NWF GROUP PLC

FUELS

FOOD

FEEDS

NWF Group plc

Annual Report and Accounts 2021

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

Divisional highlights

Fuels

Integrating acquisitions

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 695 million litres across the UK to 127,000 customers.

Read more on **pages 7–9**

Headline operating profit

£9.3m

-15.5%

Strong performance, ahead of expectations and against the prior year which benefitted from significant oil price volatility. Continued effective commercial and operational execution across the depot network, with strong gas and heating oil sales driving further mix improvement.

Food

Completed warehouse expansion

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over 1,000,000ft^2 of warehousing and significant distribution assets.

Read more on **pages 10–11**

Headline operating profit

£1.9m

+35.7%

Good second half recovery after volatile trading conditions in H1 as a result of Brexit and pandemic buying patterns. The new Crewe warehouse has been fully utilised and has delivered business benefits in line with expectations. Efficiency improvements have delivered the sustained profit improvement.

Feeds

Focus on nutrition

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,550 customers in the UK, feeding one in six dairy cows in Britain.

Read more on **pages 12–13**

Headline operating profit

£1.7m

-10.5%

Continued to support farming customers across the country with nutritional advice and on time deliveries. Performance was impacted by unprecedented commodity price increases during key winter months, exacerbated by a lack of visibility as a result of the cyber incident.

Financial highlights for the year ended 31 May 2021

Revenue

£675.6m

-1.7%

21	675.6
20	687.5
19	671.3

Total dividend per share

7.2p

+4.3%

21	7.2
20	6.9
19	6.6

Fully diluted headline EPS[1]

20.4p

-4.2%

21	20.4
20	21.3
19	15.8

Headline profit before tax[1]

£11.9m

-9.8%

21	11.9
20	13.2
19	9.7

Headline operating profit[1]

£12.9m

-9.8%

21	12.9
20	14.3
19	10.2

Net debt to headline EBITDA[2]

0.3x

21	0.3
20	0.7
19	0.7

1 Headline operating profit excludes exceptional items (see note 5) 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. The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances (see note 10). Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. Diluted headline earnings per share also take into account the taxation effect thereon.

2 Net debt to headline EBITDA is calculated based on net debt excluding IFRS 16 lease liabilities. The headline EBITDA calculation excludes the impact of IFRS 16 depreciation.

Contents

www Find out more about NWF and watch our latest video at ***www.nwf.co.uk***

Continued performance, delivery and resilience

Philip Acton
Non-Executive Chair

Summary

- Performance ahead of the market expectations established pre-pandemic. Second highest profit performance on record for the Group; prior year benefitted from a significant fall in the oil price.
- Continued effective response to Covid-19:
  - All divisions have remained open and operational, providing essential services.
  - Continually updated risk assessments across the Group, enabling safe working and meeting customer needs.
  - No Government support utilised and no staff furloughed.
- For the tenth successive year it is proposed to increase the total dividend, by 4.3% to 7.2p per share, reflecting the Board's confidence in prospects of the business.

Overview

I am pleased to report another year of outperformance for the Group, exceeding the market expectations that were established before the pandemic. I am proud of the response of all our employees to the Covid-19 pandemic and would like to thank them for their ongoing efforts during this difficult time. The resilience and capability of the Group has been highlighted in the positive response to the challenges of Covid-19, Brexit uncertainty and the cyber incident experienced by the Group in the first half. I am also pleased to report that NWF has not utilised any form of Government support, furloughed any employees or delayed payments at any stage of the pandemic.

As a consequence of the good progress achieved, the Group's cash generation, and confidence in the Group's resilience and future prospects, the Board is recommending a final dividend of 6.2p per share, to be paid to shareholders on 10 December 2021 (2020: 5.9p) giving a total dividend of 7.2p per share (2020: 6.9p), a 4.3% increase on the prior year. This is the tenth year that the Group has increased the dividend, highlighting continual sustained improvements in performance.

Our business

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

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

*Read more about our divisions on **pages 7–13***

The Crewe warehouse

Our warehouse in Crewe is now fully utilised and delivering on planned performance.

Read more about this investment on ***pages 10–11***

Watch the construction timelapse in our latest video at ***nwf.co.uk***

Key areas of focus for the Board in 2021 were:

Responding proactively to market conditions
The Group has responded well to volatile market conditions throughout the year. The demand for fuel was a little subdued in H1 as consumers had stocked up in the prior year. This was then offset by strong demand through cold winter months and home working and a continued focus on gas oil sales across our 25 depots. In Food there was significant volatility in H1 with retailers and consumers creating demand uncertainty in response to concerns around Covid-19 and potential impacts and scenarios around Brexit. This demand profile then stabilised in the second half allowing the business to drive efficiency in operations across our sites and improve performance. In Feeds the overall ruminant market grew, driven principally by increased demand for sheep and beef feed where NWF has a smaller share given our focus on dairy.

Delivering on strategy
The Group has been executing a successful acquisition strategy, focused on the Fuel business, which was paused through the peak uncertainty created by the pandemic before activity recommenced in the autumn. Whilst no businesses have been acquired in the year activity in building our pipeline has taken place, albeit limited by lockdowns and lack of face-to-face meetings. The acquisitions completed in prior years in aggregate have performed in line with expectations and further integration planning work has been completed to support future activity. The significant expansion of the Food business with the full utilisation of the new 240,000ft^2 warehouse in Crewe has significantly increased the scale of activities. The NWF Academy in Feeds is now back in full operation with a third cohort being recruited for the autumn, with training having been undertaken virtually for much of the year.

Cash generation
Cash generation remains a focus for the Group and net debt has been further reduced to 0.3x headline EBITDA as strong cash performances have been delivered across the Group and capex was a little lower than anticipated.

Rewarding good service
The consistent focus on excellence in customer service across the Group has been critical to our continued development with safe working practices and significant home working across the Group.

Commodity volatility
Volatility in oil and feed commodity prices continued to be significant and the businesses managed this effectively. In Fuels, the price of oil (which is purchased on the spot market) moved from a low point of $38 per barrel to end the year at $70 per barrel for Brent Crude. In line with market practice, Feeds buys most of its raw materials under forward purchase contracts. Feed input commodities increased to unprecedented levels with a basket of spot commodities peaking at over 40% higher than at the start of the year.

ESG framework
The Board recognises the importance of ESG and has established four pillars of strategic focus. During the year investing in our people has been a priority to ensure safe working whilst maintaining great service to all our customers across the country. We report on a number of initiatives and areas of focus on pages 22 to 26. We continue 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 that meaningful compliance with its ten main principles should provide shareholders with confidence in how the Group operates.

Read more about our sustainability policy on ***pages 22–26***

Read our Section 172 (1) Statement on ***page 27***

Employees
The Group now employs in excess of 1,200 people across the three divisions and Head Office. I would like to offer my personal thanks to all of our employees for their outstanding efforts and commitment to the Group during these challenging times.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 30 September 2021.

Philip Acton
Non-Executive Chair
3 August 2021

Total dividend per share

7.2p

(2020: 6.9p)

Trading ahead of expectations

Richard Whiting
Chief Executive

Summary

- Outperformance in Fuels with strong heating oil demand supported by a cold winter and an increase in home working during the pandemic.
- Strong second half recovery in Food delivering on the anticipated benefits of the new Crewe warehouse, which has been fully utilised.
- Feeds performance impacted by the significant increase in feed commodity prices and reduced management information as a result of the cyber incident.
- Performance to date in the current financial year has been in line with the Board's expectations.

Overview
NWF has delivered another strong set of results, ahead of expectations set before the pandemic, demonstrating continued performance delivery and resilience. Our teams have worked hard during the year meeting customers' needs whilst staying safe. I'm proud of how we have responded to the challenges of Covid-19, Brexit and a cyber incident and exited the year strongly, with low levels of debt and a clear growth strategy.

An effective focus on cash continues and the second highest profit in the Group's history has been converted into cash maintaining significant headroom and a low level of leverage which provides significant scope to fund development activity across the Group. We are proposing an increased dividend, demonstrating the Board's continued confidence in the prospects of the Group, and have a number of strategic development opportunities which we continue to review.

Fuels has delivered a good result, with a solid performance across our depot network and an improvement in product mix as a consequence of clear sales focus and the business benefitting from a cold winter and customers moving to home working during the pandemic.

The Food division experienced a year of very different halves. In H1 significant demand volatility as a consequence of Covid-19 and Brexit caused disruption and inefficiency which was reversed in H2 when efficiency and profitability increased significantly. The new 240,000ft^2 Crewe warehouse was fully utilised and is delivering on its investment case.

Feeds continued to focus on nutritional advice to farmers across the country and was negatively impacted by the unprecedented increases in commodity prices in the key winter months and a lack of visibility during a cyber incident. This incident at the end of October prompted the Group to instigate its cyber response plan, backed by a bespoke cyber insurance policy; the incident was contained satisfactorily and additional security measures were applied to all of the Group's IT systems.

Net debt to headline EBITDA

0.3x

(2020: 0.7x)

The Group delivered headline operating profit of £12.9 million (2020: £14.3 million) and headline profit before tax was 9.8% lower than the record prior year at £11.9 million (2020: £13.2 million). Operating profit was £12.1 million (2020: £13.5 million). Diluted headline earnings per share were 4.2% lower at 20.4p (2020: 21.3p)[1].

Another strong set of results, ahead of expectations set before the pandemic.”

Cash management remains strong with net debt of £5.7 million (2020: £12.3 million) excluding lease liabilities, representing 0.3x headline EBITDA, after £3.0 million of net capital expenditure which was a little lower than normal.

Feeds Sales Academy

NWF is committed to developing future nutritionists.

*Read more on **page 13***

*See this year's Academy intake in our latest video at **nwf.co.uk***

Outlook

In Fuels we have a proven depot-based operating model and a clear growth strategy to add to the network with acquisitions. These are being actively pursued and the opportunity for growth remains significant.

In Food we continue to seek improvement opportunities to continue the progress made in the second half of 2021 and have sufficient contracted business to continue to build on our performance utilising the Wardle and Crewe sites. We do not anticipate the significant volatility events that marked the year to December 2020.

In Feeds, with commodity prices stabilising and a good milk price, demand is anticipated to remain solid and we will look to increase business on the back of continued developments from the Academy and others joining the sales team of a progressive national feed business.

The Group has clearly demonstrated its capability to deliver performance and has great resilience. There is a significant opportunity for growth backed by strong cash flows and flexible banking facilities alongside a strong asset base. 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.

We will continue to consider development opportunities.”

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
3 August 2021

1 The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis.

Q&A with the Chief Executive

What were the key highlights from the last 12 months?
The year has again demonstrated the resilience and robustness of the NWF Group, our employees, customers and suppliers. As a Group, we have delivered on the market expectations set before the pandemic despite a number of challenges: unprecedented demand volatility in our Food distribution business, significant inflationary pressures in our Feeds and Fuels businesses and a cyber incident in October. We have fully utilised our new Crewe warehouse facility and continued to seek acquisitions to develop the Fuels business. As in the previous financial year we have not utilised any Government support programmes or furloughed any staff through the year.

What is NWF's ESG policy?
The key aspects of our ESG framework are covered in the Group's Corporate Governance Report and our sustainability strategy. We continue to adopt the Quoted Companies Alliance's ten principles of good governance and our sustainability strategy focuses on four pillars: creating a culture of safety, investing in our people, building strong partnerships and respecting the environment.

*Read more about our ESG policy from **page 22***

How has Covid-19 impacted the year?
All NWF employees have been designated as key workers and we continued to feed and fuel the nation with all businesses fully operational across the year. We have continued to follow Government guidelines with home working wherever possible. In warehouse, mill and office environments where staff have been physically present, regular health and safety assessments have been implemented to ensure safe working for all of our people. All our drivers have specific guidance to support them in making deliveries to commercial and domestic premises across the country. No Government support has been utilised and no employees furloughed.

Is the Group still focused on Fuels acquisitions as the key growth strategy?
The strategy of acquiring fuel businesses to consolidate a fragmented market is at the heart of our growth strategy. We are actively involved in discussions with a number of businesses and whilst the last 12 months has caused a delay in this activity, particularly during periods of lockdown, we are positive the opportunities remain. We have in the last year completed further work on our acquisition integration programme which is critical to the continued acquisition activity. The businesses acquired since 2019 have performed as planned and are earnings enhancing.

Has the significant expansion of Food distribution at Crewe met your expectations?
The Crewe warehouse construction work was completed during the first lockdown and stocked up in the early months of this year. We have a facility to be proud of, setting new benchmarks for operating efficiency and delivering a significant proportion of our ambient groceries around the UK. Demand volatility hampered our results in the first half but the operation is now performing in line with plans and sets the standard for further developments in our Food business.

How sustainable is oil distribution?
At the core of our Fuel business we supply 90,000 domestic consumers with oil to heat their homes. We do this in an energy efficient way with a modern tanker fleet utilising the latest efficient technology to minimise fuel consumption and emissions. We continue to monitor developments in home heating off grid and have taken part in trials for non-fossil fuel alternatives to heat our customers' homes. We encourage the installation of modern high efficiency condensing boilers to reduce the environmental impact. Over the next 40 years the energy requirements of our customers will change and we look forward to meeting the changing energy needs of all our customers across the UK. In our commercial business we are involved in areas including agriculture, commercial heating and supplying diesel to HGVs. Currently there are limited alternative sources of energy for our customers in these key markets.

How has the increase in commodity prices in both Feeds and Fuels impacted the Group during the year?
In Fuels we are used to price volatility and are not exposed to movements in price as we purchase on the spot markets and have very low stock levels. In Feeds agricultural commodities increased sharply to unprecedented levels which has impacted the division's performance as we were unable to pass on the increasing commodity prices immediately to our farming customers, as most customers would expect prices to be stable in the winter period.

Has Covid-19 impacted the way in which NWF engages with its stakeholders?
Stakeholder engagement has become fully virtual in the last 12 months. We have held more meetings with institutional shareholders over the last 12 months as a result of the simplicity of back-to-back meetings around our results announcements. We have also increased engagement with private investors utilising Piworld and Investor Meet Company webinars where investors can engage with the Group Executive directly. Over 200 employees attended our annual results webinar compared to groups of 20 in our meeting room at Head Office. The video content of our website has been expanded to allow all stakeholders access to presentations including the Group's AGM for the first time. A focus has been to increase customer and supplier communications owing to the inability to hold face-to-face meetings.

How has the Board operated in the last 12 months?
For the majority of the financial year Board meetings and interactions have been held virtually, with Board members predominantly home based. In the early stages of the pandemic the Board met virtually on a weekly basis and from the start of the year mid-month update meetings continued until February 2021. Richard Armitage, a CFO in a FTSE 250 business, joined the Board in July 2020, and has had an accelerated induction with the increased number of sessions held during the year. Richard brings a wealth of experience and knowledge ensuring the Board composition remains solid with the appropriate mix of skills, personal qualities and capability.

What was the impact and response to the cyber incident?
The Group suffered from a cyber incident at the end of 2020. There was no interruption to production or delivery of customers' orders and a cyber insurance policy was triggered which gave us access to expert external support staff. Additional security measures have now been applied to all the Group's IT systems and there has been no material impact to commercial or trading performance.

*Stay up to date at **nwf.co.uk***

Integrating acquisitions

With 127,000 customers being supplied across 25 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.

Customers
127,000
(2020: 116,000)

Litres of fuel delivered
695m
(2020: 665m)

Fuel depots owned
25
(2020: 25)

Acquisitions
5
since 2019

Richard Huxley
Managing Director, Fuels

"A strong performance across our 25-depot network servicing solid demand from a cold winter and increased home working."

Our strategy

- Consolidate a highly fragmented market
- Expand existing geographical area
- Increase business density in existing territories
- Invest in a clean fleet
- Active acquisition pipeline

Review of the year

Fuels' strong performance was as a consequence of a commercial focus on gas oil and solid demand for heating oil across all depots as a result of a cold winter and increased home working during lockdowns by domestic customers. The extended winter period supported margins stronger than anticipated which more than offset any lower commercial activity from the impact of Covid-19.

Volumes rose 4.5% to 695 million litres (2020: 665 million litres); however, revenue decreased by 4.8% to £447.8 million (2020: £470.2 million) due to a change in sales mix and lower average oil prices offsetting the volume growth. On a like-for-like basis (excluding the impact of acquisitions) volumes were stable. The average Brent Crude oil price in the year was $52 per barrel compared to $54 per barrel in the prior year. Oil started the year at $38 per barrel and ended the year at $70 per barrel with periods of slow increase the most challenging and where volatility supports performance.

> **"We have a proven depot-based operating model with a clear growth strategy to add to the network with acquisitions."**

Headline operating profit was £9.3 million (2020: £11.0 million) benefitting from increased volumes, positive product mix and improved margins across the year. Net profits of 1.4 pence per litre are higher than the long-term average of 1.0 pence per litre highlighting some one-off gains but also the improved product mix with robust demand for heating oil and gas oil sales. The record prior year benefitted from a dramatic fall in the price of oil and a significant demand increase at the start of the pandemic, delivering a net profit of 1.6 pence per litre.

Acquisition activity was paused at the start of the pandemic with the Board agreeing to restart activity in the autumn. Whilst good progress has been made in developing the pipeline, no acquisitions were completed in the year and the physical restrictions in place through lockdowns reduced progress. There are still significant opportunities to consolidate the fuels market and the business is continuing to build its pipeline and assess potential targets across the country.

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. This model supported our ability to respond swiftly and effectively to the increased consumer demand and significant commodity price volatility experienced during lockdown. We continue to believe that our model 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 continue to invest in enhancing systems and capabilities for the Fuels division which we believe will improve efficiencies and provide a strong platform for continued growth.

With over 127,000 customers (2020: 116,000) being supplied across 25 fuel depots in the year (2020: 25), Fuels operates in large and robust markets and, as a business, it has consistently proved it can effectively manage the impact of volatility in oil prices. The industry remains highly fragmented, with many small operators, which provides NWF with further opportunities to consolidate the market and increase share.

Division KPIs

Revenue

£447.8m

-4.8%

21	447.8
20	470.2
19	443.0

Headline operating profit

£9.3m

-15.5%

21	9.3
20	11.0
19	5.6

Volume (litres)

695m

+4.5%

21	695
20	665
19	552

Five Fuels acquisitions

Five fuels acquisitions have been made since 2019 which are performing as planned and are earnings enhancing.

*Read more about our acquisition strategy on **page 9***

Market trends and our responses

Strong domestic demand during a cold winter and increased home working

As people were asked to stay at home there was an increase in demand for heating oil to keep homes warm during this period. The extended cold winter period similarly increased demand for heating oil and we were able to focus our fleet of 146 tankers to deliver this fuel to homes across the country. NWF operates a depot focused model which was critical in enabling our 25 depot teams to respond to the needs of customers in their local area.

Added value services

The Fuels division supplied AdBlue and premium kerosene as value added services to our customers during the year. AdBlue is required in all new diesel vehicles and we were able to offer both bulk and small storage units for AdBlue on our customers' premises. Premium kerosene helps maintain the performance of kerosene in domestic storage environments.

Improving our environmental impact

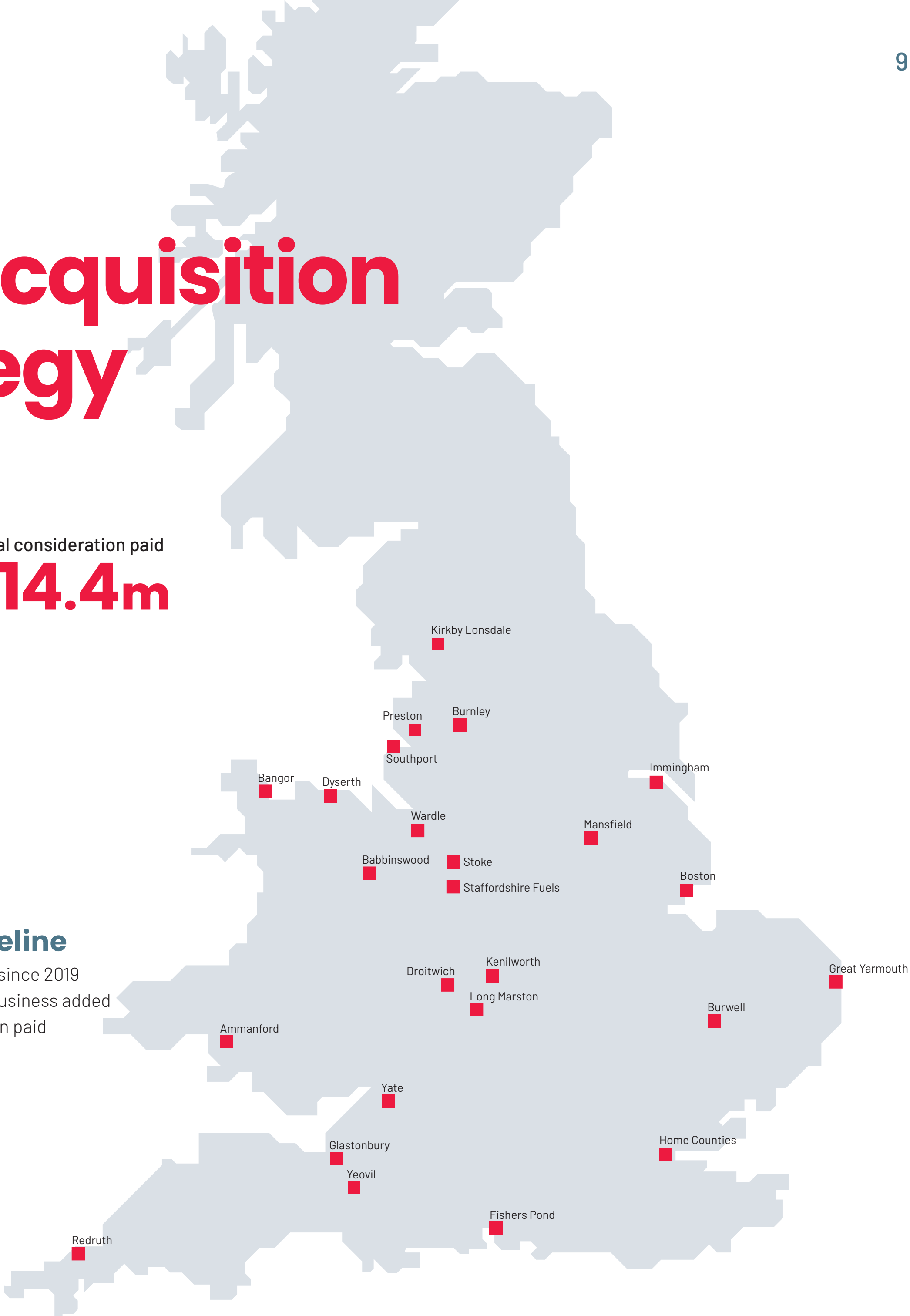
The business has continued to invest in new fuel-efficient Euro 6 tankers which have an improved fuel efficiency and lower emission levels. During the year, Fuels have worked with Esso Petroleum Company Limited to distribute their lower carbon part-renewable HVO30 (diesel containing 30% hydro-treated vegetable oil) product to commercial and agricultural customers, on a trial basis, which significantly reduces the emissions from heating and transport applications.

