NWF GROUP PLC

Together, we are NWF

Fuels, Food and Feeds

NWF Group plc
Annual Report and Accounts 2022

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

Divisional highlights

Fuels

Page 7

Significant outperformance

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 663 million litres across the UK to 109,000 customers.

Headline operating profit

£17.2m

+84.9%

Strong performance across the year with improved returns from a focus on customer service across our 25 depots, with significant one-off gains from providing service to customers when market pricing and availability was challenging in our final quarter.

*Read more on **pages 7 – 9***

Food

Page 10

Improved efficiency

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

Headline operating profit

£2.8m

+47.4%

Consistent improvement in performance across the year. Warehouses were at an effective operating capacity and delivering high levels of customer service, with anticipated improvements in operating efficiency delivered ahead of plan.

*Read more on **pages 10 – 11***

Feeds

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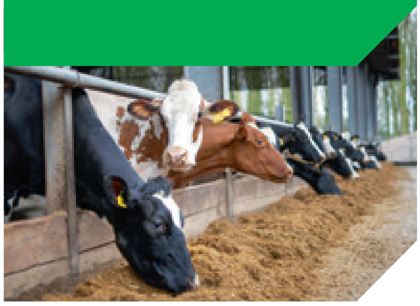


Second half recovery

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,325 customers in the UK, feeding one in six dairy cows in Britain.

Headline operating profit

£1.8m

+5.9%

A strong recovery in the second half, following a disappointing first half, successfully navigating unprecedented volatility and increases in feed commodities supported by an increasing milk price across the country.

*Read more on **pages 12 – 13***

Financial highlights for the year ended 31 May 2022

Revenue
£878.6m
+30.0%

22	878.6
21	675.6
20	687.5

Total dividend per share
7.5p
+4.2%

22	7.5
21	7.2
20	6.9

Diluted headline EPS[1]
34.8p
+70.6%

22	34.8
21	20.4
20	21.3

Headline profit before tax[1]
£20.9m
+75.6%

22	20.9
21	11.9
20	13.2

Headline operating profit[1]
£21.8m
+69.0%

22	21.8
21	12.9
20	14.3

Net cash/(debt)[2]
£9.0m

22	9.0
21	(5.7)
20	(12.3)

1 Headline operating profit excludes exceptional items and amortisation of acquired intangibles. Headline profit before taxation excludes exceptional items, amortisation of acquired intangibles and the net finance cost in respect of the Group's defined benefit pension scheme. Diluted headline earnings per share also takes into account the taxation effect thereon.

2 Net cash/(debt) excluding IFRS 16 lease liabilities.

Contents

Watch our latest video at ***nwf.co.uk***

A great year delivered by a great team

Summary

- Record results for the Group, reflecting very strong operational and commercial execution in a challenging environment.
- Continued increase in shareholder returns; proposed increase in the total dividend of 4.2% to 7.5p per share, reflecting the strong performance and the Board's confidence in the prospects of the business.

Overview

I am pleased to report another year of significant outperformance for the Group, exceeding the market expectations that were established at the start of the financial year. There have been significant challenges in our markets with periods of supply shortage, unprecedented volatility of key commodities and inflationary pressures. I am pleased to report our teams across the Group have managed these challenges very effectively and have delivered outperformance as a result of their response in difficult times.

As a consequence of the good progress achieved, the Group's strong cash generation and growing confidence in the Group's future prospects, the Board is recommending a final dividend of 6.5p per share, to be paid to shareholders on 9 December 2022 (2021: 6.2p) giving a total dividend of 7.5p per share (2021: 7.2p), a 4.2% increase on the prior year. This is the eleventh year that the Group has increased the dividend, highlighting continual sustained improvements in performance.

Total dividend per share

7.5p

(2021: 7.2p)

> "I would like to thank all of the team at NWF for the support I have received as Chair of the Group."

Philip Acton
Non-Executive Chair

ESG highlights 2022

- Since our last report, the Group has further developed its commitment to delivering long-term sustainable value by defining our 2040 ambitions, including a net zero carbon emissions target.
- In our ESG Roadmap, developed during the year, the Group reflects on its progress to date and begins to map out the planned work for the next two years, and in the longer term.
- Key ESG reporting metrics have been established and initiatives identified to drive progress towards the Group's long-term ambitions.
- The Group has established an ESG Steering Committee, comprising members of the Executive Directors and Senior Management Team, to further drive the sustainability agenda across the business. The Committee met four times during FY22 and will meet monthly during FY23.
- The Group is preparing to share its first full TCFD disclosure, which will be reported in the year ending 31 May 2023.

Our business

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

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

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

Key areas of focus for the Board in 2022

Responding proactively to market conditions

The Group has responded well to challenging market conditions throughout the year. In the autumn, fuel shortages at retail sites across the country led to concerns for Fuels' commercial and domestic customers. We were able to maintain full supply and had no supply shortages. In the final quarter, as a result of the Ukraine conflict, the price of oil rose sharply and with the move away from Russian oil, supply shortages were experienced across the country. Through a combination of supply agreements in place across the UK and our local depot network focused on maintaining supplies to regular customers, we were able to maintain service even when this has involved trunking fuel across the country. In Food, customer demand has been more stable; however, labour shortages experienced by customers resulted in lower than anticipated stock levels in the run up to Christmas. In Feeds, commodity prices increased to unprecedented levels in our final quarter and we have been able to pass these through to our customers who in turn have been supported by increasing milk prices.

