

NWF Agriculture Limited
Strategic report and financial statements
for the year ended 31 May 2018

Registered number: 01117234

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NWF Agriculture Limited
Strategic report and financial statements
for the year ended 31 May 2018

Contents

Strategic report	3
Directors' report	5
Independent auditors' report to the members of NWF Agriculture Limited	7
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

NWF Agriculture Limited

Strategic report

for the year ended 31 May 2018

The Directors present their strategic report on the company for the year ended 31 May 2018.

The business model

NWF Agriculture Limited is a leading national supplier of ruminant animal feed, the no. 2 producer in the UK, feeding one in six dairy cows in Britain. The business supplies feed and provides nutritional advice to farmers from Argyll in Scotland to Cornwall.

Key performance indicators

The directors use the following combination of financial and non-financial KPIs as a method of determining how well the company is performing against its objectives and overall strategy:

- 4,500 customers (2017: 4,750 customers)
- Sold 557,000 tonnes in the year ended 31 May 2018 (2017: 564,000 tonnes)
- Revenue of £160,699,000 in the year ended 31 May 2018 (2017: £150,893,000)
- Headline operating profit of £2,777,000 in the year ended 31 May 2018 (2017: £1,051,000)

Review of the business

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

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

Revenue increased by 6.5% to £160.7 million (2017: £150.9 million) as a result of increased feed prices and additional sales of traded products in the year. Headline operating profit more than doubled to £2.8 million (2017: £1.1 million). Total feed volume was stable at 557,000 tonnes (2017: 564,000 tonnes).

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

NWF Agriculture Limited has a very broad customer base, working with over 4,500 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.

As at 31 May 2018, the company had net assets of £7.7 million (2017: £5.9 million).

Future developments & strategy

NWF Agriculture Limited is a leading national supplier of ruminant animal feeds (feeding one in six dairy cows in Britain) and has opportunities to continue its growth track record with the focus on winning business direct with farmers.

A key strategic priority for the business remains to increase the nutritional focus in Feeds by providing high quality advice and value added products to our farming customers. New products have been successfully launched in the year, backed by training and multi-channel communications with farming customers.

The increasing emphasis on a technically supported, nutritional based sales approach will continue to add value to the business and NWF Agriculture aims to continue the track record of organic growth and in line with the strategic emphasis on agriculture.

NWF Agriculture Limited

Strategic report

for the year ended 31 May 2018 (continued)

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of NWF Group plc, which include those of the company, are discussed on page 22 of the group's annual report which does not form part of this report.

Financial risk management

The company's operations expose it to a variety of risks that include price risk, credit risk, liquidity risk and interest rate risk. Given the size of the company, the Directors have not established a sub-committee of the Board to monitor risk management, but implement and monitor those policies established by the executive Directors of the company's ultimate parent, NWF Group plc.

Price risk

The company is exposed to commodity price risk, principally for certain raw materials, and enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The use of these contracts is not speculative. At 31 May 2018, the company had open forward supply contracts with a principal value of £36,209,316 (31 May 2017: £42,113,605). The Directors estimate the fair value of open contracts at 31 May 2018 to be £4,037,572 (31 May 2017: (£294,443)). The extent of this risk is regularly reviewed and assessed by the Directors. 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.

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 of NWF Group plc.

Liquidity risk

NWF Group plc actively maintains a mixture of medium-term and short-term debt finance, which is designed to ensure that the NWF Group, including the company, 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.

Interest rate risk

The company is exposed to interest rate risk on its bank facilities. The interest rate risk to the NWF Group as a whole, including the company, is managed by the executive Directors of that group. The Directors of the company keep under regular review current market rates and anticipated future market trends, and discuss this with the executive Directors of the group in the context of the group's policy on managing overall interest rate risk and any action necessary to protect the company from rises in interest rates.

Brexit

The uncertainty around the implications of the EU exit and exchange rate volatility creates commodity price risk. The company manages the impact of commodity price volatility by utilising forward contracts and focusing on margin. In addition, the outcome of Brexit negotiations may have further impacts on the Agricultural industry including customer tariffs, changes in subsidies and access to labour. We are carefully monitoring these factors as negotiations develop.

This process is considered to be effective given the size and nature of the risk involved, but will be kept under review in the future should circumstances change.