Our acquisition strategy

Acquisitions
5
since 2019

Total consideration paid
£14.4m

Business added
150m
litres



Acquisition pipeline

- Acquired five businesses since 2019
- Over 150 million litres of business added
- £14.4 million consideration paid

Acquisition process

The Group has a clear established process for the identification, valuation, acquisition and integration of complementary oil distribution businesses.

1

Proactive target identification
NWF continues to develop a pipeline of acquisition opportunities focused on UK oil distribution businesses. Opportunities are sourced from a combination of proactive approaches by NWF, off-market approaches to NWF by sellers and participation in formal sales processes. NWF targets those businesses whose business model and geography will combine with NWF most effectively to create additional shareholder value.

2

Clear valuation and pricing strategy
The Group has a standardised process for assessing the value of a target business to NWF and pricing the transaction accordingly. The Group operates within this process and quickly rejects opportunities that do not meet its valuation and pricing parameters.

3

Effective transaction process
NWF has an established legal, environmental and financial due diligence process and advisory team which combines with in-house operational and commercial due diligence and integration planning. This enables the Group to conclude transactions in an effective, cost efficient and timely manner.

4

Integration and value delivery
The Group has a clear post-acquisition integration strategy and plan to ensure that shareholder value is delivered. The integration model is based on retaining the brand and customer-facing aspects of the acquired business whilst centralising finance, IT and credit control to create efficiencies and bring processes in line with the wider Group.

Completed warehouse expansion

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.

Pallets stored
120,000
(2020: 103,000)

People
691
(2020: 682)

Trucks
117
(2020:118)

Trailers
305
(2020:266)

Keith Forster
Managing Director, Food

“Solid overall performance managing significant volatility and delivering efficiency improvements.”

Our strategy

- Optimise the customer mix
- Optimise storage and distribution solutions on the Wardle and Crewe sites
- Crewe – a centre of excellence
- Total capacity 135,000 pallet spaces
- Value added niche businesses:
  - E-fulfilment
  - Palletline
- Targeted expansion backed by customer and retailer contracts

Review of the year

A solid overall performance has been achieved with underperformance in H1 offset by a result ahead of expectation in H2. Significant trading volatility was experienced in H1 as a result of atypical Covid-19 demand patterns from consumers and retailers, compounded by uncertainty around Brexit, which together led to business inefficiencies. With stock in the optimum locations in H2 and more normal demand levels, combined with a significant efficiency improvement backed by the new Crewe warehouse, profitability markedly improved.

Revenue increased by 13.5% to £54.8 million (2020: £48.3 million). Storage overall was at an average of 120,000 pallets (2020: 103,000 pallets), as the Crewe facility came fully on stream and no external warehousing was utilised. Pallets despatched increased by 13% on the prior year, reflecting the increased activity of new customer contracts. The mix was somewhat adverse as a result of lower activity for food service and cash and carry outlets where complex distribution activity generates higher value work.

Headline operating profit was £1.9 million (2020: £1.4 million). Demand increased for e-fulfilment services and whilst a small contribution was made, the growth of the business was offset by continued investment in training and expansion of facilities. The Palletline operation exceeded expectations and a solid performance was delivered by the repacking operation at Wardle.

The new Crewe 240,000ft^2 warehouse was fully utilised in the year, with new and existing customers, with storage at an average of over 26,000 pallets out of a capacity of 35,000 spaces and is 90% utilised at year end, performing in line with our expectations. This operation focuses on full pallet, full load activities with more complex added value operations being completed in the Wardle facility.

“The outlook for most product categories handled by the business is resilient.”

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.

Division KPIs

Revenue

£54.8m

+13.5%

21	54.8
20	48.3
19	47.9

Headline operating profit

£1.9m

+35.7%

21	1.9
20	1.4
19	1.8

Pallets stored

120,000

+16.5%

21	120,000
20	103,000
19	100,000

Crewe warehouse

The new Crewe warehouse is 90% utilised at year end and is performing in line with expectations.

Market trends and our responses

Significant volatility in demand from the supermarkets during the pandemic and pre-Brexit period

From September 2020 to the calendar year end there was significant volatility in demand for ambient groceries from all supermarkets. We worked with all our customers and supermarkets to meet this uncertain demand pattern, utilised overtime and subcontractors and have recruited significant additional staff to support this demand, whilst implementing safe methods of working to ensure our employees are safe.

Growth of online and home delivery

In Food we deliver our customers’ products to all their delivery points which includes all the home delivery food operators. The increase in online shopping does not negatively impact our business, it simply changes the mix of delivery destinations as we deliver to retailers’ warehouses. The growth of online has caused an increase in the demand from our e-fulfilment operation which has increased both the number of customers and throughput.

Impact of Brexit

We store food produced in the UK and from customers who import ambient grocery products from around the world. There has been some disruption to the importation of our customers’ products and we have experienced some difficulties in making deliveries to the Isle of Ireland. More importantly the UK now has a well publicised shortage of qualified HGV drivers. We have recruited 70 drivers to ensure we are not reliant on agency drivers where the shortage is most severe and have increased pay levels.

Focus on nutrition

NWF provides nutritional advice to farmers across the country with over 60 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.

Tonnes
575,000
(2020: 625,000)

People
219
(2020: 228)

Trucks
40
(2020:40)

Trailers
18
(2020:14)

Andrew Downie
Managing Director, Feeds

"We have continued to focus on providing nutritional advice and on time delivery to farmers across the country."

Our strategy

- Consolidate the UK ruminant feed market (NWF No. 2, feeding one in six dairy cows)
- Utilise national operations platform
- Continue to develop feed volumes across the country
- Promote personal development with the NWF Academy
- Increase nutritional range offering to over 4,550 farmers across the UK

Review of the year

Feeds is focused on providing nutritional advice and on time deliveries to farmers across the country. Total feed volume decreased by 8.0% to 575,000 tonnes (2020: 625,000 tonnes). Total ruminant feed market volumes were 4.7% higher than prior year with most gains in sheep and beef feed and a small market decline in core dairy compounds. Less volume was sold to other compounders and merchants in the year as planned.

Commodity prices increased sharply in the winter to unprecedented levels with peak spot commodity prices an average of 40% higher than summer levels which created challenges for the business in managing prices. This was exacerbated by a lack of data visibility as a result of the cyber incident at the end of October 2020. Price increases were implemented but were chasing ever higher commodity costs.

Revenue was higher at £173.0 million (2020: £169.0 million) reflecting the higher feed prices in the year. Headline operating profit was £1.7 million (2020: £1.9 million).

Feeds launched the NWF Academy in September 2019 in which new trainees engage on an 18-month structured training programme to become future NWF nutritionists. The Academy has recruited a second group to the programme which has been well received across the industry and, although work was transferred to a virtual classroom in 2021, a third cohort is being recruited to commence the programme in September 2021 in person.

> **“We have a broad customer base, working with 4,550 farmers across the country.”**

Average milk prices in the UK were positive, with a 2021 average price of 29.3p per litre compared to an average in the prior year of 28.6p per litre. The price in May 2021 of 30.1p per litre compares to 26.7p per litre in May 2020 maintaining farmers' returns in spite of higher feed costs at the end of the year. Milk production increased marginally to 12.6 billion litres (2020: 12.5 billion litres).

Feeds has a very broad customer base, working with over 4,550 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.

Division KPIs

Revenue

£173.0m

+2.4%

21	173.0
20	169.0
19	180.4

Headline operating profit

£1.7m

-10.5%

21	1.7
20	1.9
19	2.8

Volume (tonnes)

575,000

-8%

21	575,000
20	625,000
19	591,000

Agriculture Academy
The Feeds Sales Academy, launched in September 2019, has recruited a second group to the programme during FY21, and has a third cohort planned to commence in September 2021.

Market trends and our responses

Ruminant market 5% higher in 2021
The ruminant market is reasonably stable and resilient. The increase in 2021 was most significant in sheep and beef feed. NWF is more focused on dairy and there was a small decline in compound dairy feed offset by an increase in blend dairy feed. With a strong milk price and stable demand for milk we are anticipating a stable market.

Consolidation of dairy farmers
Over the last 20 years there has been a significant reduction in the number of dairy farmers which has been equally offset by a growth in average herd size. This trend, which has slowed in recent years owing to a lack of land availability and some planning constraints, supports the need for high quality nutritional advice and not a generalist sales resource. This plays to our strength of a nationwide team of trained nutritionists and underpins our investment in the NWF Academy.

Environmental impact of dairy farming
With increasing concerns with regards to the environmental impact of the food supply chain, NWF is well placed to advise on optimum nutrition to maximise yield and therefore minimise the environmental impact of a dairy farm. We work closely with our farming customers to meet the needs and specifications set out by retailers and dairies to support a good environmental approach. Our skilled technical team continues to look for new solutions and diets which can optimise production and reduce environmental impacts. Many of the raw materials used in feed production are by-products of the human food supply chain which therefore utilises what are, in effect, waste products.

Focused on value creation

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.

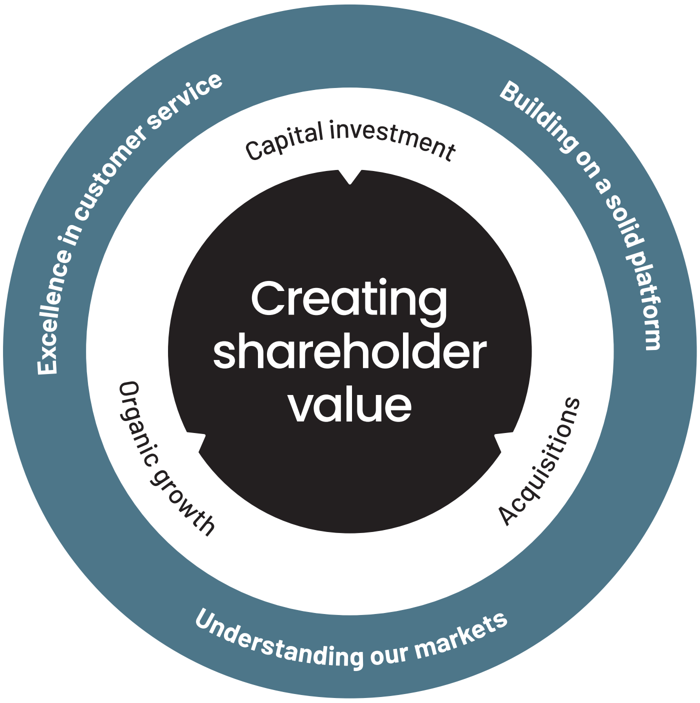
Understanding our markets
Established in 1871, the Group adds value to our customers through an in-depth knowledge of the oil, food distribution and agricultural markets.

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

Strong management team

Solid track record with ambition

5

fuels acquisitions since 2019

Growth opportunities

Consolidate and optimise

1

clear strategy

Asset backing

Strong balance sheet

£186.9m

total assets

> "The resilience of the Group was demonstrated with the response to Covid-19, Brexit and a cyber incident."

Richard Whiting
Chief Executive

Three strong divisions

Fuels

- Industry leading customer service from 25 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 4,550 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 130,000 customers across the Group, the number one priority.

Total customers
130k
(2020: 120k)

Employees and community
Year on year increase of 117 employees, investing in the local community and the future of NWF.

New employees
117
(2020: 203)

Suppliers
Our partnerships with suppliers are vital to ensure we meet all stakeholder needs and play an essential role in our business.

*Read more about our engagement with suppliers on **page 28***

Environment
We recognise that we operate in industries that can have a significant impact on the environment and that we have a responsibility to minimise it.

*Read more about our environmental initiatives on **page 22***

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

Total dividend per share
7.2p
(2020: 6.9p)

*Find our ESG policies at **nwf.co.uk***

Focus on returns

Return on capital employed is a key metric
15.8%
Group ROCE

Good cash generation

£13.9 million of cash generated from operating activities
107.8%
cash conversion

Growing dividend

Increased dividend for ten consecutive years
7.2p
total dividend per share

Strong cash generation supporting growth strategy

Chris Belsham
Group Finance Director

Summary

- Headline profit before tax of £11.9 million (2020: £13.2 million).
- Profit before tax of £10.8 million (2020: £12.0 million).
- Diluted headline EPS of 20.4p (2020: 21.3p).
- Net debt (excluding lease liabilities) of £5.7 million (2020: £12.3 million).
- Balance sheet remains in a strong position with net debt to headline EBITDA at 0.3x, highlighting the resilience of the Group and providing significant capacity to support investment driven growth.

Group results

Group revenue decreased by 1.7% to £675.6 million (2020: £687.5 million) with higher activity levels and a full year of revenue from acquisitions largely offset by the impact of the lower average oil price across the year. Headline operating profit was £12.9 million, a decrease of 9.8% (2020: £14.3 million). Operating profit decreased 10.4% to £12.1 million (2020: £13.5 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) decreased by £0.1 million to £1.0 million. The interest on bank debt was £0.5 million (2020: £0.7 million) and headline interest cover was 25.8x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2020: 20.4x).

Headline profit before taxation decreased by 9.8% to £11.9 million (2020: £13.2 million). Profit before taxation decreased by £1.2 million to £10.8 million (2020: £12.0 million). There were net exceptional items in the year of £0.5 million relating to the cyber incident and acquisition related costs (2020: £0.5 million).

The tax charge for the year was £3.0 million (2020: £3.1 million) which included an increase in the deferred tax liability of the Group arising from the Finance Bill 2021 which was substantively enacted on 24 May 2021, resulting in deferred tax balances being remeasured from 19% to 25%. This resulted in an additional charge of £1.3 million (2020: £0.5 million). Excluding the impact of the deferred tax increase the effective underlying tax rate for the year was 19.4% (2020: 21.7%). The post-tax profit for the year was £7.8 million (2020: £8.9 million).

The headline earnings per share of 20.4p represented a decrease of 5.1% (2020: 21.5p); diluted headline earnings per share decreased by 4.2% to 20.4p (2020: 21.3p). The proposed full year dividend per share increased by 4.3% to 7.2p 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 2.8x.

The finance costs in respect of the defined benefit pension scheme were £0.3 million (2020: £0.4 million).

Group results for the year ended 31 May

	2021 £m	2020 £m
Revenue	**675.6**	687.5
Cost of sales and administrative expenses	**(663.5)**	(674.0)
Headline operating profit [1]	**12.9**	14.3
Exceptional items	**(0.5)**	(0.5)
Amortisation of acquired intangibles	**(0.3)**	(0.3)
Operating profit	**12.1**	13.5
Financing costs	**(1.3)**	(1.5)
Headline profit before tax [1]	**11.9**	13.2
Exceptional items	**(0.5)**	(0.5)
Amortisation of acquired intangibles	**(0.3)**	(0.3)
Net finance cost in respect of defined benefit pension scheme	**(0.3)**	(0.4)
Profit before taxation	**10.8**	12.0
Income tax expense [2]	**(3.0)**	(3.1)
Profit for the year	**7.8**	8.9
Headline EPS [1]	**20.4p**	21.5p
Diluted headline EPS [1]	**20.4p**	21.3p
Dividend per share	**7.2p**	6.9p
Headline dividend cover [1]	**2.8**	2.9
Headline interest cover	**25.8**	20.4

1 Headline operating profit is statutory operating profit of £12.1 million (2020: £13.5 million) before exceptional items of £0.5 million (2020: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2020: £0.3 million). Headline profit before taxation is statutory profit before taxation of £10.8 million (2020: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2020: £0.4 million), the exceptional items and amortisation of acquired intangibles. The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances (see note 10). Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

2 Taxation on exceptional items in the current period has reduced the charge by £0.1 million (2020: £Nil).

Balance sheet as at 31 May

	2021 £m	2020 £m
Tangible and intangible fixed assets	**78.2**	79.9
Right of use assets	**25.4**	27.3
Net working capital	**3.5**	4.8
Derivative financial instruments	**0.1**	0.1
Net debt (excluding IFRS 16 lease liabilities)	**(5.7)**	(12.3)
Lease liabilities	**(25.6)**	(26.3)
Current tax assets/(liabilities)	**0.4**	(0.9)
Deferred tax liabilities (net)	**(1.9)**	(0.5)
Retirement benefit obligations	**(14.9)**	(21.0)
Net assets	**59.5**	51.1

Balance sheet summary

The Group increased net assets by £8.4 million to £59.5 million (31 May 2020: £51.1 million). This reflects the robust trading performance during the year with a profit for the year of £7.8 million (2020: £8.9 million) and the reduction in the IAS 19 deficit on the defined benefit pension scheme.

Tangible and intangible fixed assets decreased by £1.7 million to £78.2 million as at 31 May 2021 (31 May 2020: £79.9 million) largely as depreciation charges were in excess of capital spend. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2021 were £4.5 million and £0.7 million respectively (2020: £4.1 million and £0.6 million respectively).

Group level ROCE (based on headline operating profit) is 15.8% as at 31 May 2021 (31 May 2020: 16.7%).

Net working capital decreased by £1.3 million in the year as the Group benefitted from some short-term timing benefits at the year end. The Group's inventories increased by £1.9 million to £6.6 million (31 May 2020: £4.7 million) with trade and other receivables increasing to £72.1 million (31 May 2020: £56.7 million) and an increase in trade and other payables to £75.2 million (31 May 2020: £56.6 million).

Net debt (excluding lease liabilities) decreased by £6.6 million to £5.7 million (31 May 2020: £12.3 million), as a result of capital expenditure being lower than planned, ongoing disciplined cash management and a strong trading performance. At the year end, the Group's net debt to headline EBITDA ratio was 0.3x (2020: 0.7x).

The deficit of the Group's defined benefit pension scheme decreased by £6.1 million to £14.9 million (31 May 2020: £21.0 million). The value of pension scheme assets increased by £5.0 million to £45.1 million (31 May 2020: £40.1 million) as a result of employer contributions and actuarial gains on plan assets. The value of the scheme liabilities decreased by £1.1 million to £60.0 million (31 May 2020: £61.1 million) largely as a result of changes in actuarial assumptions, and an increase in the discount rate used to calculate the present value of the future obligations (31 May 2021: 2.00%; 31 May 2020: 1.65%).

Cash flow and banking facilities

During the year the final balance of £1.1 million was paid for the acquisition of Ron Darch & Sons Co Limited, following finalisation of the completion accounts. The closing net debt (excluding IFRS 16 lease liabilities) of £5.7 million represents a net debt to headline EBITDA ratio of 0.3x (2020: 0.7x).

The cash impact of working capital movements was £2.4 million, driven by strong cash collection and some supplier payments being taken after the year end as a result of the timing of the bank holiday. Net cash generated from operating activities and after IFRS 16 lease payments was £13.9 million (2020: £16.1 million) representing a cash conversion ratio of 107.8% of headline operating profit (2020: 112.6%).

Net capital expenditure in the year at £3.0 million (2020: £5.7 million) was lower than the annual depreciation charge, excluding IFRS 16 depreciation, of £4.5 million (2020: £4.1 million).

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.

Crewe warehouse

The Group has invested £2.3 million into a new warehouse in Crewe for our Food division, which increases storage capacity by 35%.

*Read more about this investment on **pages 10–11***

Cash flow and banking facilities for the year ended 31 May

	2021 £m	2020 £m
Operating cash flows before movements in working capital and provisions	**22.4**	23.8
Working capital movements	**2.4**	1.7
Interest paid	**(1.0)**	(1.1)
Tax paid	**(2.8)**	(2.7)
Net cash generated from operating activities	**21.0**	21.7
Capital expenditure (net of receipts from disposals)	**(3.0)**	(5.7)
Acquisition of subsidiaries – cash paid (net of cash acquired)	**(1.1)**	(6.0)
Capitalised legal costs associated with leases	**–**	(0.3)
Net cash used in investing activities	**(4.1)**	(12.0)
Net (decrease)/increase in bank borrowings	**(7.7)**	1.6
Capital element of leases	**(7.1)**	(5.6)
Dividends paid	**(3.4)**	(3.2)
Net cash used in financing activities	**(18.2)**	(7.2)
Net (decrease)/increase in cash and cash equivalents	**(1.3)**	2.5
Cash and cash equivalents at beginning of year	**5.3**	2.8
Cash and cash equivalents at end of year	**4.0**	5.3

Fuels acquisitions are the centrepiece of our strategy

The Group has completed five acquisitions since 2019 with a total consideration of £14.4 million.

*Read more about this investment on **pages 7–9***

Going concern

The Group has an agreement with NatWest 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. As at 31 May 2021 the Group had available facilities of £52.3 million (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £5.5 million.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

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 2021 was 212.0p (31 May 2020: 201.0p) and the range of market prices during the year was between 180.0p and 230.0p.

Chris Belsham
Group Finance Director
3 August 2021

A robust risk management process

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.

Risk management framework
The Board is ultimately responsible for the Group's risk management framework. The risk management process involves the identification and prioritisation of key risks and the development of appropriate controls and plans for mitigation, together with a comprehensive system of review. There are a number of ways in which risks are identified and assessed across the Group.

At a divisional level, the management teams are responsible for identifying and assessing new risks, as well as monitoring existing risks. Risks are assessed using consistent measurements of impact and likelihood. Changes to existing risks, the emergence of new risks and plans for mitigation are discussed at monthly management meetings held with the Executive Directors, and recorded in the respective divisional risk register, as appropriate. The divisional management teams are responsible for the maintenance of their risk register. Each divisional risk register is reviewed twice a year by the Executive Directors.

At a Group level, there is a continuous process of considering risk. New and emerging risks are identified through the reviews conducted at a divisional level and the experience brought by the Executive and Non-Executive Directors and as a result of the engagement of certain external specialists in areas including IT security, health and safety, pensions and taxation. As at divisional level, each risk is assessed based upon its impact and likelihood. The Group maintains a consolidated risk register whereby each recorded risk has a designated owner who is responsible for ensuring that effective controls are in place to mitigate the risk. The consolidated Group risk register is reviewed at least twice a year by the Audit Committee.

The Board obtains assurance that the risk management and related control systems in place are effective through a rolling programme of risk and controls testing across the Group and internal control updates to the Audit Committee at each meeting. Further details can be found on pages 38-39.

As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The illustration 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.

