

8. Income tax expense

	2019 £m	2018 £m
Current tax		
UK corporation tax on profits for the year	**2.0**	1.9
Adjustments in respect of prior years	**0.1**	(0.1)
Current tax expense	**2.1**	1.8
Deferred tax		
Origination and reversal of temporary differences	**(0.2)**	–
Adjustments in respect of prior years	**–**	0.1
Deferred tax (income)/expense (note 21)	**(0.2)**	0.1
Total income tax expense	**1.9**	1.9

During the year ended 31 May 2019, corporation tax has been calculated at 19.0% of estimated assessable profit for the year (2018: 19.0%).

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:

	2019 £m	2018 £m
Profit before taxation	**8.7**	9.7
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.0% (2018: 19.0%)	**1.6**	1.8
Effects of:		
– expenses not deductible for tax purposes	**0.2**	0.1
– adjustments in respect of prior years	**0.1**	–
Total income tax expense	**1.9**	1.9

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

	2019 £m	2018 £m
Final dividend for the year ended 31 May 2018 of 5.3p (2017: 5.0p) per share	**2.6**	2.4
Interim dividend for the year ended 31 May 2019 of 1.0p (2018: 1.0p) per share	**0.5**	0.5
Amounts recognised as distributions to equity shareholders in the year	**3.1**	2.9
Proposed final dividend for the year ended 31 May 2019 of 5.6p (2018: 5.3p) per share	**2.7**	2.6

The proposed final dividend is subject to approval at the AGM on 27 September 2019 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 2019

10. Earnings per share

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

	2019	2018
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**6.8**	7.8
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**48,735**	48,658
Weighted average dilutive effect of conditional share awards	**15**	173
Weighted average number of shares for the purposes of diluted earnings per share	**48,750**	48,831
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**13.9**	16.0
Diluted earnings per ordinary share	**13.9**	15.9
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	**15.8**	16.8
Diluted headline earnings per ordinary share	**15.8**	16.7

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

	2019 £m	2018 £m
Profit for the year attributable to equity shareholders	**6.8**	7.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	**0.4**	0.5
Exceptional items	**0.5**	–
Amortisation of acquired intangibles	**0.1**	–
Tax effect of the above	**(0.1)**	(0.1)
Headline earnings	**7.7**	8.2

11. Business combinations

On 1 December 2018, the Group acquired 100% of the share capital of Midland Fuel Oil Supplies Limited, a 12 million litre fuel distributor based in Solihull. On 3 April 2019, the Group acquired 100% of the share capital of Consols Oils Limited, a 25 million litre fuel distributor based in Redruth. The combined net consideration for the two Fuels acquisitions was £3.5 million before acquisition costs.

Details of the total consideration and the provisional fair values of the assets and liabilities acquired are shown below:

	Initial fair value of assets acquired £m
Intangible assets – goodwill	2.5
Intangible assets – brand	0.1
Intangible assets – customer relationships	0.5
Property, plant and equipment	1.0
Stock	0.2
Trade and other receivables	2.2
Cash	1.5
Trade and other payables	(2.5)
Hire purchase liabilities	(0.2)
Current income tax liability	(0.1)
Deferred tax liability	(0.2)
	5.0

Provisional goodwill of £2.5 million arises from the acquisitions and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the two acquisitions. None of the goodwill is expected to be deductible for income tax purposes.

As the acquisitions were made in the year, the above amounts are provisional and subject to adjustment.

11. Business combinations continued

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(5.0)
Cash and cash equivalents acquired	1.5
	(3.5)
Acquisition-related costs	(0.2)
	(3.7)

Acquisition-related costs of £0.2 million have been charged to the income statement (included within exceptional costs) in the year ended 31 May 2019.

The following amounts have been recognised within the consolidated income statement in respect of the two acquisitions made in the year: revenue – £6.8 million; profit – £0.1 million.

Had the two acquisitions taken place at the start of the financial year, the consolidated income statement would show a pro forma increase as follows: revenue – £23.1 million; profit – £0.5 million.

