

# Resilience and growth

**NWF Group plc**

Annual Report and Accounts 2020

**Registered number**

02264971

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11/02/2021

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COMPANIES HOUSE

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

## **Fuels** **Accelerating development**

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 665 million litres across the UK to 116,000 customers.

## **Food** **Major investment**

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over one million ft<sup>2</sup> of warehousing and significant distribution assets.

## **Feeds** **Growing talent**

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

*Find out more about NWF and watch our latest video at [www.nwf.co.uk](http://www.nwf.co.uk)*

## Highlights

### Divisional highlights

#### Fuels

Headline operating profit

**£11.0m**

+96.4%

Ahead of previous expectations. Significant growth attributable to an increase in volume and expansion of geographic coverage from acquisitions. A dramatic fall in the oil price and an increase in demand for heating oil from domestic customers during lockdown delivered substantial one-off gains.

Read more on [pages 6–9](#)

#### Food

Headline operating profit

**£1.4m**

-22.2%

The underlying performance from the business was in line with expectations. The business incurred one-off start-up costs of £0.5 million as planned for the significant warehouse expansion in Crewe, which is backed by customer contracts. Operationally the business successfully managed the increase in supermarket demand during lockdown.

Read more on [pages 10–11](#)

#### Feeds

Headline operating profit

**£1.9m**

-32.1%

Strong volume and market share growth in a smaller ruminant market. However these volume benefits were offset by higher energy costs and margin pressure in the second half following commodity cost increases. Investment in the future with the launch of the NWF Academy training our future nutritionists to support continued growth.

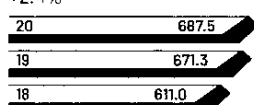
Read more on [pages 12–13](#)

### Financial highlights

Revenue

**£687.5m**

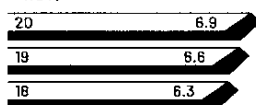
+2.4%



Total dividend per share

**6.9p**

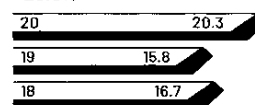
+4.5%



Fully diluted headline EPS<sup>1</sup>

**20.3p**

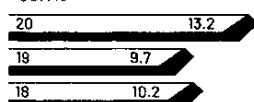
+28.5%



Headline profit before tax<sup>1,2</sup>

**£13.2m**

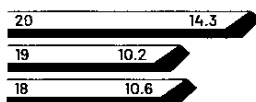
+36.1%



Headline operating profit<sup>1,2</sup>

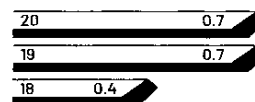
**£14.3m**

+40.2%



Net debt to headline EBITDA<sup>3</sup>

**0.7x**



<sup>1</sup> 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. Diluted headline earnings per share also take into account the taxation effect thereon.

<sup>2</sup> Results for the year ended 31 May 2020 are presented following the adoption of IFRS 16 'Leases', the impact of which is to increase operating profit and headline operating profit by £0.2 million. Profit before taxation and headline profit before taxation are reduced by £0.2 million with the inclusion of £0.4 million of finance costs under the new standard. The Group has elected to apply the simplified transition approach and as such comparative periods have not been restated.

<sup>3</sup> 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.

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# A great response from all our people

## Summary

- Sustained delivery throughout the year, revenue growth with increased activity levels in all divisions.
- Swift and effective response to Covid-19:
  - All divisions have remained open and operational, providing essential services.
  - Effective safe working practices implemented, enabling an efficient response to increased demand.
  - High service levels maintained.
  - No Government support utilised and no staff furloughed.
- Proposed 4.5% increase to the total dividend to 6.9p per share, reflecting the Board's confidence in the resilience and prospects of the business.

## Overview

I am pleased to report a year of significant growth for the Group with all three divisions making progress. 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. NWF is a resilient business and plays a key role in providing food, feed and fuel to the country. We continued to operate at full capacity and satisfied the increased demand from our customers during the lockdown period. Employees are designated key workers, their safety is paramount and we swiftly introduced safe ways of working across the Group and moved all employees to home working where practical. I am also pleased to report that NWF has not utilised any form of Government support, furloughed any employees or delayed payments through this critical time.

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 5.9p per share, to be paid to shareholders on 8 December 2020 (2019: 5.6p) giving a total dividend of 6.9p per share (2019: 6.6p), a 4.5% increase on the prior year.

## Our business

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

<b>Fuels</b>	NWF Fuels (including a number of local sub-brands)
<b>Food</b>	Boughey
<b>Feeds</b>	NWF Agriculture, SC Foods, New Breed and Jim Peet

Read more about our divisions on **pages 6–13**

Key areas of focus for the Board in 2020 were:

## Responding proactively to market conditions

The Group has responded well to market conditions experienced during the year. The demand for fuel was robust through the summer and into the winter. As lockdown commenced there was a significant increase in demand for heating oil across the country which we delivered effectively from our 25 depots. This increased demand, coupled with the sharp fall in the oil price, enabled lower prices to be passed on to customers whilst improving margins. In Food we successfully managed the volatility of demand during the

## New Crewe warehouse

The Group has invested £1.9 million into a new 35,000 pallet space warehouse in Crewe for our Food division, which increases capacity by 35%.

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



Watch the construction timelapse in our latest video at [nwf.co.uk](http://nwf.co.uk)

period of Brexit uncertainty in the autumn when stocks were built up in the supply chain. From February 2020 as the impact of the Covid-19 pandemic was apparent, demand for ambient groceries from supermarkets increased dramatically. We were able to respond and meet this increased demand, whilst implementing safe ways of working. Against a backdrop of lower feed market volumes, NWF increased its volumes by focusing on the nutritional needs of our farming customers.

### Delivering on strategy

The Group completed the acquisition of three Fuels businesses during the year in line with our strategic plan. Our geographic reach was broadened through these acquisitions. Ribble Fuel Oils and Caldo operate in the North West extending our presence north and into Yorkshire. Darch in Somerset and Devon expands our presence in the South West. All these businesses have been successfully integrated into Fuels. The Covid-19 pandemic has caused us to put a temporary pause on our Fuels acquisition strategy. In Food we have significantly expanded our warehousing capability by leasing and operating a new 240,000ft<sup>2</sup> warehouse backed by customer contracts. This increases our storage capacity by 35%. The fit out of this warehouse was completed during the lockdown period and it is now fully operational. The NWF Academy in Feeds has been launched, which trains future nutritionists over a structured 18-month programme.

### Cash generation

Cash generation remains a focus for the Group and net debt has been maintained at less than 0.7x EBITDA having completed three acquisitions in the year and with the investment in a significant warehouse expansion.

### Rewarding good service

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

### Commodity volatility

Volatility in oil and feed commodity prices was significant and the businesses managed this effectively. In Fuels, the price of oil (which is purchased on the spot market) moved dramatically with a high point of \$69 per barrel and a record low of \$19 per barrel for Brent Crude. In line with market practice, Feeds buys most of its raw materials under forward purchase contracts. Significant changes in feed input commodities were managed through feed prices during the year.

### ESG framework

The Board recognises the importance of good corporate governance and continues 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. Our ESG framework has been expanded with the development of our sustainability policy which is now on our website and is detailed in the Annual Report.

Read more about our Sustainability Policy on **pages 22–25**

Read our s.172 statement on **page 34**

### 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.

### Board of Directors

I would like to personally thank Yvonne Monaghan, who steps down from the Board in September 2020, for her contribution as a highly valued member of the Board in her role as Senior Independent Non-Executive Director and Chair of the Audit Committee. We are pleased to welcome Richard Armitage, who joined the Board on 1 July 2020 and will succeed Yvonne as Chair of the Audit Committee in September 2020. I am also pleased to report that David Downie will succeed Yvonne in the role of Senior Independent Non-Executive Director.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 24 September 2020.

**Philip Acton**  
Chair

4 August 2020

Total dividend per share

**6.9p**

(2019: 6.6p)

# Demonstrating resilience and growth

**"A very strong set of results and fully operational throughout the year."**

## Summary

- Market share gains in Fuels and Feeds and solid operational performance in Food.
- Three Fuels acquisitions completed and successfully integrated during the year in line with our strategy, increasing the scale of the business by over 20%.
- Food's new 240,000ft<sup>2</sup> warehouse now fully racked increasing our total storage capacity by 35% to 135,000 pallets, underpinned by long-term customer contracts.
- Significant outperformance in Fuels as a result of an unprecedented fall in the oil price, and a significant increase in domestic demand during lockdown delivered one-off gains.

## Overview

NWF has delivered a very strong set of results demonstrating both resilience and growth. Three acquisitions have been completed in Fuels and we have added significant additional warehouse capacity to support long-term customer contracts in Food. Feeds gained share with volume growth in a contracting market. The fundamental resilience of the Group has been highlighted with the response to the Covid-19 crisis. Huge thanks must go to all our employees for their outstanding efforts in very challenging times. All our employees were designated as key workers, demand increased, deliveries to customers were completed and safe working and home working where possible were implemented in early March and remain effective today.

A strong focus on cash has continued and the record profit performance has been converted into cash ensuring the Group has significant headroom under its banking facilities and against its covenants during this period of uncertain economic outlook. We are proposing an increased dividend, demonstrating the Board's confidence in the resilience of the Group, and have a number of strategic development opportunities which we continue to review.

Fuels has delivered an outstanding result in the year, completing and successfully integrating three acquisitions and trading ahead of expectations throughout the year. The business successfully delivered the significant increase in demand for heating oil during lockdown. The Food division's underlying performance was solid and the business expanded significantly with the addition of a new 240,000ft<sup>2</sup> warehouse backed by customer contracts. The demand for Food increased dramatically as lockdown commenced and the business satisfied this additional demand and completed the fit out of the new warehouse by the year end as planned. Feeds grew volume in a smaller market, gaining share with demand remaining reasonably robust during lockdown. We also launched the NWF Academy, which will train our future nutritionists over a structured 18-month programme, to support further business development.

The Group delivered headline operating profit of £14.3 million (2019: £10.2 million) and headline profit before tax was 36.1% higher at £13.2 million (2019: £9.7 million). Operating profit increased by 40.6% to £13.5 million (2019: £9.6 million). Diluted headline earnings per share were 28.5% higher at 20.3p (2019: 15.8p).

Cash management remains strong with net debt of £12.3 million (2019: £10.4 million) excluding lease liabilities, representing 0.7x EBITDA, after £7.9 million of development expenditure and £3.8 million of normal net capital expenditure. Development expenditure was £6.0 million on Fuels acquisitions and £1.9 million capital investment in the new Food Crewe warehouse.

#### Outlook

In Fuels, we have a proven depot operating model and are leveraging our capability by increasing the depot network through acquisitions. The opportunity to consolidate the market remains significant. In the new financial year Fuels will benefit from a full year contribution from the 2020 acquisitions, but does not anticipate a repeat of the exceptional conditions in the oil market.

In Food, we are focused on continuing to fill and fully utilise our new warehouse in Crewe, having incurred significant start-up costs as planned during 2020. We are also continuing to improve efficiency, working with our customers and managing the variable demand patterns that have been a consequence of Covid-19 and the end of the Brexit transitional arrangements.

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

The Group has clearly demonstrated its resilience and capability to deliver growth, and has strong cash flows and flexible banking facilities to fund growth 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.

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

4 August 2020

## Q&A

#### What were the key highlights from the last twelve months?

In the first nine months of the financial year the Group traded positively with three Fuels acquisitions completed and successfully integrated, the commencement of a significant expansion of the Food division and the launch of the Feeds Sales Academy all achieved before March 2020. As the nation went into lockdown during the last three months of our financial year, and with a great response from our teams, we remained fully operational, and met the significant increased demand for food from the supermarkets and fuel from domestic customers.

#### 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.

#### How has NWF managed through the Covid-19 crisis?

Covid-19 has clearly demonstrated the Group's resilience in supplying fuel, food and feed across the country and demand for these essential supplies has remained robust. We met the increased demand for food from the supermarkets and homeowners' needs for additional fuel as a consequence of staying at home. All our employees were designated as key workers and I am very proud of everyone's outstanding efforts and that as a Group we did not utilise any Government support or furlough any employees.

Stay up to date at [nwf.co.uk](http://nwf.co.uk)

**"We will continue to consider development opportunities."**

Development capital expenditure

**£7.9m**

(2019: £4.5m)

## Feeds Sales Academy

NWF is committed to developing future nutritionists.

Read more on pages 12-13



See this year's Academy intake in our latest video at [nwf.co.uk](http://nwf.co.uk)

# Accelerating development

With 116,000 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

**116,000**

(2019: 63,000)

Litres of fuel delivered

**665m**

(2019: 552m)

Fuel depots owned

**25**

(2019: 19)

Acquisitions

**3**

(2019: 2)

**Richard Huxley**

Managing Director,  
Fuels

"A great team performance, acquisitions successfully integrated, and we serviced the increased demand from our customers during the lockdown period."



## Review of the year

Fuels' outstanding performance was a consequence of solid trading throughout the year with an improved product mix, the benefit of three acquisitions in 2020 and the full year impact of acquisitions completed in the prior year. In addition, there was a significant demand increase throughout lockdown which resulted in over 37% more deliveries than the prior year on a like-for-like basis. Leveraging the benefits of a newer, modern fleet the business was able to prioritise domestic customers as commercial demand fell during lockdown. At the same time the price of oil fell dramatically throughout March and April, enabling the business to pass on lower prices whilst strengthening margins.

Volumes rose 20.5% to 665 million litres (2019: 552 million litres), and revenue increased by 6.1% to £470.2 million (2019: £443.0 million) as a result of higher volumes more than offsetting lower oil prices. On a like-for-like basis (excluding acquisitions in the year) volumes were stable, but with a significantly increased proportion of heating oil. The average Brent Crude oil price in the year was \$54 per barrel compared to \$70 per barrel in the prior year. Oil hit a record low of \$19 per barrel in April 2020.

Headline operating profit was £11.0 million (2019: £5.6 million) as a consequence of increased volumes, both organic and from acquisitions, positive product mix and improved margins across the year. Net profits of 1.6 pence per litre highlight the one-off gain of approximately 0.6 pence per litre in the year as a result of the unprecedented fall in the oil price and the dramatic increase in demand for heating oil.

Good strategic progress has been made with three acquisitions successfully completed and integrated. Ribble Fuel Oils and Caldo (North West) and Darch (South West), expanding the depot network with six additional locations and adding 120 million litres to the volume of the division, an increase of over 20%.

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.

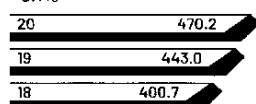
With over 116,000 customers (2019: 63,000) being supplied across 25 fuel depots in the year (2019: 19), Fuels operates in large and robust markets and as a business it has consistently proved it can effectively manage the impact of volatility in oil prices. The industry remains highly fragmented, with many small operators, which provides NWF with further opportunities to consolidate the market and increase share.

## Division KPIs

Revenue

**£470.2m**

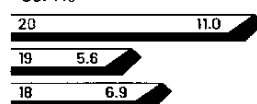
+6.1%



Headline operating profit

**£11.0m**

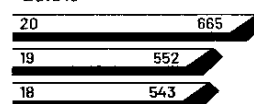
+96.4%



Volume (litres)

**665m**

+20.5%



### Three Fuels acquisitions

These increase volumes by over 20% and expand our geographic reach and penetration.

Read more about our acquisition strategy on [pages 8-9](#)

**"We will continue to consider acquisition opportunities."**

## Market trends and our responses

### Increased domestic demand during lockdown

As people were asked to stay at home there was a significant increase in demand for heating oil to keep homes warm during this period. The demand increased dramatically and we were able to focus our fleet of 154 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. In the period March to May 2020, 37% more deliveries were completed compared to the prior year.

### Added value services

The Fuels division introduced the supply of AdBlue as a value-added service to our customer base 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.

### Improving our environmental impact

The business has made a significant investment in new fuel-efficient Euro 6 tankers which have an improved fuel efficiency and lower emission levels. As we have acquired new businesses, new tankers are being ordered for these depots. Environmental due diligence is performed on all acquired businesses with a programme of environmental improvement implemented as required.

# Our acquisition strategy

## Our strategy

- Consolidate a highly fragmented market.
- Expand existing geographical area.
- Increase business density in existing territories.
- Enhance product and customer mix in both new and existing territories.
- Realise efficiencies from increased scale.

## How we delivered

- Acquired three businesses across the UK during FY19/20.
- Over 120 million litres of business added.
- £9.4 million consideration paid.

## Recent acquisitions

### December 2018

- Midland Oil Supplies

### April 2019

- Consols Oils

### July 2019

- Ribble Fuel Oils

### October 2019

- Caldo

### December 2019

- Barch Oil

Capacity

**+20%**

(2019: +30%)

Consideration paid

**£9.4m**

(2019: £5.0m)

## Acquisition process

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

### 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 pro-active 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.

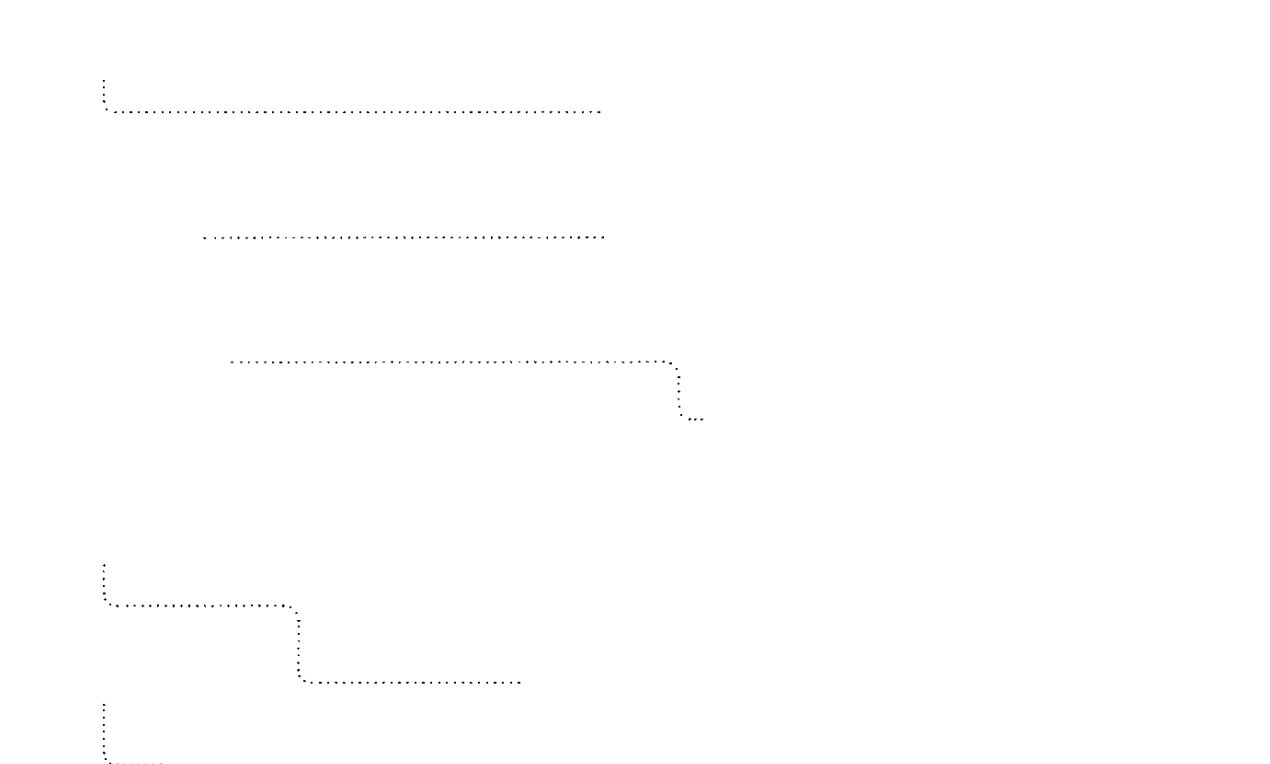
### Clear valuation and pricing strategy



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.