Identify risk
- Divisional reviews
- Executive and Non-Executive Directors
- External specialists

Assess risk
- Impact
- Likelihood

Respond
- Avoid
- Mitigate
- Transfer

Implement mitigation
- Controls
- Designated owner

Review performance
- Risk and controls testing
- Updates to Audit Committee

Principal risks and uncertainties continued

Principal risks and uncertainties

Risk description and impact	Mitigating actions	Change
1. Covid-19 pandemic		
The global pandemic, Covid-19, presents a number of different risks to the business. This is particularly the case if there are continued waves of Covid-19 which result in further nationwide lockdowns. Firstly, the pandemic poses a risk to the health and safety of employees. Secondly, the impact of the pandemic related restrictions on the UK economy and therefore demand for the Group's products and services, particularly in the Fuels division, is uncertain and can lead to volatility. In addition, the response of the UK Government to the pandemic may create restrictions on the Group's ability to operate.	The health and safety of employees is the Group's first priority and the Group has taken actions to ensure it complies with Government guidance in respect of safe working. The Group will continue to adapt its operations as new Government guidance is issued. The Group operates in key industries and has continued to operate profitably through the Covid-19 lockdowns and restrictions to date. Overall demand and volatility of demand in all three of the Group's divisions can be impacted depending on the specific Government restrictions in place at any time; however, all three divisions have traded profitably through the pandemic period to date. The availability of funding is closely monitored by the Group through short and long-term cash flow forecasting. The Group has significant headroom in its funding facilities.	***No change*** We monitor the Covid-19 situation closely so that we are able to respond to changes in health and safety guidance or changes in customer demand.
2. Labour shortages following Brexit		
In the aftermath of Brexit, there is an increasing shortage of HGV drivers in the UK. This could lead to significant wage inflation which all three divisions will need to respond to and it may not be possible to pass these additional costs on to customers. The shortage of drivers will also reduce the availability of agency drivers and subcontractors, making it more difficult to respond to fluctuations in demand. Lastly a chronic shortage of drivers could hinder the ability of the Group to operate at full capacity.	The Group has reduced reliance on agency drivers to ensure it is less exposed to short-term fluctuations in driver availability. The Group is keeping driver pay and terms and conditions under review and where necessary has made changes to retain drivers with the increased cost reflected in the charges to customers where possible.	***No change*** Whilst the nature of the risk posed by Brexit is now more specifically related to driver shortages, the risk rating has not changed.
3. 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*** Increases in commodity prices have been successfully managed through the year in Fuels, but unprecedented increases in commodities have impacted the performance of Feeds.
4. Impact of weather on earnings volatility		
The demand for both the Feeds and Fuels divisions is impacted by weather conditions and the severity of winter conditions, which directly affect the demand for heating oil and animal feeds. The inherent uncertainty regarding weather 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 weather. The Feeds division seeks to mitigate the extent of weather conditions on the profitability of the business through its concentration on the key dairy sector where there is a strong underlying demand. For consideration of the longer-term impacts of climate -related risks on the demand for oil, see CEO Q&A on page 6.	***No change*** Remains a principal risk in Fuels and Feeds.

Risk description and impact	Mitigating actions	Change
5. 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.
6. 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.
7. Infrastructure and IT systems		
IT system failures or business interruption events (such as cyber incidents) 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. The Group experienced a cyber incident in the year which impacted on the Fuels, Feeds and Head Office functions. The Group was able to maintain operations and working closely with its cyber insurer was able to rebuild and restore affected systems. New measures have been put in place to prevent a recurrence.	***No change*** Remains a principal risk.
8. 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.
9. 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 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.

A proactive and responsible approach

Together, we are working to deliver long-term sustainable value.

NWF Group is committed to delivering long-term sustainable value across each of our divisions. Our sustainability strategy has been developed and is being shared with all our key stakeholders with the aim of promoting responsible practices.

At NWF Group we focus on creating value with an ongoing and increasing sense of responsibility towards the wider society, environment and communities around us. The development of our sustainability strategy underpins our commitment to think differently and recognise our progress in this area. Across each of our divisions we have many examples, from small improvements in working practices to major investment in clean, modern and efficient fleet and facilities.

NWF Group employs over 1,200 members of staff across our divisions and throughout the UK. We recognise that embedding sustainable values at the core of our business is critical to attracting, developing and retaining the best talent.

Responsibility for the implementation and future development of our sustainability strategy rests with the Board of Directors, which is responsible for:

- reviewing, endorsing and achieving the sustainability policy's aims;
- ensuring each of the divisions are working towards achieving the Group's long-term sustainability objectives;
- communicating the policy and promoting the strategy to key stakeholders;
- driving continual improvement performance across the organisation; and
- developing and rolling out the supporting strategies.

In order to deliver on our sustainability ambitions, we rely on the support of our customers, suppliers, employees and other key stakeholders.

Sustainability framework
Our strategy consists of four strategic objectives that reflect our values and are designed to ensure that we take a proactive and responsible approach to the way we operate.

Strategic objectives	Priority objective	Our ambitions
Create a culture of safety	Create a culture of safety to protect our employees and the wider community.	• Champion road safety • Implement a safety-first approach
Invest in our people	Build a workforce for the future where our people are healthy and happy and can fulfil their potential.	• Promote personal and professional development • Empower future generations • Improve employee wellbeing
Build strong partnerships	Collaborate and innovate with our customers and suppliers to deliver long-term sustainable solutions.	• Understand our customers' needs • Work together with our suppliers • Collaborate and innovate for more sustainable products
Respect the environment	Reduce carbon, emissions and waste across our value chain and champion environmental stewardship.	• Invest in clean fleet • Mitigate our carbon emissions • Drive efficiencies across our operations • Responsible use and protection of the natural environment

Create a culture of safety

What this means to us
The health, safety and welfare of our employees and the wider community are a top priority in our operations across all of our divisions. Our safety practices are overseen by Health and Safety Officers and are assisted by the engagement of specialist external advisors. Regular audits are undertaken as well as internal monthly and external annual reporting to the Board.

Implement a safety-first approach
We implement a safety-first approach in all activities with the ultimate aim of having no accidents or injuries. In particular, road safety for our employees and the general public is of significant importance, due to the number of miles completed by our fleet. We investigate thoroughly any incidents involving our fleet and seek to continually improve our safety processes with our distribution centres, depots, manufacturing sites and offices.

The following initiatives are examples of the progress we have made in championing safety across the Group:

- 360-degree cameras fitted to all new vehicles within Feeds;
- external driver assessments in Fuels on 123 drivers with 100% pass rate;
- Fuels division is working towards the ISO 45001 accreditation;
- regular health and safety audits of key locations by both internal and external parties; and
- monthly reporting to the Board with an annual review by external advisors.

The Group monitors accidents and injuries in line with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, and the number of reportable incidents across the Group in the year ended 31 May 2021 was 12 (31 May 2020: 17).

Number of reportable incidents

12

(2020: 17)

Creating a centre of excellence at Crewe

The Group has invested £2.3 million into a newly constructed 240,000ft^2 warehouse in Crewe, which will become a centre of excellence for Food. This will become a centre of best practice health and safety and will be what we measure our existing Food safety standards against.

*Read more about this investment on **pages 10–11***

Invest in our people

What this means to us
Our long-term success is dependent on our employees. We are committed to building a workforce for the future where our people are healthy and happy and can fulfil their potential. We recognise that engaged employees, who feel valued, are crucial to our business, and it also means they continue to be motivated and deliver the best possible service to our customers.

Promoting personal and professional development
We achieve this by promoting a range of personal and professional development, and investing in people. We want to empower future generations by providing them with a place where they can learn and grow; this is essential to securing our talent pipeline.

To ensure our employees have all the tools to reach their potential, we have invested in a number of wellbeing initiatives.

The following initiatives demonstrate the commitment we have made towards investing in our employees across the Group:

- During FY20 the Feeds division launched a Sales Training Academy to recruit and train the next generation of nutritionists. The first year's intake consisted of 18 trainees across 2 cohorts; all 5 of the first cohort have graduated and are now part of our established salesforce, contributing an additional 20,000 tonnes of retail volume in their first year. A further 6 members will join the Academy in September 2021.
- Employees at our main site in Wardle have access to a regular weekly timetable of free fitness classes which take place in our on-site studio. During FY21, these classes were continued via video conferencing to ensure colleagues working from home could still access the service.
- Each division has a handful of people completing leadership and development programmes. Within Food, several warehouse workers have taken the opportunity to go through training to become a driver, providing them with more job opportunities and flexibility.
- The Fuels division has invested in a purpose-built new Head Office environment, which increases office space from 3,500ft^2 to 10,000ft^2. It provides employees with a modern, spacious workplace, with plenty of amenities such as parking and cycle storage, as well as capacity to expand.
- Across the Group we have 371 employees with over ten years' service, equivalent to a third of our employees.

Apprenticeships and graduate placements
17

Employees with long service
371

Staff on senior management courses
11

Training the next generation of nutritional advisors

In Feeds we believe that the highest level of advice, delivered in an applied and practical manner, is key to helping achieve a sustainable and profitable business for Britain's farmers of the future.

Our trainees follow a programme monitored by our Academy co-ordinator and work with an established on-farm advisor as their mentor. They are supported by our own highly trained technical support team, with links to educational institutes and a comprehensive network of specialist suppliers.

Training topics include: diet formulation, animal nutrition and physiology, forage management, youngstock management, farm business profitability, Cow Signals, product application, sales training, IT and finance.

Our ambition is that our trainees graduate from the Academy with all the skills required to support our customers and develop a successful future career within the business.

Build strong partnerships

What this means to us
The strength of our partnerships is at the heart of every decision we make. We continue to seek new ways to collaborate and innovate with our customers and suppliers to deliver long-term sustainable value.

We want to gain a deeper understanding of our customers' needs so we can continue to offer them more choice, better quality and improved standards, as well as great value.

To achieve this, we must focus on the way we interact with customers and continually monitor and improve performance.

Our partnerships with our suppliers are also vital; we expect our suppliers to conduct their business in an ethical and sustainable manner.

The following initiatives demonstrate how we are building partnerships with customers and suppliers across the Group:

- Within Fuels during the peak of Covid-19, we extended customer terms as well as negotiating extended credit terms with two of our biggest suppliers.
- Fuels has partnered with Esso Petroleum Company Limited to distribute its lower carbon part-renewable HVO30 product to commercial and agricultural customers, on a trial basis, with no financial benefit to Fuels.
- Fuels is also making use of Trustpilot to allow customers to give feedback through another channel.
- Feeds is working with suppliers to create a range of compound feeds which do not contain soya or palm kernel, as well as working with farmers to help measure the carbon footprint of their farm.

Respect the environment

What this means to us
We strive for continual improvement when it comes to our environmental performance, monitoring carbon emissions and waste across our supply chain and promoting a healthy environment.

We recognise that we operate in industries that can have a significant impact on the environment and that we have a responsibility to minimise it. Across all divisions we promote sustainable logistics, investing in clean fleet and energy initiatives to achieve this. In addition, our strategy to maximise fleet capacity to ensure no empty running miles provides the best environmental solution, across all our divisions.

Mitigating our carbon emissions
We are challenging ourselves to think differently, and by driving efficiencies across our operations we aim to minimise the amount of waste and plastics we produce, use resources more responsibly, and ultimately protect the natural environment.

Our current environmental initiatives include:

- efficient LED lighting installed in >50% of our fuel depots;
- optimisation of fleet capacity through use of longer trailers in Food;
- investment in clean, modern fleets; in Fuels, the average age of the fleet has reduced from seven years in 2017 to five years in 2021;
- trialling different brake horsepower (BHP) engines in Feeds to reduce fuel usage;
- driver training programmes; in Feeds, miles per gallon (MPG) has improved from 7.9 in 2020 to 8.4 in 2021; and
- gas powered road truck trials are being undertaken in Food.

Protected feeds

Our range of protected feeds helps to maximise the performance of herds, thereby providing responsible nutrition and delivering reduced costs and improved performance for a sustainable future.

NWF Agriculture conducts two specific strategies to help British farmers reduce their environmental impact and maximise their production efficiencies. Firstly, by using a tried and tested treatment process, protein sources can be rumen protected allowing greater use of valuable amino acids in the hind gut and reducing 'waste' in the rumen. This can enable farmers to either reduce the overall protein in the diet by 5% or reduce and, in many cases, eliminate the use of imported soya bean meal by using UltraPro R, a treated rapeseed meal.

Secondly NWF Agriculture's trained advisors use a state of the art formulation model to accurately predict animal outputs based on the interaction of dietary inputs. By formulating diets using the protected proteins mentioned, advisors can accurately reduce overall protein use and therefore waste, whilst ensuring animal performance is maintained, or improved.

Respect the environment continued

Optimising vehicle utilisation

Across the Group this year we delivered

695 million litres of fuel

575k tonnes of ruminant animal feed

135k pallet spaces provided to customers

Optimising vehicle utilisation and maximising capacity are at the forefront of our daily operations.

The total NWF Group fleet comprises

146 fuel tankers

40 feed trucks

18 trailers

117 food trucks

305 trailers

During the year we recognised an additional investment of £6.1 million in leased assets as part of our ongoing programme to maintain a modern, efficient fleet.

SECR statement

We measure and report our energy and carbon data across the entire Group (Food, Fuels and Feeds), providing comprehensive data to substantiate our overall environmental impact. Our SECR statement includes all emission sources required under the 2019 regulations for the financial year ended 31 May 2021.

NWF Group used 30,699 carbon dioxide equivalent tonnes ('tCO_2e') of energy during the year ended 31 May 2021 (2020: 31,533). 74% of this energy is consumed by making deliveries to customers using our transport fleet. Our transport fleet efficiency is a key part of our energy saving initiatives, looking for savings through more efficient driving, investment in clean modern vehicles and optimum routing.

We have chosen three carbon intensity ratios that reflect our business performance. Our carbon intensity ratio for the year ended 31 May 2021 was $0.05tCO_2e$ per average employee headcount (2020: 0.05), $23.69tCO_2e$ per £'000 of revenue (2020: 27.16) and $20.65tCO_2e$ per ft^2 of warehouse and office space (2020: 21.21). Ratio 3 represents a 2.6% decrease on last year, highlighting an improved carbon efficiency by ft^2. This can be partly attributed to reduced gas and electricity usage as a result of the move to home working for our office staff.

In order to calculate the carbon emissions, we have used the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020. One of the requirements of the new SECR regulations is to report our total UK energy use in kilowatt hours ('kWh'); for this we have used the 2020 conversion factors. The scope 1 and 2 emissions reported are for all facilities across the Group under our operational control. This includes all distribution centres, manufacturing sites, oil depots and offices, plus fleet under our ownership. Details of energy efficiency initiatives undertaken in the year can be found on page 25.

Streamlined Energy and Carbon Reporting ('SECR')

Carbon emissions (tCO_2e)*	2020/21	2019/20
Transport (scope 1)	**22,913**	22,417
Transport (scope 3)	**26**	29
Purchased electricity (scope 2)	**5,294**	5,970
Other fuels (scope 1)	**2,466**	3,117
Total emissions	**30,699**	31,533
Carbon intensity ratio 1 (tCO_2e/£'000)	**23.69**	27.16
Carbon intensity ratio 2 (tCO_2e/avg. headcount)	**0.05**	0.05
Carbon intensity ratio 3 (tCO2e/sq ft of warehouse and office space)	**20.65**	21.21
Total UK energy usage (kWh)	**117,717,572**	119,092,791

* tCO_2e/year defined as tonnes of CO_2 equivalent per year.

*Our sustainability policy can be found at **nwf.co.uk***

The importance of engaging with our stakeholders

NWF Group plc depends on the trust and confidence of all its stakeholders to operate sustainably in the long term. The Group seeks to build strong partnerships, create a culture of safety, invest in its people and respect the environment in which it operates and strives to generate sustainable value for shareholders.

The Directors of NWF Group plc, both individually and together, have acted in accordance with their duties codified in law, which includes their duty to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to its stakeholders and the matters contained in Section 172(1) of the Companies Act 2006, set out below:

- The likely consequences of any decisions in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The Board's understanding of the interests of the Company's stakeholders is informed by the programme of stakeholder engagement detailed overleaf. Section 172 considerations are embedded in decision making at Board level and throughout the Group. Examples of how the Directors discharged their Section 172 duty when taking principal decisions during the year are set out below:

Cyber incident

- The Company experienced an unauthorised access to the IT systems in Feeds and Fuels and at Group level in October 2020. To protect the interests of the Company's stakeholders, the Board authorised the taking of systems offline and the temporary suspension of trading of the Company's shares on AIM whilst the Company investigated the nature and extent of the incident, the recoverability of any compromised data and any effects on the operability of its systems. The Board, through utilisation of the Company's cyber insurance, quickly engaged experts in this area to mitigate the effects of this incident on stakeholders and implemented alternative systems of working to ensure business interruption was minimised. The Board and senior management maintained close contact with the Company's customers, suppliers, employees, shareholders and regulators following the discovery of the cyber incident and kept them updated through a combination of direct communications and announcements to the London Stock Exchange. Following the incident there has been a full review of IT security across the Group, a virtual CISO has been appointed, 24-hour remote monitoring is active on all end points and two factor authentication is in place across all networks.

Covid-19

- During the year ended 31 May 2021, the UK experienced two further lockdowns in response to the Covid-19 pandemic. This necessitated the regular reviewing and amendment of risk assessments and safe systems of work, by the Board, in respect of contractors, suppliers and employees to take into account Government guidance and to keep our people and communities safe. Home working continued wherever possible and where staff were physically present at our locations Covid-19 safe working practices were implemented. The Board regularly reviewed the effects of Covid-19 on the business and decided not to utilise any form of Government support.

www *Our sustainability policy can be found at **www.nwf.co.uk***

Customers

With over 150 years' experience in adding value to our customers' businesses, our commitment to customer service remains critical to our success.

Why we engage
- To reinforce our customer-focused culture and focus on delivering excellence in customer service.
- To ensure high levels of availability and delivery metrics, achieving high service levels and delivering value.
- To develop customer-focused solutions, ensuring the Group understands and responds to evolving customer needs.
- To drive improvements and reduce complaints.

Stakeholder expectations
- Reliable service; on time and in full.
- Quality products representing value for money.
- Knowledgeable and responsive teams who provide technical excellence in their respective fields.

How we engage
- Each division has experienced customer service teams engaging with customers on a daily basis. Through our network of local fuel depots, a dedicated customer service team in Food and on-farm sales representatives in Feeds, we are in constant communication with our large and diverse customer base.
- Regular monitoring of performance against service level agreements and quality standards.
- Customer visits and attendance at relevant industry trade fairs and shows.
- Regular programme of site tours for customers and other community groups or business partners.

Outcomes of engagement
- Worked with our Food customers to increase stockholding and ensure service levels were maintained as the Brexit transition period ended.

Suppliers

Through collaborative and mutually beneficial relationships NWF can continue to deliver efficient, quality services and high standards in a sustainable manner.

Why we engage
- To maintain strong relationships to ensure high supplier standards.
- To seek new ways to collaborate and innovate.
- To ensure our suppliers conduct their business in an ethical and sustainable manner.
- To enable our operations to become more efficient and ensure continuity of supply and competitive pricing.

Stakeholder expectations
- Compliance with contractual terms and conditions.
- Co-operation to allow our suppliers to improve their products and services and to resolve any issues.
- To be treated fairly.

How we engage
- Holding regular meetings and/or site visits with key suppliers.
- Feedback from suppliers is monitored and provided to the Executive Directors who update the Board at regular intervals.

Outcomes of engagement
- The Fuels division is working closely with fuel producers to develop the next generation of fuels.

Employees and community

Our employees are fundamental to the long-term success and execution of the Group's strategy.

Why we engage
- To ensure that all employees are valued and are given the opportunity to provide feedback and participate in shaping the development of the Group.
- To underpin our culture of safety and ensure that employees at all levels in the business play a role in promoting and upholding a strong focus on health and safety, for the benefit of the Group and the wider community.
- To ensure we maintain a skilled, technically competent and motivated workforce and provide appropriate opportunities for development and personal growth.
- To encourage equal opportunities and a more diverse workforce.

Stakeholder expectations
- Fair salary and benefits.
- Opportunity for development.
- Job security and satisfaction, with support from line managers.
- Overall wellbeing and opportunities for flexible working.

How we engage
- The Chief Executive holds a series of twice-yearly presentations for staff, where the financial results of the Group and development of its strategy are shared, with employees invited to discuss and ask questions.
- Annual surveys are conducted to ascertain levels of employee satisfaction and wellbeing, giving employees the opportunity to confidentially provide feedback to the Directors. This has been of particular relevance during the Covid-19 crisis, with many office-based employees being required to work remotely whilst operational staff continued to work on-site.
- At a divisional level, regular employee briefings are conducted, either via floor briefings or monthly newsletters, to enable regular sharing of information.
- Intranet, email communication and newsletters are used to keep employees up to date with divisional and Group activities.

Outcomes of engagement
- Following consultation with employees, tailored plans have been produced for each division in respect of working arrangements following lifting of Covid-19 restrictions.

Shareholders

Our aim is to provide a transparent, clear, consistent message across our communication channels giving shareholders the opportunity for direct, personal contact with our senior executives on a regular basis.

Why we engage
- To ensure the Group responds to the evolving needs and interests of shareholders and aligns its strategy accordingly.
- To communicate and explain how we aim to deliver growth and create value, by maximising the potential of the business.
- To give shareholders the opportunity for direct, personal contact with our Board members on a regular basis.

Stakeholder expectations
- Responsible and sustainable growth ambitions.
- Share price accretion.
- Progressive dividend policy.
- Resilience to adverse market conditions.
- Experienced management teams.

How we engage
- Investor roadshows are held twice a year to coincide with the Group's half-year and final results, allowing our institutional investors to meet with the Chief Executive and Group Finance Director. During lockdown, these sessions have been held virtually, ensuring continued engagement between the Board and shareholders.
- Recorded webcasts presenting our half-year and final results are made available for investors through the Group's website, www.nwf.co.uk. The Investors section of the website also includes access to the Annual Report and Accounts, presentations and trading updates.
- The AGM provides further opportunity for the shareholder community to engage directly with the Board of Directors.

Outcomes of engagement
- Engagement with our shareholders has influenced our acquisition, capital investment and progressive dividend policy.

The environment

We strive for continual improvement when it comes to our environmental performance, monitoring carbon emissions and waste across our supply chain and promoting a healthy environment.

Why we engage
- To ensure adherence to relevant environmental legislation and regulations.
- To better understand environmental challenges and how we can contribute to meeting those challenges.
- To ensure that high environmental standards are respected at each of the Group's sites.

Stakeholder expectations
- For the Group to operate as efficiently as possible and maintain high environmental standards.
- For the environmental impact of the Group to be minimised.

How we engage
- We work with our customers and suppliers to improve the efficiency of our operations.
- We engage with customers to understand environmental challenges they face and then innovate to develop solutions to try to alleviate those challenges.

Outcomes of engagement
- Investment in clean, modern fleets.
- Driver training to improve MPGs.

"The Board recognises the importance of ESG and has established four pillars of strategic focus. During the year investing in our people has been a priority."

An experienced and capable Board

Philip Acton
Non-Executive Chair

Experience
Joined the Board in 2013 and became Chair 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

Key development
A B C D E F G H

Committee membership
- Audit
- Remuneration
- Disclosure

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

Key development
A B C D E F G H

Committee membership
- Disclosure

Chris Belsham
Group Finance Director

Experience
Joined as Group 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 and leadership

Key development
A B C D E F G H

Committee membership
- Disclosure (Chair)

David Downie
Senior 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 chair of a vacant property service company which trades as VPS Group.

Key skills
- Sector experience
- Mergers and acquisitions
- Strategy and leadership

Key development
A B C D E F G H

Committee membership
- Audit
- Remuneration (Chair)

Richard Armitage
Independent Non-Executive Director

Experience
Joined the Board in July 2020. Currently chief financial officer at Victrex plc and a Fellow of the Chartered Institute of Management Accountants. Wide strategic and M&A experience in a number of senior finance roles.