12. 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 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 1 June 2018	37.0	1.5	24.2	10.1	72.8
Additions	0.2	–	2.4	0.2	2.8
Acquired	–	–	–	1.0	1.0
Disposals	–	–	(0.3)	(1.4)	(1.7)
At 31 May 2019	**37.2**	**1.5**	**26.3**	**9.9**	**74.9**
Accumulated depreciation					
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 1 June 2018	10.0	0.3	11.3	5.5	27.1
Charge for the year	0.9	–	1.8	1.2	3.9
Disposals	–	–	(0.3)	(1.3)	(1.6)
At 31 May 2019	**10.9**	**0.3**	**12.8**	**5.4**	**29.4**
Carrying amount					
At 31 May 2019	**26.3**	**1.2**	**13.5**	**4.5**	**45.5**
At 31 May 2018	27.0	1.2	12.9	4.6	45.7

The Group has pledged certain freehold land and buildings with a carrying value of £22.6 million (31 May 2018: £23.1 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 2019 of £Nil and £0.4 million (31 May 2018: £0.2 million and £0.2 million) respectively. The depreciation charges for the year ended 31 May 2019 relating to these assets were £Nil and £0.1 million (2018: £Nil and £0.1 million) respectively.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

13. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Brands £m	Total £m
Cost					
At 1 June 2017	20.7	5.9	–	1.0	27.6
Additions	–	0.2	–	–	0.2
At 1 June 2018	20.7	6.1	–	1.0	27.8
Additions	2.5	0.2	0.5	0.1	3.3
At 31 May 2019	**23.2**	**6.3**	**0.5**	**1.1**	**31.1**
Accumulated amortisation					
At 1 June 2017	0.6	3.9	–	0.3	4.8
Charge for the year	–	0.7	–	0.1	0.8
At 1 June 2018	0.6	4.6	–	0.4	5.6
Charge for the year	–	0.7	–	0.1	0.8
At 31 May 2019	**0.6**	**5.3**	**–**	**0.5**	**6.4**
Carrying amount					
At 31 May 2019	**22.6**	**1.0**	**0.5**	**0.6**	**24.7**
At 31 May 2018	20.1	1.5	–	0.6	22.2

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

Customer relationships

Customer relationships are allocated as follows:

	2019 £m	2018 £m
Fuels	**0.5**	–
	0.5	–

Brands

Brands are allocated as follows:

	2019 £m	2018 £m
Feeds	**0.3**	0.3
Fuels	**0.3**	0.3
	0.6	0.6

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:

	2019 £m	2018 £m
Feeds	**11.9**	11.9
Fuels	**10.7**	8.2
	22.6	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 2020 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 10.3% (2018: 9.3%) 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 20 and 21, 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 2019 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.

14. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**3.0**	2.7
Finished goods and goods for resale	**2.6**	3.0
	5.6	5.7

15. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**64.9**	60.8
Less: provision for impairment	**(1.2)**	(1.1)
Trade receivables – net	**63.7**	59.7
VAT recoverable	**0.7**	1.3
Other receivables	**0.3**	0.1
Prepayments and accrued income	**2.5**	3.0
	67.2	64.1

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. Under IFRS 9, the Group is required to utilise objective evidence as well as consider forward-looking information and the probability of default when calculating expected credit losses. The maturity of financial assets and history of write-offs is therefore used as an indicator as to the probability of default. Trade receivables are written off when they have been overdue for a number of years, or if a customer has entered into insolvency and there is no expectation of recovery.

The loss allowance as at 31 May 2019 and 1 June 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 May 2019	Current	<30 days past due	30 to 60 days past due	>60 days past due	Total
Expected loss rate	0.05%	0.31%	0.84%	60.63%	
Gross carrying amount (£m)	59.2	2.7	1.2	1.8	64.9
Loss allowance (£m)	**0.1**	**–**	**–**	**1.1**	**1.2**

1 June 2018	Current	<30 days past due	30 to 60 days past due	>60 days past due	Total
Expected loss rate	0.02%	0.03%	2.53%	35.54%	
Gross carrying amount (£m)	51.0	4.8	2.3	2.7	60.8
Loss allowance (£m)	–	–	0.1	1.0	1.1

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

	2019 £m	2018 £m
At 1 June	**1.1**	1.0
Provision for receivables impairment	**0.2**	0.2
Receivables written off in the year	**(0.1)**	(0.1)
At 31 May	**1.2**	1.1

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.

16. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**2.8**	0.5

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

17. Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	**58.8**	60.6
Social security and other taxes	**1.0**	1.0
Accruals and deferred income	**6.9**	5.9
	66.7	67.5

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

18. Provisions

	2019 £m	2018 £m
Other provision	**–**	0.1

A provision of £0.1 million was held as at 31 May 2018 to account for the indirect tax relating to a business acquired in a prior year. The movement represents a settlement with HMRC.

19. Borrowings

	2019 £m	2018 £m
Current		
Obligations under hire purchase agreements	**0.2**	0.1
Non-current		
Invoice discounting advances	**10.0**	2.8
Revolving credit facility	**3.0**	4.0
	13.0	6.8
Total borrowings	**13.2**	6.9

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 (2018: £65.0 million), is outlined below.