**Key**

- Existing depot
- New depots acquired in last twelve months



### Effective transaction process



### Integration and value delivery

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.

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 to bring processes in line with the wider Group.

# Major investment

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

**103,000**

(2019: 100,000)

People

**682**

(2019: 612)

Trucks

**118**

(2019: 127)

Trailers

**266**

(2019: 252)

**Keith Forster**

Managing Director,  
Food

"Delivering critical food supplies across the UK and investing in a significant expansion of the business."

## Review of the year

This has been a year of significant development with the planning and investment in a new 240,000ft<sup>2</sup> warehouse in Crewe backed by long-term customer contracts, which increases the storage capacity of the business by 35% to 135,000 pallet spaces. The underlying performance has been in line with expectations and the business managed the huge demand peak in ambient groceries from the supermarkets in February and March.

Revenue increased by 0.8% to £48.3 million (2019: £47.9 million). Storage overall was at an average of 103,000 pallets (2019: 100,000 pallets), with external warehousing being utilised until April. Significantly, pallets despatched increased by 4% on the prior year, reflecting the increased activity of new customer contracts and the additional demand experienced before and during lockdown.

Headline operating profit was £1.4 million (2019: £1.8 million), reflecting the solid underlying business performance offset by £0.5 million of one-off start-up costs incurred at Crewe. Demand continued to increase for e-fulfilment business with additional customers now utilising the facility, and the packing room and Palletline were in line with expectations.

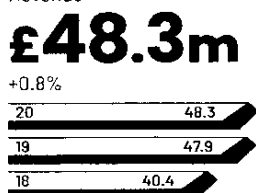
**"The outlook for most product categories handled by the business is resilient."**

In February 2020 the Group commenced operations in an additional leased 240,000ft<sup>2</sup> warehouse in Crewe conveniently located close to the M6 and to its main Wardle site. This newly constructed, state-of-the-art facility is backed by long-term customer contracts. The facility was fully racked out and completed on time and in line with budget in spite of lockdown and is fully operational with stock build underway.

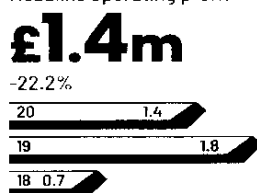
Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers.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

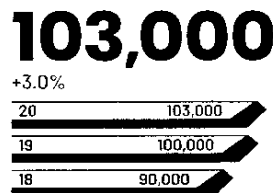
Revenue



Headline operating profit



Pallets stored



### Crewe warehouse

Investing £1.9 million in a new 240,000ft<sup>2</sup> warehouse in Crewe has created 55 additional, permanent local jobs.

**"Our new 240,000ft<sup>2</sup> warehouse was fully racked out during lockdown thanks to the support of a number of contractors and is now fully operational."**

## Market trends and our responses

### Significant increase in demand from the supermarkets during the Covid-19 crisis

From February 2020 onwards there was an unprecedented, significant increase in demand for ambient groceries from all supermarkets. We worked with all our customers and supermarkets to meet this increased demand, utilised overtime and subcontractors and have recruited 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. With the previous Brexit deadlines customers did work with us and some wanted to increase stockholding to ensure they maintained service levels. As we near the end of the transition period we will again work with customers to meet their needs. We have some additional capacity with our new warehouse in Crewe fully operational. The demand for ambient groceries in the UK is linked to the size of the UK population which is slowly increasing and therefore our future market demand levels are robust.

# Growing talent

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

**625,000**

(2019: 591,000)

People

**228**

(2019: 203)

Trucks

**40**

(2019: 38)

Trailers

**14**

(2019: 13)

**Andrew Downie**

Managing Director,  
Feeds

"We are pleased to have grown the business to a record 625,000 tonnes of ruminant feed and launched the Feeds Sales Academy which delivers an 18-month structured training programme to develop the nutritionists of the future."

## Review of the year

Feeds increased market share across the country supplying more feed direct to farms, to feed merchants and to other compounders. Total feed volume increased by 5.8% to 625,000 tonnes (2019: 591,000 tonnes). Feed market volumes ended the year 6% down compared to the prior year, in part owing to good silage stocks on farm and partly as a result of a lower milk price for a number of farmers who looked to reduce feed inputs.

Commodity prices gradually declined in the first half to November 2019 and then increased steadily before a sharp peak in early April 2020 at a level 30% higher than the low point, then subsequently reducing. This resulted in price increases in the second half following the commodity cost increases.

Revenue was lower at £169.0 million (2019: £180.4 million) reflecting the lower average feed and commodity prices in 2020. Headline operating profit was £1.9 million (2019: £2.8 million). Higher energy costs and increases in commodity prices impacted margins and offset the volume benefits.

**“Providing nutritional advice to ruminant farmers across the country backed by a very well invested operational platform.”**

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.

Average milk prices in Great Britain were reasonably stable, moving from 28.0p to 26.8p per litre over the period with a high of 29.9p per litre in November 2019. During lockdown, with lower levels of demand from the food service sector, milk pricing came under short-term pressure. Reflecting this environment, milk production fell marginally by 0.8% to 12.5 billion litres (2019: 12.6 billion litres).

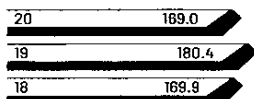
Feeds has a very broad customer base, working with over 4,750 farmers across the country. This base, and the underlying robust demand for milk and dairy products, results in a reasonably stable overall demand for our feed in most market conditions.

## Division KPIs

Revenue

**£169.0m**

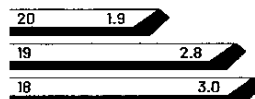
-6.3%



Headline operating profit

**£1.9m**

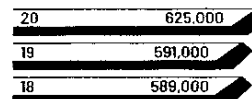
-32.1%



Volume (tonnes)

**625,000**

+5.8%



### Agriculture Academy

The Feeds Sales Academy was launched in September 2019 and has 18 trainees engaged on an 18-month structured programme to become future NWF nutritionists.

## Market trends and our responses

### Ruminant market 6% lower in 2020

The ruminant market is reasonably stable and resilient. The reduction in 2020 was a result of high levels of forage stocks and some farmers experiencing lower milk prices in the year. At NWF we were able to increase volumes and therefore grow our market share with deliveries direct to farm, through merchants and to other compounders. There was some indication of short-term dairy demand reduction for food service outlets during lockdown, but this did not significantly impact feed demand.

### 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

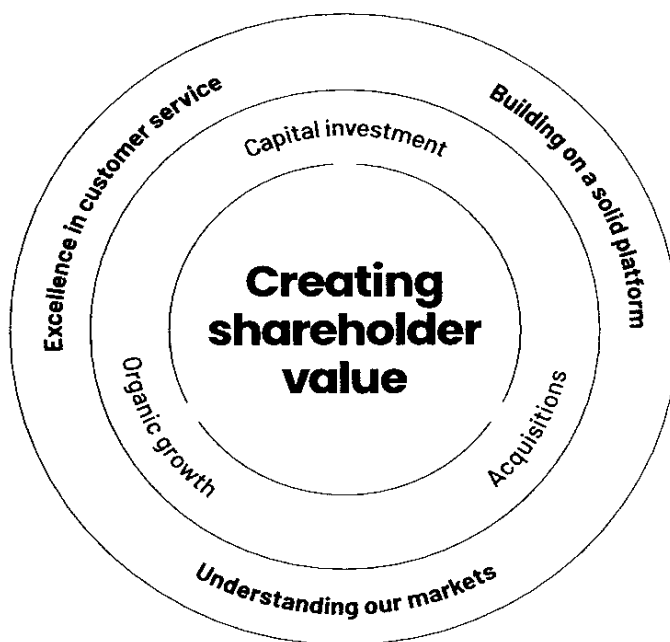
Our strategy is to maintain a position of financial strength whilst growing the business through considered investment in people, plant and equipment.

### 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

**3**

completed Fuels acquisitions

### Growth opportunities

Consolidate and optimise

**1**

clear strategy

### Asset backing

Strong balance sheet

**£178.4m**

total assets



“The Covid-19 crisis highlighted the fundamental resilience of the NWF business model with all divisions fully operational during lockdown.”

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

## Value creation

### Customers

Excellent service provided to over 120,000 customers across the Group, the number one priority.

Total customers

**120k**

(2019: 68k)

### Employees and community

Year on year increase of 203 employees, investing in the local community and the future of NWF.

New jobs created

**203**

(2019: 105)

### 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

**6.9p**

(2019: 6.6p)

Find our ESG policies at [nwf.co.uk](https://www.nwf.co.uk)

### Focus on returns

Return on capital employed is a key metric

**16.7%**

Group ROCE

### Good cash generation

£16.1 million of cash generated from operating activities

**112.6%**

cash conversion

### Growing dividend

Increased dividend in nine out of the last ten years

**6.9p**

total dividend per share

# Excellent profitability and cash generation

“The Group has completed three acquisitions in the year with a total consideration of £9.4 million. The closing net debt of £12.3 million represents a net debt to EBITDA ratio of 0.7x.”

Group revenue

**£687.5m**

(2019: £671.3m)

## Summary

- Headline profit before tax of £13.2 million (2019: £9.7 million).
- Profit before tax of £12.0 million (2019: £8.7 million).
- Diluted headline EPS of 20.3p (2019: 15.8p).
- Net debt of £12.3 million (2019: £10.4 million).
- Balance sheet remains in a strong position with leverage at 0.7x, after having invested £7.9m in acquisitions and expansion.

## Group results

Group revenue increased by 2.4% to £687.5 million (2019: £671.3 million) with higher activity levels and revenue from acquisitions largely offset by the impact of the lower oil price in the final quarter and lower feed revenues. Headline operating profit was £14.3 million, an increase of 40.2% (2019: £10.2 million). Operating profit increased 40.6% to £13.5 million (2019: £9.6 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) increased by £0.6 million to £1.1 million, with the addition of £0.4 million of interest on IFRS 16 lease liabilities. The interest on bank debt was £0.7 million (2019: £0.5 million) and headline interest cover was 20.4x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2019: 20.4x).

Headline profit before taxation increased by 36.1% to £13.2 million (2019: £9.7 million). Profit before taxation increased by £3.3 million to £12.0 million (2019: £8.7 million). There were exceptional items in the year of £0.5 million relating to acquisition costs (2019: £0.5 million).

The tax charge for the year was £3.1 million (2019: £1.9 million) which included an increase in the deferred tax liability of the Group following the Government's decision to maintain the corporation tax rate at 19% rather than reduce it to 17% from 1 April 2020. This resulted in a one-off tax charge of £0.5 million. Excluding the impact of deferred tax, the effective underlying tax rate for the year was 21.7% (2019: 20.8%). The post-tax profit for the year was £8.9 million (2019: £6.8 million).

The headline basic earnings per share of 20.5p represented an increase of 29.7% (2019: 15.8p), diluted headline earnings per share increased by 28.5% to 20.3p (2019: 15.8p). The proposed full year dividend per share increased by 4.5% to 6.9p 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 2.9x.

The finance costs in respect of the defined benefit pension scheme were in line with the prior year at £0.4 million (2019: £0.4 million).

#### Group results for the year ended 31 May

	2020 £m	2019 £m
<b>Revenue</b>	<b>687.5</b>	671.3
Cost of sales and administrative expenses	(674.0)	(661.7)
Headline operating profit <sup>1</sup>	<b>14.3</b>	10.2
Exceptional items	<b>(0.5)</b>	(0.5)
Amortisation of acquired intangibles	<b>(0.3)</b>	(0.1)
<b>Operating profit<sup>2</sup></b>	<b>13.5</b>	9.6
Financing costs	<b>(1.5)</b>	(0.9)
Headline profit before tax <sup>1</sup>	<b>13.2</b>	9.7
Exceptional items	<b>(0.5)</b>	(0.5)
Amortisation of acquired intangibles	<b>(0.3)</b>	(0.1)
Net finance cost in respect of defined benefit pension scheme	<b>(0.4)</b>	(0.4)
<b>Profit before taxation<sup>3</sup></b>	<b>12.0</b>	8.7
Income tax expense <sup>2</sup>	<b>(3.1)</b>	(1.9)
<b>Profit for the year</b>	<b>8.9</b>	6.8
<b>Headline EPS<sup>1</sup></b>	<b>20.5p</b>	15.8p
<b>Diluted headline EPS<sup>1</sup></b>	<b>20.3p</b>	15.8p
<b>Dividend per share</b>	<b>6.9p</b>	6.6p

### "The Group increased net assets by £4.0 million to £51.1 million (31 May 2019: £47.1 million)."

#### Balance sheet as at 31 May

	2020 £m	2019 £m
Tangible and intangible fixed assets	<b>79.9</b>	70.2
Right of use assets	<b>27.3</b>	—
Net working capital	<b>4.8</b>	6.1
Derivative financial instruments	<b>0.1</b>	0.2
Net debt (excluding lease liabilities)	<b>(12.3)</b>	(10.4)
Lease liabilities	<b>(26.3)</b>	—
Current tax liabilities	<b>(0.9)</b>	(1.1)
Deferred tax liabilities (net)	<b>(0.5)</b>	(0.6)
Retirement benefit obligations	<b>(21.0)</b>	(17.3)
<b>Net assets</b>	<b>51.1</b>	47.1

#### Balance sheet summary

The Group increased net assets by £4.0 million to £51.1 million (31 May 2019: £47.1 million). This reflects the robust trading performance during the year with a retained profit for the year of £5.7 million (2019: £3.7 million) partially offset by an increase in the accounting valuation of the pension deficit.

Tangible and intangible fixed assets increased by £9.7 million to £79.9 million as at 31 May 2020 (31 May 2019: £70.2 million) largely as a result of the intangible assets arising on acquisitions. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2020 were £4.1 million and £0.6 million respectively (2019: £3.9 million and £0.8 million respectively).

Group level ROCE (based on headline operating profit) is 16.7% as at 31 May 2020 (31 May 2019: 13.4%).

Net working capital decreased by £1.3 million in the year as a result of a reduction in the value of stock at the year end reflecting the lower oil and commodity prices. The Group's inventories decreased by £0.9 million to £4.7 million (31 May 2019: £5.6 million) with trade and other receivables

## Strategic report

## Group financial review continued

### Cash flow and banking facilities

The Group has completed three acquisitions in the year with a total consideration (net of cash acquired) of £6.0 million. The closing net debt (excluding IFRS 16 lease liabilities) of £12.3 million represents a net debt to EBITDA ratio of 0.7x.

The cash impact of working capital movements was £1.7 million, driven by the reduction in the value of stock at the year end, reflecting the lower oil and commodity prices. There were net non-cash movements of £0.4 million

within working capital. Net cash generated from operating activities and after IFRS 16 lease payments was £16.1 million (2019: £6.4 million) representing a cash conversion ratio of 112.6% of headline operating profit (2019: 62.7%).

Net capital expenditure in the year at £5.7 million (2019: £2.8 million) exceeded the annual depreciation charge, excluding IFRS 16 depreciation, of £4.1 million (2019: £3.9 million) reflecting the investment in Crewe.

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

	2020 £m	2019 £m
<b>Operating cash flows before movements in working capital and provisions</b>	<b>23.8</b>	12.8
Working capital movements	1.7	(3.9)
Utilisation of provision	–	(0.1)
Interest paid	(1.1)	(0.5)
Tax paid	(2.7)	(1.9)
<b>Net cash generated from operating activities</b>	<b>21.7</b>	6.4
Capital expenditure (net of receipts from disposals)	(5.7)	(2.8)
Acquisition of subsidiaries – cash paid (net of cash acquired)	(6.0)	(3.5)
Capitalised legal costs associated with leases	(0.3)	–
Payment of contingent deferred consideration	–	(0.8)
<b>Net cash absorbed by investing activities</b>	<b>(12.0)</b>	(7.1)
Net increase in bank borrowings	1.6	6.2
Capital element of leases	(5.6)	(0.1)
Dividends paid	(3.2)	(3.1)
<b>Net increase in cash and cash equivalents</b>	<b>2.5</b>	2.3
Cash and cash equivalents at beginning of year	2.8	0.5
<b>Cash and cash equivalents at end of year</b>	<b>5.3</b>	2.8

### Crewe warehouse

The Group has invested £1.9 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

## Fuels acquisitions are the centrepiece of our strategy

The Group has completed three acquisitions in the year with a total consideration of £9.4 million.

Read more about this investment on **pages 8–9**

The Group's banking facilities, totalling £65.0 million, were renewed in June 2018 and are committed through to 31 October 2023 with the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility which are renewed annually. There remains substantial facility headroom available to support the development of the Group. Within the total facility of £65.0 million, the Group has an invoice discounting facility, the availability of which depends on the level of trade receivables available for refinancing and which is subject to a maximum drawdown of £50.0 million. The banking facilities are provided subject to ongoing compliance with conventional banking covenants against which the Group has substantial levels of headroom.

### Going concern

The Group has an agreement with The 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 2020 the Group had available facilities of £49.5 million (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £11.9 million.

The Board has prepared cash flow forecasts for the period to 31 May 2022. 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 various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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 2020 was 201.0p (31 May 2019: 169.0p) and the range of market prices during the year was between 120.0p and 203.0p.

### Chris Belsham

Finance Director

4 August 2020

# Focusing on mitigating risk

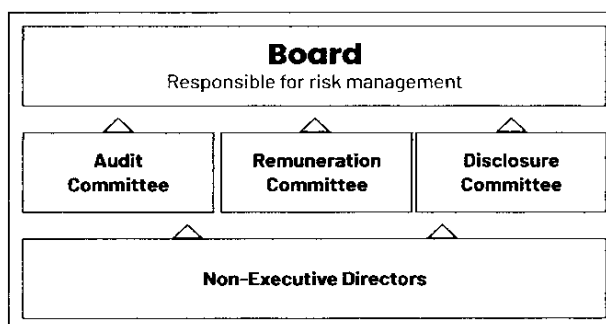
Given the size of the Group, the Directors have not established a sub-committee of the Board to monitor financial risk management, but have established policies that are implemented and monitored by the Executive Directors.

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

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

shows the principal risks and uncertainties which could have a material adverse impact on the Group. This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or which are believed to be immaterial, which could have an adverse effect on the Group.