Delivering on strategy

The Group has a clearly articulated strategy which has a focus on expanding the fuel depot network through acquisitions and consolidating a fragmented market. There is a strong pipeline of opportunities and this remains a focus for the Group. In Food, following the successful expansion with the Crewe warehouse, we continue to discuss additional contracts with customers which will support further expansion of the warehousing and distribution business. In Feeds we are focused on developing nutritionists through the NWF Academy who can increase volumes and utilise our national operations platform.

Cash generation

Cash generation remains a focus for the Group and it is pleasing to report a positive year end net cash balance for the first time, of £9.0 million (excluding lease liabilities), which highlights both the cash-generative nature of our business and the capability and funding for development opportunities.

Rewarding good service

The consistent focus on excellence in customer service has been critical to managing unprecedented market conditions and supporting our continued development.

ESG framework

The Board recognises the importance of ESG and the Group has made significant progress on its ESG framework in 2022. We have established a target of net zero by 2040 and increased the focus of our four pillars across the Group. An executive steering committee has been established, detailed measures developed and we are establishing targets and goals for the short, medium and long term. We will report in more detail on our ESG framework on pages 23 to 33. We continue to adopt the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') which we believe has been constructed in a simple, practical and effective style and that meaningful compliance with its ten main principles should provide shareholders with confidence in how the Group operates.

*Read more about our ESG ambitions on **pages 23–33***

*Read our Section 172(1) Statement on **page 34***

Employees

The Group now employs in excess of 1,300 people across our 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 changes

In line with NWF's governance policy, and as previously reported, I will be stepping down from the Board at the time of the 2022 AGM in September, having completed nine years' service with NWF. David Downie, currently Senior Independent Non-Executive Director, will be appointed as Chair at that time and Richard Armitage, currently a Non-Executive Director, will be appointed as Senior Independent Non-Executive Director. We are pleased to welcome Dawn Moore, who will be joining the Board as a Non-Executive Director and Chair of the Remuneration Committee.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 29 September 2022.

Philip Acton

Philip Acton
Non-Executive Chair
2 August 2022

NWF has delivered a record set of results

Summary

- Significant outperformance in Fuels as a result of volatility in oil prices in our final quarter, together with short-term benefits arising from periods when the UK market was supply constrained.
- Solid performance in Food across the year with warehouses at an effective operating capacity, high service levels and an improvement in operating efficiency as planned.
- Strong second half performance in Feeds, implementing price increases in response to unprecedented inflation in feed commodities and other key inputs more than offsetting lower volumes.
- Performance to date in the current financial year has been in line with the Board's expectations.

Overview

NWF has delivered a record set of results, significantly ahead of the expectations we had at the start of our financial year. It has been delivered by focusing on service to our customers across the country and our teams responding effectively to unprecedented volatility in cost inputs and issues of supply availability. Oil and feed commodities were particularly impacted in our final quarter, as a consequence of the conflict in Ukraine. The Group has established a strong track record of resilience and performance and we are excited by the opportunities across the Group to continue our development.

The continued focus on cash and record level of profit has moved the Group into a net cash positive position (excluding lease liabilities) for the first time, which both demonstrates the ongoing cash-generative nature of our business and gives us significant capability to fund continued growth and development. In addition, and in line with our established practice, we are proposing an increased dividend as part of our continuing focus on driving shareholder returns.

Fuels delivered significant outperformance in the year with a backdrop of supply issues across the country and oil price volatility which our local depot teams were able to optimise by providing continued high level of service to regular customers. This delivered significantly higher than normal returns in the financial year but reflects the flexibility and strong operating model of the business.

> "The Group has established a strong track record of performance and resilience and we are excited by future growth opportunities."

Richard Whiting
Chief Executive

Crewe warehouse

Our 35,000 pallet space Crewe warehouse is delivering on investment plans.

net cash

£9.0m

(2021: net debt £5.7m)

The Food division delivered a significant improvement in performance, ahead of our expectations. The result was delivered as a consequence of our warehouses being at an effective level of utilisation, drivers and staff being retained, good service levels being achieved and a significant improvement in operational efficiency.

Feeds had a challenging first half with lower volumes and increasing commodity costs. This was turned around in the second half, when commodity prices hit unprecedented highs, with a focus on margin management supported by a continued increasing milk price for our core UK customer base.

The Group delivered headline operating profit of £21.8 million (2021: £12.9 million) and record headline profit before tax of £20.9 million (2021: £11.9 million). Operating profit was £13.2 million (2021: £12.1 million). Diluted headline earnings per share were 70.6% higher at 34.8p (2021: 20.4p).