Invoice discounting advances
Invoice discounting advances at 31 May 2019 were drawn under a committed facility with an expiry date of 31 October 2023 (2018: 31 October 2023). 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 (2018: £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% (2018: 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 2019 totalling £10.0 million (2018: £2.8 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 (2018: £20.0 million).

Revolving credit facility
The Group has a revolving credit facility of £10.0 million (2018: £10.0 million) with an expiry date of 31 October 2023 (2018: 31 October 2023). Interest is charged on amounts drawn down at 1.60 – 1.85% per annum above LIBOR (2018: 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 2019 is £3.0 million (2018: £4.0 million).

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

19. Borrowings continued

Bank overdrafts

The Group's net bank overdraft facility at 31 May 2019 is repayable on demand and is subject to a maximum limit of £1.0 million (2018: £1.0 million). None of the facility was utilised at 31 May 2019 (2018: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2018: 1.5% per annum over the bank's base rate).

Bank guarantee

The Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank 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 £13.0 million (2018: £6.8 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:

	2019 £m	2018 £m
Between two and five years	**13.0**	6.8

Bank borrowing facilities by expiry date

The Group has a number of bank borrowing facilities which were partly drawn down at 31 May 2019. The Group is in compliance with all covenants.

	2019		2018	
Facilities expiring:	**Facility £m**	**Amount drawn £m**	Facility £m	Amount drawn £m
Within one year	**1.0**	**–**	1.0	–
Between two and five years	**57.2**	**13.0**	57.6	6.8
	58.2	**13.0**	58.6	6.8

The availability of invoice discounting facilities included above, amounting to £47.2 million (31 May 2018: £47.6 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	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Within one year	**0.2**	0.1	**0.2**	0.1
Between two and five years	**–**	–	**–**	–
Present value of obligations	**0.2**	0.1	**0.2**	0.1
Analysed as:				
Amounts due for settlement within 12 months (shown as current liabilities)			**0.2**	0.1
Amounts due for settlement after 12 months			**–**	–
			0.2	0.1

All hire purchase obligations are denominated in Sterling.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

20. 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 2019 and 2018 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 65 and 66 (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 2019	Total book and fair value £m	Fixed interest rate %
Financial liabilities carried at amortised cost:		
Trade and other payables	66.7	–
Hire purchase obligations repayable within one year	0.2	–
	66.9	–
Floating rate invoice discounting advances	10.0	–
Revolving credit facility	3.0	–
Hire purchase obligations repayable after one year	–	–
	13.0	–
Total	79.9	–

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	–

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

20. 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 2019	Total book and fair value £m	Fixed interest rate %
Trade and other receivables	**64.7**	**–**
Financial assets carried at amortised cost: cash and cash equivalents	**2.8**	**–**
Financial assets carried at fair value: derivatives	**0.2**	**–**
	67.7	**–**

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	–

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 2019, the Group had open forward supply contracts with a principal value of £27.1 million (31 May 2018: £36.2 million). The fair value of forward supply contracts recognised on the balance sheet is £0.2 million (31 May 2018: £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 (2018: £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 2019 profit before taxation by approximately £0.2 million (2018: £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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

20. 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 19), 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:

	2019	2018
Borrowings (£m) (note 19)	**13.2**	6.9
Less: cash at bank and in hand (£m)	**(2.8)**	(0.5)
Net debt (£m)	**10.4**	6.4
Headline EBITDA (£m) (EBITDA adjusted for exceptional items – see note 5)	**14.8**	15.1
Net debt/EBITDA ratio	**0.7x**	0.4x

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

21. 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 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
(Credit)/debit to income statement (note 8)	(0.3)	(0.1)	0.2	(0.2)
Debit to equity	–	0.1	–	0.1
Arising on intangibles on acquisition	0.1	–	–	0.1
Acquired	0.1	–	–	0.1
Prior year adjustment	0.2	–	(0.2)	–
At 31 May 2019	**3.7**	**(2.9)**	**(0.2)**	**0.6**

The majority of the deferred taxation balance is expected to reverse after more than 12 months.

22. Share capital

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2017	48,644	12.1
Issue of shares (see below)	16	0.1
Balance at 31 May 2018	48,660	12.2
Issue of shares (see below)	90	–
Balance at 31 May 2019	**48,750**	**12.2**

During the year ended 31 May 2019, 89,920 (2018: 15,900) shares with an aggregate nominal value of £22,480 (2018: £3,975) 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 2019, amounted to 1,216,945 (31 May 2018: 1,096,487). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 23).