## Risk management framework



## Principal risks and uncertainties

Risk description and impact	Mitigating actions	Change
<b>1. Covid-19 pandemic</b>		
The global pandemic, Covid-19, presents a number of different risks to the business. This is particularly the case if there is a second wave of Covid-19 which results in a further nationwide lockdown. Firstly, the pandemic poses a risk to the health and safety of employees. Secondly, the impact of the pandemic on the UK economy and therefore demand for the Group's products and services, particularly in the Fuels division, is uncertain. 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 continued to operate profitably through the Covid-19 lockdown which commenced in March 2020. Demand in the Food and Feeds divisions remained consistent throughout this period. The Fuels division saw a reduction in demand from commercial customers, but an increase in demand from domestic customers. 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.	<b>New principal risk</b> 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.
<b>2. Brexit</b>		
The uncertainty around the implications of the UK reaching the end of the transition period without having agreed a trade deal with the European Union and potential associated exchange rate volatility creates commodity price risk. There is also some uncertainty around demand in agriculture given the trading relationship with Europe and the subsidy support received by farmers.	We are a UK business, with three divisions which all performed well in the global financial crisis as they supply basic products to meet the country's needs for fuels, food and feeds.	<b>No change</b> We continue to monitor and plan contingencies with customers and suppliers.

Risk description and impact	Mitigating actions	Change
<b>3. Commodity prices and volatility in raw material prices</b>	<p>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.</p> <p>Multiple sources of supply are maintained for all key raw materials.</p>	<p><b>No change</b> Reductions in commodity prices in both Fuels and Feeds have been successfully managed through the year.</p>
<b>4. Impact of climate on earnings volatility</b>	<p>Whilst the Fuels division seeks to mitigate this risk through the provision of a range of fuels including commercial fuels, there will always be volatility in the profitability of the Fuels division related to climate. The Feeds division seeks to mitigate the extent of climatic conditions on the profitability of the business through its concentration on the key dairy sector where there is a strong underlying demand.</p>	<p><b>No change</b> Remains a principal risk in Fuels and Feeds.</p>
<b>5. Pension scheme volatility</b>	<p>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.</p>	<p><b>No change</b> Remains a principal risk.</p>
<b>6. Recruitment, retention and development of our key people</b>	<p>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.</p>	<p><b>No change</b> Remains a principal risk.</p>
<b>7. Infrastructure and IT systems</b>	<p>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.</p>	<p><b>No change</b> Remains a principal risk.</p>
<b>8. Non-compliance with legislation and regulations</b>	<p>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.</p> <p>The Group employs appropriately qualified and experienced health and safety personnel and retains health and safety specialists to ensure compliance.</p>	<p><b>No change</b> Remains a principal risk.</p>
<b>9. Strategic growth and change management</b>	<p>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.</p>	<p><b>No change</b> Remains a principal risk.</p>

# 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
<b>Create a culture of safety</b>	Create a culture of safety to protect our employees and the wider community.	<ul style="list-style-type: none"> <li>• Champion road safety</li> <li>• Implement a safety first approach</li> </ul>
<b>Invest in our people</b>	Build a workforce for the future where our people are healthy, happy and can fulfil their potential.	<ul style="list-style-type: none"> <li>• Promote personal and professional development</li> <li>• Empower future generations</li> <li>• Improve employee wellbeing</li> </ul>
<b>Build strong partnerships</b>	Collaborate and innovate with our customers and suppliers to deliver long-term sustainable solutions.	<ul style="list-style-type: none"> <li>• Understand our customers' needs</li> <li>• Work together with our suppliers</li> <li>• Collaborate and innovate for more sustainable products</li> </ul>
<b>Respect the environment</b>	Reduce carbon, emissions and waste across our value chain and champion environmental stewardship.	<ul style="list-style-type: none"> <li>• Invest in clean fleet</li> <li>• Mitigate our carbon emissions</li> <li>• Drive efficiencies across our operations</li> <li>• Responsible use and protection of the natural environment</li> </ul>



## 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:

- safe driver monitoring initiatives in Food, in-house driver CPC accreditation, new driver induction and awards programme using MPG and compliance as key factors;
- health, safety and environmental defined protocols;
- 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 2020 was 17 (31 May 2019: 9).

Safe driver training hours completed in Food

**1,517**

(2019: 3,306)

Number of reportable incidents

**17**

(2019: 9)

## Creating a centre of excellence at Crewe

During the year the Group has invested £1.9 million into a newly constructed 240,000ft<sup>2</sup> 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.

## 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 invest 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 the year the Feeds division launched a Sales Training Academy to recruit and train the next generation of nutritionists. This year's intake consisted of 18 trainees, with a further group planned to join the division next year. Each individual receives a structured programme of training across all aspects of the Feeds business, both classroom based and on farm, alongside mentoring from our existing sales specialists.
- We have appointed HR business partners across each of our three businesses, to ensure that we are providing the appropriate level of support for the recruitment, training and ongoing development of employees at all levels.
- 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. In recent months, these classes were continued via video conferencing to ensure colleagues working from home could still access the service.
- The Group takes a proactive approach to addressing mental health issues and during the year a first aid mental health course was offered to employees on a voluntary basis and six people completed the three-day training course.
- A driver from the Food division won the nomination-based category of 'Most Improved Driver' in the Microlise Driver of the Year Awards 2020.

Feeds Academy trainees

**18**

Staff completing the first aid mental health course

**6**

## 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.

## 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:

- Crews warehouse – efficient LED lighting;
- Fuels acquisitions – environmental surveys and clean up of acquired sites to NWF standards;
- optimisation of fleet capacity;
- investment in clean, modern fleets;
- driver training programmes; in Food, MPG has improved from 8.7 in 2007 to 10.3 in 2020; and
- installation of electrical charging points at Wardle site, available for all employees.

### Streamlined Energy and Carbon Reporting ('SECR')

Carbon emissions (tCO <sub>2</sub> e)*	2019/20
Transport (scope 1)	22,417
Transport (scope 3)	29
Purchased electricity and gas (scope 2)	5,970
Other fuels (scope 1)	3,117
<b>Total emissions</b>	<b>31,533</b>
Carbon intensity ratio 1 (tCO <sub>2</sub> e/£'000)	27.16
Carbon intensity ratio 2 (tCO <sub>2</sub> e/avg. headcount)	0.05
<b>Total UK energy usage (kWh)</b>	<b>119,092,791</b>

\* tCO<sub>2</sub>e/year defined as tonnes of CO<sub>2</sub> equivalent per year.

Our sustainability policy can be found at [nwf.co.uk](http://nwf.co.uk)

### SECR statement

We measure and report our energy and carbon data across the entire Group (Food, Fuels and Feed), 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 30 May 2020. This is our first year of reporting and we will be using the 2019/20 reporting year as our benchmark for 2020/2021.

NWF Group used 31,533 carbon dioxide equivalent tonnes (tCO<sub>2</sub>e) of energy during the year. 70% 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 two carbon intensity ratios that reflect our business performance. Our carbon intensity ratio for the year ended 31 May 2020 was 0.05 tCO<sub>2</sub>e per average employee headcount, and 27.16 tCO<sub>2</sub>e per £'000 of revenue. Moving forward, we will set both absolute and percentage reduction targets for carbon emissions, so we can begin to measure energy efficiency performance alongside business performance.

In order to calculate the carbon emissions, we have used the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019. 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 2019 conversion factors, except for any mileage data we had available, for which 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.

### Optimising vehicle utilisation

Across the Group this year we delivered

**665**

million litres  
of fuel

**625k**

tonnes of ruminant  
animal feed

**135k**

pallet spaces provided  
to customers

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

The total NWF Group fleet comprises

**154**

fuel tankers

**40**

feed trucks

**14**

trailers

**118**

food trucks

**266**

trailers

During the year we recognised an additional investment of £8.0 million in leased assets as part of our ongoing programme to maintain a modern, efficient fleet.

# An experienced and capable Board

**Philip Acton**  
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**

- 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 F**

- Committee membership**
- Disclosure

**Chris Belsham**  
Group Finance Director

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

- Key skills**
- Finance
  - Mergers and acquisitions
  - Strategy and leadership

**Key development**  
**A B C D**

- Committee membership**
- Disclosure (Chair)

**Yvonne Monaghan**  
Senior Independent Non-Executive Director

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

Yvonne has informed the Board of her wish to stand down at this year's AGM to be held on 24 September 2020 after seven years' service.

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

**Key development**  
**A B C E G**

- Committee membership**
- Audit (Chair)
  - Remuneration

#### David Downie

Independent Non-Executive Director

#### Experience

Joined the Board in 2018. Holds a BSc in agriculture and spent over 15 years as a senior executive at ASDA. Currently non-executive 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 E 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, 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

#### Committee membership

- Audit
- 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

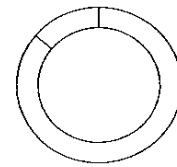
- Health and safety
- Human resources
- Company secretarial
- Property

#### Key development

A B C D

## Board diversity

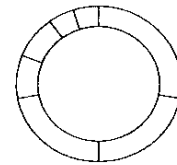
#### Gender diversity



■ Male (6)

■ Female (1)

#### Skills



■ Mergers and acquisitions (6)

■ Finance (5)

■ Strategy and leadership (5)

■ PLC board experience (2)

■ 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

ESG framework

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**

**B** **F**

**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**

**B** **C** **F**

**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 A3F plc and senior positions at AB World Foods and Patak's Foods Limited.

- Key skills**
- Leadership
  - Operations
  - Sales and marketing

**Key development**

**B** **C** **F** **H**

Key development

- A** External advisor updates    **C** Institute updates    **E** Self study    **G** Other Non-Executive roles  
**B** Professional network    **D** Investor forums    **F** Industry bodies    **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  
2nd Floor  
1 Spinningfields Square  
Manchester M3 3AP

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

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

**Financial PR**  
**MHP Communications**  
6 22 Agar Street  
Covent Garden  
London WC2N 4HN

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

**Registered number**  
02264971

# Strong governance

**"NWF recognises the importance of good corporate governance and in many areas goes beyond the principles of the QCA Code as it continues to develop and maintain governance standards."**

**Dear shareholder,**

The Board has adopted the QCA Code and continues to follow the ten principles as set out on page 30. NWF recognises the importance of good corporate governance and in many areas goes beyond the principles of the QCA Code as it continues to develop and maintain governance standards.

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. The corporate governance culture will be measured against the QCA Code fundamentals and regularly reviewed with developments and changes communicated to shareholders.

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

The Company continues to comply with the QCA Code but given the Group's size and plans for the future, it also endeavours to have regard to the provisions of the UK Corporate Governance Code to the extent that we believe is appropriate. As an example of how we have supplemented the QCA Code with provisions of the UK Corporate Governance Code, we now require each and every Director on the Board to be annually re-elected and have implemented an independence policy that Non-Executive Directors are not able to serve for more than nine years.

**Philip Acton**  
Chair

4 August 2020

## Corporate governance statement continued

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

The ten QCA principles are:

<b>Deliver growth</b>
<b>Principle 1:</b> Establish a strategy and business model which promote long-term value for shareholders.
<b>Principle 2:</b> Seek to understand and meet shareholder needs and expectations.
<b>Principle 3:</b> Take into account wider stakeholder and social responsibilities and their implications for long-term success.
<b>Principle 4:</b> Embed effective risk management, considering both opportunities and threats, throughout the organisation.
<b>Maintain a dynamic management framework</b>
<b>Principle 5:</b> Maintain the Board as a well-functioning, balanced team led by the Chair.
<b>Principle 6:</b> Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
<b>Principle 7:</b> Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
<b>Principle 8:</b> Promote a corporate culture that is based on ethical values and behaviours.
<b>Principle 9:</b> Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.
<b>Build trust</b>
<b>Principle 10:</b> Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

### Deliver growth

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

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

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

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

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

1. three independent pension funds registered in Iceland (each holding c. 5% of the issued share capital) as set out on page 41;
2. other institutional investors;
3. private individuals; and
4. employees and ex-employees.

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

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

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

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

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

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

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

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



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

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

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

The annual report from the Audit Committee, which discusses internal control and risk management, is set out on pages 35 and 36.

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

A rolling programme of risk and controls testing is undertaken across the Group with a focus on various key areas of risk identified. This programme is undertaken through a combination of internal and external resource. A cyber risk workshop was held in the year with a crisis management workshop concentrating on the Wardle site planned for later in the year.

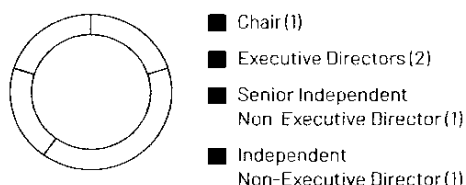
The risks faced by the Group are formally documented in risk registers which are discussed at the biannual Audit Committee meetings.

### Maintain a dynamic management framework

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

The Board currently comprises two Executive and three Non-Executive Directors. The names of the Directors together with their roles and biographical details are set out on pages 26 and 27. The roles of Chair and Chief Executive are separated, are clearly understood and have been agreed by the Board. The Chair is responsible for the Board. The Chief Executive is responsible for the operating performance of the Group. A formal schedule of matters requiring Group Board approval is maintained and regularly reviewed, covering such areas as Group strategy, approval of budgets, financial results, Board appointments and dividend policy, which is available to view at [www.nwf.co.uk/about-us/governance/board-responsibilities](http://www.nwf.co.uk/about-us/governance/board-responsibilities). The Board normally meets once a month with additional meetings which are called when required. Comprehensive briefing papers are sent to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

### Board composition



Due to the infrequency of senior appointments, the Board does not maintain a standing Nomination Committee but forms one when required. The current Chief Executive's and Group Finance Director's appointments were approved by the Board, after receiving a recommendation from a Committee of the Board, consisting of the Non-Executive Directors, that was formed specifically for that purpose. The Committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants. Terms of reference for the Audit, Remuneration and Disclosure Committees are included on our website, [www.nwf.co.uk/about-us/governance/corporate-governance-statement](http://www.nwf.co.uk/about-us/governance/corporate-governance-statement).

The Board annually conducts an appraisal of its own performance and that of each Director consisting of individual assessments using prescribed questionnaires that are completed by all Directors. The results are reviewed, and individual feedback is given, by the Senior Independent Non-Executive Director in respect of assessments of the Chair, and by the Chair in respect of assessments of each of the other Directors and of the Board as a whole. This has now been expanded to include appraisals of the Audit and Remuneration Committees.

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

The Board has approved an Independence Policy which ensures that no Director is able to sit on the Board for more than nine years mirroring the provision in the UK Corporate Governance Code.

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

Attendance of Directors at meetings is set out below:

	Board	Disclosure Committee	Audit Committee	Remuneration Committee
T P Acton	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■	■ ■	■ ■ ■ ■ ■
C J Belsham	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■	▲	▲
D S Downie	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	▲	■ ■	■ ■ ■ ■ ■
Y M Monaghan	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	▲	■ ■	■ ■ ■ ■ ■
R A Whiting	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■	▲	▲

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

The biographical details of the Directors, including their skills and experience, are set out on pages 26 and 27. The biographical details of the senior Group management team are set out on page 28.

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

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

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

A record of education and training the Directors have undertaken has been created. This will help to track and ensure the Directors are all keeping up to date with the latest experience, skills and capabilities.

## Corporate governance statement continued

### Maintain a dynamic management framework continued

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

The Board conducts an annual appraisal of its own performance and that of each Executive Director. External facilitation has not been used to date but does include an external view from the Company's Nominated Advisor.

The Board has agreed to use an evaluation tool going forward and conducted its first review in February 2020. This was successfully undertaken with some recommendations which will be implemented. The evaluation tool will be further utilised to include the workforce in due course.

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

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

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

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

The business model section, on pages 14 and 15, sets out the values of the Group.

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

The Group seeks to provide excellent customer service to its 120,000 customers and develop its workforce, creating new jobs each year, and has a progressive dividend policy rewarding shareholders over the long term.

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

The Group is striving to continue this excellent customer service with the creation of the Academy in agriculture to train the future generation of nutritionists.

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

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

The governance structure for the Group is as follows:

##### Board of Directors

The 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.

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

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

##### Directors

Each of the Directors is subject to election by the shareholders at the first AGM after their appointment and all Directors are subject to annual re-election. Biographical details of all Directors are set out on pages 26 and 27.

The Non-Executive Directors have received appointment letters setting out their terms of appointment. All Non-Executive Directors are appointed for one year with renewal for further one year terms if performance is satisfactory. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

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

##### Internal control

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

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

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

##### Membership as at 31 May 2020:

See the Board of Directors section on pages 26 and 27.

##### Meetings held in the financial year:

Ten

##### Audit Committee

The Audit Committee consists of the Chair and two Non-Executive Directors and is chaired by Yvonne Monaghan, an independent Non-Executive Director. The Audit Committee met on two occasions during the year ended 31 May 2020. The operations of the Audit Committee are set out in the separate Audit Committee Report on pages 35 and 36. Its terms of reference will be made available at the AGM and are on the Company's website.

##### Membership as at 31 May 2020:

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

##### Meetings held in the financial year:

Two

### Remuneration Committee

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

#### Membership as at 31 May 2020:

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

#### Meetings held in the financial year:

Five

### Disclosure Committee

The Board has established a Disclosure Committee, the principal role of which is to consider whether announcements are required to be made or not in relation to inside information.

#### Membership as at 31 May 2020:

- C J Belsham (Chair)
- T P Acton
- R A Whiting

#### Meetings held in the financial year:

Two

### Build trust

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

The governance structure for the Group is set out on page 32. The Audit Committee and Remuneration Committee Reports are set out on pages 35 to 39.

### 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 Board believes that the disclosures set out on pages 1 to 25 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In addition, Peel Hunt, in its capacity as the Company's nominated advisor and broker, is engaged to liaise with investors and report back to the Board. Going forward, it will provide an external viewpoint of the Company to the Board with any recommendations it may have to help assist communication. Shareholders' views are also received during the AGM through the opportunity to ask questions of the Board and less formally after the AGM.

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

### Share capital structures

Details of the Company's share capital can be found in the 'Takeover Directive requirements' section of the Directors' Report and in note 23 of the Group financial statements.

### Going concern basis

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

- The Group's banking facilities totalling £65.0 million with The NatWest Group were renewed on 29 June 2018 and are committed through to October 2023. There is significant headroom both in terms of covenant compliance and funding availability. Undrawn facilities at 31 May 2020 were £37.6 million (2019: £45.2 million).
- The Group has prepared financial projections to 31 May 2021 which project positive earnings and demonstrate covenant compliance at all quarterly covenant test dates.
- Calculations to support covenant compliance are prepared and reviewed on a quarterly basis.
- The Group monitors capital risk on the basis of net debt/EBITDA ratio, which at 31 May 2020 was 0.7x (2019: 0.7x).

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.

## Corporate governance statement continued

### Section 172(1) Statement

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, 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 include their duty to act in the way in which 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 the stakeholders and matters set out in Section 172(1) of the Companies Act 2006, set out below:

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

Section 172 considerations are embedded in decision making at Board level and throughout the Group.

- Our strategy is designed to have a long term beneficial impact on the Company and to contribute to its success; further details can be found in our business model and acquisition strategy.
- Our employees are fundamental to our business. We aim to be a responsible employer in our approach to our employees. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business; further details can be found in our sustainability strategy.