Key skills
- Finance
- Mergers and acquisitions
- Current PLC board experience
- Strategy and leadership

Key development
A B C D E F G H

Committee membership
- Audit (Chair)
- Remuneration

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

Key development
A B C D E F G H

Skills

- Mergers and acquisitions (5)
- Finance (4)
- Strategy and leadership (4)
- PLC board experience (1)
- Sector experience (2)
- Sales and marketing (1)
- Operations (1)

Key development

- A External advisor updates
- B Professional network
- C Institute updates
- D Investor forums
- E Self study
- F Industry bodies
- G Other non-executive roles
- H Member of Institute of Directors

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

Key development
A **B** C D E **F** G H

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

Key development
A **B** **C** D E **F** G H

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

Key development
A **B** **C** D E **F** G **H**

Key development
- A External advisor updates
- B Professional network
- C Institute updates
- D Investor forums
- E Self study
- F Industry bodies
- G Other non-executive roles
- H Member of Institute of Directors

Advisors

Registrars
Link Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Independent auditors
PricewaterhouseCoopers LLP
No. 1 Spinningfields
1 Hardman Square
Manchester M3 3EB

Bankers
NatWest Group
Corporate Banking
1st Floor
1 Hardman Boulevard
Manchester M3 3AQ

Nominated advisor and broker
Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

Solicitors
Brabners LLP
Horton House
Exchange Flags
Exchange Street E
Liverpool L2 3YL

Financial PR
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London W1W 7RT

Registered office
NWF Group plc
Wardle
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Cheshire CW5 6BP

Registered number
02264971

Strong governance

Philip Acton
Non-Executive Chair

"The Board recognises the importance of strong corporate governance and that a good governance framework should evolve as the Company's businesses, and the environment in which those businesses operate, develop."

Dear shareholder,
On behalf of the Board, I am pleased to present NWF Group plc's Corporate Governance Statement for the year ended 31 May 2021. This statement provides details of our current governance framework and practices and how we discharge our governance duties.

The Board recognises the importance of strong corporate governance and that a good governance framework should evolve as the Company's businesses, and the environment in which those businesses operate, develop. In my role as Chair, 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 to ensure that an appropriate governance framework is embedded within the Company and its businesses.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') as the basis of its governance structure and has complied with all principles of the QCA Code throughout the year.

Given the Group's size, we also endeavour to have regard to the provisions of the UK Corporate Governance Code to the extent that we believe this is appropriate. As such, all Board Directors are required to stand for annual re-election and our Non-Executive Directors are unable to serve for more than nine years in accordance with our independence policy.

Our corporate governance arrangements are regularly reviewed and measured against the QCA Code fundamentals. During the year, we formed a standing Nomination Committee comprising our Non-Executive Directors. The Nomination Committee's role is to develop and maintain a rigorous and transparent procedure for making recommendations on Board, and material subsidiary company board, appointments and reviewing the succession plans for Board and senior management positions. As the Nomination Committee did not meet until July 2021, a Nomination Committee Report is not included in this Annual Report and Accounts but will be provided next year.

In line with our evolving governance framework, the role of the Audit Committee has been reviewed during the year which has led to the Committee having an increased focus on compliance and risk management. Further details can be found in the Audit Committee Report on pages 38 and 39. The evaluation of our governance framework based upon the Company's plans for growth will continue throughout the forthcoming year.

The Board acknowledges that a prerequisite of a strong corporate governance framework is a healthy corporate culture. Whilst the culture within each of the Company's businesses is different, reflecting the diverse environments in which each business operates, those cultures are predicated upon ethical values, integrity and transparency.

For our strategy and business model to succeed in creating sustainable value in the long term, and to enable the mitigation of our principal risks and uncertainties (as detailed on pages 19 to 21), positive relationships with the Company's various stakeholders must be cultivated. This will only be achieved through integrity and transparency. The Board monitors the Company's culture through engagement with the Company's stakeholders (further details on how we engage can be found on pages 27 to 29) and the regular review of the Company's consolidated risk register and any changes to the principal risks and uncertainties.

In order to promote a healthy corporate culture, the Company operates a whistleblowing policy which allows concerns regarding unethical or unsafe behaviours to be raised in confidence and promptly investigated. To ensure ethical values and behaviours are recognised and respected, the Company has a suite of policies in place covering areas such as anti-corruption and bribery, equal opportunities and modern slavery. The Board is satisfied at this time that an ethical culture exists within the Company.

Philip Acton

Philip Acton
Non-Executive Chair
3 August 2021

Delivering growth and building trust

Our strategy

The Company's strategy is to consolidate and optimise its operations to deliver long-term sustainable value for its shareholders and stakeholders. This is achieved by the implementation of the Company's acquisition strategy, focused on the consolidation of the highly fragmented fuel market (further details can be found on pages 7 to 9), and investing in the Company's people, businesses and product development to create innovative products and services. The Group's business model is set out on pages 14 and 15 and on the business model page of our website, ***nwf.co.uk/about-us/business-model***.

Effective risk management and internal control

The achievement of the Company's strategy is dependent upon the effective identification and management of new and existing risks. The Board recognises though that the risks faced by the Company also present opportunities for innovation and growth. The principal risks and uncertainties affecting the Company, and how these risks are identified, assessed, managed and reviewed, are explained on pages 19 to 21.

The Board has overall responsibility for ensuring that the Company maintains an effective system of internal control which directs the Company's activities in order to ensure the safeguarding of assets, to assist in the delivery of the Company's strategic, financial and operational ambitions and to provide it with reasonable assurance regarding the reliability of financial information that is used within the business.

There are, however, 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 Board obtains assurance that the risk management and related control systems in place are effective in a number of ways. During the year a rolling programme of risk and controls testing has been undertaken across the Group with a focus on various key areas of risk identified. This programme was undertaken through a combination of internal and external resource and the results were reported to the Board. 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. Although the Company does not have a formal internal audit function, targeted reviews and visits to operations are conducted by the Head Office team and professional advisors. The results of these reviews are communicated back to the Audit Committee. An internal control update is provided to the Audit Committee at each meeting. Further details can be found on pages 38 and 39.

Engagement with our shareholders and stakeholders

The Board is committed to open and honest two-way dialogue with the Company's shareholders and stakeholders in order to both understand their views, needs and expectations and provide a fair and understandable assessment of the Company's position which will allow shareholders and other stakeholders to make informed decisions about the Company.

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

1. three independent pension funds registered in Iceland (each holding c.5% of the issued share capital) as set out on page 46;
2. other institutional investors;
3. private individuals; and
4. employees and ex-employees.

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.

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

The Investors section of our website, ***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.

Details of how we engage with our other stakeholders and the outcomes of this engagement can be found on pages 27 to 29.

Details of the Board's response to the cyber incident can be found within our Section 172 statement on page 27.

Maintaining a dynamic management framework

Board

Matters reserved for the Board

- Setting the Company's values, standards, strategic aims and objectives.
- Approval of budgets and reviewing performance in line with these.
- Extension or cessation of the Company's activities.
- Approval of financial reports and policies, dividends and the dividend policy.
- Ensuring maintenance of a sound system of internal control and risk management.
- Approval of major capital projects, material contracts and major investments.
- Changes to the structure, size and composition of the Board, membership of Board Committees and succession planning.
- Approval of remuneration policies.

Remuneration Committee
Its remit is to:
- determine appropriate short and long-term total reward packages for the Executive Directors; and
- satisfy itself that good practices apply to all Group employees through the relevant management structures.

Audit Committee
Its remit is to:
- monitor the integrity of financial reporting; and
- keep under review the Company internal control and risk management systems.

Nomination Committee
Its remit is to:
- develop and maintain a rigorous and transparent procedure for making recommendations on Board, and material subsidiary company board, appointments; and
- ensure plans are in place for orderly succession to Board and senior management positions.

Disclosure Committee
Its remit is to:
- consider whether announcements are required to be made in relation to inside information.

Executive Directors and senior management
Their remit is to:
- implement the strategy agreed by the Board; and
- manage the Company on a day-to-day basis.

A clearly defined Board structure

The principal roles of the Board are to provide effective leadership, ensure an ethical corporate culture and effective risk management system is embedded throughout the Company, oversee external reporting and set the Company's strategy in order to deliver shareholder value.

A formal schedule of matters requiring Group Board approval, which is available in its entirety at ***nwf.co.uk/about-us/governance/board-responsibilities***, is maintained and regularly reviewed to ensure sufficient separation between the responsibilities of the Board and the operation of the Company's business.

Board Committees

There are currently four Board Committees to which the Board delegates specific responsibilities: the Audit Committee, Remuneration Committee, Nomination Committee and Disclosure Committee. The responsibilities of each Committee are detailed in its terms of reference which are reviewed annually and are available on the Company's website. Further details on the activities of the Audit Committee and the Remuneration Committee can be found on pages 38 to 39 and pages 40 to 44 respectively. The Chair of each Committee formally reports to the Board in respect of the Committee's activities and recommendations.

Following a review of the Company's governance arrangements, a standing Nomination Committee has been formed whose main responsibilities include developing and maintaining a rigorous and transparent procedure for making recommendations on Board, and material subsidiary company board, appointments and ensuring plans are in place for orderly succession to Board and senior management positions. Succession planning will be an area of focus for the Nomination Committee in the 2021/22 financial year, with a review of the existing succession plans for Board and senior management positions being undertaken. The process by which Board and other senior management appointments are determined is detailed in the Nomination Committee's terms of reference which are available at ***www.nwf.co.uk/about-us/governance/corporate-governance-statement***. The results of the appraisals undertaken by the Board, its Committees and in respect of the Chair (as detailed on page 37) will inform the development of the existing succession plans and the determination of the skills and capability requirements for Board and other senior management appointments.

The Disclosure Committee met twice during the financial year to consider whether announcements were required to be made in relation to inside information. The members of the Disclosure Committee are the Non-Executive Chair, Chief Executive and Group Finance Director.

Executive Directors and senior management

The implementation of the strategy agreed by the Board and day-to-day management of the Company is delegated to the Executive Directors and senior management. This structure allows for decisions to be made in an efficient manner by the most appropriate people. Each division's senior management team has a monthly meeting with the Executive Directors to report on the division's progress and any challenges. Senior management also regularly attends Board meetings to brief the Board on business opportunities and developments.

Maintaining an experienced and capable Board with clearly defined roles

In order for the Board to be effective, there needs to be clearly defined roles for Board members, an appropriate balance of Executive and Non-Executive Directors, sufficient time committed by Directors to their roles and the provision of quality information in a timely manner. The Board must comprise an appropriate balance of skills, experience and personal qualities.

Board composition

The Board currently comprises a Non-Executive Chair, a Senior Independent Non-Executive Director, an independent Non-Executive Director and two Executive Directors. The biographical details of the Directors, including their skills and experience, are set out on pages 30 and 31. The biographical details of the senior management team are set out on page 32. Richard Armitage joined the Board as Non-Executive Director on 5 July 2020. On 24 September 2020, Yvonne Monaghan stepped down as Senior Independent Non-Executive Director after seven years on the Board.

Board composition

- Non-Executive Chair (1)
- Executive Directors (2)
- Senior Independent Non-Executive Director (1)
- Independent Non-Executive Director (1)

Board roles

The roles of Chair and Chief Executive are separated and clearly understood and have been agreed by the Board. The Chair is responsible for the Board including its effective leadership and composition, assessing and improving its performance, and leading the Company's corporate governance culture. The Chief Executive is responsible for developing the Company's strategy and the operating performance of the Company.

The Senior Independent Non-Executive Director conducts the Chair's annual appraisal and acts as a sounding board for the other Directors.

Further information on the role of the Senior Independent Director can be found at ***www.nwf.co.uk/about-us/governance/corporate-governance-statement***.

The Company Secretary has specific responsibility to assist the Chair and the rest of the Board to uphold the best corporate governance standards. A full role description for the Company Secretary is available at ***www.nwf.co.uk/about-us/governance/corporate-governance-statement***.

Board operation

The Board normally meets eleven times a year with additional meetings being called when required.

The number of Board and Committee meetings held in the year ended 31 May 2021, together with the attendance record for each Director, is detailed below.

Comprehensive briefing papers are circulated to Directors one week in advance of each scheduled meeting to allow sufficient time for the consideration of the papers provided.

All Directors and senior management are able to access the advice and services of the Company Secretary. Furthermore, all Directors have access to the Company's advisors and are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

The Board and the Committees to the Board are supported by external advisors on a regular basis in respect of matters such as pensions, taxation, property and health and safety. During the year, in response to the cyber incident, the Board sought external IT security advice and assistance from Grant Thornton and CMS to mitigate the effects of this incident and develop the Group's IT resilience. As a result of this, Grant Thornton has been appointed as the Group's chief information security officer. Deloitte LLP continued to act as professional advisors to the Remuneration Committee during the year.

Time commitment

The Board has adopted a formal time commitments (overboarding) policy which provides that when making new appointments, and considering additional appointments for existing Directors, the Board shall take into account other demands on the Director's time. Significant commitments shall be disclosed with an indication of the time involved and additional external appointments shall not be undertaken without prior approval of the Board.

Full-time Executive Directors are permitted to take a maximum of one non-executive directorship or other significant appointment, subject to prior approval of the Board.

Non-Executive Directors are required to limit their number of board appointments to a total of five public company board roles. An independent board chair role will count as two board roles.

Non-Executive Directors' time commitments are reviewed annually to ensure each Director has sufficient time to fulfil their role.

Attendance of Directors at meetings

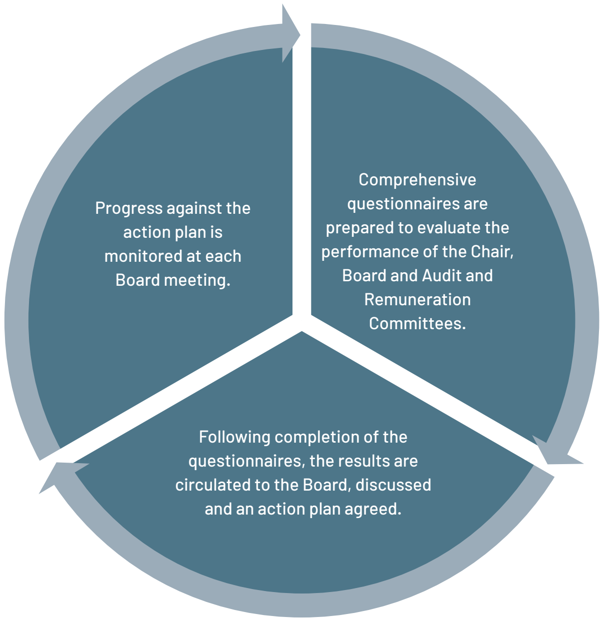
	Board	Disclosure Committee	Audit Committee	Remuneration Committee
T P Acton (Non-Executive Chair)	■■■■■■■■■■■	■■	■■■	■■■■
R J Armitage (Independent Non-Executive Director)[1, 3]	—■■■■■■■■■■	—	■■■	■■■■
C J Belsham (Group Finance Director)[4]	■■■■■■■■■■■	■■	—	—
D S Downie (Senior Independent Non-Executive Director)	■■■■■■■■■■■	—	■■■	■■■■
Y M Monaghan (Senior Independent Non-Executive Director)[2]	■■—————————	—	■——	■———
R A Whiting (Chief Executive)[4, 5]	■■■■■■■■■■■	■■	—	—

■ Attended ◣ Did not attend — Not required to attend

1 R J Armitage was appointed on 5 July 2020.
2 Y M Monaghan resigned as of 24 September 2020.
3 R J Armitage is not a member of the Disclosure Committee but normally attends Disclosure Committee meetings by invitation.
4 R A Whiting and C J Belsham are not members of the Audit Committee but attend Audit Committee meetings by invitation.
5 R A Whiting is not a member of the Remuneration Committee but attends Remuneration Committee meetings by invitation.

Seeking continuous improvement

Appraisal process



The Board annually conducts an appraisal, led by the Chair, of its performance consisting of individual assessments using comprehensive questionnaires that are completed by all Directors. An appraisal of the Chair's performance is conducted at the same time by the Senior Independent Non-Executive Director. The Audit and Remuneration Committees also annually consider their own performance using prescribed questionnaires. All questionnaires are prepared following consideration of the QCA Code, the QCA Audit Committee Guide, the QCA Remuneration Committee Guide and the UK Corporate Governance Code, as applicable. The Board appraisal questionnaire in 2021 covered topics such as building trust, delivering growth and disclosures.

Following completion of the appraisals, the results are reviewed, and feedback is given to the Board by the Senior Independent Non-Executive Director in respect of the assessment of the Chair, and by the Chair in respect of the assessment of the Board as a whole. Feedback from the Committee appraisals is provided by the Committee Chairs to the Board. External facilitation of the Board appraisal has not been used to date, although this is kept under review, but does include an external view from the Company's Nominated Advisor.

Following the appraisal conducted in 2020, a number of actions were identified, and an action tracker was developed which is reviewed at each Board meeting in order to monitor progress. The results of the appraisal conducted in 2021 have been incorporated into the action tracker and progress will continue to be monitored at each Board meeting. Areas identified for further development were:

- ESG – Further work is to be undertaken to ensure full integration of the Company's ESG strategic objectives throughout the Group and to determine the position of the ESG framework in relation to the Company's strategy; and
- Board, Committee and Director objectives – Clear and relevant objectives to enable Board, Committee and each Director's performance to be evaluated will be set on an annual basis.

Following the appraisals, the Board is satisfied that it has the appropriate balance of skills, knowledge and experience needed to deliver the Company's strategy.

Philip Acton

Philip Acton
Non-Executive Chair
3 August 2021

Monitoring all aspects of reporting and risk

Richard Armitage
Chair of the Audit Committee

Meetings in 2021

3

(2020: 2)

Members of the Audit Committee

R J Armitage (Chair)	■■■
T P Acton	■■■
D S Downie	■■■
Y M Monaghan[1]	■——

■ Attended
◣ Did not attend
— Not required to attend

1 Y M Monaghan resigned as of 24 September 2020.

Dear shareholder,
I am pleased to present the Audit Committee Report for the year ended 31 May 2021.

Composition
The Audit Committee consists of the Chair and two Non-Executive Directors and is chaired by myself as an independent Non-Executive Director. The Audit Committee met on three occasions during the year, an increase from two meetings in the prior 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. The Committee defers to the wider Board on the matters of bribery, whistleblowing and modern slavery and the Group policies concerning these matters can be found at **www.nwf.co.uk**.

Key areas of focus in the year ended 31 May 2021
The Audit Committee has monitored the Group's financial performance and resilience during the Covid-19 crisis. Furthermore, the Audit Committee has given particular focus to the monitoring of the Group's response to the cyber incident, ensuring that appropriate remediation actions have been taken to prevent a recurrence.

Specific activities in this financial year include;

- a review of the Audit Committee's activities against the QCA and FRC best practice guidance, leading to a number of enhancements, including the implementation of a third meeting during the year;
- expansion of the Audit Committee's remit in terms of monitoring non-financial risks; and
- a review of the Audit Committee's performance at the end of the financial year.

In the forthcoming financial year 2021/22 the Audit Committee will be expanding the scope of review and communication of internal control procedures performed across the Group.

Experience of the Audit Committee
The Audit Committee comprises the Chair and two Non-Executive Directors, all of whom are qualified accountants and possess extensive financial leadership experience.

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 47 and the Auditors' Report on pages 48 to 52. Details of services provided by, and fees payable to, the auditors are shown in note 5 of the Group financial statements.

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

PricewaterhouseCoopers LLP have been the Company's external auditors for many years. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness and independence. Accordingly, it has not considered it necessary to date to require the firm to re-tender for the audit work. The auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner is in the second year of his term as audit partner. There are no contractual obligations restricting the Company's choice of auditors. As an AIM-listed company, the Group does not have a requirement to put the audit out to tender every ten years; however, this is kept under review by the Audit Committee to decide if tendering is appropriate.

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 Head Office function performs a rolling programme of internal control reviews with the divisions. External auditors are engaged to conduct annual internal control reviews into areas of specifically identified risk. 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

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

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 risk in relation to the financial statements reviewed by the Committee were:

1. Acquisition accounting

There have been no acquisitions made in the current financial year and therefore no accounting issues to note.

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 24 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.

6. Alternative performance measures ('APMs')

The Group refers to a number of APMs throughout the Annual Report and Accounts. APMs are used by the Group to provide further clarity and transparency on the Group's financial performance. The APMs are used internally by management to monitor business performance, for budgeting and for determining Directors' remuneration.

The Committee is aware that the APMs are non-IFRS measures. APMs used by the Group are as follows:

- headline operating profit, which refers to reported operating profit after adding back exceptional items and amortisation of acquired intangibles;
- headline profit before tax, which refers to reported profit before tax after adding back the net finance cost in respect of the Group's defined benefit pension scheme, exceptional items and amortisation of acquired intangibles;
- headline EBITDA, which refers to reported operating profit after adding back exceptional items and amortisation of acquired intangibles. The headline EBITDA calculation excludes the impact of IFRS 16 depreciation;
- headline earnings, which refers to profit for the year after adding back the net finance cost in respect of the Group's defined benefit pension scheme, exceptional items, amortisation of acquired intangibles and the exceptional impact of remeasuring deferred tax balances, and taking into account the tax effect thereon;
- headline EPS, which refers to the reported EPS calculation based on headline earnings. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis after taking into account the exceptional impact of remeasuring deferred tax balances; and
- net debt, which is adjusted to exclude the impact of the adoption of IFRS 16.

The Committee considers that the APMs, all of which exclude the impact of non-recurring items or non-operating events, provide useful information for shareholders on the underlying trends and performance of the Group. Furthermore, the Committee is satisfied that where APMs are stated, they are presented with equal prominence to the statutory figures.

Richard Armitage
Chair of the Audit Committee
3 August 2021

Rewarding performance

David Downie
Chair of the Remuneration Committee

Meetings in 2021

4

(2020: 3)

Members of the Remuneration Committee

D S Downie (Chair)	■ ■ ■ ■
T P Acton	■ ■ ■ ■
R J Armitage	■ ■ ■ ■
Y M Monaghan[1]	■ — — —

■ Attended

◣ Did not attend

— Not required to attend

1 Y M Monaghan resigned as of 24 September 2020.

Dear shareholder,
I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2021.

As an AIM-listed entity, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended, nor the principles in respect of Directors' remuneration in the UK Corporate Governance Code 2018. Nevertheless, the Board recognises the importance of providing shareholders with appropriate information with respect to Executive remuneration and has followed the guidance contained in the Quoted Companies Alliance Remuneration Committee Guide when preparing this report. This report is unaudited, unless otherwise stated.

The aim of this report is to provide shareholders with information to understand our remuneration strategy and its linkage to the Group's financial performance. The report consists of three sections: this introduction, the Directors' remuneration policy and an annual report on remuneration, which will be the subject of an 'advisory' shareholder vote.

Our performance in 2020/21
NWF Group plc has delivered another strong set of results demonstrating both resilience and growth. The Company's financial performance is detailed in the Strategic Report on pages 1 to 21. Overall Group performance has been taken into consideration by the Remuneration Committee when determining remuneration matters.

Key pay out-turns for 2020/21
For 2020/21, the performance achieved against financial and operational targets resulted in 61.4% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 20.4p at 31 May 2021, 57% of the LTIP awards granted at the start of 2017/18 will vest in August 2021.