23. 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 £1.1 million (2018: £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 2018: £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 2019. 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 19 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 2020.

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.

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23. Retirement benefit schemes continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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

	2019 %	2018 %
Discount rate	**2.50**	2.75
Future salary increases	**n/a**	n/a
RPI inflation	**3.20**	3.05
CPI inflation	**2.20**	2.05
Pension increases in payment (LPI 5%)	**3.05**	2.95

The mortality assumptions adopted imply the following life expectancies:

	2019 Years	2018 Years
Current pensioners – male life expectancy at age 65	**21.5**	21.9
Future pensioners currently aged 45 – male life expectancy at age 65	**22.8**	23.3

The 2019 mortality assumptions above are based on S2PXA tables with CMI 2018 improvements and a long-term trend rate of 1.25% (2018: S2PXA tables with CMI 2017 improvements and a long-term trend rate of 1.25%).

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

	2019 £m	2018 £m
Present value of defined benefit obligations	**(55.3)**	(53.4)
Fair value of scheme assets	**38.0**	36.3
Deficit in the scheme recognised as a liability in the balance sheet	**(17.3)**	(17.1)
Related deferred tax asset (note 21)	**2.9**	2.9
Net pension liability	**(14.4)**	(14.2)

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

	2019 £m	2018 £m
Current service cost	**0.1**	–
Past service cost	**0.3**	–
Administrative expenses	**0.3**	0.4
Interest on the net defined benefit liability	**0.4**	0.5
Total cost recognised in the income statement	**1.1**	0.9

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:

	2019 £m	2018 £m
Actuarial gain/(loss) on plan assets	**0.9**	(0.6)
Actuarial (loss)/gain arising from changes in financial assumptions	**(2.1)**	2.6
Re-measurement (loss)/gain	**(1.2)**	2.0

23. Retirement benefit schemes continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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

	2019 £m	2018 £m
At 1 June	**53.4**	59.4
Current service cost	**0.1**	–
Interest cost	**1.4**	1.5
Re-measurement losses/(gains):		
– actuarial losses/(gains) arising from changes in financial assumptions	**2.1**	(2.6)
Benefits paid	**(2.0)**	(4.9)
Past service cost	**0.3**	–
At 31 May	**55.3**	53.4

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

	2019 £m	2018 £m
At 1 June	**36.3**	39.5
Interest income	**1.0**	1.0
Re-measurement gains/(losses):		
– actuarial gains/(losses) on plan assets	**0.9**	(0.6)
Contributions by employer	**2.1**	1.7
Expenses	**(0.3)**	(0.4)
Benefits paid	**(2.0)**	(4.9)
At 31 May	**38.0**	36.3

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

	Fair value of assets	
	2019 £m	2018 £m
Equities	**7.9**	7.6
Corporate bonds	**–**	7.6
Liability-driven investment fund	**7.1**	6.7
Credit fund	**7.9**	–
Property fund	**0.1**	0.4
Diversified growth fund	**13.0**	13.0
Cash	**1.6**	0.5
Annuity policies	**0.4**	0.5
Total	**38.0**	36.3

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 £1.9 million (2018: £0.4 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.

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23. Retirement benefit schemes continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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

- asset mix is based on 34% diversified growth fund, 21% equity investments, 21% credit funds, 19% liability driven investment ('LDI') funds and 5% 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 credit funds. 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 LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;
- 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 19 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	(2.3)	2.3
0.25% change in RPI inflation	1.7	(1.7)
One-year change in the life expectancy at age 65	2.2	(2.2)

24. Share-based payments

In the year ended 31 May 2019, the Group operated one (2018: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £0.1 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2019 (2018: £0.2 million).

Long-term Incentive Plan ('the Plan')

The Group operates a Performance Share Plan for senior executives, further details of which can be found in the Directors' Remuneration Report in the Group financial statements. Under the Plan, the Group has made awards of conditional shares, which have yet to be exercised, to certain Directors on 12 August 2016 (vesting date: August 2019) and 1 August 2017 (vesting date: August 2020) and 1 August 2018 (vesting date: August 2021). 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 2019, 31 May 2018, 31 May 2017 and 31 May 2016, are as shown below.