- We also aim to act responsibly and fairly in how we engage with our customers, suppliers and investors and co-operate with any regulators, all of whom are integral to the success of the Group.
- Our sustainability policy takes into account the impact of the Group's operations on the community and environment and our wider societal responsibilities, and in particular how we impact the areas we serve. We have taken steps to start to minimise our impact on these. Our sustainability policy can be found at [www.nwf.co.uk](http://www.nwf.co.uk).
- As the Board of Directors, our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.
- As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy.

Additionally, the size and spread of both our stakeholders and the Group as a collective mean that generally our stakeholder engagement takes place at an operational and Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as individual companies.

Further information and examples of the Group's engagement with stakeholders can be found in our sustainability strategy.

# Monitoring all aspects of reporting and risk

**“The Audit Committee consists of the Chair and two Non-Executive Directors, two of whom are qualified Chartered Accountants.”**

Meetings in 2020

**2**

(2019: 2)

## Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 May 2020.

## 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 two occasions during the year.

Y M Monaghan (Chair)



T P Acton



D S Downie



■ Attended

▲ Not required to attend

□ Absent

## 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](http://www.nwf.co.uk).

## Experience of the Audit Committee

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

## External audit

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

The respective responsibilities of the Directors and external auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 42 and the Auditors' Report on pages 43 to 46. 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 first 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.

## Audit Committee report continued

**Internal audit**

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

**Internal control and risk management**

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

**Going concern**

The Board has prepared cash flow forecasts for the period to 31 May 2022. 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 various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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**

During the year, the Group acquired 100% of the share capital of both David Hermon Hodge Group Limited and Ron Darch & Sons Limited. The Group also acquired the trade and assets of the fuel distribution business of Caldø Oils Limited. The Audit Committee considered the methodology used by management in determining the fair value of the customer relationships and brands acquired and the disclosures within the financial statements. The Committee is comfortable with management's approach.

**2. The carrying value of goodwill and fixed assets**

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

**3. The carrying value of trade receivables**

The Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Committee has reviewed the current year provisions against trade receivables, including an assessment of the adequacy of the

prior year provisions, and is satisfied with management's conclusions that the provisioning levels are appropriate.

**4. Pensions including obligations and assumptions**

The Group's defined benefit pension scheme is material to its financial position. The amounts shown in the balance sheet are highly sensitive to changes in key actuarial assumptions which are set by reference to advice from professional advisors. Full disclosure of the pension scheme is provided in note 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, 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 and amortisation of acquired intangibles, and taking into account the tax effect thereon.
- **Headline EPS**, which refers to the reported EPS calculation based on headline earnings.
- **Net debt**, which is adjusted to exclude the impact of the adoption of IFRS 18.

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.

**Yvonne Monaghan**

Chair of the Audit Committee

4 August 2020

# Rewarding performance

"Our remuneration structure supports the strategy of the Company."

Meetings in 2020

3

(2019: 3)

**Dear shareholder,**

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2020.

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

**Members of the Remuneration Committee**

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

■ Attended

▲ Not required to attend

□ Absent

**Our performance in 2019/20**

NWF Group plc has delivered a very strong set of results demonstrating both resilience and growth.

**Key pay out-turns for 2019/20**

For 2019/20, the performance achieved against financial and operational targets resulted in 97.8% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 20.5p at 31 May 2020, 100% of the LTIP awards granted at the start of 2016/17 will vest in August 2020.

**Looking forward to 2020/21**

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

- Annual bonus – an annual bonus with performance criteria based upon a mixture of profit-based and personal objectives as set by the Remuneration Committee.
- Long-term Incentive Plan ('LTIP') – three-year share-based payments with the performance criteria being based upon EPS growth over the term of the award. A two year holding period upon vesting has been introduced for all awards granted from 2020 following review and in line with market practice.

We have therefore maintained, with appropriate amendments following the external review and guidance, a mixture of short and longer-term remuneration structures which underpin our business growth strategy.

**David Downie**

Chair of the Remuneration Committee

4 August 2020

## ESG framework

### Directors' remuneration report continued

#### Remuneration policy

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

The Company's remuneration principles are as follows:

- remuneration structures should be appropriate to the 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.

#### Directors' emoluments – audited information

Name of Director	Fees/basic salary £'000	Benefits £'000	Bonus £'000	LTI <sup>1</sup> £'000	Pension £'000	2020 Total £'000	2019 Total £'000
C J Belsham	179	15	170	194	24	582	332
R A Whiting	297	29	296	323	78	1,023	605
<b>Non-Executive</b>							
T P Acton	79	–	–	–	–	79	75
D S Downie	42	–	–	–	–	42	40
Y M Monaghan	42	–	–	–	–	42	40
<b>Aggregate emoluments</b>	<b>639</b>	<b>44</b>	<b>466</b>	<b>517</b>	<b>102</b>	<b>1,768</b>	<b>1,092</b>

1. Calculated as an LTI<sup>1</sup> award for the three years ended 31 May 2020. C J Belsham and R A Whiting will be awarded 115,254 and 191,864 shares respectively, at the three-month average price of £168.38. This award has vested, but has not been exercised as at the date of this report.

#### 2020/21 remuneration policy

The principles of our approved remuneration policy are as follows:

Element	Policy
<b>Base salary</b>	<ul style="list-style-type: none"> <li>• Positioned competitively in line with the market.</li> <li>• For 2020/21, Directors' salaries will be as follows: <ul style="list-style-type: none"> <li>• Chief Executive: £303,250; and</li> <li>• Group Finance Director: £182,250.</li> </ul> </li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>• Maximum opportunity for Executive Directors is 100% of base salary.</li> <li>• Performance is measured over one financial year.</li> <li>• Weightings and targets are reviewed and set at the start of each financial year.</li> <li>• For 2020/21, 75% of the bonus will be based on headline profit before tax performance with the remaining 25% based on the achievement of personal objectives.</li> <li>• Profit bonus has a minimum threshold set at 95% achievement of budget.</li> <li>• Malus and clawback provisions will be applied in a number of cases, including, but not limited to: <ul style="list-style-type: none"> <li>• a gross misstatement of the performance of the business;</li> <li>• gross misconduct; or</li> <li>• a miscalculation of the extent to which targets have been met.</li> </ul> </li> </ul>



Element	Policy
<b>Long-term Incentive Plan</b>	<ul style="list-style-type: none"> <li>Maximum opportunity for Executive Directors is 100% of base salary at the time of the award.</li> <li>Awards are made annually.</li> <li>Performance is measured over three years.</li> <li>For 2020/21, the awards will be subject to EPS performance as follows: <ul style="list-style-type: none"> <li>30% will vest for performance of RPI + 2% per annum; and</li> <li>up to a maximum of 100% will vest for performance of RPI + 2% to 8% per annum.</li> </ul> </li> <li>Malus and clawback provisions will be applied in a number of cases, including, but not limited to: <ul style="list-style-type: none"> <li>a gross misstatement of the performance of the business;</li> <li>gross misconduct; or</li> <li>a miscalculation of the extent to which targets have been met.</li> </ul> </li> <li>A holding period of two years will apply to all awards made after 2020 upon vesting.</li> <li>Executive Directors are expected to hold shares of value equivalent to 100% of their salary by the fifth anniversary of their appointment.</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>R A Whiting is entitled to receive pension contributions from the Company totalling 30% of base salary. He can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme.</li> <li>C J Belsham is entitled to receive pension contributions from the Company totalling 15% of base salary. He can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>The Executives are entitled to a standard Director benefits package, including a company car and private medical cover.</li> </ul>

#### Terms and conditions for Non-Executive Directors

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

#### Long-term Incentive Plan

The table below summarises the outstanding Performance Share Plan awards. 2017 awards are based on absolute EPS performance in the year ended 31 May 2020. 2018 awards are based on absolute EPS performance in the year ending 31 May 2021. 2019 awards are based on absolute EPS performance in the year ending 31 May 2022.

	Award date	Share price at date of grant	No. of shares vesting at maximum	Face value of shares vesting at maximum	EPS for maximum vesting <sup>1</sup>	No. of shares vesting at threshold (30%)	EPS for threshold vesting <sup>1</sup>	Performance period ending
C J Belsham	1 August 2017	147.5p	115,254	£170,000	19.9p	34,576	16.4p	31 May 2020
	1 August 2018	197.5p	88,228	£174,250	22.5p	26,468	19.0p	31 May 2021
	1 August 2019	166.0p	107,590	£178,600	21.1p	32,277	17.9p	31 May 2022
R A Whiting	1 August 2017	147.5p	191,864	£283,000	19.9p	57,559	16.4p	31 May 2020
	1 August 2018	197.5p	146,835	£290,000	22.5p	44,051	19.0p	31 May 2021
	1 August 2019	166.0p	179,066	£297,250	21.1p	53,720	17.9p	31 May 2022

<sup>1</sup> EPS targets based on headline EPS - year ended 31 May 2020 for the 2017 award, year ending 31 May 2021 for the 2018 award and year ending 31 May 2022 for the 2019 award. EPS targets for maximum and threshold vesting are based on the forecast RPI as at 31 May 2020.

## ESG framework

# Directors' report for the year ended 31 May 2020

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 2020.

## 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 £687.5 million (2019: £671.3 million) and profit after tax of £8.9 million (2019: £6.8 million).

The Directors recommend a final dividend for the year of 5.9p per share (2019: 5.6p) which, if approved at the AGM, will be payable on 8 December 2020. Together with the interim dividend paid during the year of 1.0p per share (2019: 1.0p), this will result in a total dividend of 6.9p per share (2019: 6.6p) amounting to £3.4 million (2019: £3.2 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 has an agreement with The NatWest Group for credit facilities totalling £85.0 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 2020 the Group had available facilities of £49.5 million (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £11.9 million (excluding hire purchase obligations).

The Board has prepared cash flow forecasts for the period to 31 May 2022. 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 various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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.

## 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
- Chris Belsham
- David Downie
- Yvonne Monaghan
- Richard Whiting

The Directors who held office during the year and as at 31 May 2020 had the following interests in the ordinary shares of the Company:

	31 May 2020
Name of Director	Number
T P Acton	30,000
C J Belsham	19,625
D S Downie	10,000
Y M Monaghan	10,000
R A Whiting	310,767

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

	31 May 2020
	Number
C J Belsham	195,818
R A Whiting	325,901

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 201.0p (31 May 2019: 169.0p) and the range of market prices during the year was between 120.0p and 203.0p.

No changes took place in the interests of Directors between 31 May 2020 and the date of signing the financial statements.

Further details on related party transactions with Directors are provided in note 29 of the Group financial statements.

## Directors' indemnities

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

**Major shareholdings as at 15 July 2020**

Name of shareholder	Number	%
Festa Lifeyrissjóður	2,382,389	4.89
Sameinaði Lifeyrissjóðurinn	2,382,389	4.89
Lifeyrissjóður Vestmannaeyja	2,382,389	4.89
Canaccord Genuity Wealth Management (Inst)	2,255,000	4.63
Interactive Investor	2,113,217	4.33
Cazenove Capital Management	1,623,378	3.33
Fidelity Mgt & Research	1,618,657	3.32
Ruffer	1,537,601	3.15

**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 s.172 statement on page 34 and sustainability strategy on pages 22 to 25.

**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 s.172 statement on page 34 and sustainability strategy on pages 22 to 25.

**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.mwf.co.uk](http://www.mwf.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 Statement on Corporate Governance 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:

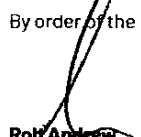
- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's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

4 August 2020

## ESG framework

### Statement of Directors' responsibilities

for the year ended 31 May 2020

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

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

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

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

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

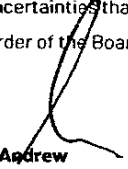
The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

By order of the Board

  
**Rob Andrew**  
Company Secretary  
Wardle  
Nantwich  
Cheshire  
CW5 6BP  
Registered number: 02264971

4 August 2020

# 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 2020 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 May 2020; the Consolidated Income Statement; the Consolidated and Parent Company Statements of Comprehensive Income; the Consolidated and Parent Company Statements of Changes in Equity; and the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Overview

<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall Group materiality: £600,000 (2019: £436,000), based on 5% of profit before tax.</li> <li>• Overall Parent Company materiality: £400,000 (2019: £350,000), based on 0.6% of total assets.</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• The Group consists of seven 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, David Hermon Hodge Group Limited, Ron Darch &amp; Sons Limited and Boughey Distribution Limited; along with the head office company. We have also performed procedures in relation to cash balances within Consols Oils Limited and in relation to debtor and cash balances in New Breed (UK) Limited.</li> <li>• The components within the scope of our work accounted for 96% of Group revenue and 89% of Group profit before tax.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Defined benefit pension plan liabilities (Group and Parent Company).</li> <li>• Impact of Covid-19 (Group and Parent Company).</li> </ul>

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

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

## Financial statements

# Independent auditors' report continued to the members of NWF Group plc

## Report on the audit of the financial statements continued

### Our audit approach continued

### Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Defined benefit pension plan liabilities (Group and Parent Company)</b></p> <p>Refer to page 36 (ACR) note 2 (accounting policies) pages 57 to 58 (critical accounting estimates and judgments) and note 24. The Group has a defined benefit pension plan net liability of £21.0m (2019: £17.3m), which is significant in the context of both the overall balance sheet, the results of the Group and the market capitalisation of the Group.</p> <p>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 £61.1m (2019: £55.3m) requires significant judgment and expertise primarily in respect of the key assumptions used. These assumptions include both financial assumptions e.g. the discount rate and inflation, but also key demographic assumptions e.g. mortality rates.</p> <p>Modest changes in a number of these key assumptions can have a material impact on the calculation of the liability. We therefore focused our work on this area.</p>	<p>We obtained the external actuary's report used in valuing the scheme's liabilities and determined, using our experience of the valuation of similar schemes, and our own pension specialists, that the methodologies adopted by the actuary in forming the valuation were consistent with industry practice and our expectations.</p> <p>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.</p> <p>Further we considered the appropriateness of the approach taken to setting the mortality assumptions and we found them to be reasonable.</p> <p>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.</p>
<p><b>Impact of Covid-19 (Group and Parent Company)</b></p> <p>The ongoing and evolving Covid-19 pandemic, and the related government response to this crisis, is having a significant impact on the economies of those countries in which the Group operates. There is a high level of uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies.</p> <p>The Directors have considered the potential impact to the Group of the ongoing Covid-19 pandemic in several areas, including the assessment of going concern, the carrying value of the Group's assets and disclosures to be included in the financial statements.</p> <p>In relation to the Group's going concern assessment, the Directors adjusted the 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 revenue caused by second lockdown. Management has concluded that the Group and Company expect to trade solvently under these scenarios for at least twelve 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, and believe this assumption remains appropriate.</p> <p>Management concluded that there was no material impact on the financial statements, including in respect of the impairment of certain assets, or on provisions or estimates made.</p>	<p>In assessing management's considerations of the potential impact of Covid-19, we have undertaken the following procedures:</p> <ul style="list-style-type: none"> <li>• we obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;</li> <li>• we discussed with management the impact assessments applied in the going concern review so we could understand the rationale for those assumptions;</li> <li>• we challenged the rationale for those assumptions, using our knowledge of the business, the sector and wider commentary available from key customers;</li> <li>• we reviewed trading results after the 2020 year end date and compared this to management's revised forecast, and considered the impact of these actual results on the future forecast period;</li> <li>• 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;</li> <li>• we assess the availability of liquid resources under different scenarios modelled by management, and the associated covenant test applied; and</li> <li>• we have considered the potential impact of Covid-19 on other areas of the balance sheet, specifically around impairment of goodwill and intangible assets and concluded that there were no indicators of a material impact on amounts included in the Group or Company financial statements.</li> </ul> <p>Our conclusion is in the going concern section noted below.</p>

### 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 seven 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 five of the seven trading entities and the head office company, with procedures performed in relation to trade receivables in relation to one additional entity, and in relation to cash for the two trading entities not in full scope, ensuring significant coverage of all balances across the Group. Audit work across the Group, including the trading entities and head office company, was performed by the same audit team.

## Report on the audit of the financial statements continued

### Our audit approach continued

#### Materiality

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

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

	Group financial statements	Parent Company financial statements
<b>Overall materiality</b>	£600,000 (2019: £436,000).	£400,000 (2019: £350,000).
<b>How we determined it</b>	5% of profit before tax.	0.6% of total assets.
<b>Rationale for benchmark applied</b>	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	Total assets is considered to be appropriate as the Parent Company is not profit oriented. The Parent Company acts as a holding company, holding investments in subsidiaries along with investment property which is utilised by the Group's trading entities.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £68,000 and £486,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (Group audit) (2019: £22,000) and £20,000 (Parent Company audit) (2019: £22,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

#### Conclusions relating to going concern

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

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

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

#### Reporting on other information

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

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

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

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

## Financial statements

# Independent auditors' report continued to the members of NWF Group plc

## Report on the audit of the financial statements continued

### Reporting on other information continued

#### 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 2020 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

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

### Other required reporting

#### Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



#### Jonathan Studholme (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

4 August 2020



## Consolidated income statement for the year ended 31 May 2020

	Note	2020 £m	2019 £m
<b>Revenue</b>	3.4	<b>687.5</b>	671.3
Cost of sales		<b>(646.2)</b>	(640.4)
<b>Gross profit</b>		<b>41.3</b>	30.9
Administrative expenses		<b>(27.8)</b>	(21.3)
Headline operating profit <sup>1</sup>		<b>14.3</b>	10.2
Exceptional items	5	<b>(0.5)</b>	(0.5)
Amortisation of acquired intangibles	14	<b>(0.3)</b>	(0.1)
<b>Operating profit<sup>3</sup></b>	4	<b>13.5</b>	9.6
Finance costs	7	<b>(1.5)</b>	(0.9)
Headline profit before taxation <sup>1</sup>		<b>13.2</b>	9.7
Net finance cost in respect of the defined benefit pension scheme		<b>(0.4)</b>	(0.4)
Exceptional items	5	<b>(0.5)</b>	(0.5)
Amortisation of acquired intangibles	14	<b>(0.3)</b>	(0.1)
<b>Profit before taxation<sup>3</sup></b>	5	<b>12.0</b>	8.7
Income tax expense <sup>2</sup>	8	<b>(3.1)</b>	(1.9)
<b>Profit for the year attributable to equity shareholders</b>		<b>8.9</b>	6.8
<b>Earnings per share (pence)</b>			
Basic	10	<b>18.2</b>	13.9
Diluted	10	<b>18.1</b>	13.9
<b>Headline earnings per share (pence)<sup>1</sup></b>			
Basic	10	<b>20.5</b>	15.8
Diluted	10	<b>20.3</b>	15.8

1 Headline operating profit is statutory operating profit of £13.5 million (2019: £9.6 million) before exceptional items of £0.5 million (2019: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2019: £0.1 million). Headline profit before taxation is statutory profit before taxation of £12.0 million (2019: £8.7 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.4 million (2019: £0.4 million), the exceptional items and amortisation of acquired intangibles. Headline earnings per share also take into account the taxation effect thereon.