Looking forward to 2021/22
Last year we undertook a substantial review of our remuneration policies to ensure that they are aligned to growth ambitions, and the current marketplace. There have been no changes in the current year and, whilst we will continue to liaise with our external advisors, there are no planned changes for 2021/22. 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. A two-year holding period upon vesting was introduced for all awards granted from 2020 following review and in line with market practice.

We have therefore maintained a mixture of short and longer-term remuneration structures which underpin our business growth strategy.

Base salary for Executive Directors
As of 1 June 2021, Richard Whiting and Chris Belsham received a 2% increase in basic salary to £309,250 and £186,000 respectively. This was broadly in line with the average increase for the Group's employees of 2.48%.

Advisory vote
At the AGM to be held on 30 September 2021, this report, excluding the remuneration policy section, will for the first time be subject to an 'advisory' shareholder vote (resolution 9). This change is in line with our evolving governance framework.

David Downie
Chair of the Remuneration Committee
3 August 2021

Remuneration policy

The Company's remuneration principles are as follows:

- remuneration structures should be appropriate to the 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 with increases in base salary of Executives being aligned to those of the wider workforce; and
- the Remuneration Committee ensures that rewards properly reflect business performance.

2021/22 remuneration policy

The principles of our approved remuneration policy are as follows:

Element	Operation	Maximum opportunity	Performance metrics
Base salary Designed to attract and retain Directors with the skills and experience needed to deliver long-term sustainable growth. Positioned competitively in line with the market.	Reviewed annually. Any changes will normally take effect from 1 June each year.	There is no maximum salary; however, any increase will usually correspond to the level of increase applied across the Group.	Base salary reviews and any increases are based upon pay conditions throughout the Group, the Director's experience, skills and performance, market conditions and the Group's performance.
Annual bonus To reward and motivate based upon challenging personal objectives and budget.	Performance is measured over one financial year with weightings and targets being reviewed and set at the start of each financial year. Malus and clawback provisions will be applied in a number of cases, including, but not limited to: • a gross misstatement of the performance of the business; • gross misconduct; or • a miscalculation of the extent to which targets have been met.	100% of base salary.	For 2021/22, 75% of the bonus will be based on headline profit before tax performance with the remaining 25% based on the achievement of personal objectives.
Long-term Incentive Plan To align the interests of the Executive Directors with shareholders.	Awards are made annually. Performance is measured over three years. Malus and clawback provisions will be applied in a number of cases, including, but not limited to: • a gross misstatement of the performance of the business; • gross misconduct; or • a miscalculation of the extent to which targets have been met. Upon vesting, a holding period of two years applies to all awards made after 2020. Executive Directors are expected to hold shares of value equivalent to 100% of their salary by the fifth anniversary of their appointment.	100% of base salary at the time of the award.	For 2021/22, the awards 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.
Pension and benefits To provide a competitive package to attract and retain skilled and experienced Directors.	The Executive Directors are entitled to receive pension contributions from the Company. They can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme. The Executive Directors are entitled to a standard Director benefits package, including a company car and private medical cover.	In respect of pension contributions, 30% of base salary for R A Whiting and 15% of base salary for C J Belsham. For all new Executive Director appointments, pension contributions will be a maximum of 10% of base salary.	None.

Annual report on remuneration 2020/21

Directors' emoluments – audited information

Name of Director	Fees/basic salary £'000	Benefits £'000	Bonus £'000	LTIP[1] £'000	Pension £'000	**2021 Total £'000**	2020 Total £'000
C J Belsham	182	10	115	108	24	**439**	582
R A Whiting	303	19	182	180	80	**764**	1,023
Non-Executive							
T P Acton	79	–	–	–	–	**79**	79
R J Armitage	37	–	–	–	–	**37**	–
D S Downie	42	–	–	–	–	**42**	42
Y M Monaghan[2]	14	–	–	–	–	**14**	42
Aggregate emoluments	657	29	297	288	104	**1,375**	1,768

1 Calculated as an LTIP award for the three years ended 31 May 2021. C J Belsham and R A Whiting will be awarded 49,919 and 83,079 shares respectively, at the three-month average price of £216.34. The award will not vest until after the date of this report.

2 Y M Monaghan resigned as of 24 September 2020.

Annual bonus

For the year ended 31 May 2021, Executive Directors were eligible to receive a bonus of up to 100% of base salary, subject to the achievement of challenging headline profit before tax targets and personal objectives.

2021 bonus targets	Determination	Performance against targets
Up to 75% of basic salary based on headline profit before tax.	The profit element of the bonus has a minimum threshold set at 95% achievement of budget. If this is achieved, 30% of the maximum available bonus for this element will be paid. If headline profit before tax is as budgeted, 50% of the maximum available bonus for this element will be paid. If headline profit before tax is 125% of budget, the maximum available bonus for this element will be paid. A sliding scale operates between these thresholds.	107% of budgeted headline profit before tax was achieved in the year.
Up to 25% of base salary based on personal objectives.	R A Whiting considers the extent to which personal objectives have been achieved by C J Belsham to determine the award under the personal objectives element of the bonus. The Chair of the Board considers the extent to which personal objectives have been achieved by R A Whiting. In both cases the Remuneration Committee has the ultimate approval on the achievement.	57% achievement of personal objectives.[1]

1 This is the average figure for C J Belsham and R A Whiting in respect of the achievement of personal objectives.

Annual report on remuneration 2020/21 continued

Long-term Incentive Plan
The table below summarises the outstanding Performance Share Plan awards. 2018 awards are based on absolute EPS performance in the year ended 31 May 2021. 2019 awards are based on absolute EPS performance in the year ending 31 May 2022. 2020 awards are based on absolute EPS performance in the year ending 31 May 2023.

	Award date	Share price at date of grant	Number of shares vesting at maximum	Face value of shares vesting at maximum	EPS for maximum vesting[1]	Number of shares vesting at threshold (30%)	EPS for threshold vesting[1]	Performance period ending
C J Belsham	1 August 2018[2]	197.5p	88,228	£174,250	22.6p	26,468	19.1p	31 May 2021
	1 August 2019	166.0p	107,590	£178,600	21.2p	32,277	17.9p	31 May 2022
	4 August 2020[3]	205.0p	88,902	£182,250	27.7p	26,671	23.5p	31 May 2023
R A Whiting	1 August 2018[2]	197.5p	146,835	£290,000	22.6p	44,051	19.1p	31 May 2021
	1 August 2019	166.0p	179,066	£297,250	21.2p	53,720	17.9p	31 May 2022
	4 August 2020[3]	205.0p	147,927	£303,250	27.7p	44,378	23.5p	31 May 2023

1 EPS targets based on headline EPS – year ended 31 May 2021 for the 2018 award, year ending 31 May 2022 for the 2019 award and year ending 31 May 2023 for the 2020 award. EPS targets for maximum and threshold vesting are based on the forecast RPI as at 31 May 2021.

2 As a result of the corporation tax changes announced in the March 2021 Budget, the vesting of the LTIP for the period ended 31 May 2021 has been impacted by a deferred tax charge. The Remuneration Committee has considered this and treated the charge as an exceptional item for the LTIP calculation.

3 A holding period of two years will apply to all awards made after 2020 upon vesting.

C J Belsham and R A Whiting exercised options over 115,254 and 191,864 shares respectively during the year, at the three-month average price of £168.38.

Directors' interests
The Directors who held office at 31 May 2021 had the following interests in the ordinary shares of the Company:

Name of Director	31 May 2021 Number
T P Acton	30,000
R J Armitage	10,000
C J Belsham	80,710
D S Downie	10,000
R A Whiting	412,455

Payments for loss of office
No payments for loss of office were made during the year ended 31 May 2021 to previous Directors.

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 AGM.

Directors' report
for the year ended 31 May 2021

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 2021.

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 included in the Strategic Report and is included in this report by cross-reference. The Strategic Report has been reviewed and approved by the Board of Directors.

Results and dividends
The Group recorded revenue in the year of £675.6 million (2020: £687.5 million) and profit after tax of £7.8 million (2020: £8.9 million).

The Directors recommend a final dividend for the year of 6.2p per share (2020: 5.9p) which, if approved at the AGM, will be payable on 10 December 2021. Together with the interim dividend paid during the year of 1.0p per share (2020: 1.0p), this will result in a total dividend of 7.2p per share (2020: 6.9p) amounting to £3.5 million (2020: £3.4 million).

Financial risk management
Information relating to the principal risks and uncertainties of the Group has been included within the Strategic Report and is included in this report by cross-reference. Further information relating to the financial risks of the Group has been included within note 21, Financial instruments and risk management.

Going concern
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 21 of the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to price, interest rate, credit and liquidity risk. Accordingly, the Directors, having made suitable enquiries, 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 has an agreement with NatWest 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. As at 31 May 2021 the Group had available facilities of £52.3 million (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £5.5 million (excluding hire purchase obligations).
- The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.
- The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.
- 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 include 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.

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
- Richard Armitage (appointed 5 July 2020)
- Chris Belsham
- David Downie
- Yvonne Monaghan (resigned 24 September 2020)
- Richard Whiting

The Directors who held office as at 31 May 2021 had the following interests in the ordinary shares of the Company:

Name of Director	31 May 2021 Number
T P Acton	**30,000**
R J Armitage	**10,000**
C J Belsham	**80,710**
D S Downie	**10,000**
R A Whiting	**412,455**

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 2021 Number
C J Belsham	**196,492**
R A Whiting	**326,993**

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 212.0p (31 May 2020: 201.0p) and the range of market prices during the year was between 180.0p and 230.0p.

No changes took place in the interests of Directors between 31 May 2021 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.

Directors' report continued
for the year ended 31 May 2021

Major shareholdings as at 31 May 2021

Name of shareholder	Number	%
Festa Lífeyrissjóður	**2,382,389**	**4.86**
Sameinaði Lífeyrisjóðurinn	**2,382,389**	**4.86**
Lífeyrissjóður Vestmannaeyja	**2,382,389**	**4.86**
Interactive Investor	**2,267,122**	**4.63**
Canaccord Genuity Wealth Management (Inst)	**2,255,000**	**4.60**
Cazenove Capital Management	**1,698,504**	**3.47**
Fidelity Management & Research	**1,618,657**	**3.30**

Employee engagement
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 is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion to retirement. The Group's policy is to promote an environment free from discrimination, harassment and victimisation, where all employees receive equal treatment regardless of gender, colour, ethnic or national origin, health condition, age, marital or civil partner status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Further information and examples of the Group's engagement with employees can be found in our Section 172 Statement on page 28 and sustainability strategy on pages 22 to 26.

Business relationships
The Group recognises its responsibility to act fairly in our engagements with customers, suppliers, investors and any regulators, all of whom are integral to the success of the Group. The strength of the Group's business relationships is vital and the Group aims to collaborate with customers and suppliers to deliver long-term sustainable solutions.

Further information and examples of the Group's engagement with customers, suppliers and others can be found in our Section 172 Statement on pages 27 to 29 and sustainability strategy on pages 22 to 26.

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 AGM
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 Corporate Governance statement which is incorporated by reference and forms part of this Directors' Report.

Disclosure of information to independent auditors
The Directors of the Company at the date of 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
3 August 2021

Statement of Directors' responsibilities

for the year ended 31 May 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and the 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).

The Group has also prepared financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 Company and of the profit or loss of the Group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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.

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.

Directors' confirmations

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.

In the case of each Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information; 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
3 August 2021

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 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 2021; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

Audit scope

- The Group consists of five 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, Boughey Distribution Limited, New Breed (UK) Limited; along with the Head Office company. We have also performed procedures in relation to revenue within Hermon Hodge Limited.
- The components within the scope of our work accounted for 98% of Group revenue and 95% of Group profit before tax.

Key audit matters

- Defined benefit pension plan liabilities (group and parent)
- Impact of Covid-19 (group and parent)

Materiality

- Overall group materiality: £567,000 (2020: £600,000) based on 5% of adjusted profit before tax.
- Overall parent company materiality: £480,000 (2020: £400,000) based on 0.86% of total assets.
- Performance materiality: £425,000 (group) and £360,000 (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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.

The key audit matters below are consistent with last year.

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 (group and parent) Refer to page 38 (Audit Committee Report), note 2 (Accounting policies), page 63 (Critical accounting estimates and judgements) and note 24. The Group has a defined benefit pension plan net liability of £14.9 million (2020: £21 million), 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 £60.0 million (2020: £61.1 million) requires significant judgment and expertise primarily in respect of the key actuarial 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 and therefore a significant effect on the financial position of the Group. We therefore focused our work on this area.	Our procedures over the testing of this net defined benefit pension plan liability include: We obtained the external actuary's report used in valuing the scheme's liabilities. Using our experience of the valuation of similar schemes, and our own pension specialists, we challenged a number of the key inputs in the report and concluded that the methodologies adopted by the actuary in forming the valuation were consistent with industry practice and our expectations. We also agreed the key financial assumptions used within the valuation of the scheme's liabilities, including the discount and inflation rates, to our internally developed benchmarks. Further we considered the appropriateness of the approach taken to setting the mortality assumptions and we found them to be reasonable. We tested the validity of pension scheme member data used by the Group's actuary. We vouched the pension assets to third party confirmations from investment managers, confirming the price and quantity of units held by the pension scheme. 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. As a result of these procedures, we concluded that defined benefit pension plan liabilities are free from material misstatement.
Impact of Covid-19 (group and parent) Refer to the Chair's Statement (page 2), the Chief Executive's Review (page 4), the Q&A with the Chief Executive (page 6), the principal risks and uncertainties (pages 19 to page 21) and the importance of engaging with our stakeholders (pages 27 to 29). As a result of the emergence of the Covid-19 pandemic in 2020 and the significant impact this has had on the UK and global economies, management has invested a significant amount of time to consider the implications on NWF Group plc. Management has considered the implications across the business, including the going concern assessment, impairment of assets and disclosures in the Annual Report and Accounts 2021. In relation to the Group's going concern assessment, the Directors adjusted their base cash flow forecasts to reflect a number of severe but plausible downside scenarios resulting from the direct and indirect consequences of Covid-19, including, for example, a reduction in EBIT. Management has concluded that the Group and Company expect to trade solvently under these scenarios for at least 12 months from the date of this report and cash flow forecasts support going concern status. The Directors have therefore prepared the Group and Company financial statements on a going concern basis. In relation to the carrying value of assets, management considered whether the downturn in trading due to the impact of Covid-19 was an impairment indicator in its impairment assessment of assets and made any adjustments that it considered to be required. As a result of the impact of Covid-19 on the wider financial markets, we have determined management's consideration of the potential impact of Covid-19 to be a key audit matter.	We have evaluated our risk assessment, including the going concern risk of the Group. Based on management's assessment and our audit procedures thereon as we have described below, we consider our original risk assessment to remain appropriate and therefore consider going concern and asset impairment to be normal risks for both the Group and the Company. In assessing management's considerations of the potential impact of Covid-19, we have undertaken the following audit procedures: We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern and impairment. We discussed with management the impact assessments applied in the going concern review so we could understand the rationale for those assumptions. We challenged the rationale for those assumptions, using our knowledge of the business, the sector and wider commentary available from key customers. We reviewed trading results after the 2021 year end date and compared this to management's revised forecast and considered the impact of these actual results on the future forecast period. We reviewed management sensitivity scenarios which also included further potential mitigating actions available to confirm they are within management control. We challenged management to run a further downside scenario in order to assess the possible impact. Our conclusion on going concern can be found in the section below. We also evaluated and challenged management on how the impact on future cash flows of Covid-19 impacted its impairment analyses and the consistency of its assumptions with the forecast used in their going concern assessment. We reviewed management's disclosures in the Annual Report and Accounts 2021 in relation to Covid-19 and are satisfied that they are consistent with the risks affecting the Group and the procedures we have performed.

Independent auditors' report continued

to the members of NWF Group plc

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

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

The Group is managed on an entity basis with five 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 NWF Agriculture Limited, NWF Fuels Limited, Boughey Distribution Limited and New Breed (UK) Limited, along with the Head Office company. We have also performed procedures in relation to revenue within Hermon Hodge Limited to ensure significant coverage of all balances across the Group. Audit work across the Group, including the trading entities and Head Office company, was performed by the same audit team.

Materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality	£567,000 (2020: £600,000).	£480,000 (2020: £400,000).
How we determined it	5% of adjusted profit before tax	0.86% of total assets
Rationale for benchmark applied	Adjusted 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. We have adjusted profit before tax for exceptional items given the magnitude in the current year primarily due to the cyber incident.	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 £61,000 to £539,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £425,000 for the group financial statements and £360,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £28,000 (group audit) (2020: £30,000) and £24,000 (parent company audit) (2020: £20,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- we obtained management's forecasts and information for the period extending 12 months from the date of approval of the financial statements, which included the expected impact of Covid-19;
- we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared;
- we agreed the opening position of the Group's cash flow forecasts to the June 2021 management accounts. We also agreed the gross debt and cash per the 31 May 2021 audited financial statements to the cash flow forecast;
- we have reviewed the mathematical accuracy of management's forecasts;
- we assessed and challenged management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the next 12 months;
- we evaluated the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis on key assumptions underpinning the cash flows throughout the going concern period;
- we obtained the terms of the Group's financing facility and the covenants in place in relation to this facility, and determined that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approved financial statements; and
- we have reviewed management's disclosure in the Annual Report and Accounts in relation to the Directors' going concern conclusion and are satisfied that they are consistent with the assessment performed.

Report on the audit of the financial statements continued

Conclusions relating to going concern continued

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety laws and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries, designed to manipulate the financial performance and/or position of the Company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- inquiry with management in respect of potential non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation;
- testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias, and evaluating the business rationale of any significant transactions outside the normal course of business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3 August 2021

Consolidated income statement
for the year ended 31 May 2021

	Note	2021 £m	2020 £m
Revenue	3,4	**675.6**	687.5
Cost of sales		**(637.7)**	(646.2)
Gross profit		**37.9**	41.3
Administrative expenses		**(25.8)**	(27.8)
Headline operating profit[1]		**12.9**	14.3
Exceptional items	5	**(0.5)**	(0.5)
Amortisation of acquired intangibles	14	**(0.3)**	(0.3)
Operating profit	4	**12.1**	13.5
Finance costs	7	**(1.3)**	(1.5)
Headline profit before taxation[1]		**11.9**	13.2
Net finance cost in respect of the defined benefit pension scheme		**(0.3)**	(0.4)
Exceptional items	5	**(0.5)**	(0.5)
Amortisation of acquired intangibles	14	**(0.3)**	(0.3)
Profit before taxation	5	**10.8**	12.0
Income tax expense[2]	8	**(3.0)**	(3.1)
Profit for the year attributable to equity shareholders		**7.8**	8.9
Earnings per share (pence)			
Basic	10	**15.9**	18.2
Diluted	10	**15.9**	18.1
Headline earnings per share (pence)[1]			
Basic	10	**20.4**	21.5
Diluted	10	**20.4**	21.3

1 Headline operating profit is statutory operating profit of £12.1 million (2020: £13.5 million) before exceptional items of £0.5 million (2020: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2020: £0.3 million). Headline profit before taxation is statutory profit before taxation of £10.8 million (2020: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2020: £0.4 million), the exceptional items and amortisation of acquired intangibles. The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances (see note 10). Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. 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 (2020: £Nil).

The results relate to continuing operations.

The notes on pages 58 to 84 form part of these Group financial statements.

Consolidated statement of comprehensive income

for the year ended 31 May 2021

	Note	**2021** **£m**	2020 £m
Profit for the year attributable to equity shareholders		**7.8**	8.9
Items that will never be reclassified to profit or loss:			
Remeasurement gain/(loss) on defined benefit pension scheme	24	**4.0**	(4.0)
Tax on items that will never be reclassified to profit or loss		**0.1**	1.1
Total other comprehensive income/(expense)		**4.1**	(2.9)
Total comprehensive income for the year		**11.9**	6.0

The notes on pages 58 to 84 form part of these Group financial statements.

Consolidated balance sheet
as at 31 May 2021

	Note	2021 £m	2020 (Restated[1]) £m
Non-current assets			
Property, plant and equipment	12	**47.3**	48.5
Right of use assets	13	**25.4**	27.3
Intangible assets	14	**30.9**	31.4
		103.6	107.2
Current assets			
Inventories	15	**6.6**	4.7
Trade and other receivables	16	**72.1**	56.7
Current income tax assets		**0.4**	–
Cash and cash equivalents	17	**4.0**	5.3
Derivative financial instruments	21	**0.2**	0.1
		83.3	66.8
Total assets		**186.9**	174.0
Current liabilities			
Trade and other payables	18	**(75.2)**	(56.6)
Current income tax liabilities		**–**	(0.9)
Borrowings	19	**(6.5)**	(7.2)
Lease liabilities	20	**(7.4)**	(6.4)
Derivative financial instruments	21	**(0.1)**	–
		(89.2)	(71.1)
Non-current liabilities			
Borrowings	19	**(3.0)**	(10.0)
Lease liabilities	20	**(18.4)**	(20.3)
Deferred income tax liabilities[1]	22	**(1.9)**	(0.5)
Retirement benefit obligations	24	**(14.9)**	(21.0)
		(38.2)	(51.8)
Total liabilities		**(127.4)**	(122.9)
Net assets		**59.5**	51.1
Equity			
Share capital	23	**12.3**	12.2
Share premium		**0.9**	0.9
Retained earnings		**46.3**	38.0
Total equity		**59.5**	51.1

1 £4.4 million of deferred tax assets, recognised within non-current assets, have been reclassified to non-current liabilities and offset against £4.9 million of deferred tax liabilities in the year ended 31 May 2020. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The impact on the balance sheet as at 31 May 2019 would be to reclass £3.1 million of deferred tax assets, recognised within non-current assets, to non-current liabilities and offset against £3.7 million of deferred tax liabilities.

The Group financial statements on pages 53 to 84 were approved by the Board of Directors on 3 August 2021 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 58 to 84 form part of these Group financial statements.

Consolidated statement of changes in equity

for the year ended 31 May 2021

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2019	12.2	0.9	34.0	47.1
Profit for the year	–	–	8.9	8.9
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme (note 24)	–	–	(4.0)	(4.0)
Tax on items that will never be reclassified to profit or loss (note 22)	–	–	1.1	1.1
Total other comprehensive expense	–	–	(2.9)	(2.9)
Total comprehensive income for the year	–	–	6.0	6.0
Transactions with owners:				
Dividends paid (note 9)	–	–	(3.2)	(3.2)
Credit to equity for equity-settled share-based payments	–	–	1.2	1.2
Total transactions with owners	–	–	(2.0)	(2.0)
Balance at 31 May 2020	12.2	0.9	38.0	51.1
Profit for the year	**–**	**–**	**7.8**	**7.8**
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme (note 24)	**–**	**–**	**4.0**	**4.0**
Tax on items that will never be reclassified to profit or loss	**–**	**–**	**0.1**	**(0.1)**
Total other comprehensive income	**–**	**–**	**4.1**	**4.1**
Total comprehensive income for the year	**–**	**–**	**11.9**	**11.9**
Transactions with owners:				
Issue of shares	**0.1**	**–**	**(0.1)**	**–**
Dividends paid (note 9)	**–**	**–**	**(3.4)**	**(3.4)**
Value of employee services	**–**	**–**	**(0.5)**	**(0.5)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.4**	**0.4**
Total transactions with owners	**0.1**	**–**	**(3.6)**	**(3.5)**
Balance at 31 May 2021	**12.3**	**0.9**	**46.3**	**59.5**

The notes on pages 58 to 84 form part of these Group financial statements.