	2019 Number of conditional shares	2018 Number of conditional shares	2017 Number of conditional shares	2016 Number of conditional shares
At 1 June	**1,096,487**	867,014	1,164,392	1,083,361
Granted in the year	**434,178**	478,347	304,421	417,073
Exercised in the year	**(169,660)**	–	(219,130)	(336,042)
Lapsed/forfeited in the year	**(144,060)**	(248,874)	(382,669)	–
At 31 May	**1,216,945**	1,096,487	867,014	1,164,392

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 2019 shown above is £1.9 million (31 May 2018: £1.6 million), before taking into account the likelihood of achieving non-market-based performance conditions.

24. Share-based payments continued

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

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

	2019	2018	2017	2016
Share price at grant date	**£1.97**	£1.48	£1.73	£1.64
Exercise price	**£Nil**	£Nil	£Nil	£Nil
Expected volatility	**23.48%**	21.42%	20.99%	20.55%
Expected life	**2.83 years**	2.83 years	2.81 years	2.67 years
Expected dividend yield	**3.61%**	3.89%	3.47%	3.79%
Risk-free interest rate	**0.85%**	0.27%	0.03%	0.69%

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.

25. Net cash generated from operating activities

	2019 £m	2018 £m
Operating profit	**9.6**	10.6
Adjustments for:		
Depreciation of property, plant and equipment	**3.9**	3.7
Amortisation of other intangible assets	**0.8**	0.8
Profit on disposal of fixed assets	**(0.1)**	(0.1)
Share-based payment expense	**–**	0.2
Contribution to pension scheme not recognised in income statement	**(1.4)**	(1.3)
Operating cash flows before movements in working capital and provisions	**12.8**	13.9
Movements in working capital:		
Decrease/(increase) in inventories	**0.3**	(1.5)
Increase in receivables	**(0.9)**	(2.8)
(Decrease)/increase in payables	**(3.3)**	5.3
Utilisation of provision	**(0.1)**	(0.2)
Net cash generated from operations	**8.8**	14.7
Interest paid	**(0.5)**	(0.4)
Income tax paid	**(1.9)**	(1.4)
Net cash generated from operating activities	**6.4**	12.9

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

	1 June 2018 £m	Cash flow £m	Other non-cash movements £m	**31 May 2019 £m**
Cash and cash equivalents (note 16)	0.5	2.3	–	**2.8**
Debt due after one year	(6.8)	(6.2)	–	**(13.0)**
Hire purchase obligations due within one year	(0.1)	0.1	(0.2)	**(0.2)**
Hire purchase obligations due after one year	–	–	–	**–**
Total Group	(6.4)	(3.8)	(0.2)	**(10.4)**

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27. 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 2019 £m	Land and buildings 2018 £m	Other 2019 £m	Other 2018 £m
Within one year	**0.2**	0.1	**5.6**	3.3
Between one and five years inclusive	**0.4**	0.4	**16.5**	8.5
After more than five years	**0.6**	0.5	**0.9**	–
	1.2	1.0	**23.0**	11.8

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.

28. 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':

	2019 £m	2018 £m
Short-term employee benefits (salary and bonus)	**3.6**	3.4
Post-employment benefits	**0.3**	0.3
Termination benefits	**–**	0.1
Share-based payments	**–**	0.3
	3.9	4.1

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

Directors' transactions

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,655 as a customer of the Group in the year ended 31 May 2019 (31 May 2018: £2,108). At 31 May 2019, the amount outstanding was £Nil (31 May 2018: £Nil). During the year, the highest amount outstanding totalled £904 (2018: £584).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,104 as a customer of the Group in the year ended 31 May 2019 (2018: £2,679). At 31 May 2019, the amount outstanding was a credit balance of £641 (31 May 2018: £405 credit). During the year, the balance remained in credit (2018: 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 £1,573 as a customer of the Group in the year ended 31 May 2019 (2018: £1,589). At 31 May 2019, the amount outstanding was £345 (31 May 2018: £Nil). During the year, the highest amount outstanding totalled £575 (2018: £467).

29. Commitments for capital expenditure

	2019 £m	2018 £m
Authorised and contracted but not provided for	**0.1**	0.1

30. 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 2019 of £22.6 million (31 May 2018: £23.1 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £13.0 million at 31 May 2019 (31 May 2018: £6.8 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 2018: £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.

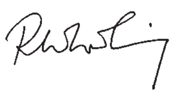
31. Post balance sheet events

On 10 July 2019, in line with the Group's strategy, the Group acquired 100% of the share capital of David Hermon Hodge Group Limited, a 75 million litre fuel distributor based in the North West. The consideration of £4.5 million was satisfied in cash and the assumption of debt. A fair value exercise is underway and will be disclosed in the next Half Year Report.