2 Taxation on exceptional items in the current year has reduced the charge by £Nil (2019: £0.1 million).

3 During the year ended 31 May 2020, the application of IFRS 16 resulted in an increase in operating profit in the consolidated income statement of £0.2 million in comparison to treatment under IAS 17, as operating lease payments under IAS 17 were replaced by a depreciation charge on right of use assets. Profit before taxation reduced by £0.2 million with the inclusion of £0.4 million of finance costs under the new standard.

The results relate to continuing operations.

The notes on pages 52 to 82 form part of these Group financial statements.

Financial statements

**Consolidated statement of comprehensive income**  
for the year ended 31 May 2020

	Note	2020 £m	2019 £m
Profit for the year attributable to equity shareholders		<b>8.9</b>	6.8
Items that will never be reclassified to profit or loss:			
Remeasurement loss on defined benefit pension scheme	24	<b>(4.0)</b>	(1.2)
Tax on items that will never be reclassified to profit or loss	22	<b>1.1</b>	0.2
<b>Total other comprehensive expense</b>		<b>(2.9)</b>	(1.0)
<b>Total comprehensive income for the year</b>		<b>6.0</b>	5.8

The notes on pages 52 to 82 form part of these Group financial statements.

## Consolidated balance sheet

as at 31 May 2020

	Note	2020 £m	2019 (Restated) £m
<b>Non-current assets</b>			
Property, plant and equipment	12	48.5	45.5
Right of use assets	13	27.3	–
Intangible assets	14	31.4	24.7
Deferred income tax assets	22	4.4	3.1
		111.6	73.3
<b>Current assets</b>			
Inventories	15	4.7	5.6
Trade and other receivables	16	58.7	67.2
Cash and cash equivalents	17	5.3	2.8
Derivative financial instruments	21	0.1	0.2
		66.8	75.8
<b>Total assets</b>		<b>178.4</b>	<b>149.1</b>
<b>Current liabilities</b>			
Trade and other payables	18	(56.6)	(66.7)
Current income tax liabilities		(0.9)	(1.1)
Borrowings <sup>1</sup>	19	(7.2)	(10.2)
Lease liabilities	20	(6.4)	–
		(71.1)	(78.0)
<b>Non-current liabilities</b>			
Borrowings <sup>1</sup>	19	(10.0)	(3.0)
Lease liabilities	20	(20.3)	–
Deferred income tax liabilities	22	(4.9)	(3.7)
Retirement benefit obligations	24	(21.0)	(17.3)
		(56.2)	(24.0)
<b>Total liabilities</b>		<b>(127.3)</b>	<b>(102.0)</b>
<b>Net assets</b>		<b>51.1</b>	<b>47.1</b>
<b>Equity</b>			
Share capital	23	12.2	12.2
Share premium		0.9	0.9
Retained earnings		38.0	34.0
<b>Total equity</b>		<b>51.1</b>	<b>47.1</b>

<sup>1</sup> £10.0 million of invoice discounting advances, previously recognised within non-current liabilities, have been corrected and reclassified to current liabilities in the year ended 31 May 2019. This restatement arises as the Group does not have an unconditional right to defer settlement of these liabilities for at least one year after the balance sheet date. £7.2 million of invoice discounting advances have been recognised within current liabilities in the year ended 31 May 2020 (see note 19).

The Group financial statements on pages 47 to 51 were approved by the Board of Directors on 4 August 2020 and were signed on its behalf by:

  
**R A Whiting**  
 Director

  
**C J Belsham**  
 Director

The notes on pages 52 to 82 form part of these Group financial statements.

Registered number  
02264971

## Financial statements

### Consolidated statement of changes in equity for the year ended 31 May 2020

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>Balance at 1 June 2018</b>	12.2	0.9	31.3	44.4
Profit for the year	–	–	6.8	6.8
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme (note 24)	–	–	(1.2)	(1.2)
Tax on items that will never be reclassified to profit or loss (note 22)	–	–	0.2	0.2
Total other comprehensive expense	–	–	(1.0)	(1.0)
Total comprehensive income for the year	–	–	5.8	5.8
Transactions with owners:				
Dividends paid (note 9)	–	–	(3.1)	(3.1)
Value of employee services	–	–	(0.1)	(0.1)
Credit to equity for equity-settled share-based payments	–	–	0.1	0.1
Total transactions with owners	–	–	(3.1)	(3.1)
<b>Balance at 31 May 2019</b>	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)
<b>Balance at 31 May 2020</b>	12.2	0.9	38.0	51.1

The notes on pages 52 to 82 form part of these Group financial statements.

## Consolidated cash flow statement for the year ended 31 May 2020

	Note	2020 £m	2019 £m
<b>Net cash generated from operating activities</b>	26	<b>21.7</b>	6.4
<b>Cash flows used in investing activities</b>			
Purchase of intangible assets	14	<b>(0.4)</b>	(0.2)
Purchase of property, plant and equipment	12	<b>(5.7)</b>	(2.8)
Acquisition of subsidiaries – cash paid (net of cash acquired)	11	<b>(8.0)</b>	(3.5)
Capitalised legal costs associated with acquired leases		<b>(0.3)</b>	–
Payment of contingent deferred consideration		–	(0.8)
Proceeds on sale of property, plant and equipment		<b>0.4</b>	0.2
<b>Net cash used in investing activities</b>		<b>(12.0)</b>	(7.1)
<b>Cash flows from financing activities</b>			
Increase in bank borrowings		<b>1.6</b>	6.2
Capital element of finance leases		<b>(5.6)</b>	(0.1)
Dividends paid	9	<b>(3.2)</b>	(3.1)
<b>Net cash (used in)/generated from financing activities</b>		<b>(7.2)</b>	3.0
<b>Net increase in cash and cash equivalents</b>	27	<b>2.5</b>	2.3
Cash and cash equivalents at beginning of year	27	<b>2.8</b>	0.5
<b>Cash and cash equivalents at end of year</b>	27	<b>5.3</b>	2.8

The notes on pages 52 to 82 form part of these Group financial statements.

## Financial statements

# Notes to the Group financial statements

## for the year ended 31 May 2020

### 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 4 August 2020.

### 2. Significant accounting policies

The Group's principal accounting policies are set out below. IFRS 16 is effective from 1 June 2019.

#### Basis of preparation

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

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

#### Going concern

Based on financial performance to date and forecasts along with the available banking facilities, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The Board has prepared cash flow forecasts for the period to 31 May 2022. 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 various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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 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 2019.

The Group has adopted the following new standards, amendments and interpretations now applicable. Other than the adoption of IFRS 16, detailed in note 32, these standards did not have a material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial year beginning on
IFRIC 23	Uncertainty over Income Tax Treatments	1 June 2019
Amendment to IFRS 3	Business Combinations	1 June 2019
Amendment to IAS 12	Income Taxes	1 June 2019
Amendment to IAS 23	Borrowing Costs	1 June 2019
Amendment to IAS 19	Employee Benefits	1 June 2019
Amendment to IFRS 9	Financial Instruments	1 June 2019
IFRS 16	Leases	1 June 2019

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
Amendment to IFRS 3	Business Combinations	1 June 2020

## 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.

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 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.

#### 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

As at 1 June 2019 the Group adopted IFRS 16 'Leases' for the first time. IFRS 16 replaces IAS 17 'Leases'. 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, transition 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.

The Group elected to apply the simplified transition approach and as such the comparative information for the year ended 31 May 2019 has not been restated and is presented as previously reported, under IAS 17.

Under IAS 17 'Leases' a significant proportion of the risks and rewards of ownership are retained by the lessor and are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

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

Obligations under finance lease arrangements have been transferred from borrowings to be disclosed within lease liabilities following the adoption of IFRS 16.

Assets financed by leasing or hire purchase arrangements, and which have an outstanding liability, have been transferred from property, plant and equipment to be disclosed within right of use assets following the adoption of IFRS 16.

Note 32 details on the impact of IFRS 16 'Leases' on the consolidated balance sheet at 1 June 2019.

### 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 ten 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).

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 2. Significant accounting policies continued

#### Impairment of non-financial assets

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

#### Inventories

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

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

#### Trade and other receivables

Trade 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 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 and income from legal settlements. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

#### Bank borrowings

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

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

## 2. Significant accounting policies continued

### 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.

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 2020, the Group operated one (2019: 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.

#### *Valuation of acquired intangibles*

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

A 1% increase in the discount rate applied to the future cash flows would reduce the value attributable to acquired intangibles by £0.1 million.

#### *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 2021 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.

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 2. Significant accounting policies continued

### Critical accounting estimates and judgements continued

#### 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.

## 3. Revenue

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

	2020 £m	2019 £m
Sale of goods	639.2	623.4
Rendering of services	48.3	47.9
	687.5	671.3

## 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.

	Fuels £m	Food £m	Feeds £m	Group £m
<b>2020</b>				
<b>Revenue</b>				
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
<b>Result</b>				
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
<b>Other Information</b>				
Depreciation and amortisation	3.4	4.2	2.9	10.5
Fixed asset additions	0.8	3.1	1.8	5.7

#### 4. Segment information continued

2020	Fuels £m	Food £m	Feeds £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	88.2	48.2	54.3	188.7
Deferred income tax assets (note 22)				4.4
Cash at bank and in hand (note 17)				5.3
Consolidated total assets				178.4
<b>Liabilities</b>				
Segment liabilities	(45.4)	(19.3)	(18.6)	(83.3)
Current income tax liabilities				(0.9)
Deferred income tax liabilities (note 22)				(4.9)
Borrowings (note 19)				(17.2)
Retirement benefit obligations (note 24)				(21.0)
Consolidated total liabilities				(127.3)
2019	Fuels £m	Food £m	Feeds £m	Group £m
<b>Revenue</b>				
Total revenue	449.5	48.4	180.4	678.3
Inter-segment revenue	(6.5)	(0.5)	—	(7.0)
Revenue	443.0	47.9	180.4	671.3
<b>Result</b>				
Headline operating profit	5.6	1.8	2.8	10.2
Segment exceptional item (note 5)	(0.2)	—	—	(0.2)
Group exceptional item (note 5)				(0.3)
Amortisation of acquired intangibles	(0.1)	—	—	(0.1)
Operating profit as reported				9.6
Finance costs (note 7)				(0.9)
Profit before taxation				8.7
Income tax expense (note 8)				(1.9)
Profit for the year				6.8
<b>Other information</b>				
Depreciation and amortisation	1.4	1.6	1.7	4.7
Fixed asset additions	0.5	0.6	1.7	2.8

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 4. Segment information continued

2019	Fuels £m	Food £m	Feeds £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	61.2	30.3	51.7	143.2
Deferred income tax assets (note 22)				3.1
Cash at bank and in hand (note 17)				2.8
Consolidated total assets				149.1
<b>Liabilities</b>				
Segment liabilities	(46.4)	(5.3)	(15.0)	(66.7)
Current income tax liabilities				(1.1)
Deferred income tax liabilities (note 22)				(3.7)
Borrowings (note 19)				(13.2)
Retirement benefit obligations (note 24)				(17.3)
Consolidated total liabilities				(102.0)

## 5. Profit before taxation

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

	2020 £m	2019 £m
Cost of inventories recognised as an expense (included in cost of sales)	586.7	589.9
Depreciation of property, plant and equipment (note 12)	4.1	3.9
Depreciation of right of use assets (note 13)	5.8	–
Amortisation of other intangible assets (note 14)	0.6	0.8
Profit on disposal of property, plant and equipment	(0.2)	(0.1)
Operating lease charges – land and buildings	–	0.3
Operating lease charges – other	–	4.2
Staff costs (note 6)	48.2	40.1
Exceptional items	0.5	0.5

Following the adoption of IFRS 16 at 1 June 2019, the majority of operating lease costs are no longer recognised within the consolidated income statement having been replaced by depreciation on right of use assets. Any remaining costs within the consolidated income statement relate to low value and short-term leases which are excluded from IFRS 16.

An exceptional cost of £0.5 million (2019: £0.5 million) is included in administrative expenses. Exceptional items by type are as follows:

	2020 £m	2019 £m
GMP equalisation	–	0.3
Acquisition-related costs	0.5	0.2
Exceptional cost	0.5	0.5

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

We have worked with our actuarial advisors to understand the implications of the High Court judgement for the NWF Group Benefits Scheme and, as a result, recorded a non-cash £0.3 million pre-tax exceptional expense in the year ended 31 May 2019 to reflect our best estimate of the effect on our reported pension liabilities.

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. Whilst the financial statements reflect the best estimate of the impact on pension liabilities based on the information currently available, that estimate includes several assumptions. The Directors will continue to monitor any further clarifications and consider the impact on pension liabilities accordingly.

## 5. Profit before taxation continued

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

**Acquisition-related costs** – The acquisition-related costs comprise professional fees and other costs in relation to the three acquisitions made during the year. Of the total cost, £0.5 million impacted cash in the year.

### Services provided by the Company's auditors

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	43	31
Fees payable to the Company's auditors for other services:		
- audit of the financial statements of the Company's subsidiaries pursuant to legislation	219	123
- non-audit assurance services	1	3
- tax compliance services	103	59
Total auditors' remuneration	366	216

## 6. Staff costs

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

	2020 Number	2019 Number
Fuels	302	217
Food	621	580
Feeds	223	217
Head office	15	14
	1,161	1,028

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 38.

	2020 £m	2019 £m
Wages and salaries	41.0	35.2
Social security costs	4.3	3.7
Share-based payments (note 25)	1.2	0.1
Other pension costs (note 24)	1.7	1.1
	48.2	40.1

In addition to the above staff costs, the Group incurred no termination costs (2019: £Nil), and £4.2 million (2019: £4.7 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, including £0.4 million of past service costs.

## 7. Finance costs

	2020 £m	2019 £m
Interest on bank loans and overdrafts	0.7	0.5
Finance costs on lease liabilities relating to IFRS 16	0.4	–
Total interest expense	1.1	0.5
Net finance cost in respect of defined benefit pension schemes (note 24)	0.4	0.4
Total finance costs	1.5	0.9

Borrowing costs of £Nil were capitalised in the year ended 31 May 2020 (2019: £0.2 million).

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 8. Income tax expense

	2020 £m	2019 £m
<b>Current tax</b>		
UK corporation tax on profits for the year	2.6	2.0
Adjustments in respect of prior years	—	0.1
Current tax expense	2.6	2.1
<b>Deferred tax</b>		
Origination and reversal of temporary differences	—	(0.2)
Effect of increased tax rate on opening balances	0.5	—
Deferred tax expense/(income) (note 22)	0.5	(0.2)
Total income tax expense	3.1	1.9

During the year ended 31 May 2020, corporation tax has been calculated at 19% of estimated assessable profits for the year (2019: 19%).

A reduction in the UK corporation tax rate to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016 in the Finance Act 2016. In the opinion of the Directors, the relevant timing differences at 31 May 2019 were expected to reverse after 1 April 2020 and therefore deferred tax was provided at a rate of 17% in the statutory accounts for that period.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020. Deferred tax balances have therefore been remeasured to 19%. 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:

	2020 £m	2019 £m
Profit before taxation	12.0	8.7
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	2.2	1.6
Effects of:		
- expenses not deductible for tax purposes	0.4	0.2
- impact of increased tax rate on opening balances	0.5	—
- adjustments in respect of prior years	—	0.1
Total income tax expense	3.1	1.9

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

## 9. Equity dividends

	2020 £m	2019 £m
Final dividend for the year ended 31 May 2019 of 5.6p (2018: 5.3p) per share	2.7	2.6
Interim dividend for the year ended 31 May 2020 of 1.0p (2019: 1.0p) per share	0.5	0.5
Amounts recognised as distributions to equity shareholders in the year	3.2	3.1
Proposed final dividend for the year ended 31 May 2020 of 5.9p (2019: 5.6p) per share	2.9	2.7

The proposed final dividend is subject to approval at the AGM on 24 September 2020 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:

	2020	2019
<b>Earnings (£m)</b>		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	8.9	6.8
<b>Number of shares ('000)</b>		
Weighted average number of shares for the purposes of basic earnings per share	48,750	48,735
Weighted average dilutive effect of conditional share awards	478	15
Weighted average number of shares for the purposes of diluted earnings per share	49,228	48,750
<b>Earnings per ordinary share (pence)</b>		
Basic earnings per ordinary share	18.2	13.9
Diluted earnings per ordinary share	18.1	13.9
<b>Headline earnings per ordinary share (pence)</b>		
Basic headline earnings per ordinary share	20.5	15.8
Diluted headline earnings per ordinary share	20.3	15.8

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

	2020	2019
	£m	£m
Profit for the year attributable to equity shareholders	8.9	6.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	0.4	0.4
Exceptional items	0.5	0.5
Amortisation of acquired intangibles	0.3	0.1
Tax effect of the above	(0.1)	(0.1)
<b>Headline earnings</b>	<b>10.0</b>	<b>7.7</b>

## 11. Business combinations

On 10 July 2019, the Group acquired 100% of the share capital of David Hermon Hodge Group Limited, trading as Ribble Fuel Oils, a 75 million litre fuel distributor based in the North West of England. The net consideration for the acquisition was £3.0 million before acquisition costs (being gross consideration of £4.5 million adjusted for normalised working capital, and cash and debt-like items).

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

	Initial fair value of assets acquired £m	Adjustments £m	Fair value of assets acquired £m
Intangible assets - goodwill	3.1	(0.6)	2.5
Intangible assets - brand	0.1	—	0.1
Intangible assets - customer relationships	0.1	0.6	0.7
Property, plant and equipment	1.1	—	1.1
Right of use asset	—	0.4	0.4
Stock	0.4	—	0.4
Trade and other receivables	7.2	—	7.2
Cash	0.2	—	0.2
Borrowings	(2.6)	—	(2.6)
Trade and other payables	(6.0)	—	(6.0)
Lease liabilities	(0.5)	(0.4)	(0.9)
Deferred tax liability	(0.1)	—	(0.1)
	3.0	—	3.0

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

## Financial statements

# Notes to the Group financial statements continued for the year ended 31 May 2020

### 11. Business combinations continued

Following finalisation of acquisition accounting, adjustments have been made to the value attributable to customer relationships and to recognise right of use assets and lease liabilities under IFRS 16.

As the acquisition was made in the year, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(3.0)
Cash acquired	0.2
	(2.8)
Acquisition-related costs	(0.3)
	(3.1)

Acquisition-related costs of £0.3 million have been charged to the income statement (included within exceptional costs) in the year ended 31 May 2020.

The following amounts have been recognised within the consolidated income statement in respect of the acquisition made in the year: revenue – £43.2 million, profit – £0.6 million.

Had the acquisition taken place at the start of the financial year, the consolidated income statement would show: revenue – £47.7 million, profit – £0.6 million.

On 15 October 2019, the Group acquired the trade and specified assets of Caldo Oils Limited, a 5 million litre fuel distributor based in the North West of England. The net consideration for the acquisition was £0.4 million before acquisition costs.

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

	Fair value of assets acquired £m
Intangible assets – goodwill	0.2
Intangible assets – customer relationships	0.2
	0.4

Provisional goodwill of £0.2 million arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

As the acquisition was made in the year, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(0.4)
Cash and cash equivalents acquired	–
	(0.4)

The following amounts have been recognised within the consolidated income statement in respect of the acquisition made in the year: revenue – £1.1 million, profit – £0.1 million.