By order of the Board



S R Andrew

Company secretary

Registered number: 01117234

31 July 2018

NWF Agriculture Limited

Directors' report

for the year ended 31 May 2018

The Directors present their report together with the audited financial statements of the company for the year ended 31 May 2018.

Results and dividends

The profit for the financial year amounted to £1,756,000 (2017: loss of £491,000).

A dividend of £Nil was approved at the year-end (2017: £Nil). The remaining surplus has been transferred to reserves.

Directors

The Directors who served during the year and up to the date of signing the financial statements (except as stated) were as follows:

S R Andrew

C J Belsham

A Downie

G Franks (appointed 2 August 2017)

I Simpson (resigned 21 June 2017)

R J Thomas

R A Whiting

M J Wood (appointed 1 June 2017; resigned 1 May 2018)

R Warrington (appointed 1 June 2018)

Principal risks and uncertainties

Information relating to the principal risks and uncertainties of the company has been included within the Strategic Report.

Future developments

Information relating to the future developments of the company has been included within the Strategic Report.

Financial risk management

Information relating to the financial risk management of the company has been included within the Strategic Report.

Employees

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

NWF Agriculture Limited

Directors' report (continued)

for the year ended 31 May 2018

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic 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 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

Directors' confirmations

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

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

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



S R Andrew

Company secretary

Registered number: 01117234

31 July 2018

NWF Agriculture Limited

Independent auditors' report to the members of NWF Agriculture Limited

Report on the audit of the financial statements

Opinion

In our opinion, NWF Agriculture Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 May 2018; the Statement of comprehensive income, and the Statement of changes in equity 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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 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.

NWF Agriculture Limited

Independent auditors' report to the members of NWF Agriculture Limited (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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its 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 in respect of the financial statements set out on page 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

NWF Agriculture Limited
Statement of comprehensive income
for the year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Revenue	2	160,699	150,893
Cost of sales		(154,305)	(146,006)
Gross profit		6,394	4,887
Administrative expenses		(3,617)	(5,065)
Headline operating profit		2,777	1,051
Exceptional items	3	-	(1,229)
Operating profit/(loss)		2,777	(178)
Finance income	6	78	63
Finance costs	6	(669)	(655)
Profit/(loss) before taxation	3	2,186	(770)
Tax on profit/(loss)	7	(430)	279
Profit/(loss) for the financial year		1,756	(491)
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive profit/(loss) for the financial year		1,756	(491)

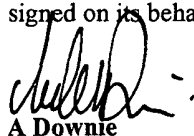
The notes on pages 12 to 31 form part of these financial statements.

NWF Agriculture Limited
Balance sheet
as at 31 May 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non-current assets					
Intangible assets	9	8,086		8,223	
Property, plant and equipment	10	12,212		12,175	
Investments	11	7,896		7,896	
			28,194		28,294
Current assets					
Inventories	12	2,686		2,678	
Trade and other receivables	13	22,296		23,335	
Derivative financial assets		221		170	
Cash and cash equivalents		406		385	
			25,609		26,568
Current liabilities					
Borrowings	15	(64)		(137)	
Deferred consideration		(750)		(495)	
Trade and other payables	14	(43,433)		(45,979)	
Derivative financial liabilities		(37)		(35)	
			(44,284)		(46,646)
Net current liabilities			(18,675)		(20,078)
Total assets less current liabilities			9,519		8,216
Non-current liabilities					
Borrowings	15		(1,159)		(866)
Deferred consideration			-		(921)
Deferred taxation	16		(657)		(482)
Net assets			7,703		5,947
Equity					
Called up share capital	17		-		-
Retained earnings			7,703		5,947
Total shareholders' funds			7,703		5,947

The notes on pages 12 to 31 form part of these financial statements.