PARENT COMPANY BALANCE SHEET
AS AT 31 MAY 2019

	Note	2019 £m	2018 £m
Fixed assets			
Property, plant and equipment	3	**0.2**	0.2
Investment property	4	**22.7**	23.2
Investments	5	**15.3**	0.4
Deferred tax asset	6	**3.1**	3.0
		41.3	26.8
Current assets			
Trade and other receivables	7	**10.9**	27.9
Cash and cash equivalents		**0.1**	–
		11.0	27.9
Current liabilities			
Trade and other payables	8	**(4.5)**	(10.8)
Net current assets		**6.5**	17.1
Total assets less current liabilities		**47.8**	43.9
Non-current liabilities			
Borrowings		**(3.0)**	(4.0)
Deferred income tax liabilities	6	**(2.6)**	(2.6)
Retirement benefit obligations		**(17.3)**	(17.1)
Net assets		**24.9**	20.2
Capital and reserves			
Retained earnings at 1 June		**7.1**	8.3
Profit for the year		**9.1**	–
Other changes in retained earnings		**(4.4)**	(1.2)
Retained earnings at 31 May		**11.8**	7.1
Called up share capital	9	**12.2**	12.2
Share premium account		**0.9**	0.9
Total shareholders' funds		**24.9**	20.2

The Parent Company financial statements on pages 74 to 76 were approved by the Board of Directors on 30 July 2019 and were signed on its behalf by:



R A Whiting
Director

C J Belsham
Director

The notes on pages 77 to 84 form part of these Parent Company financial statements.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £m	2018 £m
Profit for the year attributable to equity shareholders		**9.1**	–
Items that will never be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme		**(1.2)**	2.0
Tax on items that will never be reclassified to profit or loss	6	**0.2**	(0.4)
Total other comprehensive (expense)/income		**(1.0)**	1.6
Total comprehensive income for the year		**8.1**	1.6

The notes on pages 77 to 84 form part of these Parent Company financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m
Balance at 1 June 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
Profit for the year	**–**	**–**	**9.1**	**9.1**
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	**–**	**–**	**(1.2)**	**(1.2)**
Tax on items that will never be reclassified to profit or loss	**–**	**–**	**0.2**	**0.2**
Total comprehensive income for the year	**–**	**–**	**8.1**	**8.1**
Transactions with owners:				
Dividends paid	**–**	**–**	**(3.1)**	**(3.1)**
Issue of shares	**–**	**–**	**–**	**–**
Value of employee services	**–**	**–**	**(0.1)**	**(0.1)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.1**	**0.1**
Discounting of intercompany loan receivable	**–**	**–**	**(0.3)**	**(0.3)**
	–	**–**	**(3.4)**	**(3.4)**
Balance at 31 May 2019	**12.2**	**0.9**	**11.8**	**24.9**

The notes on pages 77 to 84 form part of these Parent Company financial statements.

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 2018.

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 year beginning on
IFRS 9	Financial Instruments: Classification and Measurement	1 June 2018
IFRS 15	Revenue from Contracts with Customers	1 June 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	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

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

Standard or interpretation	Content	Applicable for financial year beginning on
IFRIC 23	Uncertainty over Income Tax Treatments	1 June 2019
Annual improvements 2015 – 2017	Various	1 June 2019
Amendment to IAS 19	Employee Benefits	1 June 2019
Amendment to IFRS 9	Financial Instruments	1 June 2019
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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

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 £9.1 million including dividends received (2018: £Nil). 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:

Plant and machinery	3 – 10 years

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 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 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, effective from 1 June 2018, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Under the new accounting standard, the Group continues to establish a provision for impairment of trade receivables 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. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for receivables impairment, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectable, it is written off against the provision for receivables impairment. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

1. Significant accounting policies continued

Cash and cash equivalents

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

Trade and other payables

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

Retirement benefit costs

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

Defined contribution schemes

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the income statement when they are due. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

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 2019, the Company operated one (2018: 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

With the exception of 'Valuation of acquired intangibles', the critical accounting estimates set out in the Group financial statements also apply to the Company.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

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 2018	0.7	0.7
At 31 May 2019	**0.7**	**0.7**
Accumulated depreciation		
At 1 June 2018	0.5	0.5
Charge for the year	–	–
At 31 May 2019	**0.5**	**0.5**
Carrying amount		
At 31 May 2019	**0.2**	**0.2**
At 31 May 2018	0.2	0.2

4. Investment property

	Investment property £m	Total £m
Cost		
At 1 June 2018	32.7	32.7
Additions	0.3	0.3
At 31 May 2019	**33.0**	**33.0**
Accumulated depreciation		
At 1 June 2018	9.5	9.5
Charge for the year	0.8	0.8
At 31 May 2019	**10.3**	**10.3**
Carrying amount		
At 31 May 2019	**22.7**	**22.7**
At 31 May 2018	23.2	23.2

The fair value of the investment property at 31 May 2019 was £30.4 million (31 May 2018: £27.6 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 (2018: £2.7 million) and direct operating expenses of £2.0 million (2018: £1.9 million) arising from investment property have been recognised in the income statement.