Had the acquisition taken place at the start of the financial year, the consolidated income statement would show: revenue – £1.9 million, profit – £0.1 million.

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. The net consideration for the acquisition was £8.4 million before acquisition costs (being gross consideration of £4.5 million adjusted for normalised working capital and cash acquired). Net consideration of £8.4 million comprises £7.3 million of cash paid as at 31 May 2020 and £1.1 million of cash paid following completion on 12 June 2020.

# 11. Business combinations continued

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

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

Provisional goodwill of £2.2 million arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

As the acquisition was made in the year, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(7.3)
Cash acquired	4.5
	(2.8)
Acquisition-related costs	(0.2)
Net cash flows arising during the year ending 31 May 2020	(3.0)
Cash paid post year end	(1.1)
Net cash flows arising on the acquisition	(4.1)

Acquisition-related costs of £0.2 million have been charged to the income statement (included within exceptional costs) in the year ended 31 May 2020.

The following amounts have been recognised within the consolidated income statement in respect of the acquisition made in the year: revenue – £12.5 million, profit – £1.6 million.

Had the acquisition taken place at the start of the financial year, the consolidated income statement would show: revenue – £22.4 million, profit – £1.8 million.

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 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
<b>Cost</b>					
At 1 June 2018	37.0	1.5	24.7	10.1	72.8
Additions	0.2	—	2.4	0.2	2.8
Acquired	—	—	—	1.0	1.0
Disposals	—	—	(0.3)	(1.4)	(1.7)
At 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)
<b>At 31 May 2020</b>	<b>37.9</b>	<b>2.7</b>	<b>31.0</b>	<b>6.8</b>	<b>78.2</b>
<b>Accumulated depreciation</b>					
At 1 June 2018	10.0	0.3	11.3	5.5	27.1
Charge for the year	0.9	—	1.8	1.2	3.9
Disposals	—	—	(0.3)	(1.3)	(1.6)
At 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)
<b>At 31 May 2020</b>	<b>11.8</b>	<b>0.3</b>	<b>14.8</b>	<b>2.8</b>	<b>29.7</b>
<b>Carrying amount</b>					
<b>At 31 May 2020</b>	<b>26.1</b>	<b>2.4</b>	<b>16.2</b>	<b>3.8</b>	<b>48.5</b>
At 31 May 2019	26.3	1.2	13.5	4.5	45.5

The Group has pledged certain freehold land and buildings with a carrying value of £22.0 million (31 May 2019: £22.6 million) to secure banking facilities granted to the Group.

Following the adoption of IFRS 16 on 1 June 2019, the net book value of plant and equipment held under finance leases is no longer recognised within property, plant and equipment and is instead recognised within right of use assets (note 13).

### 13. Right of use assets

	Properties £m	Commercial vehicles £m	Total £m
<b>Cost</b>			
At 31 May 2019	—	—	—
Recognition of right of use assets	1.0	15.2	16.2
Transfers in from property, plant and equipment on transition	—	0.5	0.5
<b>Right of use assets recognised at 1 June 2019</b>	<b>1.0</b>	<b>15.7</b>	<b>16.7</b>
Additions	7.6	8.0	15.6
Acquired	0.4	—	0.4
Transfers in from property, plant and equipment	—	0.8	0.8
<b>At 31 May 2020</b>	<b>9.0</b>	<b>24.5</b>	<b>33.5</b>
<b>Accumulated depreciation</b>			
At 31 May 2019	—	—	—
Transfers in from property, plant and equipment	—	0.1	0.1
<b>At 1 June 2019</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>
Charge for the year	0.6	5.2	5.8
Transfers in from property, plant and equipment	—	0.3	0.3
<b>At 31 May 2020</b>	<b>0.6</b>	<b>5.6</b>	<b>6.2</b>
<b>Carrying amount</b>			
<b>At 31 May 2020</b>	<b>8.4</b>	<b>18.9</b>	<b>27.3</b>
At 1 June 2019	1.0	15.6	16.6
At 31 May 2019	—	—	—

Depreciation charges are recognised in administrative costs.

Following the adoption of IFRS 16, the transfer of assets in from property, plant and equipment represents the reclassification of the cost and associated depreciation of finance lease assets at 1 June 2019 to right of use assets.

### 14. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Brands £m	Total £m
<b>Cost</b>					
At 1 June 2018	20.7	6.1	—	1.0	27.8
Additions	2.5	0.2	0.5	0.1	3.3
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
<b>At 31 May 2020</b>	<b>28.1</b>	<b>6.7</b>	<b>2.2</b>	<b>1.4</b>	<b>38.4</b>
<b>Accumulated amortisation</b>					
At 1 June 2018	0.6	4.6	—	0.4	5.6
Charge for the year	—	0.7	—	0.1	0.8
At 1 June 2019	0.6	5.3	—	0.5	6.4
Charge for the year	—	0.3	0.2	0.1	0.6
<b>At 31 May 2020</b>	<b>0.6</b>	<b>5.6</b>	<b>0.2</b>	<b>0.6</b>	<b>7.0</b>
<b>Carrying amount</b>					
<b>At 31 May 2020</b>	<b>27.5</b>	<b>1.1</b>	<b>2.0</b>	<b>0.8</b>	<b>31.4</b>
At 31 May 2019	22.6	1.0	0.5	0.6	24.7

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

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 14. Intangible assets continued

#### Customer relationships

Customer relationships are allocated as follows:

	2020 £m	2019 £m
Fuels	2.0	0.5

#### Brands

Brands are allocated as follows:

	2020 £m	2019 £m
Feeds	0.2	0.3
Fuels	0.6	0.3
	0.8	0.6

#### Goodwill

Goodwill acquired is allocated, at acquisition, to cash-generating units ('CGUs') that are expected to benefit from that business combination.

The carrying value of goodwill is allocated as follows:

	2020 £m	2019 £m
Feeds	11.9	11.9
Fuels	15.6	10.7
	27.5	22.6

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 2021 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The rate used to discount the projected cash flows, being a pre-tax discount rate based on comparative businesses, is 8.35% (2019: 10.3%) for all business segments. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 20 and 21, would also impact each CGU in a similar manner.

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns. Having completed the 2020 impairment reviews of both the Feeds and Fuels divisions no impairments have been identified. Management does not consider that there is any reasonable downside scenario which would result in an impairment.

### 15. Inventories

	2020 £m	2019 £m
Raw materials and consumables	2.4	3.0
Finished goods and goods for resale	2.3	2.6
	4.7	5.6

### 16. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	54.5	64.9
Less: provision for impairment	(1.8)	(1.2)
Trade receivables - net	52.7	63.7
VAT recoverable	—	0.7
Other receivables	0.2	0.3
Prepayments and accrued income	3.8	2.5
	56.7	67.2

Prepayments and accrued income includes £0.7 million (2019: £Nil) relating to a reimbursement settlement which has been offset against the past service costs of the defined benefit pension scheme in the income statement.

# 16. Trade and other receivables continued

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 2020 and 31 May 2019 was determined as follows for trade receivables:

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
<b>Loss allowance (£m)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.8</b>	<b>1.8</b>

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

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

	2020 £m	2019 £m
At 1 June	1.2	1.1
Provision for receivables impairment	0.8	0.2
Receivables written off in the year	(0.2)	(0.1)
<b>At 31 May</b>	<b>1.8</b>	<b>1.2</b>

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

	2020 £m	2019 £m
Cash at bank and in hand	5.3	2.8

The fair value of cash and cash equivalents is equivalent to their carrying amount. Cash at bank and in hand includes £0.8 million of cash in transit between Group companies at the year end.

# 18. Trade and other payables

	2020 £m	2019 £m
<b>Current</b>		
Trade payables	44.9	58.8
Social security and other taxes	1.3	1.0
Accruals and deferred income	10.4	6.9
	<b>56.6</b>	<b>66.7</b>

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

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 19. Borrowings

	2020 £m	2019 (Restated) £m
<b>Current</b>		
Obligations under hire purchase agreements	—	0.2
Invoice discounting advances	7.2	10.0
	7.2	10.2
<b>Non-current</b>		
Revolving credit facility	10.0	3.0
	10.0	3.0
<b>Total borrowings</b>	<b>17.2</b>	<b>13.2</b>

£10.0 million of invoice discounting advances, previously recognised within non-current liabilities, have been corrected and reclassified to current liabilities in the year ended 31 May 2019. This restatement arises as the Group does not have an unconditional right to defer settlement of these liabilities for at least one year after the balance sheet date. £7.2 million of invoice discounting advances have been recognised within current liabilities in the year ended 31 May 2020.

The Group's banking facilities, provided by The 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 (2019: £65.0 million), is outlined below.

### Invoice discounting advances

Invoice discounting advances at 31 May 2020 were drawn under a committed facility with an expiry date of 31 October 2023 (2019: 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 (2019: £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% (2019: 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 2020 totalling £7.2 million (2019: £10.0 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 (2019: £20.0 million).

### Revolving credit facility

The Group has a revolving credit facility of £10.0 million (2019: £10.0 million) with an expiry date of 31 October 2023 (2019: 31 October 2023). Interest is charged on amounts drawn down at 1.60 – 1.85% per annum above LIBOR (2019: 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 2020 is £10.0 million (2019: £3.0 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 2020 is repayable on demand and is subject to a maximum limit of £1.0 million (2019: £1.0 million). None of the facility was utilised at 31 May 2020 (2019: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2019: 1.5% per annum over the bank's base rate).

### Bank guarantee

The Group has a bank guarantee agreement with The 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 £17.2 million (2019: £13.0 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The 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:

	2020 £m	2019 (Restated) £m
Within one year	7.2	10.0
Between two and five years	10.0	3.0
	17.2	13.0



## 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 2020. The Group is in compliance with all covenants.

	2020		2019 (Restated)	
	Facility £m	Amount drawn £m	Facility £m	Amount drawn £m
Facilities expiring				
Within one year	44.8	7.2	48.2	10.0
Between two and five years	10.0	10.0	10.0	3.0
	54.8	17.2	58.2	13.0

£17.0 million of invoice discounting advances, previously recognised within non-current liabilities, have been corrected and reclassified to current liabilities in the year ended 31 May 2019. This restatement arises as the Group does not have an unconditional right to defer settlement of these liabilities for at least one year after the balance sheet date. £7.2 million of invoice discounting advances have been recognised within current liabilities in the year ended 31 May 2020.

The availability of invoice discounting facilities included above, amounting to £43.8 million (31 May 2019: £47.2 million), is dependent on the level of trade receivables available for refinancing.

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

### Obligations under hire purchase agreements

Obligations under hire purchase agreements are repayable as follows:

	Minimum payments		Present value of payments	
	2020 £m	2019 £m	2020 £m	2019 £m
Within one year	—	0.2	—	0.2
Between two and five years	—	—	—	—
Present value of obligations	—	0.2	—	0.2
Analysed as:				
Amounts due for settlement within 12 months (shown as current liabilities)			—	0.2
Amounts due for settlement after 12 months			—	—
			—	0.2

All hire purchase obligations are denominated in Sterling.

Following the adoption of IFRS 16 at 1 June 2019, all remaining hire purchase obligations have been recognised as lease liabilities and are shown in note 20.

## 20. Lease liabilities

	Properties £m	Commercial vehicles £m	Total £m
<b>Cost</b>			
At 31 May 2019	—	—	—
Recognition of lease liability under IFRS 16	1.0	15.2	16.2
Previously recognised as finance lease obligations in borrowings	—	0.2	0.2
<b>Opening lease liabilities recognised at 1 June 2019</b>	1.0	15.4	16.4
Additions	7.0	8.0	15.0
Business combinations (note 11)	0.4	0.5	0.9
Lease liability payments (including finance costs)	(0.3)	(5.7)	(6.0)
Finance costs	—	0.4	0.4
<b>At 31 May 2020</b>	<b>8.1</b>	<b>18.6</b>	<b>26.7</b>

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £m	2019 £m
<b>Current</b>		
Amounts due within one year	6.4	—
<b>Non-current</b>		
Amounts due after more than one year	20.3	—
<b>Total</b>	<b>26.7</b>	<b>—</b>

## Financial statements

# Notes to the Group financial statements continued

for the year ended 31 May 2020

## 20. Lease liabilities continued

Lease liabilities are as follows:

	2020 £m	2019 £m
<b>Not more than one year</b>		
Minimum lease payments	6.9	—
Interest element	(0.5)	—
<b>Present value of minimum lease payments</b>	<b>6.4</b>	<b>—</b>
<b>Between one and five years</b>		
Minimum lease payments	18.9	—
Interest element	(0.7)	—
<b>Present value of minimum lease payments</b>	<b>18.2</b>	<b>—</b>
<b>More than five years</b>		
Minimum lease payments	2.2	—
Interest element	(0.1)	—
<b>Present value of minimum lease payments</b>	<b>2.1</b>	<b>—</b>

## 21. Financial instruments and risk management

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, rolling credit facility, obligations under hire purchase agreements, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2020 and 2019 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 73 (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:

	Total book and fair value £m
<b>At 31 May 2020</b>	
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
	<b>70.2</b>
Revolving credit facility	10.0
Lease liabilities repayable after one year	20.3
	<b>30.3</b>
<b>Total</b>	<b>100.5</b>

## 21. Financial instruments and risk management continued

### Financial liabilities continued

	Total book and fair value (Restated)
At 31 May 2019	£m
Financial liabilities carried at amortised cost:	
Trade and other payables	66.7
Floating rate invoice discounting advances	10.0
Hire purchase obligations repayable within one year	0.2
	76.9
Revolving credit facility	3.0
Hire purchase obligations repayable after one year	—
	3.0
<b>Total</b>	<b>79.9</b>

1. £10.0 million of invoice discounting advances, previously recognised within non-current liabilities, have been corrected and reclassified to current liabilities in the year ended 31 May 2019. This restatement arises as the Group does not have an unconditional right to defer settlement of these liabilities for at least one year after the balance sheet date. £7.2 million of invoice discounting advances have been recognised within current liabilities in the year ended 31 May 2020.

### Financial assets

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

	Total book and fair value
At 31 May 2020	£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

	Total book and fair value
At 31 May 2019	£m
Trade and other receivables	64.7
Financial assets carried at amortised cost: cash and cash equivalents	2.8
Financial assets carried at fair value: derivatives	0.2
	67.7

### 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 2020, the Group had open forward supply contracts with a principal value of £26.6 million (31 May 2019: £27.1 million). The fair value of forward supply contracts recognised on the balance sheet is £0.1 million (31 May 2019: £0.2 million).

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

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £Nil have been credited to the income statement in the year (2019: £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.

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 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 2020 profit before taxation by approximately £0.3 million (2019: £0.2 million).

##### Credit risk

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

##### 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:

	2020	2019
Borrowings (£m) (note 19)	17.2	13.2
Obligations under hire purchase agreements now recognised in lease liabilities (£m)	0.4	—
Less: cash at bank and in hand (£m)	(5.3)	(2.8)
Net debt (£m) (excluding lease liabilities)	12.3	10.4
Headline EBITDA (£m)	18.7	14.8
Net debt/EBITDA ratio	0.7x	0.7x

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

### 22. Deferred taxation

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 June 2018	3.6	(2.9)	(0.2)	0.5
Debit/(credit) to income statement (note 8)	(0.3)	(0.1)	0.2	(0.2)
Debit to equity	—	0.1	—	0.1
Arising on intangibles on acquisition	0.1	—	—	0.1
Acquired	0.1	—	—	0.1
Prior year adjustment	0.2	—	(0.2)	—
At 31 May 2019	3.7	(2.9)	(0.2)	0.6
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
<b>At 31 May 2020</b>	<b>4.9</b>	<b>(4.0)</b>	<b>(0.4)</b>	<b>0.5</b>

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

## 23. Share capital

	Number of shares '000	Total £m
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2018	48,660	12.2
Issue of shares (see below)	90	—
Balance at 31 May 2019	48,750	12.2
Issue of shares (see below)	—	—
<b>Balance at 31 May 2020</b>	<b>48,750</b>	<b>12.2</b>

During the year ended 31 May 2020, no shares (2019: 89,920) with an aggregate nominal value of £Nil (2019: £22,480) 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 2020, amounted to 1,441,604 (31 May 2019: 1,216,945). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 24).

## 24. Retirement benefit schemes

### Defined contribution schemes

The Group operates several defined contribution pension schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to the income statement of £1.3 million (2019: £1.1 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 2019: £Nil).

### Defined benefit scheme

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

#### NWF Group Benefits Scheme

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

The scheme was closed to new members during the year ended 31 May 2002 and closed to future accrual with effect from April 2016.

The latest full triennial actuarial valuation of this scheme was completed in the year ended 31 May 2018, with a deficit of £19.1 million at the valuation date of 31 December 2016. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method. In these financial statements this liability has been updated in order to derive the IAS 19R valuation as of 31 May 2020. The next full triennial valuation will be completed in the year ending 31 May 2021.

The average duration of the benefit obligation at the balance sheet date is 19 years. The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 49% of the liabilities are attributable to current and former employees and 51% to current pensioners.

The Group expects to make total contributions of £2.8 million (including a contribution to scheme expenses) in the year ending 31 May 2021.

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:

	2020 %	2019 %
Discount rate	1.65	2.50
Future salary increases	n/a	n/a
RPI inflation	2.65	3.20
CPI inflation	1.85	2.20
Pension increases in payment (LPI 5%)	2.63	3.05

## Financial statements

# Notes to the Group financial statements continued for the year ended 31 May 2020

## 24. Retirement benefit schemes continued

### Defined benefit scheme continued

#### NWF Group Benefits Scheme continued

The mortality assumptions adopted imply the following life expectancies:

	2020 Years	2019 Years
Current pensioners – male life expectancy at age 65	21.6	21.5
Future pensioners currently aged 45 – male life expectancy at age 65	22.9	22.8

The 2020 mortality assumptions above are based on S2PXA tables with CMI 2019 improvements and a long-term trend rate of 1.25% (2019: S2PXA tables with CMI 2018 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:

	2020 £m	2019 £m
Present value of defined benefit obligations	(61.1)	(55.3)
Fair value of scheme assets	40.1	38.0
<b>Deficit in the scheme recognised as a liability in the balance sheet</b>	<b>(21.0)</b>	<b>(17.3)</b>
Related deferred tax asset (note 22)	4.0	2.9
<b>Net pension liability</b>	<b>(17.0)</b>	<b>(14.4)</b>

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

	2020 £m	2019 £m
Current service cost	–	0.1
Past service cost	0.4	0.3
Administrative expenses	0.3	0.3
Interest on the net defined benefit liability	0.4	0.4
<b>Total cost recognised in the income statement</b>	<b>1.1</b>	<b>1.1</b>

Past service costs of £1.1 million are shown net of a £0.7 million reimbursement settlement recognised within the income statement. The reimbursement settlement was received on 4 June 2020 and is therefore recognised as a reimbursement asset within prepayments and accrued income as at 31 May 2020.