Consolidated cash flow statement
for the year ended 31 May 2021

	Note	2021 £m	2020 £m
Net cash generated from operating activities	26	**21.0**	21.7
Cash flows used in investing activities			
Purchase of intangible assets	14	**(0.1)**	(0.4)
Purchase of property, plant and equipment	12	**(2.9)**	(5.7)
Acquisition of subsidiaries – cash paid (net of cash acquired)	11	**(1.1)**	(6.0)
Capitalised legal costs associated with acquired leases		**–**	(0.3)
Proceeds on sale of property, plant and equipment		**–**	0.4
Net cash used in investing activities		**(4.1)**	(12.0)
Cash flows used in financing activities			
(Decrease)/increase in bank borrowings		**(7.7)**	1.6
Capital element of finance leases		**(7.1)**	(5.6)
Dividends paid	9	**(3.4)**	(3.2)
Net cash used in financing activities		**(18.2)**	(7.2)
Net (decrease)/increase in cash and cash equivalents	27	**(1.3)**	2.5
Cash and cash equivalents at beginning of year	27	**5.3**	2.8
Cash and cash equivalents at end of year	27	**4.0**	5.3

The notes on pages 58 to 84 form part of these Group financial statements.

Notes to the Group financial statements

for the year ended 31 May 2021

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 3 August 2021.

2. Significant accounting policies

The Group's principal accounting policies are set out below.

Basis of preparation

The Group financial statements have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, with the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB. 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.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have very significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Headline operating profit, headline profit before taxation, headline EBITDA and headline earnings

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

Headline operating profit is reported operating profit after adding back exceptional items and amortisation of acquired intangibles.

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 acquired intangibles, to show the underlying performance of the Group.

Headline EBITDA refers to reported operating profit after adding back exceptional items and amortisation of acquired intangibles. The headline EBITDA calculation excludes the impact of IFRS 16 depreciation.

The calculation of headline earnings includes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. 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 2020.

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
Amendment to IFRS 9	Financial Instruments	1 June 2020
Amendment to IFRS 3	Business Combinations	1 June 2020
Amendment to IFRS 16	Leases	1 June 2020

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
IFRS 4	Insurance Contracts	1 June 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Significant accounting policies continued

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.

Intercompany 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.

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.

2. Significant accounting policies continued

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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.

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.

Right of use assets and lease liabilities

Under IFRS 16 a right of use asset and lease liability are recognised for all leases except 'low value' and 'short-term' leases where lease payments are recognised on a straight-line basis over the lease term. For the Group, the standard results in the recognition of almost all leases on the balance sheet as a right of use asset, with a corresponding lease liability.

At the inception of a contract, the Group performs an assessment to determine whether the contract is, or contains, a lease. Key aspects of this determination are the specific identification of an asset that is subject to the lease, and that the lease conveys the right to direct and control the use of the identified asset for a period of time.

Where a contract is determined to contain a lease, the lease liability is recognised from the commencement date of the lease, the commencement date being defined as the date at which the lessor makes the underlying asset available for use. The lease liability is recognised at an amount equal to the present value of the future lease payments during the lease term.

Lease payments are discounted using the Group's incremental borrowing rate, since the interest rate implicit in the Group's leases is not readily determinable.

After the commencement date, lease payments are allocated between the outstanding lease liability on the balance sheet and finance costs. Finance costs are charged to the income statement over the lease period using the effective interest method.

A right of use asset is initially recognised at the commencement date and measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the Group and an estimate of any cost for dismantling or restoring the asset at the end of the lease term.

2. Significant accounting policies continued

Right of use assets and lease liabilities continued

The right of use asset is subsequently depreciated in accordance with the depreciation requirements in IAS 16 'Property, Plant and Equipment' which results in depreciation on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group also applies IAS 36 'Impairment of Assets' to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Remeasurement of the lease liability occurs if, after the commencement date, there is a change in future lease payments or a change in the lease term. Any remeasurement of the lease liability results in a corresponding adjustment of the right of use asset. If the carrying amount of the right of use asset has already been reduced to zero, the remaining remeasurement is recognised in the income statement. The Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows, using an unchanged discount rate. Reassessment of leases in the Group occurs where lease consideration changes due to a market rent review clause or where there are changes to variable lease payments dependent on an index or rate.

A lease modification arises where there is a change in scope of the lease, or the consideration for the lease, which was not part of the original terms and conditions of the lease. In the event of a lease modification, the Group accounts for this as a separate lease, providing the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price, to reflect the circumstances of the particular contract.

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 either ten or twenty 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 ten 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, 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 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 remeasured 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. The Group recognises cash when it is within in its control. Cash in transit between Group companies at a period end is recognised within the receiving company's balance sheet. Cash in transit to or from external entities at a period end is not recognised where the Group does not exercise control over it. 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, cyber-related costs and income from legal or insurance 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.

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 2021, the Group operated one (2020: one) equity-settled share-based payment plan, details of which can be found in note 25 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.

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 24 of the Group financial statements.

Assessment of impairment

The Group tests annually for impairment of goodwill and fixed asset balances, which involves using key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates.

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 2022 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

These value in use calculations are subject to a series of sensitivity analyses using reasonable assumptions concerning the future performance of the CGUs and assessing the impact of a 1% increase in the discount rate. None of these reasonable downside scenarios would result in an impairment.

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. IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. 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.

From a completeness perspective, the Directors are not aware of any other critical judgements within the Group that give rise to a significant risk of material adjustment within the next financial year.

Notes to the Group financial statements continued
for the year ended 31 May 2021

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

	2021 £m	2020 £m
Sale of goods	**620.8**	639.2
Rendering of services	**54.8**	48.3
	675.6	687.5

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.

2021	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	**453.9**	**54.9**	**173.0**	**681.8**
Inter-segment revenue	**(6.1)**	**(0.1)**	**–**	**(6.2)**
Revenue	**447.8**	**54.8**	**173.0**	**675.6**
Result				
Headline operating profit	**9.3**	**1.9**	**1.7**	**12.9**
Segment exceptional item (note 5)	**(0.1)**	**–**	**(0.2)**	**(0.3)**
Group exceptional item (note 5)				**(0.2)**
Amortisation of acquired intangibles	**(0.3)**	**–**	**–**	**(0.3)**
Operating profit as reported				**12.1**
Finance costs (note 7)				**(1.3)**
Profit before taxation				**10.8**
Income tax expense (note 8)				**(3.0)**
Profit for the year				**7.8**
Other information				
Depreciation and amortisation	**4.3**	**5.6**	**3.0**	**12.9**
Fixed asset additions (note 12)	**1.0**	**1.1**	**0.8**	**2.9**

4. Segment information continued

2021	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	**80.7**	**45.8**	**56.0**	**182.5**
Current income tax asset				**0.4**
Cash at bank and in hand (note 17)				**4.0**
Consolidated total assets				**186.9**
Liabilities				
Segment liabilities	**(63.6)**	**(17.5)**	**(20.0)**	**(101.1)**
Deferred income tax liabilities (note 22)				**(1.9)**
Borrowings (note 19)				**(9.5)**
Retirement benefit obligations (note 24)				**(14.9)**
Consolidated total liabilities				**(127.4)**

2020	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	476.0	48.7	169.0	693.7
Inter-segment revenue	(5.8)	(0.4)	—	(6.2)
Revenue	470.2	48.3	169.0	687.5
Result				
Headline operating profit	11.0	1.4	1.9	14.3
Segment exceptional item (note 5)	(0.5)	—	—	(0.5)
Amortisation of acquired intangibles	(0.3)	—	—	(0.3)
Operating profit as reported				13.5
Finance costs (note 7)				(1.5)
Profit before taxation				12.0
Income tax expense (note 8)				(3.1)
Profit for the year				8.9
Other information				
Depreciation and amortisation	3.4	4.2	2.9	10.5
Fixed asset additions (note 12)	0.8	3.1	1.8	5.7

Notes to the Group financial statements continued
for the year ended 31 May 2021

4. Segment information continued

2020 (Restated[1])	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	66.2	48.2	54.3	168.7
Cash at bank and in hand (note 17)				5.3
Consolidated total assets				174.0
Liabilities				
Segment liabilities	(45.4)	(19.3)	(18.6)	(83.3)
Current income tax liabilities				(0.9)
Deferred income tax liabilities (note 22)				(0.5)
Borrowings (note 19)				(17.2)
Retirement benefit obligations (note 24)				(21.0)
Consolidated total liabilities				(122.9)

1 £4.4 million of deferred tax assets, recognised within non-current assets, have been reclassified to non-current liabilities and offset against £4.9 million of deferred tax liabilities in the year ended 31 May 2020. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The impact on the balance sheet as at 31 May 2019 would be to reclass £3.1 million of deferred tax assets, recognised within non-current assets, to non-current liabilities and offset against £3.7 million of deferred tax liabilities.

5. Profit before taxation

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

	2021 £m	2020 £m
Cost of inventories recognised as an expense (included in cost of sales)	**573.5**	586.7
Depreciation of property, plant and equipment (note 12)	**4.5**	4.1
Depreciation of right of use assets (note 13)	**7.7**	5.8
Amortisation of other intangible assets (note 14)	**0.7**	0.6
Profit on disposal of property, plant and equipment	**–**	(0.2)
Staff costs (note 6)	**51.4**	48.2
Exceptional items	**0.5**	0.5

A net exceptional cost of £0.5 million (2020: £0.5 million) is included in administrative expenses. Exceptional items by type are as follows:

	2021 £m	2020 £m
Acquisition-related costs	**0.2**	0.5
Cyber-related costs	**0.7**	–
Insurance reclaim credit	**(0.4)**	–
Net exceptional cost	**0.5**	0.5

Acquisition-related costs – The acquisition-related costs comprise professional fees and other costs in relation to the integration and hive-up of prior year acquisitions, and aborted deal fees incurred during the year ended 31 May 2021.

Cyber-related costs – The cyber costs comprise certain insurance excesses on the Group's cyber insurance policy, and other rebuild, business interruption and professional service costs, which have been incurred as a result of the cyber incident announced on 2 November 2020.

Insurance reclaim credit – The insurance reclaim comprises amounts reimbursed through the Group's insurer, in respect of costs incurred as a result of the cyber incident. Of the total credit recognised, £0.2 million had been cash settled as at 31 May 2021 with a further £0.2 million settled post year end and recognised within receivables. Further reimbursements are expected in respect of cyber costs incurred but are not virtually certain and therefore have not been recognised at the year end.

Certain legal and professional costs totalling £0.6 million relating to the cyber incident have been reimbursed directly by the Group's insurer to the relevant service providers and as such are not included in the gross cyber-related costs or insurance reclaims recognised by the Group.

5. Profit before taxation continued

Services provided by the Company's auditors

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

	2021 £'000	2020 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	**75**	43
Fees payable to the Company's auditors for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	**416**	219
– non-audit assurance services	**2**	1
– tax compliance services	**45**	103
Total auditors' remuneration	**538**	366

Fees relating to the audit of the financial statements in the year ending 31 May 2021 include £90,000 of additional costs relating to the prior year audit, billed in the current financial year, that were not included within the 31 May 2020 comparative figure.

6. Staff costs

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

	2021 Number	2020 Number
Fuels	**337**	302
Food	**704**	621
Feeds	**219**	223
Head Office	**18**	15
	1,278	1,161

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 43.

	2021 £m	2020 £m
Wages and salaries	**44.8**	41.0
Social security costs	**4.7**	4.3
Share-based payments (note 25)	**0.5**	1.2
Other pension costs (note 24)	**1.4**	1.7
	51.4	48.2

In addition to the above staff costs, the Group incurred no termination costs (2020: £Nil), and £3.0 million (2020: £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.

7. Finance costs

	2021 £m	2020 £m
Interest on bank loans and overdrafts	**0.5**	0.7
Finance costs on lease liabilities relating to IFRS 16	**0.5**	0.4
Total interest expense	**1.0**	1.1
Net finance cost in respect of defined benefit pension schemes (note 24)	**0.3**	0.4
Total finance costs	**1.3**	1.5

Notes to the Group financial statements continued

for the year ended 31 May 2021

8. Income tax expense

	2021 £m	2020 £m
Current tax		
UK corporation tax on profits for the year	**2.2**	2.6
Adjustments in respect of prior years	**(0.2)**	–
Current tax expense	**2.0**	2.6
Deferred tax		
Origination and reversal of temporary differences	**(0.1)**	–
Adjustments in respect of prior years	**(0.2)**	–
Effect of increased tax rate on opening balances	**1.3**	0.5
Deferred tax expense (note 22)	**1.0**	0.5
Total income tax expense	**3.0**	3.1

During the year ended 31 May 2021, corporation tax has been calculated at 19% of estimated assessable profits for the year (2020: 19%).

An increase in the UK corporation tax rate to 19% with effect from 1 April 2020 was substantively enacted on 17 March 2020. In the opinion of the Directors, the relevant timing differences at 31 May 2020 were expected to reverse after 1 April 2020 and therefore deferred tax was provided at a rate of 19% in the statutory accounts for that period.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the Group, such items include remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments.

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

	2021 £m	2020 £m
Profit before taxation	**10.8**	12.0
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	**2.0**	2.2
Effects of:		
– expenses not deductible for tax purposes	**0.1**	0.4
– impact of increased tax rate on opening balances	**1.3**	0.5
– adjustments in respect of prior years	**(0.4)**	–
Total income tax expense	**3.0**	3.1

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. Dividends paid

	2021 £m	2020 £m
Final dividend for the year ended 31 May 2020 of 5.9p (2019: 5.6p) per share	**2.9**	2.7
Interim dividend for the year ended 31 May 2021 of 1.0p (2020: 1.0p) per share	**0.5**	0.5
Amounts recognised as distributions to equity shareholders in the year	**3.4**	3.2
Proposed final dividend for the year ended 31 May 2021 of 6.2p (2020: 5.9p) per share	**3.0**	2.9

The proposed final dividend is subject to approval at the AGM on 30 September 2021 and has not been included as a liability in these Group financial statements.

10. Earnings per share

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

	2021	2020
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**7.8**	8.9
Number of shares ('000)		
Weighted average number of shares for the purposes of basic earnings per share	**48,940**	48,750
Weighted average dilutive effect of conditional share awards	**194**	478
Weighted average number of shares for the purposes of diluted earnings per share	**49,134**	49,228
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**15.9**	18.2
Diluted earnings per ordinary share	**15.9**	18.1
Headline earnings per ordinary share (pence)[1]		
Basic headline earnings per ordinary share	**20.4**	21.5
Diluted headline earnings per ordinary share	**20.4**	21.3

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

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders	**7.8**	8.9
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	**0.3**	0.4
Exceptional items	**0.5**	0.5
Exceptional impact of remeasuring deferred tax balances	**1.3**	0.5
Amortisation of acquired intangibles	**0.3**	0.3
Tax effect of the above	**(0.2)**	(0.1)
Headline earnings	**10.0**	10.5

Following the announcement of the corporation tax rate increase from 19% to 25% from 1 April 2023, which was substantively enacted into law on 24 May 2021, deferred tax balances have been remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse. This results in an additional deferred tax charge in the year of £1.3 million (2020: £0.5 million). To maintain consistency of reporting headline EPS metrics, the headline earnings calculation has been adjusted to exclude the exceptional impact of this remeasurement, with the prior year balance re-presented on a like-for-like basis.

The impact of this adjustment to headline earnings and headline EPS is as follows:

	2021	2020
Headline earnings (£m) (as previously reported)	**8.7**	10.0
Exceptional impact of remeasuring deferred tax balances (£m)	**1.3**	0.5
Headline earnings (£m) (like-for-like basis)	**10.0**	10.5
Headline earnings per ordinary share (pence) (as previously reported)		
Basic earnings per ordinary share	**17.7**	20.5
Diluted earnings per ordinary share	**17.7**	20.3
Headline earnings per ordinary share (pence) (impact of re-presentation)		
Basic earnings per ordinary share	**2.7**	1.0
Diluted earnings per ordinary share	**2.7**	1.0
Headline earnings per ordinary share (pence) (like-for-like basis)		
Basic headline earnings per ordinary share	**20.4**	21.5
Diluted headline earnings per ordinary share	**20.4**	21.3

1 The calculation of headline earnings includes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis.

11. Business combinations

On 2 December 2019, the Group acquired 100% of the share capital of Ron Darch & Sons Co Limited, a 35 million litre fuel and coal distributor based in Somerset.

Following finalisation of the acquisition accounting, adjustments have been made to the value attributable to deferred tax liabilities:

Notes to the Group financial statements continued

for the year ended 31 May 2021

11. Business combinations continued

	Initial fair value of assets acquired £m	Adjustments £m	Fair value of assets acquired £m
Intangible assets – goodwill	2.2	0.1	2.3
Intangible assets – brand	0.2	—	0.2
Intangible assets – customer relationships	0.8	—	0.8
Property, plant and equipment	1.4	—	1.4
Stock	0.6	—	0.6
Trade and other receivables	1.5	—	1.5
Cash	4.5	—	4.5
Trade and other payables	(2.6)	—	(2.6)
Corporation tax liability	(0.1)	—	(0.1)
Deferred tax liability	(0.1)	(0.1)	(0.2)
	8.4	—	8.4

During the year ended 31 May 2021, following finalisation of the completion accounts, a final balance of £1.1 million was paid in respect of the acquisition.

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 2019	37.2	1.5	26.3	9.9	74.9
Additions	—	1.1	4.3	0.3	5.7
Acquired	0.7	0.1	0.4	1.3	2.5
Transfers out to right of use asset	—	—	—	(1.3)	(1.3)
Disposals	—	—	—	(3.6)	(3.6)
At 1 June 2020	37.9	2.7	31.0	6.6	78.2
Additions	—	0.4	2.5	—	2.9
Transfers in from right of use asset	—	—	—	0.6	0.6
Disposals	—	—	(0.9)	(0.9)	(1.8)
At 31 May 2021	**37.9**	**3.1**	**32.6**	**6.3**	**79.9**
Accumulated depreciation					
At 1 June 2019	10.9	0.3	12.8	5.4	29.4
Charge for the year	0.9	—	2.0	1.2	4.1
Transfers out to right of use asset	—	—	—	(0.4)	(0.4)
Disposals	—	—	—	(3.4)	(3.4)
At 1 June 2020	11.8	0.3	14.8	2.8	29.7
Charge for the year	0.8	0.1	2.4	1.2	4.5
Transfers in from right of use asset	—	—	—	0.2	0.2
Disposals	—	—	(0.9)	(0.9)	(1.8)
At 31 May 2021	**12.6**	**0.4**	**16.3**	**3.3**	**32.6**
Carrying amount					
At 31 May 2021	**25.3**	**2.7**	**16.3**	**3.0**	**47.3**
At 31 May 2020	26.1	2.4	16.2	3.8	48.5

The Group has pledged certain freehold land and buildings with a carrying value of £21.3 million (31 May 2020: £22.0 million) to secure banking facilities granted to the Group.

13. Right of use assets

	Properties £m	Commercial vehicles £m	Total £m
Cost			
At 1 June 2019	1.0	15.7	16.7
Additions	7.6	8.0	15.6
Acquired	0.4	–	0.4
Transfers in from property, plant and equipment on transition	–	0.8	0.8
At 1 June 2020	9.0	24.5	33.5
Additions	0.1	6.1	6.2
Disposals	–	(0.2)	(0.2)
Transfers out to property, plant and equipment	–	(0.6)	(0.6)
At 31 May 2021	**9.1**	**29.8**	**38.9**
Accumulated depreciation			
At 1 June 2019	–	0.1	0.1
Charge for the year	0.6	5.2	5.8
Transfers in from property, plant and equipment	–	0.3	0.3
At 1 June 2020	0.6	5.6	6.2
Charge for the year	1.5	6.2	7.7
Disposals		(0.2)	(0.2)
Transfers out to property, plant and equipment	–	(0.2)	(0.2)
At 31 May 2021	**2.1**	**11.4**	**13.5**
Carrying amount			
At 31 May 2021	**7.0**	**18.4**	**25.4**
At 31 May 2020	8.4	18.9	27.3

Depreciation charges are recognised in administrative costs.

14. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Brands £m	Total £m
Cost					
At 1 June 2019	23.2	6.3	0.5	1.1	31.1
Additions	4.9	0.4	1.7	0.3	7.3
At 1 June 2020	28.1	6.7	2.2	1.4	38.4
Additions	0.1	0.1	–	–	0.2
At 31 May 2021	**28.2**	**6.8**	**2.2**	**1.4**	**38.6**
Accumulated amortisation					
At 1 June 2019	0.6	5.3	–	0.5	6.4
Charge for the year	–	0.3	0.2	0.1	0.6
At 1 June 2020	0.6	5.6	0.2	0.6	7.0
Charge for the year	–	0.4	0.2	0.1	0.7
At 31 May 2021	**0.6**	**6.0**	**0.4**	**0.7**	**7.7**
Carrying amount					
At 31 May 2021	**27.6**	**0.8**	**1.8**	**0.7**	**30.9**
At 31 May 2020	27.5	1.1	2.0	0.8	31.4

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

14. Intangible assets continued

Customer relationships

Customer relationships are allocated as follows:

	2021 £m	2020 £m
Fuels	**1.8**	2.0

Brands

Brands are allocated as follows:

	2021 £m	2020 £m
Feeds	**0.2**	0.2
Fuels	**0.5**	0.6
	0.7	0.8

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:

	2021 £m	2020 £m
Feeds	**11.9**	11.9
Fuels	**15.7**	15.6
	27.6	27.5

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 2022 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%. These base case calculations for Fuels and Feeds result in a value in use of £87.5 million and £53.5 million respectively.

The rates used to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses, are as follows:

	2021 %	2020 %
Fuels	**11.22**	10.06
Feeds	**10.80**	9.90

CGU-specific discount rates have been applied in each of the impairment tests as the principal risks and uncertainties associated with each CGU may vary as they operate in different industries; as such the Group risks on pages 19 to 21 may impact each CGU differently.

The value in use calculations described above indicate ample headroom and therefore do not give rise to impairment concerns. Furthermore, the following sensitivities have been performed on the CGU Board-approved forecasts, the impact of which still result in satisfactory headroom and do not give rise to an impairment:

	Value in use impact	
	Fuels £m	Feeds £m
Decrease EBITDA by 10%	**(25.7)**	**(5.9)**
Increase discount rate by 1%	**(10.7)**	**(7.4)**

Having completed the 2021 impairment reviews of both the Feeds and Fuels divisions, no impairments have been identified.