5. Investments

	£m
Cost and carrying amount	
At 1 June 2018	0.4
Conversion of intercompany loan to equity	14.9
At 31 May 2019	**15.3**

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
Midland Fuel Oil Supplies Limited	Fuel distribution
Consols Oils Limited	Fuel distribution
S.C. Feeds Limited	Dormant
Jim Peet (Agriculture) Limited	Dormant
Staffordshire Fuels Limited	Dormant
Evesons Fuels Limited	Dormant
Swan Petroleum Limited	Dormant
Evesons (Worcestershire) Limited	Dormant
Nutrition Express Limited	Dormant
Broadland Fuels Limited	Dormant
J G W Thomas & Son Limited	Dormant
Fuel Oil Supply Co Limited	Dormant
Knutsford Domestic Fuel Oil Company Limited	Dormant
Figaro Number One Limited	Dormant

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

6. Deferred taxation
The following are the principal categories of deferred tax assets and liabilities recognised by the Company and the movements thereon:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
At 1 June 2018	2.6	(3.0)	(0.4)
Credit to income statement	–	(0.2)	(0.2)
Debit to equity	–	0.1	0.1
At 31 May 2019	**2.6**	**(3.1)**	**(0.5)**

7. Trade and other receivables

	2019 £m	2018 £m
Amounts owed by Group undertakings	**9.5**	26.7
Prepayments and accrued income	**0.4**	0.3
Corporation tax recoverable	**0.9**	0.8
VAT recoverable	**0.1**	0.1
	10.9	27.9

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% (2018: 2.0%) per annum. £14.8 million of amounts owed by Group undertakings has been converted into equity. A provision of £0.3 million (2018: £0.3 million) against amounts owed by Group undertakings has been recognised in accordance with IFRS 9.

8. Trade and other payables

	2019 £m	2018 £m
Trade payables	**0.5**	0.3
Amounts owed to Group undertakings	**1.8**	8.4
Accruals and deferred income	**2.1**	1.9
Other taxation and social security	**0.1**	0.2
	4.5	10.8

The Group has a net bank overdraft facility amounting to £1.0 million, none of which has been utilised by the Company at 31 May 2019 (31 May 2018: £1.0 million). 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 £1.8 million (31 May 2018: £8.4 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 2.0% (2018: 2.0%) per annum. Any remaining amounts are non-interest-bearing trade balances.

9. Called up share capital

	Number of shares 000s	Total £m
Authorised: ordinary shares of 25p each		
Balance at 1 June 2017, 31 May 2018 and 31 May 2019	80,000	20.0

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2017	48,644	12.1
Issue of shares	16	0.1
Balance at 31 May 2018	48,660	12.2
Issue of shares	90	–
Balance at 31 May 2019	**48,750**	**12.2**

During the year ended 31 May 2019, 89,920 (2018: 15,900) shares with an aggregate nominal value of £22,480 (2018: £3,975) 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 2019, amounted to 1,216,945 (31 May 2018: 1,096,487). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 24 of the Group financial statements).

10. Employee benefit expense

	2019 £m	2018 £m
Wages and salaries	**1.6**	1.9
Social security costs	**0.2**	0.2
Share-based payments	**0.1**	0.2
Other pension costs	**0.1**	0.1
	2.0	2.4

The average monthly number of persons (including Directors) employed in the Company during the year was 14 (2018: 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

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,104 as a customer of the Group in the year ended 31 May 2019 (2018: £2,679). At 31 May 2019, the amount outstanding was a credit balance of £641 (31 May 2018: £405 credit). During the year, the balance remained in credit (2018: 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 £2,655 as a customer of the Group in the year ended 31 May 2019 (31 May 2018: £Nil). At 31 May 2019, the amount outstanding was £Nil (31 May 2018: £Nil). During the year, the highest amount outstanding totalled £904 (31 May 2018: £Nil).