The financial statements on pages 9 to 31 were approved by the Board of Directors on 31 July 2018 and were signed on its behalf by:



A Downie
Director



R J Thomas
Director

Registered number: 01117234 (England & Wales)

NWF Agriculture Limited
Statement of changes in equity
For the year ended 31 May 2018

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 June 2016	-	6,438	6,438
Loss for the financial year	-	(491)	(491)
Total comprehensive loss for the financial year	-	(491)	(491)
At 31 May 2017	-	5,947	5,947
At 1 June 2017	-	5,947	5,947
Profit for the financial year	-	1,756	1,771
Total comprehensive profit for the financial year	-	1,756	1,771
At 31 May 2018	-	7,703	7,718

The notes on pages 12 to 31 form part of these financial statements

NWF Agriculture Limited

Notes to the financial statements

for the year ended 31 May 2018

1 Accounting policies

General information

NWF Agriculture Limited ("the company") is a manufacturer of animal feeds and other agricultural products in the UK. The company is a private company and is incorporated (Company number 01117234) and domiciled in the UK. The address of its registered office is Wardle, Nantwich, Cheshire CW5 6BP.

Basis of preparation

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 as applicable to companies using FRS 101 and applicable United Kingdom Accounting Standards.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards. Accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements have been prepared on a historical cost basis and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The company has taken advantage of the following disclosure exemptions under FRS 101 as these items are disclosed in the Group financial statements of NWF Group plc, which are publicly available.

- IFRS 7, "Financial Instruments: Disclosures"
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets or liabilities),
- Paragraph 38 of IAS 1, "presentation of financial statements" comparative information in respect of:
 - i. Paragraph 79(a)(iv) of IAS 1;
 - ii. Paragraph 73 (e) of IAS 16 Property, plant and equipment; and
 - iii. Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, "Presentation of financial statements":
 - i. 10(d) (statement of cash flows);
 - ii. 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - iii. 16 (statement of compliance with all IFRS);
 - iv. 38A (requirement for minimum of two primary statements, including cash flow statements),
 - v. 38B-D (additional comparative information);
 - vi. 40A-D (requirement for a third statement of financial position);
 - vii. 111 (cash flow statement information); and
 - viii. 134-136 (capital management disclosures).
- IAS 7, "Statement of cash flows";
- Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, "Related party disclosures" (key management compensation); and
- The requirements of IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.

NWF Agriculture Limited

Notes to the financial statements

for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

- Paragraphs 130(f)(ii) (iii), 134(d)-(f) and 135(c)-(e) of IAS 36 Impairment of assets

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within these accounting policies.

Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2017.

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IAS 7	Statement of cash flows	1 June 2017
Amendment to IAS 12	Income taxes	1 June 2017

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9	Financial instruments: classification and measurement	1 June 2018
IFRS 15	Revenue from contracts with customers	1 June 2018
Amendment to IFRS 2	Share-based payments	1 June 2018
Amendment to IAS 40	Investment properties	1 June 2018
Annual improvements 2014-2016	Various	1 June 2018
IFRS 16	Leases	1 June 2019

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

The company will adopt IFRS 9 for the financial year starting 1 June 2018. The Group does not hold complex financial instruments and therefore the changes to the standard do not change the existing accounting for assets or liabilities held.

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

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts.

Revenue from the sale of goods is recognised when they are delivered to the customer and title has passed. Revenue is derived entirely from one class of business in the United Kingdom.

Investments in subsidiary undertakings

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

Exemption from consolidation

The company is a wholly owned subsidiary of NWF Group plc, whose group financial statements are publicly available. Accordingly, the company is exempt under section 400 of the Companies Act 2006 from the obligation to prepare group financial statements. These financial statements therefore present information about the company as an individual entity and not about its group.

Intangible fixed assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company'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 statement of comprehensive income 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 the company's one segment, being the sale of animal feeds and other agricultural products in the United Kingdom.

Computer software

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

Property, plant & equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation. 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 on assets is calculated to reduce their cost to their residual values over their estimated useful economic life on a straight line basis as follows:

Freehold land & buildings:

Land	Not depreciated
Buildings	10 to 50 years
Plant and machinery	3 to 25 years
Cars and commercial vehicles	3 to 10 years

Land is not depreciated. Finance costs that are directly attributable to the construction of significant assets are capitalised. 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.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Property, plant & equipment (continued)

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

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. Impairment provisions are made for obsolete, slow-moving or defective items where appropriate.

Retirement benefit obligations

The company participates in the NWF Group plc pension scheme, a pension arrangement providing benefits based on final pensionable pay and which is a defined benefit plan that shares risks between entities under common control. As there is no contractual arrangement or stated policy for charging to individual group entities the net defined benefit cost for the plan as a whole, the company recognises a cost equal to the contributions payable in the year which are charged to the statement of comprehensive income as incurred in accordance with para 41 of IAS 19.