15. Inventories

	2021 £m	2020 £m
Raw materials and consumables	**2.8**	2.4
Finished goods and goods for resale	**3.8**	2.3
	6.6	4.7

16. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**68.3**	54.5
Less: provision for impairment	**(1.6)**	(1.8)
Trade receivables – net	**66.7**	52.7
VAT recoverable	**0.7**	–
Other receivables	**0.3**	0.2
Prepayments	**3.2**	3.1
Contract assets	**1.2**	0.7
	72.1	56.7

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 2021 and 31 May 2020 was determined as follows for trade receivables:

31 May 2021	Current	<30 days past due	30 to 60 days past due	>60 days past due	Total
Expected loss rate	0.17%	0.52%	1.16%	67.00%	
Gross carrying amount (£m)	55.4	8.1	2.6	2.2	68.3
Loss allowance (£m)	**0.1**	**–**	**–**	**1.5**	**1.6**

31 May 2020	Current	<30 days past due	30 to 60 days past due	>60 days past due	Total
Expected loss rate	0.10%	0.21%	2.06%	71.11%	
Gross carrying amount (£m)	40.9	9.5	1.7	2.4	54.5
Loss allowance (£m)	–	–	–	1.8	1.8

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

	2021 £m	2020 £m
At 1 June	**1.8**	1.2
Provision for receivables impairment	**0.1**	0.8
Receivables written off in the year	**(0.3)**	(0.2)
At 31 May	**1.6**	1.8

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.

17. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**4.0**	5.3

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

18. Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	**65.3**	44.9
Social security and other taxes	**1.3**	1.3
Accruals	**8.6**	10.4
	75.2	56.6

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

Accruals include a provision for dilapidations on leased properties of £0.4 million (2020: £0.3 million). There are no contract liabilities within the above balances.

19. Borrowings

	2021 £m	2020 £m
Current		
Invoice discounting advances	**6.5**	7.2
	6.5	7.2
Non-current		
Revolving credit facility	**3.0**	10.0
	3.0	10.0
Total borrowings	**9.5**	17.2

The Group's banking facilities, provided by NatWest Group, were renewed on 29 June 2018 and are committed until 31 October 2023. Further information on the renewed facilities, which total £65.0 million (2020: £65.0 million), is outlined below.

Invoice discounting advances

Invoice discounting advances at 31 May 2021 were drawn under a committed facility with an expiry date of 31 October 2023 (2020: 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 (2020: £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% (2020: 1.25%) per annum above the bank's base rate.

Invoice discounting advances have been classified within current liabilities as the Group does not have an unconditional right to defer settlement of the liabilities for at least one year after the balance sheet date. Accordingly, all of the invoice discounting advances at 31 May 2021 totalling £6.5 million (2020: £7.2 million) are presented within 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 (2020: £20.0 million).

Revolving credit facility

The Group has a revolving credit facility of £10.0 million (2020: £10.0 million) with an expiry date of 31 October 2023 (2020: 31 October 2023). Interest is charged on amounts drawn down at 1.60 – 1.85% per annum above LIBOR (2020: 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 2021 is £3.0 million (2020: £10.0 million).

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

Bank overdrafts

The Group's net bank overdraft facility at 31 May 2021 is repayable on demand and is subject to a maximum limit of £1.0 million (2020: £1.0 million). None of the facility was utilised at 31 May 2021 (2020: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2020: 1.5% per annum over the bank's base rate).

Bank guarantee

The Group has a bank guarantee agreement with NatWest 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 £9.5 million (2020: £17.2 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to NatWest 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:

	2021 £m	2020 £m
Within one year	**6.5**	7.2
Between two and five years	**3.0**	10.0
	9.5	17.2

19. Borrowings continued

Bank borrowing facilities by expiry date

The Group has a number of bank borrowing facilities which were partly drawn down at 31 May 2021. The Group is in compliance with all covenants.

	2021		2020	
Facilities expiring:	Facility £m	Amount drawn £m	Facility £m	Amount drawn £m
Within one year	**49.3**	**6.5**	44.8	7.2
Between two and five years	**10.0**	**3.0**	10.0	10.0
	59.3	**9.5**	54.8	17.2

The availability of invoice discounting facilities included above, amounting to £48.3 million (31 May 2020: £43.8 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.

20. Lease liabilities

	Properties £m	Commercial vehicles £m	Total £m
Cost			
At 1 June 2019	1.0	15.4	16.4
Additions	7.0	8.0	15.0
Business combinations	0.4	0.5	0.9
Lease liability payments (including finance costs)	(0.3)	(5.7)	(6.0)
Finance costs	—	0.4	0.4
At 1 June 2020	8.1	18.6	26.7
Additions	—	6.2	6.2
Lease liability payments (including finance costs)	(0.9)	(6.7)	(7.6)
Finance costs	0.2	0.3	0.5
At 31 May 2021	**7.4**	**18.4**	**25.8**

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Current		
Amounts due within one year	**7.4**	6.4
Non-current		
Amounts due after more than one year	**18.4**	20.3
Total	**25.8**	26.7

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20. Lease liabilities continued
Lease liabilities are as follows:

	2021 £m	2020 £m
Not more than one year		
Minimum lease payments	**7.8**	6.9
Interest element	**(0.4)**	(0.5)
Present value of minimum lease payments	**7.4**	6.4
Between one and five years		
Minimum lease payments	**18.1**	18.9
Interest element	**(0.5)**	(0.7)
Present value of minimum lease payments	**17.6**	18.2
More than five years		
Minimum lease payments	**0.8**	2.2
Interest element	**–**	(0.1)
Present value of minimum lease payments	**0.8**	2.1

21. Financial instruments and risk management
The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, rolling credit facility, lease liabilities, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2021 and 2020 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 page 77 (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 2021	Total book and fair value £m
Financial liabilities carried at amortised cost:	
Trade and other payables	**75.2**
Floating rate invoice discounting advances	**6.5**
Lease liabilities repayable within one year	**7.4**
Financial liabilities carried at fair value: derivatives	**0.1**
	89.2
Revolving credit facility	**3.0**
Lease liabilities repayable after one year	**18.4**
	21.4
Total	**110.6**

21. Financial instruments and risk management continued

Financial liabilities continued

At 31 May 2020	Total book and fair value £m
Financial liabilities carried at amortised cost:	
Trade and other payables	56.6
Floating rate invoice discounting advances	7.2
Lease liabilities repayable within one year	6.4
	70.2
Revolving credit facility	10.0
Lease liabilities repayable after one year	20.3
	30.3
Total	100.5

Financial assets

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

At 31 May 2021	**Total book and fair value £m**
Trade and other receivables	**72.1**
Financial assets carried at amortised cost: cash and cash equivalents	**4.0**
Financial assets carried at fair value: derivatives	**0.2**
	76.3

At 31 May 2020	Total book and fair value £m
Trade and other receivables	56.7
Financial assets carried at amortised cost: cash and cash equivalents	5.3
Financial assets carried at fair value: derivatives	0.1
	62.1

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 2021, the Group had open forward supply contracts with a principal value of £43.3 million (31 May 2020: £26.6 million). The fair value of forward supply contracts recognised on the balance sheet is £0.1 million (31 May 2020: £0.1 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 (2020: £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.

21. Financial instruments and risk management continued

Financial risk management continued

Interest rate risk

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

The Directors review the interest rate hedging policy on at least an annual basis. The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2021 profit before taxation by approximately £0.3 million (2020: £0.3 million).

Credit risk

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

Liquidity risk

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

All of the Group's financial instruments, with the exception of certain borrowings (see note 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 (excluding lease liabilities) divided by headline operating profit before interest, depreciation and amortisation as shown below:

	2021	2020
Borrowings (£m) (note 19)	**9.5**	17.2
Obligations under hire purchase agreements now recognised in lease liabilities (£m)	**0.2**	0.4
Less: cash at bank and in hand (£m)	**(4.0)**	(5.3)
Net debt (£m) (excluding lease liabilities)	**5.7**	12.3
Headline EBITDA (£m)	**17.8**	18.7
Net debt/EBITDA ratio	**0.3x**	0.7x

The Group has set an internal covenant limit of 2.0x net debt/EBITDA.

22. Deferred income tax assets and liabilities

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 2019	3.7	(2.9)	(0.2)	0.6
Debit/(credit) to income statement (note 8)	0.7	—	(0.2)	0.5
Credit to equity	—	(1.1)	—	(1.1)
Arising on intangibles on acquisition	0.3	—	—	0.3
Acquired	0.2	—	—	0.2
At 31 May 2020	4.9	(4.0)	(0.4)	0.5
Debit to income statement (note 8)	0.8	—	0.2	1.0
Debit to equity	—	0.3	—	0.3
Arising on intangibles on acquisition	0.1	—	—	0.1
At 31 May 2021	**5.8**	**(3.7)**	**(0.2)**	**1.9**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred income tax assets disclosed above are deemed to be recoverable.

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

23. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2019	48,750	12.2
Issue of shares (see below)	–	–
Balance at 31 May 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	**49,004**	**12.3**

During the year ended 31 May 2021, 253,524 shares (2020: no shares) with an aggregate nominal value of £63,381 (2020: £Nil) 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 2021, amounted to 1,400,421 (31 May 2020: 1,441,604). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 25).

24. Retirement benefit obligations

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 £1.4 million (2020: £1.3 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 2020: £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 triennial actuarial valuation of this scheme was completed in the year ended 31 May 2021, with a deficit of £16.8 million at the valuation date of 31 December 2019. 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 2021. The next full triennial valuation will be completed in the year ending 31 May 2024.

The triennial valuation resulted in Group contributions of £2.1 million per annum, including recovery plan payments of £1.8 million for financial years ending 31 May 2021 and 31 May 2022. From 1 June 2022 to 31 December 2027 recovery plan payments of £2.1 million per annum will be paid. In addition, from 1 January 2022 a percentage increase based on total dividend growth over £3.1 million will be paid.

The average duration of the benefit obligation at the balance sheet date is 16 years. The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 54% of the liabilities are attributable to current and former employees and 46% to current pensioners.

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

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

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

	2021 %	2020 %
Discount rate	**2.00**	1.65
Future salary increases	**n/a**	n/a
RPI inflation	**3.30**	2.65
CPI inflation	**2.70**	1.85
Pension increases in payment (LPI 5%)	**3.21**	2.63

Notes to the Group financial statements continued

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24. Retirement benefit obligations continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

The mortality assumptions adopted imply the following life expectancies:

	2021 Years	2020 Years
Current pensioners – male life expectancy at age 65	**20.5**	21.6
Future pensioners currently aged 45 – male life expectancy at age 65	**21.8**	22.9

The 2021 mortality assumptions above are based on S2PXA tables with CMI 2020 improvements and a long-term trend rate of 1.25% (2020: S2PXA tables with CMI 2019 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:

	2021 £m	2020 £m
Present value of defined benefit obligations	**(60.0)**	(61.1)
Fair value of scheme assets	**45.1**	40.1
Deficit in the scheme recognised as a liability in the balance sheet	**(14.9)**	(21.0)
Related deferred tax asset (note 22)	**3.7**	4.0
Net pension liability	**(11.2)**	(17.0)

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

	2021 £m	2020 £m
Past service cost	**–**	0.4
Administrative expenses	**0.3**	0.3
Interest on the net defined benefit liability	**0.3**	0.4
Total cost recognised in the income statement	**0.6**	1.1

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

	2021 £m	2020 £m
Actuarial gain on plan assets	**3.8**	1.5
Actuarial gain/(loss) arising from changes in financial assumptions	**0.2**	(5.5)
Remeasurement gain/(loss)	**4.0**	(4.0)

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

	2021 £m	2020 £m
At 1 June	**61.1**	55.3
Interest cost	**1.0**	1.3
Remeasurement losses:		
– actuarial losses arising from changes in financial assumptions	**2.6**	4.9
– actuarial (gains)/losses arising from changes in demographic assumptions	**(4.0)**	0.6
– actuarial losses on experience assumptions	**1.2**	–
Benefits paid	**(1.9)**	(2.1)
Past service cost	**–**	1.1
At 31 May	**60.0**	61.1

Within the Group's Half Year Report for 2020/21, disclosures were made in respect of the actuarial pension valuation as at 30 November 2020. On subsequent review of the supporting information provided for the purposes of the disclosure, an error was identified. The error was driven by an incorrect application of the postcode weighting methodology applied by the Scheme Actuary in the IAS 19 valuation as at 30 November 2020 which impacted the mortality rate assumptions. The impact of the error was an understatement of the present value of the scheme obligations, as at 30 November 2020, by £1.0 million. As a result the post-employment benefit obligations at 30 November 2020 should have been a £19.7 million liability compared to the reported £18.7 million liability. As a result, both retained earnings and net assets should have been £1.0 million lower. The error had no impact on the Condensed Consolidated Income Statement or the Condensed Consolidated Cash Flow Statement.

24. Retirement benefit obligations continued
Defined benefit scheme continued
NWF Group Benefits Scheme continued
Changes in the fair value of scheme assets are as follows:

	2021 £m	2020 £m
At 1 June	**40.1**	38.0
Interest income	**0.7**	0.9
Remeasurement gains:		
– actuarial gains on plan assets	**3.8**	1.5
Contributions by employer	**2.7**	2.1
Expenses	**(0.3)**	(0.3)
Benefits paid	**(1.9)**	(2.1)
At 31 May	**45.1**	40.1

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

	Fair value of assets	
	2021 £m	2020 £m
Equity-linked bonds	**11.1**	8.6
LDI	**6.1**	7.9
Credit fund	**7.8**	6.6
Property fund	**–**	0.1
Diversified growth fund	**19.3**	16.3
Cash	**0.4**	0.2
Annuity policies	**0.4**	0.4
Total	**45.1**	40.1

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 £4.5 million (2020: £2.4 million).

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

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

- asset mix is based on a strategic allocation of 40% diversified growth funds, 23% liability-driven investment ('LDI') funds, 22% equity-linked LDI and 15% multi-asset credit;
- 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 LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;
- 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 and the multi-asset credit fund; and
- there are 17 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.

24. Retirement benefit obligations continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

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	(2.2)	2.2
0.25% change in RPI inflation	1.7	(1.7)
One-year change in the life expectancy at age 65	2.6	(2.6)

25. Share-based payments

In the year ended 31 May 2021, the Group operated one (2020: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £0.5 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2021 (2020: £1.2 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 1 August 2018 (vesting date: August 2021) and 1 August 2019 (vesting date: August 2022) and 4 August 2020 (vesting date: August 2023). 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 2021, 31 May 2020, 31 May 2019 and 31 May 2018, are as shown below.

	2021 Number of conditional shares	2020 Number of conditional shares	2019 Number of conditional shares	2018 Number of conditional shares
At 1 June	**1,441,604**	1,216,945	1,096,487	867,014
Granted in the year	**437,164**	529,080	434,178	478,347
Exercised in the year	**(478,347)**	—	(169,660)	—
Lapsed/forfeited in the year	**—**	(304,421)	(144,060)	(248,874)
At 31 May	**1,400,421**	1,441,604	1,216,945	1,096,487

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 2021 shown above is £2.3 million (31 May 2020: £2.2 million), before taking into account the likelihood of achieving non-market-based performance conditions.

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

	2021	2020	2019	2018
Share price at grant date	**£2.05**	£1.66	£1.97	£1.48
Black Scholes fair value	**£1.83**	£1.49	£1.72	£1.32
Exercise price	**£Nil**	£Nil	£Nil	£Nil
Expected volatility	**31.09%**	25.13%	23.48%	21.42%
Expected life	**2.82 years**	2.84 years	2.83 years	2.83 years
Expected dividend yield	**4.03%**	3.91%	3.61%	3.89%
Risk-free interest rate	**(0.13)%**	0.38%	0.85%	0.27%

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.

26. Net cash generated from operating activities

	2021 £m	2020 £m
Operating profit	**12.1**	13.5
Adjustments for:		
Depreciation of property, plant and equipment	**4.5**	4.1
Depreciation of right of use assets	**7.7**	5.8
Amortisation of other intangible assets	**0.7**	0.6
Profit on disposal of fixed assets	**–**	(0.2)
Fair value (profit)/loss on financial derivative	**(0.1)**	0.1
Share-based payment expense	**0.4**	1.2
Value of employee services	**(0.5)**	–
Contribution to pension scheme not recognised in income statement	**(2.4)**	(1.3)
Operating cash flows before movements in working capital and provisions	**22.4**	23.8
Movements in working capital:		
(Increase)/decrease in inventories	**(1.9)**	1.9
(Increase)/decrease in receivables	**(15.3)**	20.2
Increase/(decrease) in payables	**19.6**	(20.4)
Net cash generated from operations	**24.8**	25.5
Interest paid	**(1.0)**	(1.1)
Income tax paid	**(2.8)**	(2.7)
Net cash generated from operating activities	**21.0**	21.7

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

	1 June 2020 £m	Cash flow £m	Other non-cash movements £m	31 May 2021 £m
Cash and cash equivalents (note 17)	5.3	(1.3)	–	**4.0**
Borrowings (note 19)	(17.2)	7.7	–	**(9.5)**
Hire purchase obligations[1]	(0.4)	0.2	–	**(0.2)**
Total Group (excluding lease liabilities)	(12.3)	6.6	–	**(5.7)**
Lease liabilities (excluding hire purchase obligations transferred)	(26.3)	7.4	(6.7)	**(25.6)**
Total Group (including lease liabilities)	(38.6)	14.0	(6.7)	**(31.3)**

1 Following the adoption of IFRS 16 'Leases', hire purchase obligations are now recognised within lease liabilities, shown here for comparative purposes only.

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':

	2021 £m	2020 £m
Short-term employee benefits (salary and bonus)	**3.6**	3.8
Post-employment benefits	**0.3**	0.3
Share-based payments	**0.5**	0.8
	4.4	4.9

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

Notes to the Group financial statements continued

for the year ended 31 May 2021

28. Related party transactions continued

Directors' transactions

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,879 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £1,693). At 31 May 2021, the amount outstanding was £Nil (31 May 2020: £Nil). During the year, the highest amount outstanding totalled £504 (2020: £724).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,984 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £2,277). At 31 May 2021, the amount outstanding was a credit balance of £220 (31 May 2020: £345). During the year, the highest amount outstanding totalled £500 (2020: 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 £1,335 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £1,230). At 31 May 2021, the amount outstanding was £266 (31 May 2020: £310). During the year, the highest amount outstanding totalled £310 (2020: £540).

29. Commitments for capital expenditure

	2021 £m	2020 £m
Authorised and contracted but not provided for	**14.7**	6.6

30. Contingent liabilities

The Group's bank facilities are provided under an arrangement with NatWest Group. The Group has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2021 of £21.3 million (31 May 2020: £22.0 million). This is secured by way of unscheduled mortgage debentures which incorporate a fixed charge over specified property including land, plant and machinery and goodwill and a floating charge over all other property, assets and rights owned now or in the future which are not subject to an effective fixed charge.

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 £9.5 million at 31 May 2021 (31 May 2020: £17.2 million). The Group has an inter-company cross-guarantee arrangement with the bank under which the Company and various subsidiaries provide security for each other.

The Group has a bank guarantee agreement with NatWest 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 2020: £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.

Under Section 479A of the Companies Act 2006, exemption from an audit of the financial statements for the financial year ended 31 May 2021 has been taken by Consols Oils Limited (02794100), David Hermon Hodge Group Limited (11897150), David Hermon Hodge Limited (07585473) and Hermon Hodge Limited (01247450). As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

31. Contingent assets

On 2 November 2020, the Group announced that it had experienced an unauthorised access to the IT systems in two of its divisions (Feeds and Fuels) and at Group level. The Group acted promptly to instigate precautionary measures and engaged specialist external support to contain and manage the incident. On 12 November 2020, the Group announced that following extensive investigations, supported by cyber security experts, the Group was satisfied that the incident had been contained and additional security measures had been applied to all of the Group's IT systems.

The Group identifies a contingent asset in respect of the reimbursement of remaining unsettled costs from its insurer. Whilst it is probable that an inflow of economic benefits will be received, at the time of this report the amount of any reimbursement is not virtually certain and therefore does not warrant recognition as a reimbursement asset.

Parent Company balance sheet
as at 31 May 2021

	Note	2021 £m	2020 (Restated[1]) £m
Non-current assets			
Property, plant and equipment	3	**0.4**	0.4
Investment property	4	**22.4**	23.1
Investments	5	**15.3**	15.3
Finance lease receivables	6	**4.5**	5.6
Reimbursement asset	7	**0.4**	0.3
Deferred tax asset[1]	8	**0.6**	1.6
		43.6	46.3
Current assets			
Trade and other receivables	9	**7.5**	10.6
Finance lease receivables	6	**1.0**	1.0
Cash and cash equivalents		**3.4**	7.3
		11.9	18.9
Current liabilities			
Trade and other payables	10	**(3.8)**	(4.0)
Lease liabilities	11	**(1.3)**	(0.5)
Net current assets		**6.8**	14.4
Total assets less current liabilities		**50.4**	60.7
Non-current liabilities			
Borrowings		**(3.0)**	(10.0)
Lease liabilities	11	**(5.0)**	(6.3)
Retirement benefit obligations		**(14.9)**	(21.0)
Net assets		**27.5**	23.4
Capital and reserves			
Share capital	12	**12.3**	12.2
Share premium		**0.9**	0.9
Retained earnings		**14.3**	10.3
Total shareholders' funds		**27.5**	23.4

The Company's profit for the year was £3.4 million including dividends received (2020: £3.6 million).

The Parent Company financial statements on pages 85 to 95 were approved by the Board of Directors on 3 August 2021 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 87 to 95 form part of these Parent Company financial statements.

1 £2.6 million of deferred tax liabilities, recognised within non-current liabilities, have been reclassified to non-current assets and offset against £4.2 million of deferred tax assets. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The impact on the balance sheet as at 31 May 2019 would be to reclass £2.6 million of deferred tax liabilities, recognised within non-current liabilities, to non-current assets and offset against £3.1 million of deferred tax assets.

Parent Company statement of comprehensive income

for the year ended 31 May 2021

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders	**3.4**	3.6
Items that will never be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	**4.0**	(4.0)
Tax on items that will never be reclassified to profit or loss	**0.1**	1.1
Total other comprehensive income/(expense)	**4.1**	(2.9)
Total comprehensive income for the year	**7.5**	0.7

The notes on pages 87 to 95 form part of these Parent Company financial statements.

Parent Company statement of changes in equity

for the year ended 31 May 2021

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m
Balance at 1 June 2019	12.2	0.9	11.8	24.9
Profit for the year	–	–	3.6	3.6
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	–	–	(4.0)	(4.0)
Tax on items that will never be reclassified to profit or loss	–	–	1.1	1.1
Total comprehensive income for the year	–	–	0.7	0.7
Transactions with owners:				
Dividends paid	–	–	(3.2)	(3.2)
Credit to equity for equity-settled share-based payments	–	–	1.0	1.0
Total transactions with owners	–	–	(2.2)	(2.2)
Balance at 31 May 2020	12.2	0.9	10.3	23.4
Profit for the year	**–**	**–**	**3.4**	**3.4**
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	**–**	**–**	**4.0**	**4.0**
Tax on items that will never be reclassified to profit or loss	**–**	**–**	**0.1**	**(0.1)**
Total comprehensive income for the year	**–**	**–**	**7.5**	**7.5**
Transactions with owners:				
Issue of shares	**0.1**	**–**	**–**	**0.1**
Dividends paid	**–**	**–**	**(3.4)**	**(3.4)**
Value of employee services	**–**	**–**	**(0.4)**	**(0.4)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.3**	**0.3**
Total transactions with owners	**0.1**	**–**	**(3.5)**	**(3.4)**
Balance at 31 May 2021	**12.3**	**0.9**	**14.3**	**27.5**

The notes on pages 87 to 95 form part of these Parent Company financial statements.