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:

	2020 £m	2019 £m
Actuarial gain on plan assets	1.5	0.9
Actuarial loss arising from changes in financial assumptions	(5.5)	(2.1)
<b>Remeasurement loss</b>	<b>(4.0)</b>	<b>(1.2)</b>

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

	2020 £m	2019 £m
At 1 June	55.3	53.4
Current service cost	–	0.1
Interest cost	1.3	1.4
Remeasurement losses:		
– actuarial losses arising from changes in financial and demographic assumptions	5.5	2.1
Benefits paid	(2.1)	(2.0)
Past service cost	1.1	0.3
<b>At 31 May</b>	<b>61.1</b>	<b>55.3</b>

## 24. Retirement benefit schemes continued

### Defined benefit scheme continued

#### NWF Group Benefits Scheme continued

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

	2020 £m	2019 £m
At 1 June	38.0	36.3
Interest income	0.9	1.0
Remeasurement gains:		
– actuarial gains on plan assets	1.5	0.9
Contributions by employer	2.1	2.1
Expenses	(0.3)	(0.3)
Benefits paid	(2.1)	(2.0)
<b>At 31 May</b>	<b>40.1</b>	<b>38.0</b>

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

	Fair value of assets	
	2020 £m	2019 £m
Equities	–	7.9
Equity-linked bonds	8.6	–
Bond funds	7.9	7.1
Credit fund	6.6	7.9
Property fund	0.1	0.1
Diversified growth fund	16.3	13.0
Cash	0.2	1.6
Annuity policies	0.4	0.4
<b>Total</b>	<b>40.1</b>	<b>38.0</b>

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 £2.4 million (2019: £1.9 million gain).

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

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

- asset mix is based on 40% diversified growth fund, 22% equity investments, 15% credit funds, 21% liability-driven investment ('LDI') funds and 2% property funds and alternative assets;
- it is the policy of the fund to cover its exposure to the interest rate risk of the defined benefit liability by the use of 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, bond investments, property funds and equity-linked investments; 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.

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 24. Retirement benefit schemes 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	Decrease
	£m	£m
0.25% change in discount rate	(2.7)	2.7
0.25% change in RPI inflation	2.1	(2.1)
One year change in the life expectancy at age 65	2.6	(2.6)

### 25. Share-based payments

In the year ended 31 May 2020, the Group operated one (2019: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £1.2 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2020 (2019: £0.1 million).

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

The Group operates a Performance Share Plan for senior executives, further details of which can be found in the Directors' Remuneration Report in the Group financial statements. Under the Plan, the Group has made awards of conditional shares, which have yet to be exercised, to certain Directors on 1 August 2017 (vesting date: August 2020) and 1 August 2018 (vesting date: August 2021) and 1 August 2019 (vesting date: August 2022). 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 2020, 31 May 2019, 31 May 2018 and 31 May 2017, are as shown below.

	2020 Number of conditional shares	2019 Number of conditional shares	2018 Number of conditional shares	2017 Number of conditional shares
At 1 June	1,216,945	1,096,487	867,014	1,164,392
Granted in the year	529,080	434,178	478,347	304,421
Exercised in the year	—	(169,660)	—	(219,130)
Lapsed/forfeited in the year	(304,421)	(144,060)	(248,874)	(382,669)
<b>At 31 May</b>	<b>1,441,604</b>	<b>1,216,945</b>	<b>1,096,487</b>	<b>867,014</b>

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 2020 shown above is £2.2 million (31 May 2019: £1.9 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:

	2020	2019	2018	2017
Share price at grant date	£1.66	£1.97	£1.48	£1.73
Black Scholes fair value	£1.49	£1.72	£1.32	£1.56
Exercise price	£Nil	£Nil	£Nil	£Nil
Expected volatility	25.13%	23.48%	21.42%	20.99%
Expected life	2.84 years	2.83 years	2.83 years	2.81 years
Expected dividend yield	3.91%	3.61%	3.89%	3.47%
Risk-free interest rate	0.38%	0.85%	0.27%	0.03%

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

	2020 £m	2019 £m
Operating profit	13.5	9.6
Adjustments for:		
Depreciation of property, plant and equipment	4.1	3.9
Depreciation of right of use assets	5.8	—
Amortisation of other intangible assets	0.6	0.8
Profit on disposal of fixed assets	(0.2)	(0.1)
Fair value loss on financial derivative	0.1	—
Share-based payment expense	1.2	—
Contribution to pension scheme not recognised in income statement	(1.3)	(1.4)
Operating cash flows before movements in working capital and provisions	23.8	12.8
Movements in working capital:		
Decrease in inventories	1.9	0.3
Decrease/(increase) in receivables	20.2	(0.9)
Decrease in payables	(20.4)	(3.3)
Utilisation of provision	—	(0.1)
<b>Net cash generated from operations</b>	<b>25.5</b>	<b>8.8</b>
Interest paid	(1.1)	(0.5)
Income tax paid	(2.7)	(1.9)
<b>Net cash generated from operating activities</b>	<b>21.7</b>	<b>6.4</b>

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

	1 June 2019 £m	Cash flow £m	IFRS16 conversion £m	Other non cash movements £m	31 May 2020 £m
Cash and cash equivalents (note 17)	2.8	2.5	—	—	5.3
Borrowings (note 19)	(13.0)	(1.6)	—	(2.6)	(17.2)
Hire purchase obligations <sup>1</sup>	(0.2)	0.4	—	(0.6)	(0.4)
<b>Total Group (excluding lease liabilities)</b>	<b>(10.4)</b>	<b>1.3</b>	<b>—</b>	<b>(3.2)</b>	<b>(12.3)</b>
Lease liabilities (excluding hire purchase obligations transferred)	—	5.2	(16.2)	(15.3)	(26.3)
<b>Total Group (including lease liabilities)</b>	<b>(10.4)</b>	<b>6.5</b>	<b>(16.2)</b>	<b>(18.5)</b>	<b>(38.6)</b>

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

## 28. Operating lease commitments

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

	Land and buildings 2020 £m	Land and buildings 2019 £m	Other 2020 £m	Other 2019 £m
Within one year	—	0.2	—	5.6
Between one and five years inclusive	—	0.4	—	16.5
After more than five years	—	0.6	—	0.9
	—	1.2	—	23.0

Following the adoption of IFRS 16 at 1 June 2019, operating lease commitments have been recognised as lease liabilities, and as such, minimum lease payments are disclosed within note 20.

## Financial statements

### Notes to the Group financial statements continued for the year ended 31 May 2020

#### 29. 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':

	2020 £m	2019 £m
Short-term employee benefits (salary and bonus)	3.8	3.6
Post-employment benefits	0.3	0.3
Share-based payments	0.8	—
	4.9	3.9

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

##### Directors' transactions

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,693 as a customer of the Group in the year ended 31 May 2020 (31 May 2019: £2,655). At 31 May 2020, the amount outstanding was £Nil (31 May 2019: £Nil). During the year, the highest amount outstanding totalled £724 (2019: £904).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,277 as a customer of the Group in the year ended 31 May 2020 (2019: £2,104). At 31 May 2020, the amount outstanding was a credit balance of £345 (31 May 2019: £64 credit). During the year, the balance remained in credit (2019: 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 £1,230 as a customer of the Group in the year ended 31 May 2020 (2019: £1,573). At 31 May 2020, the amount outstanding was £310 (31 May 2019: £345). During the year, the highest amount outstanding totalled £540 (2019: £575).

#### 30. Commitments for capital expenditure

	2020 £m	2019 £m
Authorised and contracted but not provided for	6.6	0.1

#### 31. Contingent liabilities

The Group's bank facilities are provided under an arrangement with The 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 2020 of £22.0 million (31 May 2019: £22.6 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £17.2 million at 31 May 2020 (31 May 2019: £13.0 million).

The Group has a bank guarantee agreement with The 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 2019: £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 2020 has been taken by Midland Fuel Oil Supplies Limited (02299179) and Caldo Fuel Oil Limited (0312715). 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.

## 32. Changes in accounting standards

### IFRS 16 'Leases'

The Group has adopted this new standard from 1 June 2019, applying the simplified transition approach with the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at 1 June 2019. The comparative information for the year ended 31 May 2019 has not been restated and is presented as previously reported, under IAS 17.

For the Group, this results in the recognition of almost all leases on the balance sheet as a right of use asset, with a corresponding lease liability, as from a lessee perspective the distinction between operating and finance leases is removed.

The Group currently leases both properties and vehicles under a series of operating lease contracts which are impacted by the new standard. These types of leases can no longer be recognised as operating leases and have been brought onto the Group's balance sheet from the date of adoption of the new standard. In applying IFRS 16 for the first time the Group has elected to apply the following recognition exemptions:

- Short-term leases (leases of shorter than 12 months and leases with fewer than 12 months remaining) as at the date of adoption of the new standard will not be within the scope of IFRS 16.
- Leases for which the asset is of low value will not be within the scope of IFRS 16.

In applying IFRS 16 for the first time the Group has also elected to apply the following practical expedients:

- In determining whether existing contracts meet the definition of a lease, the Group will not reassess those contracts previously identified as leases and will not apply the standard to those contracts not previously identified as leases.
- The use of a single discount rate applied to portfolios of leases with similar characteristics.

On adoption of IFRS 16 the Group recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities have been measured at the present value of the remaining lease payments at 1 June 2019, discounted using the Group's incremental borrowing rate on the current facility as of 1 June 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 2%.

The associated right of use assets have been measured using the approach set out in IFRS 16.C8(b)(ii), whereby right of use assets are equal to the lease liability adjusted for accrued or prepaid operating lease payments (€Nil) at 1 June 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

For leases previously classified as finance leases, which relate to plant and machinery and commercial vehicles, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The overall impact of the adoption of IFRS 16 on the Group's opening balance sheet is an increase in net assets of £16.2 million and an increase in net liabilities of £16.2 million.

The table below shows the split of the total right of use assets and lease liabilities following the adoption of IFRS 16 (including the reclassification of assets previously held under finance leases):

	£m
Properties	1.0
Vehicles	15.2
NBV of assets previously held under finance leases	0.4
<b>Total right of use assets</b>	<b>16.6</b>
Properties	1.0
Vehicles	15.2
Leases previously held under finance leases	0.2
<b>Total lease liabilities</b>	<b>16.4</b>
Differences between the operating lease commitments disclosed at 31 May 2019 under IAS 17 discounted at the incremental borrowing rate at 1 June 2019 and lease liabilities recognised at 1 June 2019 are explained below:	
	£m
Undiscounted future minimum lease payments under operating leases at 31 May 2019	24.2
Impact of discounting	(8.0)
Add: finance lease liabilities recognised at 31 May 2019	0.2
<b>Lease liabilities recognised at 1 June 2019</b>	<b>16.4</b>
Of which are:	
Current lease liabilities	2.0
Non-current lease liabilities	14.4
<b>Lease liabilities recognised at 1 June 2019</b>	<b>16.4</b>

## Financial statements

# Notes to the Group financial statements continued

## for the year ended 31 May 2020

### 32. Changes in accounting standards continued

#### IFRS 16 'Leases' continued

During the year ended 31 May 2020, the application of IFRS 16 resulted in an increase in operating profit in the consolidated income statement of £0.2 million in comparison to treatment under IAS 17, as operating lease payments under IAS 17 were replaced by a depreciation charge on right of use assets. Profit before taxation reduced by £0.2 million with the inclusion of £0.4 million of finance costs under the new standard.

The table below shows a reconciliation between profit under IAS 17 and the new standard, IFRS 16.

	£m
Operating lease costs under IAS 17	6.0
Less: depreciation on right of use assets recognised under IFRS 16	(5.8)
<b>Impact on operating profit for the year ended 31 May 2020</b>	<b>0.2</b>
Less: finance costs associated with lease liabilities under IFRS 16	(0.4)
<b>Impact on profit before taxation for the year ended 31 May 2020</b>	<b>(0.2)</b>

During the year ended 31 May 2020, the movement on the right of use asset and lease liabilities was as follows:

	£m
<b>Right of use assets</b>	
Opening net book value	16.2
NBV of assets held under finance leases at 31 May 2019	0.4
New leases recognised	16.5
Depreciation	(5.8)
<b>Closing net book value</b>	<b>27.3</b>
<b>Lease liabilities</b>	
Opening liabilities	16.2
Finance lease liabilities recognised at 31 May 2019	0.2
New leases recognised	15.9
Lease payments	(6.0)
Finance cost	0.4
<b>Closing net book value</b>	<b>26.7</b>

## Parent Company balance sheet as at 31 May 2020

	Note	2020 £m	2019 £m
<b>Non-current assets</b>			
Property, plant and equipment	3	0.4	0.2
Investment property	4	23.1	22.7
Investments	5	15.3	15.3
Finance lease receivables	8	5.6	–
Reimbursement asset		0.3	–
Deferred tax asset	6	4.2	3.1
		<b>48.9</b>	<b>41.3</b>
<b>Current assets</b>			
Trade and other receivables	7	10.6	10.9
Finance lease receivables	8	1.0	–
Cash and cash equivalents		7.3	0.1
		<b>18.9</b>	<b>11.0</b>
<b>Current liabilities</b>			
Trade and other payables	9	(4.0)	(4.5)
Lease liabilities	10	(0.5)	–
		<b>14.4</b>	<b>6.5</b>
<b>Net current assets</b>			
		<b>63.3</b>	<b>47.8</b>
<b>Total assets less current liabilities</b>			
		<b>63.3</b>	<b>47.8</b>
<b>Non-current liabilities</b>			
Borrowings		(10.0)	(3.0)
Lease liabilities	10	(6.3)	–
Deferred income tax liabilities	6	(2.6)	(2.6)
Retirement benefit obligations		(21.0)	(17.3)
		<b>23.4</b>	<b>24.9</b>
<b>Net assets</b>			
		<b>23.4</b>	<b>24.9</b>
<b>Capital and reserves</b>			
Share capital	11	12.2	12.2
Share premium		0.9	0.9
Retained earnings		10.3	11.8
		<b>23.4</b>	<b>24.9</b>
<b>Total shareholders' funds</b>			
		<b>23.4</b>	<b>24.9</b>

The Company's profit for the year was £3.6 million including dividends received (2019: £9.1 million).

The Parent Company financial statements on pages 83 and 84 were approved by the Board of Directors on 4 August 2020 and were signed on its behalf by:

  
R A Whiting  
Director

  
C J Betsham  
Director

The notes on pages 85 to 93 form part of these Parent Company financial statements.

## Financial statements

### Parent Company statement of comprehensive income for the year ended 31 May 2020

	Note	2020 £m	2019 £m
Profit for the year attributable to equity shareholders		<b>3.6</b>	9.1
Items that will never be reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme		<b>(4.0)</b>	(1.2)
Tax on items that will never be reclassified to profit or loss	6	<b>1.1</b>	0.2
<b>Total other comprehensive expense</b>		<b>(2.9)</b>	(1.0)
<b>Total comprehensive income for the year</b>		<b>0.7</b>	8.1

The notes on pages 85 to 93 form part of these Parent Company financial statements.

### Parent Company statement of changes in equity for the year ended 31 May 2020

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m
<b>Balance at 1 June 2018</b>	12.2	0.9	7.1	20.2
Profit for the year	—	—	9.1	9.1
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	—	—	(1.2)	(1.2)
Tax on items that will never be reclassified to profit or loss	—	—	0.2	0.2
<b>Total comprehensive income for the year</b>	—	—	8.1	8.1
Transactions with owners:				
Dividends paid	—	—	(3.1)	(3.1)
Issue of shares	—	—	—	—
Value of employee services	—	—	(0.1)	(0.1)
Credit to equity for equity-settled share-based payments	—	—	0.1	0.1
Discounting of intercompany loan receivable	—	—	(0.3)	(0.3)
<b>Total transactions with owners</b>	—	—	(3.4)	(3.4)
<b>Balance at 31 May 2019</b>	12.2	0.9	11.8	24.9
Profit for the year	—	—	<b>3.6</b>	<b>3.6</b>
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	—	—	<b>(4.0)</b>	<b>(4.0)</b>
Tax on items that will never be reclassified to profit or loss	—	—	<b>1.1</b>	<b>1.1</b>
<b>Total comprehensive income for the year</b>	—	—	<b>0.7</b>	<b>0.7</b>
Transactions with owners:				
Dividends paid	—	—	<b>(3.2)</b>	<b>(3.2)</b>
Credit to equity for equity-settled share-based payments	—	—	<b>1.0</b>	<b>1.0</b>
<b>Total transactions with owners</b>	—	—	<b>(2.2)</b>	<b>(2.2)</b>
<b>Balance at 31 May 2020</b>	<b>12.2</b>	<b>0.9</b>	<b>10.3</b>	<b>23.4</b>

The notes on pages 85 to 93 form part of these Parent Company financial statements.

# Notes to the Parent Company financial statements

## for the year ended 31 May 2020

### 1. Significant accounting policies

#### Basis of preparation

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

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

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

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

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

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

#### Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2019.

The Company has adopted the following new standards, amendments and interpretations now applicable. Other than the adoption of IFRS 16 these standards did not have a material effect on the Company's results or net assets.

Standard or interpretation	Content	Applicable for financial year beginning on
IFRIC 23	Uncertainty over Income Tax Treatments	1 June 2019
Amendment to IFRS 3	Business Combinations	1 June 2019
Amendment to IAS 12	Income Taxes	1 June 2019
Amendment to IAS 23	Borrowing Costs	1 June 2019
Amendment to IAS 19	Employee Benefits	1 June 2019
Amendment to IFRS 9	Financial Instruments	1 June 2019
IFRS 16	Leases	1 June 2019

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
Amendment to IFRS 3	Business Combinations	1 June 2020

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

#### 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 £3.6 million including dividends received (2019: £9.1 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 2022. 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 various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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.

## Financial statements

# Notes to the Parent Company financial statements continued

## for the year ended 31 May 2020

### 1. Significant accounting policies continued

#### Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders (please refer to note 9 of the Group financial statements).

#### Property, plant and equipment

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

Plant and machinery 3 – 10 years

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

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

#### Investment properties

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

#### Investment in subsidiary undertakings

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

#### 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, 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.



## 1. Significant accounting policies continued

### Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, effective from 1 June 2018, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Under the new accounting standard, the Group continues to establish a provision for impairment of trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for receivables impairment, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectable, it is written off against the provision for receivables impairment. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

### 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 2020, the Company operated one (2019: 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.

## Financial statements

# Notes to the Parent Company financial statements continued for the year ended 31 May 2020

## 1. Significant accounting policies continued

### 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 38. Details of auditors' remuneration are shown in note 5 of the Group financial statements.