The company also operates a money purchase scheme whereby the company 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 statement of comprehensive income when they are due.

Taxation

The income tax expense represents the sum of current and deferred income tax. Tax is recognised in the statement of comprehensive income, 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 statement of comprehensive income 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 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 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.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Cash flow statement

In accordance with the exemption allowed by paragraph 8(h) of FRS 101 'Reduced Disclosure Framework', a cash flow statement for the company has not been prepared.

Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. Subsequent to initial recognition, receivables are measured at amortised cost, using the effective interest method. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to the statement of comprehensive income within administrative expenses.

Cash and cash equivalents

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

Trade and other payables

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

Exceptional items

The company's statement of comprehensive income 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, pension interest costs, 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 company.

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 statement of comprehensive income over the period of the borrowings, using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Leases and hire purchase contracts

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

Other leases are classified as finance leases.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Leases and hire purchase contracts (continued)

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 company.

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.

Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the company's shareholders.

Share capital

Ordinary shares are classified as equity.

Segment reporting

The company's Chief Operating Decision Maker ("CODM") is considered to be the Board of Directors. The CODM consider the company to have one operating segment, being the manufacture and sale of animal feeds and other agricultural products in the UK.

Critical accounting estimates

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates or assumptions were noted that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

2 Revenue

Revenue is attributable to the principal activity of the Company, being the manufacture and supply of ruminant animal feeds and other agricultural products. All of the revenue arises in the United Kingdom.

3 Profit/(loss) before taxation

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

	2018 £'000	2017 £'000
Auditors' remuneration:		
- Statutory audit of the company's financial statements	29	41
Depreciation (note 10) – owned assets	1,212	932
Amortisation of intangible assets (note 9)	215	197
Profit on sale of fixed assets	16	4
Impairment of trade receivables (included in “administrative expenses”)	48	(42)
Inventory recognised as an expense	132,126	124,837
Deferred consideration release	165	-
Staff costs including Directors (note 5)	10,708	10,535
Operating lease rentals	974	990
Exceptional items:		
- Restructuring and redundancy costs	-	1,229

Fees payable to the company's auditors and its associates for other (non-audit) services are not required to be disclosed because the consolidated financial statements of the company's parent are required to disclose such fees on a consolidated basis.

Deferred consideration release

£165,000 represents the release of deferred consideration arising on the acquisition of New Breed (UK) Limited in June 2015.

Exceptional items

There are no exceptional items in the current year. During the prior year the company incurred restructuring costs of £1,229,000 as it completed its mill development projects in the North and Cheshire and the associated restructuring to align the business with its production facilities. The restructuring costs include redundancy and relocation payments, costs in respect of site closure and other restructuring costs.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

4 Directors' emoluments

	2018 £'000	2017 £'000
Salary and benefits	564	449
Performance related bonuses	161	43
Termination payments	119	104
Company contributions to money purchase pension schemes	62	40
	906	636

	2018 Number	2017 Number
Number of Directors with retirement benefits accruing under:		
Money purchase pension schemes	5	3
Defined benefit pension schemes	1	1

Directors' emoluments disclosed above do not include emoluments in respect of Group directors R A Whiting and C J Belsham. These emoluments are borne by the ultimate parent company and are therefore included in the consolidated financial statements of NWF Group plc.

Directors' emoluments disclosed above do not include emoluments in respect of the Group secretary S R Andrew. These emoluments are borne by the ultimate parent company and are therefore included in the consolidated financial statements of NWF Group plc.

Highest paid Director

	2018 £'000	2017 £'000
Total amount of emoluments receivable	256	222

The highest paid Director did not exercise any share options in the current or prior year. This award has vested but has not been exercised as at the date of this report. The charge in respect of these share options has been borne by the ultimate parent company and therefore is included in the consolidated financial statements of NWF Group plc.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

5 Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	8,952	8,813
Social security costs	1,006	1,010
Other pensions costs (note 19)	750	712
	10,708	10,535

The above staff costs exclude exceptional redundancy costs of £Nil (2017: £198,000).