Notes to the Parent Company financial statements
for the year ended 31 May 2021

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);
  - 111 (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 2020.

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

Standard or interpretation	Content	Applicable for financial year beginning on
Amendment to IFRS 9	Financial Instruments	1 June 2020
Amendment to IFRS 3	Business Combinations	1 June 2020
Amendment to IFRS 16	Leases	1 June 2020

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
IFRS 4	Insurance Contracts	1 June 2021

These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

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 £3.4 million including dividends received (2020: £3.6 million). The profit for the year is shown in the statement of changes in equity and on the face of the balance sheet. There are no material differences between the profit for the year in the current and prior year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

Going concern

Based on financial performance to date and forecasts along with the available banking facilities, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Company is expected to continue to have very significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Company would still expect to have sufficient headroom in its financing facilities.

The Company therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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).

1. Significant accounting policies continued

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.

Finance lease receivables and lease liabilities

The Company holds the head lease on a property which is occupied by a subsidiary company under a sub-lease arrangement. The Company recognises both a finance lease receivable and a lease liability in respect of this arrangement.

The finance lease receivable is measured initially at the amount of the net investment in the lease, which is the gross investment in the lease discounted using the implicit interest rate in the lease, in accordance with IFRS 16. The gross investment in the lease is the aggregate of the lease payments receivable. Each lease payment received is allocated between the receivable and finance income. The finance income is credited to the income statement over the lease period so as to produce a constant periodic recognition of interest on the remaining balance of the asset for each period.

At the inception of a contract, the Company performs an assessment to determine whether the contract is, or contains, a lease. Key aspects of this determination are the specific identification of an asset that is subject to the lease, and that the lease conveys the right to direct and control the use of the identified asset for a period of time.

Where a contract is determined to contain a lease, the lease liability is recognised from the commencement date of the lease, the commencement date being defined as the date at which the lessor makes the underlying asset available for use. The lease liability is recognised at an amount equal to the present value of the future lease payments during the lease term.

Lease payments are discounted using the Company's incremental borrowing rate at the time of the inception of the lease, which is 2%.

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 2021, the Company operated one (2020: 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.

2. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 43. Details of auditors' remuneration are shown in note 5 of the Group financial statements.

Notes to the Parent Company financial statements continued

for the year ended 31 May 2021

3. Property, plant and equipment

	Plant and machinery £m	Total £m
Cost		
At 1 June 2020	0.9	0.9
Additions	0.1	0.1
At 31 May 2021	**1.0**	**1.0**
Accumulated depreciation		
At 1 June 2020	0.5	0.5
Charge for the year	0.1	0.1
At 31 May 2021	**0.6**	**0.6**
Carrying amount		
At 31 May 2021	**0.4**	**0.4**
At 31 May 2020	0.4	0.4

4. Investment property

	Investment property £m	Total £m
Cost		
At 1 June 2020	34.1	34.1
At 31 May 2021	**34.1**	**34.1**
Accumulated depreciation		
At 1 June 2020	11.0	11.0
Charge for the year	0.7	0.7
At 31 May 2021	**11.7**	**11.7**
Carrying amount		
At 31 May 2021	**22.4**	**22.4**
At 31 May 2020	23.1	23.1

The fair value of the investment property at 31 May 2021 was £41.5 million (31 May 2020: £33.9 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 (2020: £2.7 million) and direct operating expenses of £2.4 million (2020: £2.2 million) arising from investment property have been recognised in the income statement.

5. Investments

	£m
Cost and carrying amount	
At 1 June 2020	15.3
At 31 May 2021	**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

5. Investments continued

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
Consols Oils Limited	Fuel distribution
Caldo Fuel Oil Limited (formerly Figaro Number Two Limited)	Dormant
David Hermon Hodge Group Limited	Dormant
David Hermon Hodge Limited	Dormant
Hermon Hodge Limited	Dormant
Preston Fuels Limited	Dormant
Ron Darch & Sons Co Limited	Dormant
Midland Fuel Oil Supplies Limited	Dormant
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
Browns of Burwell Limited	Dormant
Broadland Fuels Limited	Dormant
Martlet 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.

Under Section 479A of the Companies Act 2006, exemption from an audit of the financial statements for the financial year ended 31 May 2021 has been taken by Consols Oils Limited (02794100), David Hermon Hodge Group Limited (11897150), David Hermon Hodge Limited (07585473) and Hermon Hodge Limited (01247450). As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

6. Finance lease receivables

Finance lease receivables are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Current		
Amounts receivable within one year	**1.0**	1.0
Non-current		
Amounts receivable after more than one year	**4.5**	5.6
Total	**5.5**	6.6

Notes to the Parent Company financial statements continued

for the year ended 31 May 2021

6. Finance lease receivables continued

Lease receivables are as follows:

	2021 £m	2020 £m
Not more than one year		
Minimum lease receivables	**1.2**	1.2
Interest element	**(0.2)**	(0.2)
Present value of minimum lease receivables	**1.0**	1.0
Between one and five years		
Minimum lease receivables	**4.9**	5.1
Interest element	**(0.4)**	(0.5)
Present value of minimum lease receivables	**4.5**	4.6
More than five years		
Minimum lease receivables	**–**	1.0
Interest element	**–**	–
Present value of minimum lease receivables	**–**	1.0

7. Reimbursement asset

The Company recognises a reimbursement asset of £0.4 million (2020: £0.3 million) in respect of certain future lease dilapidations costs receivable from subsidiary companies occupying property under a sub-lease arrangement with the Parent Company.

8. 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 2020	2.6	(4.2)	(1.6)
Debit to income statement	0.7	–	0.7
Debit to equity	–	0.3	0.3
At 31 May 2021	**3.3**	**(3.9)**	**(0.6)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred income tax assets disclosed above are deemed to be recoverable.

9. Trade and other receivables

	2021 £m	2020 £m
Amounts owed by Group undertakings	**4.2**	7.5
Prepayments	**0.8**	1.1
Corporation tax recoverable	**2.4**	1.9
VAT recoverable	**0.1**	0.1
	7.5	10.6

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% (2020: 2.0%) per annum. A provision of £0.1 million (2020: £0.2 million) against amounts owed by Group undertakings has been recognised in accordance with IFRS 9.

10. Trade and other payables

	2021 £m	2020 £m
Trade payables	**1.1**	0.3
Amounts owed to Group undertakings	**–**	0.6
Accruals	**2.6**	3.0
Other taxation and social security	**0.1**	0.1
	3.8	4.0

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 2021 (31 May 2020: £1.0 million). This facility is secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to NatWest 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 £Nil (31 May 2020: £0.6 million) which represents loans from Group undertakings. Interest has been charged on Group loans during the year at 2.0% (2020: 2.0%) per annum. Any remaining amounts are non-interest-bearing trade balances.

Accruals include a provision for dilapidations on leased properties of £0.4 million (£0.3 million).

11. Lease liabilities

	Property £m	Total £m
Cost		
At 1 June 2019	–	–
Additions	6.9	6.9
Lease liability payments (including finance costs)	(0.1)	(0.1)
Finance costs	–	–
At 31 May 2020	6.8	6.8
Lease liability payments (including finance costs)	(0.6)	(0.6)
Finance costs	0.1	0.1
At 31 May 2021	**6.3**	**6.3**

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Current		
Amounts due within one year	**1.3**	0.5
Non-current		
Amounts due after more than one year	**5.0**	6.3
Total	**6.3**	6.8

Lease liabilities are as follows:

	2021 £m	2020 £m
Not more than one year		
Minimum lease payments	**1.4**	0.6
Interest element	**(0.1)**	(0.1)
Present value of minimum lease payments	**1.3**	0.5
Between one and five years		
Minimum lease payments	**5.2**	5.5
Interest element	**(0.2)**	(0.3)
Present value of minimum lease payments	**5.0**	5.2
More than five years		
Minimum lease payments	**–**	1.1
Interest element	**–**	–
Present value of minimum lease payments	**–**	1.1

Notes to the Parent Company financial statements continued

for the year ended 31 May 2021

12. Share capital

	Number of shares '000	Total £m
Authorised: ordinary shares of 25p each		
Balance at 1 June 2019, 31 May 2020 and 31 May 2021	80,000	20.0

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2019	48,750	12.2
Issue of shares (see below)	—	—
Balance at 31 May 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	**49,004**	**12.3**

During the year ended 31 May 2021, 253,524 shares (2020: no shares) with an aggregate nominal value of £63,381 (2020: £Nil) 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 2021, amounted to 1,400,421 (31 May 2020: 1,441,604). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 25 of the Group financial statements).

13. Employee benefit expense

	2021 £m	2020 £m
Wages and salaries	**1.6**	1.8
Social security costs	**0.2**	0.2
Share-based payments	**0.3**	1.1
Other pension costs	**0.1**	0.1
	2.2	3.2

The average monthly number of persons (including Directors) employed in the Company during the year was 18 (2020: 15).

14. 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

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,879 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £1,693). At 31 May 2021, the amount outstanding was £Nil (31 May 2020: £Nil). During the year, the highest amount outstanding totalled £504 (2020: £724).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,984 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £2,277). At 31 May 2021, the amount outstanding was a credit balance of £220 (31 May 2020: £345). During the year, the highest amount outstanding totalled £500 (2020: 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 £1,335 as a customer of the Group in the year ended 31 May 2021 (31 May 2020: £1,230). At 31 May 2021, the amount outstanding was £266 (31 May 2020: £310). During the year, the highest amount outstanding totalled £310 (2020: £540).

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

15. 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 25 of the Group financial statements.

The Company recognised total expenses of £0.4 million in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2021 (2020: £1.1 million).

16. 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 24 to the Group financial statements.

Contributions into the scheme and amounts charged to the profit and loss account during the year were £2.7 million (2020: £2.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2020: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2020: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2020: £Nil).

17. Contingent liabilities

The Company's bank facilities are provided under an arrangement with NatWest Group. The Company has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2021 of £21.3 million (31 May 2020: £22.0 million). This is secured by way of unscheduled mortgage debentures which incorporate a fixed charge over specified property including land, plant and machinery and goodwill and a floating charge over all other property, assets and rights owned now or in the future which are not subject to an effective fixed charge.

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 £9.5 million at 31 May 2021 (31 May 2020: £17.2 million).

The Company has a bank guarantee agreement with NatWest 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 2020: £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.

Letter from the Chair

Annual General Meeting ('AGM') – Covid-19 contingencies

As you are aware the Covid-19 pandemic has brought some unprecedented challenges and, whilst most Covid-19 restrictions have been revoked, the safety of our colleagues and shareholders remains of paramount importance.

We are keen to welcome shareholders in person to our AGM this year, particularly given the constraints we faced in 2020. We are therefore proposing to hold this year's AGM at Wychwood Park Hotel on Thursday 30 September 2021 at 10.30 a.m.

However, given the constantly evolving nature of the situation, we want to ensure that we are able to adapt these arrangements efficiently to respond to changes in circumstances. On this basis, should the Government guidance change such that we consider that it is no longer possible for shareholders to attend the meeting, we will ask all shareholders to watch the meeting remotely via our webcast rather than physically attend. A quorum will be achieved through the attendance of employee/Director shareholders in person at the meeting. If such a change is required, we will notify shareholders via an announcement to a Regulatory News Service. Any updates to arrangements will also be included on our website at www.nwf.co.uk/investors/shareholder-information/meetings-and-voting.

Attendance at the meeting
To allow us to plan appropriately, shareholders intending to attend the AGM, or appoint a proxy to attend the AGM, are asked to register their intention as soon as practicable by emailing investor.relations@nwf.co.uk with the heading 'AGM 2021 Attendance'. Any shareholders and proxies attending in person will be expected to adhere to any special arrangements and safety measures which the Company may put in place on the day, which may include observing appropriate social distancing and wearing face coverings (unless a valid exemption is held).

Webcast instructions
Shareholders are invited to watch the AGM via a live webcast which you can access by logging on to https://webcasting.brrmedia.co.uk/broadcast/60ffe05ad4d3f62d54d472e3. The webcast platform allows live questions to be asked during the AGM. Access to the webcast will be available from 10.15 a.m. on 30 September 2021.

Shareholders watching the AGM via the live webcast will not be able to participate in any voting at the meeting but you can register your vote in advance by appointing me, as the Chair of the meeting, as your proxy, with voting instructions, as described below. Shareholders viewing the webcast will also not count towards the quorum.

If you cannot attend the AGM in person or join the AGM electronically on the day, we would still like to understand the themes and issues of concern to you, as shareholders. You may send your comments to the above email address provided.

Your vote
Your vote is important to us. You can:

- submit a form of proxy electronically by accessing the shareholder portal at www.signalshares.com. You can vote online by registering first, using your surname, investor code and postcode – click on 'vote online' on the home page and follow the instructions;
- use the service offered by Euroclear UK & Ireland Limited for members of CREST; or
- complete and return a paper form of proxy (enclosed with this Notice).

We encourage all shareholders to submit a form of proxy appointing me, as the Chair of the meeting, as their proxy. This will ensure that your vote will be counted if attendance at the meeting is restricted or you (or any other proxy you might otherwise appoint) are not able to attend the meeting.

Voting before the AGM
Your vote counts and all shareholders are encouraged to vote in advance. The deadlines for using CREST, or online or paper forms of proxy can be found in the Notes to the Notice of the Annual General Meeting on pages 98 and 99.

The formal Notice of the Annual General Meeting follows this letter.

Philip Acton
Chair
3 August 2021

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 30 September 2021 at 10.30 a.m. to transact the business as specified below.

As Ordinary Business: to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions.

1. To receive, adopt and approve the Company's Annual Report and Accounts for the financial year ended 31 May 2021 together with the Directors' Report and Auditors' Report thereon.
2. To declare a final dividend of 6.2p per share for the financial year ended 31 May 2021 payable on 10 December 2021 to shareholders who are on the register of members of the Company at the close of business on 5 November 2021.
3. To re-elect Philip Acton as a Director of the Company.
4. To re-elect David Downie 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 Richard Armitage as a Director of the Company.
8. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next Meeting of the Company at which the Company's accounts are laid before the Company and to authorise the Directors to set the auditors' remuneration.
9. To approve the Directors' Remuneration Report (excluding the Directors' remuneration policy contained within that report) as set out in the Company's Annual Report and Accounts for the financial year ended 31 May 2021.

As Special Business: to consider and, if thought fit, pass the following resolutions which will be proposed as Special Resolutions except for Resolution 10 which will be proposed as an Ordinary Resolution.

Directors' authority to allot shares

10. That the Board of Directors of the Company ('the Board') be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act') to allot Relevant Securities (as hereinafter defined):

    10.1 up to an aggregate nominal amount of £4,083,664 (the equivalent of 16,334,655 ordinary shares); and

    10.2 comprising equity securities (as defined by Section 560 of the Act) up to an aggregate nominal amount of £8,167,328 (the equivalent of 32,669,310 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 10.1 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 the Meeting or, if earlier, the date of the next 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 10 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 10, '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 10 include the grant of such rights.

Notice of Annual General Meeting continued

General disapplication of pre-emption rights

11. That, subject to the passing of Resolution 10 on page 97, the Board be and it is hereby empowered, pursuant to Section 570 and Section 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 on page 97 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:

    11.1 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 10.2 of Resolution 10 on page 97, 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

    11.2 the allotment (otherwise than pursuant to paragraph 11.1 above) of equity securities up to an aggregate nominal amount of £612,550, and in each case such power shall expire upon the expiry of the general authority conferred by Resolution 10 on page 97, 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 11 which would or might require shares to be allotted on or after that date).

By order of the Board

Rob Andrew
Company Secretary
3 August 2021

Registered office
Wardle
Nantwich
Cheshire
CW5 6BP

Notes to the Notice of Annual General Meeting

These notes are important and require your immediate attention.

1. Shareholders wishing to attend the Meeting, or appoint a proxy to attend the Meeting, are asked to register their/their proxy's attendance as soon as practicable by emailing investor.relations@nwf.co.uk with the heading 'AGM 2021 Attendance'. Shareholders and proxies who wish to attend the Meeting in person will be expected to adhere to any special arrangements and safety measures which the Company may put in place on the day, which may include observing appropriate social distancing and wearing face coverings (unless a valid exemption is held). Changes in health and safety requirements or Government guidelines may mean shareholders cannot ultimately attend the Meeting.
2. The Meeting will be live streamed. Shareholders entitled to attend may do so virtually by accessing the following link: https://webcasting.brrmedia.co.uk/broadcast/60ffe05ad4d3f62d54d472e3. If you are attending the Meeting electronically, you will be able to ask questions via the webcast platform but will not be able to participate in any voting at the Meeting nor will your attendance count towards the quorum of the Meeting. Access to the webcast will be available from 10.15 a.m. on 30 September 2021.
3. A shareholder entitled to vote at the 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, 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 need not be a shareholder of the Company.

4. A form of proxy for use in connection with the Meeting is enclosed with the document of which this Notice forms part. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.

5. 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 Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL so that it is received no later than 10.30 a.m. on 28 September 2021.

.6. As the situation with the Covid-19 pandemic may change, we recommend that all shareholders appoint the Chair of the Meeting as their proxy. This will ensure that your vote is counted even if attendance at the Meeting is restricted or you or any other proxy you might appoint are unable to attend in person. The return of a completed form of proxy will not prevent a member attending the Meeting and voting in person, if the member wishes to do so, and attendance at the Meeting is not restricted.

7. Only those members entered on the register of members of the Company at the close of business on 28 September 2021 or, in the event that the 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 28 September 2021 or, in the event that the 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.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting to be held at 10.30 a.m. on 30 September 2021 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 Group (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.

9. 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 Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL.

10. To submit a form of proxy electronically by accessing the shareholder portal at www.signalshares.com, you will require your username and password. If you have not previously registered to use the shareholder portal then this can be done using your investor code ('IVC') which can be found on a share certificate or old tax voucher or by contacting the registrars as detailed in paragraph 13 below, along with your surname and postcode. Once the portal has been accessed, click on 'vote online' on the home page and follow the instructions. If you have forgotten your login details, then you can request a reminder via the portal. If you change your mind you can place your vote again any time up until voting closes, which will be 48 hours prior to the Meeting.

11. 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.

12. 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 Meeting and at the place of the 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.

13. 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 Group on +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m. (UK time) Monday to Friday excluding public holidays in England and Wales.

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 routine and deal with the presentation of the Annual Report and Accounts for the financial year ended 31 May 2021, the declaration of a final dividend, the reappointment of Philip Acton, David Downie, Richard Whiting, Chris Belsham and Richard Armitage as Directors of the Company, the reappointment of PricewaterhouseCoopers LLP as auditors as well as the authorisation of the Directors to set the auditors' remuneration and the approval of the Directors' Remuneration Report (excluding the Directors' remuneration policy contained within that report). The vote in respect of Resolution 9 will be 'advisory' only which means that it is not binding on the Company, and the Directors' entitlement to remuneration is not conditional on it.

Special Business

Resolution 10 will be proposed as an Ordinary Resolution and Resolution 11 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 10 – authority to allot shares (Ordinary Resolution)

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

Paragraph 10.1 of Resolution 10 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £4,083,664, 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 28 July 2021, the latest practicable date before the publication of this Notice. As at close of business on 28 July 2021 the Company did not hold any treasury shares.

Paragraph 10.2 of Resolution 10 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 £8,167,328, 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 28 July 2021 (such amount to be reduced by the nominal amount of any Relevant Securities issued under the authority conferred by paragraph 10.1 of Resolution 10).

The authorities sought in Resolution 10 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 Meeting or, if earlier, at the conclusion of the next 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 11 – disapplication of pre-emption rights (Special Resolution)

Resolution 11, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's 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 £612,550 which represents 5% of the issued ordinary share capital of the Company as it was at close of business on 28 July 2021, the latest practicable date before the publication of this Notice.

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 Meeting or, if earlier, at the conclusion of the next 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	30 September 2021
Dividend:	
– Ex-dividend date	4 November 2021
– Record date	5 November 2021
– Payment date	10 December 2021
Announcement of half-year results	Early February 2022
Publication of Interim Report	Early February 2022
Interim dividend paid	May 2022
Financial year end	31 May 2022
Announcement of full-year results	Early August 2022
Publication of Annual Report and Accounts	Late August 2022

Divisional contacts

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Food	Tel: 01829 260704 www.boughey.co.uk
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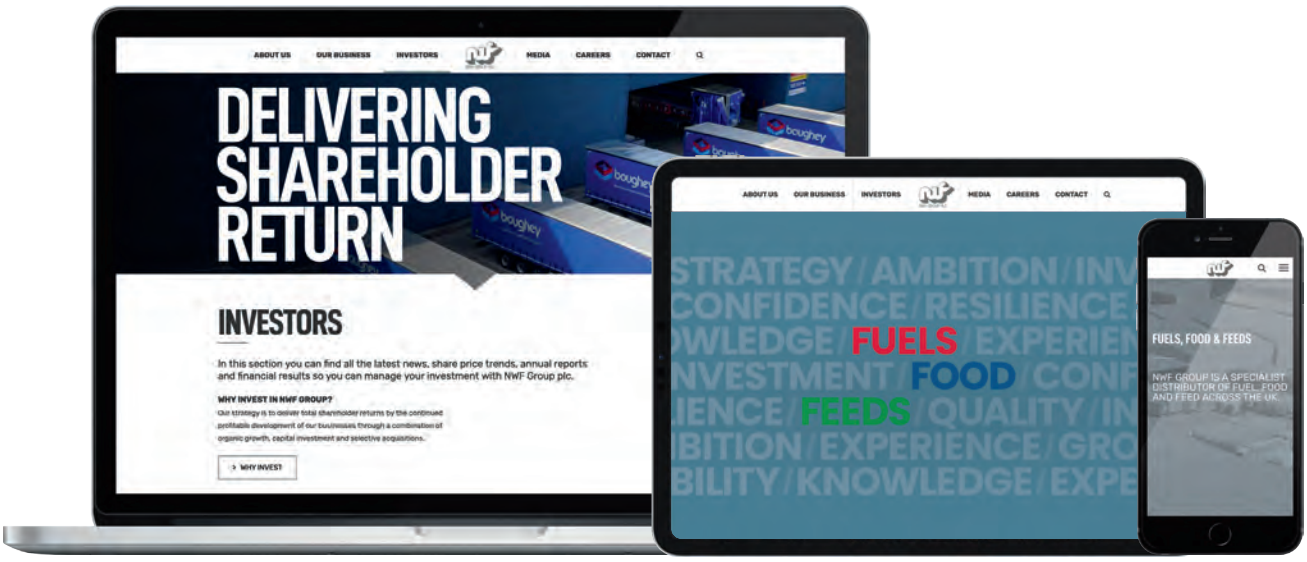

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