## 3. Property, plant and equipment

	Plant and machinery £m	Total £m
<b>Cost</b>		
At 1 June 2019	0.7	0.7
Additions	0.2	0.2
<b>At 31 May 2020</b>	<b>0.9</b>	<b>0.9</b>
<b>Accumulated depreciation</b>		
At 1 June 2019	0.5	0.5
Charge for the year	—	—
<b>At 31 May 2020</b>	<b>0.5</b>	<b>0.5</b>
<b>Carrying amount</b>		
<b>At 31 May 2020</b>	<b>0.4</b>	<b>0.4</b>
At 31 May 2019	0.2	0.2

## 4. Investment property

	Investment property £m	Total £m
<b>Cost</b>		
At 1 June 2019	33.0	33.0
Additions	1.1	1.1
<b>At 31 May 2020</b>	<b>34.1</b>	<b>34.1</b>
<b>Accumulated depreciation</b>		
At 1 June 2019	10.3	10.3
Charge for the year	0.7	0.7
<b>At 31 May 2020</b>	<b>11.0</b>	<b>11.0</b>
<b>Carrying amount</b>		
<b>At 31 May 2020</b>	<b>23.1</b>	<b>23.1</b>
At 31 May 2019	22.7	22.7

The fair value of the investment property at 31 May 2020 was £33.9 million (31 May 2019: £30.4 million). The valuation is based on a market valuation by an independent RICS valuer with recent experience in the location and category of the asset being valued. Rental income of £2.7 million (2019: £2.7 million) and direct operating expenses of £2.2 million (2019: £2.0 million) arising from investment property have been recognised in the income statement.

## 5. Investments

	£m
<b>Cost and carrying amount</b>	
At 1 June 2019	15.3
<b>At 31 May 2020</b>	<b>15.3</b>

## 5. Investments continued

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

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)	Fuel distribution
David Hermon Hodge Group Limited	Fuel distribution
David Hermon Hodge Limited	Fuel distribution
Hermon Hodge Limited	Fuel distribution
Preston Fuels Limited	Fuel distribution
Ron Darch & Sons Co Limited	Fuel distribution
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 2020 has been taken by Midland Fuel Oil Supplies Limited (02299179) and Caldo Fuel Oil Limited (0312715). 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.

## Financial statements

# Notes to the Parent Company financial statements continued

## for the year ended 31 May 2020

### 6. Deferred taxation

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

	Accelerated tax depreciation £m	Permanently benefit obligations £m	Total £m
At 1 June 2019	2.6	(3.1)	(0.5)
Credit to equity	—	(1.1)	(1.1)
<b>At 31 May 2020</b>	<b>2.6</b>	<b>(4.2)</b>	<b>(1.6)</b>

### 7. Trade and other receivables

	2020 £m	2019 £m
Amounts owed by Group undertakings	7.5	9.5
Prepayments and accrued income	1.1	0.4
Corporation tax recoverable	1.9	0.9
VAT recoverable	0.1	0.1
	<b>10.6</b>	<b>10.9</b>

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% (2019: 2.0%) per annum. A provision of £0.2 million (2019: £0.3 million) against amounts owed by Group undertakings has been recognised in accordance with IFRS 9.

### 8. Finance lease receivables

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

	2020 £m	2019 £m
<b>Current</b>		
Amounts receivable within one year	1.0	—
<b>Non-current</b>		
Amounts receivable after more than one year	5.6	—
<b>Total</b>	<b>6.6</b>	<b>—</b>

Lease receivables are as follows:

	2020 £m	2019 £m
<b>Not more than one year</b>		
Minimum lease receivables	1.2	—
Interest element	(0.2)	—
<b>Present value of minimum lease receivables</b>	<b>1.0</b>	<b>—</b>
<b>Between one and five years</b>		
Minimum lease receivables	5.1	—
Interest element	(0.5)	—
<b>Present value of minimum lease receivables</b>	<b>4.6</b>	<b>—</b>
<b>More than five years</b>		
Minimum lease receivables	1.0	—
Interest element	—	—
<b>Present value of minimum lease receivables</b>	<b>1.0</b>	<b>—</b>

**9. Trade and other payables**

	2020 £m	2019 £m
Trade payables	0.3	0.5
Amounts owed to Group undertakings	0.6	1.8
Accruals and deferred income	3.0	2.1
Other taxation and social security	0.1	0.1
	<b>4.0</b>	<b>4.5</b>

The Group has a net bank overdraft facility amounting to £1.0 million, none of which has been utilised by the Company at 31 May 2020 (31 May 2019: £1.0 million). This facility is secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The 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 £0.6 million (31 May 2019: £1.8 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 2.0% (2019: 2.0%) per annum. Any remaining amounts are non-interest-bearing trade balances.

**10. Lease liabilities**

	Property £m	Total £m
<b>Cost</b>		
At 31 May 2019	—	—
Recognition of lease liability under IFRS 16	—	—
<b>Opening lease liabilities recognised at 1 June 2019</b>	—	—
Additions	6.9	6.9
Lease liability payments (including finance costs)	(0.1)	(0.1)
Finance costs	—	—
<b>At 31 May 2020</b>	<b>6.8</b>	<b>6.8</b>

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £m	2019 £m
<b>Current</b>		
Amounts due within one year	0.5	—
<b>Non-current</b>		
Amounts due after more than one year	6.3	—
<b>Total</b>	<b>6.8</b>	<b>—</b>

Lease liabilities are as follows:

	2020 £m	2019 £m
<b>Not more than one year</b>		
Minimum lease payments	0.6	—
Interest element	(0.1)	—
<b>Present value of minimum lease payments</b>	<b>0.5</b>	<b>—</b>
<b>Between one and five years</b>		
Minimum lease payments	5.5	—
Interest element	(0.3)	—
<b>Present value of minimum lease payments</b>	<b>5.2</b>	<b>—</b>
<b>More than five years</b>		
Minimum lease payments	1.1	—
Interest element	—	—
<b>Present value of minimum lease payments</b>	<b>1.1</b>	<b>—</b>

## Financial statements

# Notes to the Parent Company financial statements continued for the year ended 31 May 2020

## 11. Called up share capital

	Number of shares '000	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2018, 31 May 2019 and 31 May 2020	80,000	20.0
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2018	48,660	12.2
Issue of shares	90	—
Balance at 31 May 2019	48,750	12.2
Issue of shares	—	—
<b>Balance at 31 May 2020</b>	<b>48,750</b>	<b>12.2</b>

During the year ended 31 May 2020, no shares (2019: 89,920) with an aggregate nominal value of £Nil (2019: £22,480) were issued under the Group's conditional Performance Share Plan and SAYE share option scheme.

The maximum total number of ordinary shares, which may vest in the future in respect of conditional Performance Share Plan awards outstanding at 31 May 2020, amounted to 1,441,604 (31 May 2019: 1,216,945). 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).

## 12. Employee benefit expense

	2020 £m	2019 £m
Wages and salaries	1.8	1.6
Social security costs	0.2	0.2
Share-based payments	1.1	0.1
Other pension costs	0.1	0.1
	<b>3.2</b>	<b>2.0</b>

The average monthly number of persons (including Directors) employed in the Company during the year was 15 (2019: 14).

## 13. 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 £1,693 as a customer of the Group in the year ended 31 May 2020 (31 May 2019: £2,655). At 31 May 2020, the amount outstanding was £Nil (31 May 2019: £Nil). During the year, the highest amount outstanding totalled £724 (2019: £904).

RA Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,277 as a customer of the Group in the year ended 31 May 2020 (2019: £2,104). At 31 May 2020, the amount outstanding was a credit balance of £345 (31 May 2019: £641 credit). During the year, the balance remained in credit (2019: 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 £1,230 as a customer of the Group in the year ended 31 May 2020 (2019: £1,573). At 31 May 2020, the amount outstanding was £310 (31 May 2019: £345). During the year, the highest amount outstanding totalled £540 (2019: £575).

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

## 14. 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 £1.1 million in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2020 (2019: £0.1 million).

## 15. 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 £2.1 million (2019: £2.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2019: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £23.1 million (2019: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2019: £Nil).

## 16. Contingent liabilities

The Company's bank facilities are provided under an arrangement with The 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 2020 of £22.0 million (31 May 2019: £22.6 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Company has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £17.2 million at 31 May 2020 (31 May 2019: £13.0 million).

The Company has a bank guarantee agreement with The 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 2019: £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.

## Shareholder information

### Annual General Meeting – Covid-19 arrangements

As you are aware Covid-19 has brought some unprecedented challenges and tragic consequences with it. It has meant a rethink around how companies operate. Inevitably, this has had an impact on our ability to run this year's AGM in the manner in which our shareholders are accustomed.

The 2020 AGM will be broadcast from NWF's Head Office in Wardle at 10.30a.m. on 24 September 2020. However, Government guidance relating to Covid-19 restricts public gatherings, and as such shareholders will not be permitted to attend this meeting in person.

Although physical attendance will not be permitted, we have worked hard to be able to bring the AGM to our shareholders electronically. Shareholders will be able to watch the meeting remotely.

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/st/5f1edbd4864c395ee4bb2eb9>. We would strongly encourage shareholders to submit questions in advance of the meeting by emailing [investor.relations@nwf.co.uk](mailto:investor.relations@nwf.co.uk) with the heading 'AGM 2020' by close of play on 17 September 2020. The webcast does not enable live questions during the AGM.

If you cannot 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.

Sadly, we must insist on non-attendance not only for legal reasons, but because it is the right thing to do for the safety of our colleagues and shareholders. We therefore encourage shareholders not to travel to the venue on the day, as those who do will, regrettably, be turned away.

The formal Notice of Meeting follows this letter.

#### 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](http://www.signalshares.com)**. You can vote online by registering first, using your surname, investor code and your 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.
- Complete and return a paper form of proxy (enclosed with this Notice).

#### Voting before the AGM

Your vote counts and all shareholders are encouraged to vote in advance. The deadlines for using CREST, online or the paper forms of proxy can be found in the Notes to the Notice of the AGM below.

#### Joining the AGM on the day

Please use the link supplied: <https://webcasting.brrmedia.co.uk/broadcast/5f1edbd4864c395ee4bb2eb9>.

Any questions must be submitted in advance by close of play on 17 September 2020.



# Notice of Annual General Meeting

Notice is hereby given that the AGM (the Meeting) of NWF Group plc (the Company) will be held at NWF Group Head Office, Warole, Nantwich, Cheshire CW5 6BP, on 24 September 2020 at 10.30a.m. to transact the business as specified below.

**Following the Government's Stay at Home measures, and in compliance with official guidance, we draw your immediate attention to the information contained on page 97, 'Notes to the Notice of AGM'.**

## Ordinary Business

1. To receive, adopt and approve the Company's annual accounts for the financial year ended 31 May 2020 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend of 5.9p per share for the year ended 31 May 2020 payable to shareholders on the register on 6 November 2020.
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 Christopher Belsham as a Director of the Company.
7. To elect Richard Armitage as a Director of the Company who, having been appointed since the last AGM, is to be proposed for election in accordance with the Articles of Association of the Company.
8. To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company and that the Directors be authorised to set the auditors' remuneration.

## Special Business

### Directors' authority to allot shares

9. That the Board of Directors of the Company (the Board) be generally and unconditionally authorised to allot Relevant Securities (as hereinafter defined):
  - 9.1 up to an aggregate nominal amount of £4,062,537 (the equivalent of 16,250,147 ordinary shares); and
  - 9.2 comprising equity securities (as defined by Section 560 of the Companies Act 2006 (the Act)) up to an aggregate nominal amount of £8,125,074 (the equivalent of 32,500,294 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 9.1 above) in connection with an offer by way of a rights issue:
    - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective existing holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities.

but subject to such limits, exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this AGM or, if earlier, the date of the next AGM of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Board may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This Resolution 9 revokes and replaces all unexercised authorities previously granted to the Board to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

For the purposes of this Resolution 9, 'Relevant Securities' means:

- shares in the Company other than shares allotted pursuant to:
  - an employee share scheme (as defined by Section 1166 of the Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; or
- any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Act). References to the allotment of Relevant Securities in this Resolution 9 include the grant of such rights.

## Notice of Annual General Meeting continued

### Special Business continued

#### General disapplication of pre-emption rights

10. That, subject to the passing of Resolution 9 on page 95, the Board be and it is hereby empowered, pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 on page 95 or to sell treasury shares as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

10.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities (but in the case of the authority granted under paragraph 9.2 of Resolution 9 on page 95, by way of a rights issue only) where the equity securities respectively attributable to the interests of all those persons at such record dates as the Board may determine are proportionate (as nearly as may be) to the respective numbers of equity securities then held by them subject to such limits, exclusions or other arrangements as the Board may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depositary receipts or any other matter whatsoever; and

10.2 the allotment (otherwise than pursuant to paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £609,381, and in each case such power shall expire upon the expiry of the general authority conferred by Resolution 9 on page 95, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Board may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

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

#### 11. Additional disapplication of pre-emption rights

To resolve as a special resolution that, subject to the passing of Resolution 9, the Directors be empowered in addition to any authority granted under Resolution 10 to allot equity securities (as defined by the Companies Act 2006) for cash under the authority given by that Resolution 9 (set out in this Notice of Meeting) and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that such authority be:

- limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £609,381; and
- used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) which the Directors of the Company determine to be an acquisition or other capital investments of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of Meeting,

and shall expire upon the expiry of the general authority conferred by Resolution 9 on page 95 (unless previously revoked or varied by the Company in a general meeting), provided that the Company may before that date make offers and enter into agreement which would, or might, require equity securities to be allotted after the authority ends and the Directors may allot equity securities under any such offer or agreement as if the authority has not ended.

## Notes to the Notice of Annual General Meeting

These notes are important and require your immediate attention.

1. **Shareholders are not entitled to participate in the AGM ('the Meeting') in any way other than as is provided for in these notes.**
2. **Shareholders are not entitled to attend the Meeting in person and will be refused entry.** Attendants in person will be restricted to those shareholders' names on the form of proxy, whose attendance is required to form a quorum and subsequently falls within the 'essential for work purposes' exception to the Government's Stay at Home restrictions.
3. The Meeting will be live streamed online. Shareholders entitled to attend may only do so virtually by accessing the following link: <https://webcasting.brrmedia.co.uk/broadcast/5f1edbd4864c395ee4bb2eb9>.
4. Shareholders may submit questions to be addressed during the Meeting by emailing their question(s) to [investor.relations@nwf.co.uk](mailto:investor.relations@nwf.co.uk) no later than close of play on 17 September 2020. Questions received after this date will not be addressed in the Meeting or in writing afterwards.

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 and to speak and vote at the Meeting on his/her behalf. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

A 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 Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so that it is received no later than 10.30a.m. on 22 September 2020.
6. Only those members entered on the register of members of the Company at the close of business on 22 September 2020 or, in the event that this Meeting is adjourned, in the register of members as at the close of business on the day two days before the date of any adjourned Meeting, shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after the close of business on 22 September 2020 or, in the event that this Meeting is adjourned, in the register of members after the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held at 10.30a.m. on 24 September 2020 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

## Notes to the Notice of Annual General Meeting continued

8. In the event of a conflict between a blank form of proxy and a form of proxy which states the number of shares to which it applies, the specific form of proxy shall be counted first, regardless of whether it was sent or received before or after the blank form of proxy, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank form of proxy. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
9. You will require your username and password to access the portal. 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, along with your surname and postcode – 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.
10. 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.
11. **Shareholders are not entitled to vote by any means other than as are provided for in these notes.**
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 AGM and at the place of the AGM 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 Asset Services: +44 (0)371 664 0300 Calls are charged at our 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 9.00a.m. and 5.30p.m. 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 entirely routine and deal with the presentation of the Annual Report and Accounts for the financial year ended 31 May 2020, the declaration of a final dividend, the reappointment of each of Philip Acton, David Downie, Richard Whiting and Christopher Belsham as a Director of the Company, the election of Richard Armitage as a Director of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors and the authorisation of the Directors to set the auditors' remuneration.

### Special Business

Resolution 9 will be proposed as an Ordinary Resolution and Resolution 10 will be proposed as a Special Resolution. In order for a Special Resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

#### Resolution 9 – authority to allot shares (Ordinary Resolution)

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

Paragraph 9.1 of Resolution 9 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £4,062,537, which represents an amount which is equal to one-third of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company (excluding treasury shares) as it was at close of business on 31 July 2020. As at close of business on 31 July 2020 the Company did not hold any treasury shares.

Paragraph 9.2 of Resolution 9 will, if passed, authorise the Directors to allot unissued shares in connection with a rights or other issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities, up to a maximum aggregate nominal amount of £8,125,074, which represents an amount which is equal to two-thirds of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company as it was at close of business on 5 August 2020 (such amount to be reduced by the nominal amount of any Relevant Securities issued under the authority conferred by paragraph 9.1 of Resolution 9).

The authorities sought in Resolution 9 are in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such existing authorities. The authorities will each expire 15 months after the date of the AGM or, if earlier, at the conclusion of the next AGM of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

#### Resolution 10 – disapplication of pre-emption rights (Special Resolution)

Resolution 10, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's AGM to issue equity securities of the Company for cash without application of the pre-emption rights provided by Section 561 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their shareholdings then existing; (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue; and (iii) for cash up to an aggregate nominal value of £609,381 which represents 5% of the issued ordinary share capital of the Company as it was at close of business on 5 August 2020. 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 AGM or, if earlier, at the conclusion of the next AGM 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.

## Explanatory notes to the Notice of Annual General Meeting continued

### Special Business continued

#### Resolution 11 – additional disapplication of pre-emption rights

Resolution 11, which will be proposed as a Special Resolution, if the Directors wish to allot new shares or other equity securities for cash, company law requires that these shares are first offered to shareholders in proportion to their existing holdings. Resolution 10 disapplies this law for up to 5% of the share capital (exclusive of treasury shares).

The Pre-Emption Group's Statement of Principles also supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities for cash where these represent no more than an additional 5% of the issued ordinary share capital and are used only in connection with an acquisition of specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investments or related uses for the proceeds of an issue of equity securities.

Accordingly, the purpose of Resolution 11 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by Resolution 9 or sell treasury shares for cash, without first being required to offer such securities to existing shareholders, up to a further nominal amount of £609,381 (representing 2,437,522 shares), being approximately 5% of the issued ordinary share capital of the Company as at 5 August 2020, the latest practicable date before the publication of this Notice. The authority granted by this resolution, if passed, will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in Resolution 11 is used, the Company will publish details of its use in its next Annual Report.

The authority granted by Resolution 11 would be in addition to the general authority to disapply pre-emption rights under Resolution 10. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £4,875,044, which represents approximately 10% of the issued ordinary share capital of the Company as at 5 August 2020, being the latest practicable date before the publication of this Notice.

The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non-pre-emptive basis pursuant to the authority in Resolution 10 in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company, excluding treasury shares, within a rolling three-year period, other than:

- with prior consultation with shareholders; or
- in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The Directors have no current intention to allot shares. These authorities will expire at the conclusion of the AGM in 2021 or 15 months after the date of the AGM.

## Financial calendar

Annual General Meeting	24 September 2020
Dividend:	
- Ex-dividend date	5 November 2020
- Record date	6 November 2020
- Payment date	8 December 2020
Announcement of half-year results	Early February 2021
Publication of Interim Report	Early February 2021
Interim dividend paid	May 2021
Financial year end	31 May 2021
Announcement of full-year results	Early August 2021
Publication of Annual Report and Accounts	Late August 2021

## Divisional contacts

### Fuels

Tel: 01829 260900  
[www.nwffuels.co.uk](http://www.nwffuels.co.uk)

### Food

Tel: 01829 260704  
[www.boughey.co.uk](http://www.boughey.co.uk)

### Feeds

Tel: 0800 262397  
[www.nwfagriculture.co.uk](http://www.nwfagriculture.co.uk)

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