The average monthly number of employees during the year was:

	2018	2017
	No	No
Selling and distribution	91	99
Production	66	65
Administration	41	42
	198	206

6 Finance income/(costs)

	2018	2017
	£'000	£'000
Finance income		
Other interest receivable	78	63
Total finance income	78	63
Finance costs		
Bank interest payable	(171)	(156)
Group interest payable	(494)	(492)
Other interest payable	(4)	(7)
Total finance costs	(669)	(655)

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

7 Tax on profit/(loss)

	2018 £'000	2017 £'000
Current tax		
U.K. corporation tax on profit/(loss) for the year	345	(162)
Adjustments in respect of prior years	(90)	(312)
Total current tax charge/(credit)	255	(474)
Deferred tax		
Origination and reversal of timing differences	118	70
Impact of the reduction in the U.K. corporation tax rate on opening deferred tax liability	(12)	(24)
Adjustments in respect of prior years	69	149
Total deferred tax charge	175	195
Total tax charge/(credit) on profit/(loss)	430	(279)

Changes to the UK corporation tax rates were substantively enacted before the balance sheet date. These include reductions to the main rate to 17% from 1 April 2020. In the opinion of the Directors, the relevant timing differences are expected to reverse after 1 April 2020 and therefore deferred tax has been provided at a rate of 17%.

The total tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the U.K. as explained below:

	2018 £'000	2017 £'000
Profit/(loss) before taxation	2,186	(770)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the U.K. of 19.00% (2017: 19.83%)	415	(153)
Effects of:		
Expenses not deductible for tax purposes	48	73
Impact of the reduction in the U.K. corporation tax rate on deferred tax	(12)	(36)
Adjustments in respect of prior years	(21)	(163)
Total income tax charge/(credit)	430	(279)

The income tax credit represents amounts recoverable from Group undertakings for Group tax relief which is surrendered on a pound for pound basis.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

8 Dividends paid

	2018 £'000	2017 £'000
Interim dividend paid £Nil per share (2017: £Nil per share)	-	-

9 Intangible assets

	Goodwill £'000	Brands £'000	Software £'000	Total £'000
Cost				
At 1 June 2017	8,265	285	1,329	9,879
Additions	-	-	78	78
At 31 May 2018	8,265	285	1,407	9,957
Accumulated amortisation				
At 1 June 2017	(1,180)	(15)	(461)	(1,656)
Charge for the year	-	(15)	(200)	(215)
At 31 May 2018	(1,180)	(30)	(661)	(1,871)
Net book amount				
At 31 May 2018	7,085	255	746	8,086
At 31 May 2017	7,085	270	868	8,223

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

The group tests annually for impairment of goodwill. The recoverable amount of goodwill is determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2018. Subsequent cash flows are extrapolated using an estimate growth rate of 2%. The rate used to discount the projected cash flows, being a pre-tax risk-adjusted discount rate based on comparative businesses, is 9.3% (2017: 8.7%).

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns. Having completed the 2018 impairment reviews, no impairments have been identified. Management do not consider that there is any reasonable downside scenario which would result in an impairment.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

10 Property, plant and equipment

	Freehold land and buildings £'000	Cars and Commercial vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 June 2017	1,879	562	13,853	16,294
Additions	-	23	1,251	1,274
Transfers	1,021	-	(1,021)	-
Disposals	-	(73)	(16)	(89)
At 31 May 2018	2,900	512	14,067	17,479
Accumulated depreciation				
At 1 June 2017	(145)	(344)	(3,630)	(4,119)
Charge for the year	(73)	(95)	(1,044)	(1,212)
Disposals	-	48	16	64
At 31 May 2018	(218)	(391)	(4,658)	(5,267)
Net book amount				
At 31 May 2018	2,682	121	9,409	12,212
At 31 May 2017	1,734	218	10,223	12,175

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

11 Investments

	£'000
At 31 May 2017 and 31 May 2018	7,896

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

Company	Business activity
New Breed (UK) Limited	Supplier of animal feedstuffs and seeds
SC Feeds Limited	Non-trading
Jim Peet (Agriculture) Limited	Non-trading
JGW Thomas & Son Limited	Non-trading
Nutrition Express Limited	Non-trading

The registered office for all subsidiary undertakings is Wardle, Nantwich, Cheshire CW5 6BP.