S R Andrew purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,573 as a customer of the Group in the year ended 31 May 2019 (2018: £1,589). At 31 May 2019, the amount outstanding was £345 (31 May 2018: £Nil). During the year, the highest amount outstanding totalled £575 (2018: £467).

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2019

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 24 of the Group financial statements.

The Company recognised total expenses of £0.1 million in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2019 (2018: £0.2 million).

13. Pensions

The Company is the sponsoring employer in the NWF Group Benefits Scheme, a pension arrangement providing benefits based on final pensionable pay. Details of the NWF Group Benefits Scheme, its liabilities and assets, together with the principal assumptions used in the valuation of its liabilities, are given in note 23 to the Group financial statements.

Contributions into the scheme and amounts charged to the profit and loss account during the year were £2.1 million (2018: £1.7 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2018: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2018: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2018: £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 2019 of £22.6 million (31 May 2018: £23.1 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Company has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £13.0 million at 31 May 2019 (31 May 2018: £6.8 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 2018: £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 26 September 2019 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 2019 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend of 5.6p per share for the year ended 31 May 2019 payable to shareholders on the register on 1 November 2019.
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 Chris Belsham as a Director of the Company.
7. To re-elect David Downie as a Director 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);
     - 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Special business continued

10. That, subject to the passing of Resolution 9 on page 85, 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 85 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 85, 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 85, 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 24 September 2019.
4. Only those members entered on the register of members of the Company at the close of business on 24 September 2019 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 24 September 2019 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 26 September 2019 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 2019, the declaration of a final dividend, the reappointment of each of Philip Acton, Yvonne Monaghan, Richard Whiting, Chris Belsham and 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 31 July 2019. As at close of business on 31 July 2019 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 5 August 2019 (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 5 August 2019. 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	26 September 2019
Dividend:	
– Ex-dividend date	1 November 2019
– Record date	2 November 2019
– Payment date	5 December 2019
Announcement of half-year results	Early February 2020
Publication of Interim Report	Early February 2020
Interim dividend paid	May 2020
Financial year end	31 May 2020
Announcement of full-year results	Early August 2020
Publication of Annual Report and Accounts	Late August 2020

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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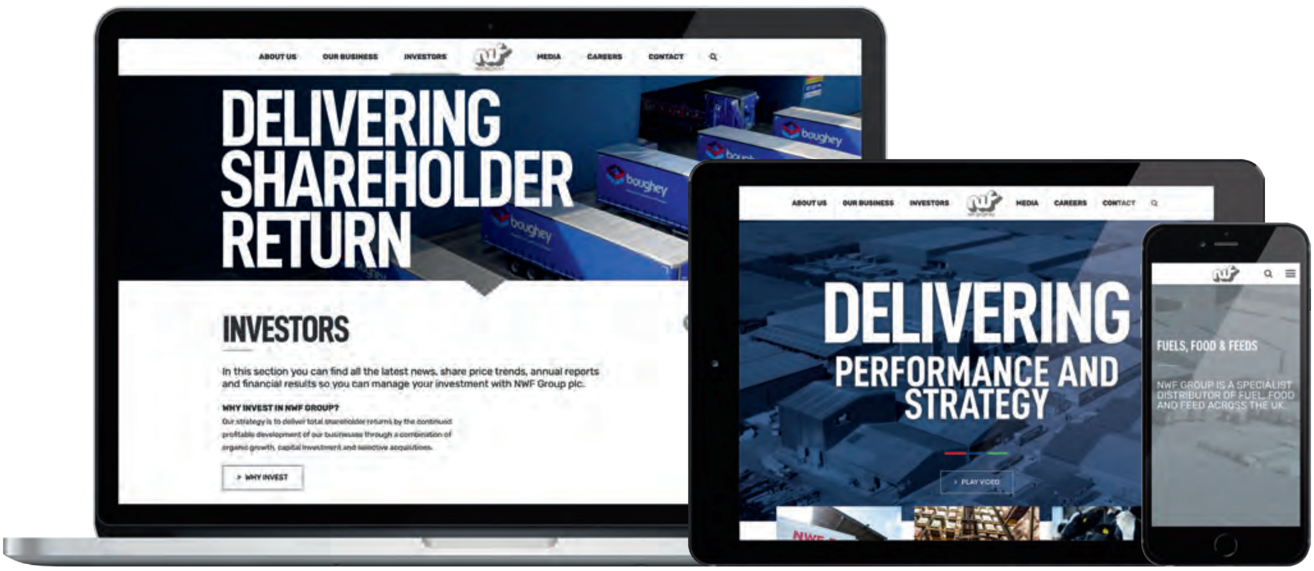

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