At 31 May 2018 the closing year end investment relating to non-trading subsidiaries represents the underlying net assets in the now dormant companies with the difference between this and the original cost of investment classified as goodwill. The remaining investment relating to New Breed (UK) Limited is included at cost and the Directors believe that the carrying value of the investment is supported by their underlying trade and net assets.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

12 Inventories

	2018	2017
	£'000	£'000
Raw materials and consumables	2,365	2,486
Finished goods and goods for resale	321	192
	2,686	2,678

There is no significant difference between the replacement cost of inventories and their carrying values.
Inventories are stated after provisions for impairment of £35,000 (2017: £35,000).

13 Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	19,796	20,413
Amounts owed by group undertakings	951	1,077
Other receivables	273	239
Prepayments and accrued income	1,276	1,606
	22,296	23,335

All of the amounts due from group undertakings shown above are non-interest bearing trade balances and are repayable on demand. The book value of trade and other receivables equates their fair values.

Trade receivables are stated after provisions for impairment of £571,000 (2017: £609,000)

14 Trade and other payables

	2018	2017
	£'000	£'000
Trade Payables	14,763	13,719
Amounts owed to group undertakings	27,215	30,701
Income tax payable	93	-
Other taxation and social security	319	322
Accruals and deferred income	1,043	1,237
	43,433	45,979

All of the amounts due to group undertakings shown above are repayable on demand. Included in these amounts is £26,954,000 (31 May 2017: £30,454,000) which represents loans to group undertakings. Interest has been charged on these group loans in the year at 2.0% (31 May 2017: 2.0%) per annum.

The remaining amounts are non-interest bearing trade balances.

The book values of trade and other payables equals the fair values

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

15 Borrowings

	2018	2017
	£'000	£'000
Current liabilities		
Bank loans and overdrafts	37	83
Hire purchase liabilities	27	54
	64	137
Non-current liabilities		
Invoice discounting advances	1,146	827
Hire purchase liabilities	13	39
	1,159	866

Banking facilities are provided by The Royal Bank of Scotland, in an arrangement with the company's ultimate parent company NWF Group plc. These facilities were renewed on 29 June 2018 and are committed until 31 October 2023. The overdraft facility at 31 May 2018 was repayable on demand and was subject to a maximum limit of £1.0 million (2017: £1.0 million). In the year ended 31 May 2018 interest was charged at 1.5% per annum over the bank's base rate (2017: 1.5% per annum over the bank's base rate).

Invoice discounting advances

Invoice discounting advances at 31 May 2018 were drawn under a committed facility with an expiry date of 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 £50.0m (2017: £50.0m). The facility is secured by way of a fixed and floating charge against the company's trade receivables. Interest is charged at 1.25% (2017: 1.25%) per annum above the bank's base rate.

Invoice discounting advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, all of the invoice discounting advances at 31 May 2018 totalling £1,146,000 (31 May 2017: £827,000) are presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities.

16 Deferred taxation

	2018	2017
	£'000	£'000
Timing differences between capital allowances claimed and depreciation provided	744	591
Short-term timing differences	7	22
Losses and other deductions	(94)	(131)
	657	482

The movement on the deferred taxation provision during the year was as follows:

	2018	2017
	£'000	£'000
At 1 June	482	287
Charge to the statement of comprehensive income (note 7)	175	195
At 31 May	657	482

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

17 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2018 No/£	2017 No/£	2018 No/£	2017 No/£
Ordinary shares of £1 each	1,000	1,000	2	2

18 Capital commitments

	2018 £'000	2017 £'000
Authorised, contracted but not provided for	6	19

19 Pensions

The company participates in the NWF Group plc pension scheme, a pension arrangement providing benefits at retirement based on service, final pensionable pay and future price inflation, a defined benefit plan that shares risks between entities under common control. As there is no contractual agreement or stated policy for charging to individual group entities the net defined benefit cost for the plan as a whole, the net defined benefit cost is recognised in the financial statements of the sponsoring employer, NWF Group plc and the company recognises a cost in the income statement equal to the contributions payable in these financial statements.

The Scheme operates under UK Trust law and the trust is a separate legal entity from the company. The scheme is governed by a board of trustees that are required by law to act in the best interests of scheme members and are responsible for setting certain policies (including investment and funding policies) together with the company. The scheme exposes the company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk and salary risk.

The results of the latest valuation are reported in the consolidated financial statements of NWF Group plc. The defined benefit scheme was closed to new members during the year ended 31 May 2002 and closed to future accrual with effect from April 2016.

Contributions into the scheme and amounts charged to the income statement during the year were £490,000 (2017: £447,000). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2017: £Nil).

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 2017 and 31 May 2018. The next full triennial actuarial valuation of the scheme will be completed in the year ended 31 May 2020.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

19 Pensions (continued)

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

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

The mortality assumptions adopted imply the following life expectancies:

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

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

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

	2018 £'000	2017 £'000
Present value of defined benefit obligations	(53,447)	(59,355)
Fair value of scheme assets	36,356	39,503
Deficit in the scheme recognised as a liability in the balance sheet	(17,091)	(19,852)
Related deferred tax asset	2,905	3,374
Net pension liability	(14,186)	(16,478)

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

	2018 £'000	2017 £'000
Current service cost	39	46
Scheme administration expenses	390	401
Net interest on the defined benefit liability	494	635
Total cost recognised in the income statement	923	1,082

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

19 Pensions (continued)

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

	2018	2017
	£'000	£'000
Actuarial (loss)/gain on plan assets	(533)	4,993
Actuarial gain/(loss) arising from changes in financial assumptions	2,483	(6,829)
Re-measurement gain/(loss)	1,950	(1,836)

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

	2018	2017
	£'000	£'000
At 1 June	59,355	52,866
Current service cost	39	46
Interest on scheme liabilities	1,479	1,839
Actuarial (gains)/losses	(2,483)	6,829
Benefits paid	(4,943)	(2,225)
At 31 May	53,447	59,355

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

	2018	2017
	£'000	£'000
At 1 June	39,503	34,526
Interest income	985	1,204
Actuarial (gains)/losses	(533)	4,993
Scheme administration expenses	(390)	(401)
Contributions by employer	1,734	1,406
Benefits paid	(4,943)	(2,225)
At 31 May	36,356	39,503

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

19 Pensions (continued)

The fair value of the major categories of scheme assets and the expected long-term rate of return at the balance sheet date are as follows:

	Fair value of assets	
	2018	2017
	£'000	£'000
Equities	7,589	9,580
Bonds	7,593	7,938
Property fund	6,752	7,620
Cash	358	654
Diversified growth fund	13,047	13,085
Liability driven investment fund	492	626
Annuity policies	525	-
	36,356	39,503

The actual return on scheme assets was a gain of £452,000 (2017: gain of £6,197,000).

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 formulated in an actuarial and technical policy document of the fund are described below:

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

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2018 (continued)

19 Pensions (continued)

- There are 22 pensioner members with annuity policies held in the name of the pension scheme Trustee. The arrangements are held with Aviva plc and Scottish Widows Limited. These policies fully match the pension obligations of those pensioners insured and are therefore set equal to the present value of the related obligations.

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

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

The company also operated a money purchase scheme during the year and contributions during the year amounted to £260,000 (2017: £265,000). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2017: £Nil).

20 Ultimate parent company and controlling party

The company's immediate parent undertaking is NWF Agriculture Holdings Limited. The company's ultimate parent company and controlling party is NWF Group plc, a company incorporated in Great Britain and the parent company within the group which consolidates these financial statements. Copies of the financial statements of NWF Group plc, which is the parent company of the smallest and largest group to consolidate the company, may be obtained from the registered address, NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP.

21 Related party transactions

The company has taken advantage of the exemption under paragraphs 8(j)-(k) from the provisions of FRS 101, on the grounds that it is a wholly owned subsidiary of a group headed by NWF Group plc, whose financial statements are publicly available.

22 Contingent liability

The company has given a guarantee to its bankers in respect of the bank borrowings within the group amounting to £6,808,000 at 31 May 2018 (31 May 2017: £13,839,000) and this is secured by way of an unscheduled mortgage debenture which incorporates a fixed charge over the book debts and a floating charge over all other assets.

The company and other companies within the NWF Group have granted a floating charge in favour of the trustees of the defined benefit pension scheme (the NWF Group Benefits Scheme). This security, which is subordinated to the Bank, creates a floating charge over all assets of the company.

23 Total commitment under operating leases

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

	2018 £'000	2017 £'000
Within one year	670	907
Within two to five years inclusive	779	1,153
	1,449	2,060