Cash management remains strong with net cash of £9.0 million (2021: net debt of £5.7 million) excluding lease liabilities, after £3.2 million of net capital expenditure (2021: £3.0 million).

Outlook

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

In Food, we continue to seek further improvements in operational efficiency, whilst targeting additional business to support our current operations and generate opportunities for further development.

In Feeds, with commodity prices remaining volatile but farmers supported by a good milk price, demand is anticipated to remain solid and we are seeking volume growth on the back of our Academy, additions to the sales team and utilising an effective national operations platform.

The Group has again clearly demonstrated its capability to deliver performance and has great resilience. There are significant growth opportunities, backed by strong cash flows, funding availability and a solid 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. Fuels' trading has returned to more normal levels following the one-off gains achieved in the year ended 31 May 2022. Overall, the Board continues to remain confident about the Group's future prospects.

Richard Whiting
Chief Executive
2 August 2022

Q&A with the Chief Executive

Richard Whiting
Chief Executive

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

A. The year has once again highlighted the resilience of the Group, our employees, customers and suppliers. We have successfully navigated the challenges of fuel shortages and the dramatic increase in commodity costs resulting from the conflict in Ukraine. The year represents a record performance for the Group which demonstrates the capability of our teams across the Group to optimise business performance in a challenging environment. In Fuels, the concerns around availability of fuel across the country and price volatility have led to an unprecedented performance in the year. In Food, the more stable demand environment with the reopening of food service has led to a strong performance. In Feeds, following a disappointing first half the business has responded well to recover performance in the second half.

Q. Is the Group still focused on Fuels acquisitions as the key growth strategy?

A. The strategy of acquiring fuel businesses to consolidate a fragmented market is a core element of our growth strategy. We have an active pipeline of opportunities and continue to focus on this opportunity where we have a clear post-acquisition integration process. We continue to discuss opportunities with a number of potential businesses. We also have growth opportunities in Food and Feeds which will also support the continued successful development of NWF.

Q. What's the Board's strategy on diversity and inclusion?

A. NWF is committed to an ESG strategy with a pillar of investing in our people. Within this we have a goal of being an employer of choice and having a diverse and inclusive workforce. We recognise in the basic industries in which we operate and our geographic location there are challenges in delivering a more diverse and inclusive workforce.

Q. How has the business coped with an inflationary economy and a tightening labour market?

A. The impact of inflation is significant and has been felt across all aspects of the business. Our teams are not used to working in an inflationary environment and are having to adapt working processes where cost inflation is the norm. As a specialist distribution business, it is essential to manage cost inflation and pass through higher prices where costs cannot be maintained. In 2022 this has been successfully achieved. A tightening labour market has increased our focus on being an employer of choice. We are continually reviewing our total offer to people and are equally focused on non-financial elements of employee motivation and satisfaction.

Q. How are you delivering your strategy on ESG?

A. In 2022 we have engaged our teams across the Group in embedding measures of performance across the four pillars of our ESG strategy. This is set out in some detail in our Annual Report and Accounts, which also sets out the path to achieving our goal of net zero in 2040 as a Group. This is a continual journey and we will be setting additional targets and goals for activities across the business. A focus as a specialist distributor is the impact of our distribution fleet on the environment which will be improved by utilising the latest fuel efficient, low emission vehicles and continually improving vehicle utilisation and operating efficiency.

Q. How has NWF dealt with issues in the oil supply chain and price volatility?

A. 2022 has seen significant concerns around fuel shortages caused by panic buying at retail petrol stations in the autumn, the cessation of supplies of Russian oil by our major suppliers and the impact of environmental protesters across the country in April and May 2022. These supply issues and significant price volatility have been managed very effectively by having local depots meeting customer needs whilst being a national business with supply options across the country. The focus was on ensuring our regular customers never had a supply issue, whilst ensuring the Group's own profitability. This has involved trunking fuel across the country to areas in short supply and adapting our pricing strategy to accommodate the daily volatility in the price of oil.

Q. How has the Group's resilience been improved following the 2021 cyber incident?

A. The 2021 cyber incident has given the whole team at NWF an increased focus and awareness of the importance of cyber resilience. Supported by Grant Thornton LLP, which acts as our virtual Chief Information and Security Officer and is providing active monitoring of all end points across the Group, we have implemented policies and procedures including two factor authentication, complex regular changes to all passwords and strict access rights and protocols for all administrators. In addition, we have recruited a Chief Digital Information Officer who is an experienced IT leader and is responsible for all IT and security activity across the Group.

Divisional review: Fuels

With 109,000 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 its market share.

A year of significant outperformance

> “Significant outperformance in the year with a backdrop of supply issues across the country.”

Richard Huxley
Managing Director, Fuels

Customers
109,000
(2021: 127,000)

Litres of fuel delivered
663m
(2021: 695m)

Fuel depots owned
25
(2021: 25)

People
338
(2021: 355)

Acquisitions
5
since 2019

Fuels

Review of the year

Fuels' significant outperformance was delivered by a consistent improvement across the year and the dramatic impact of shortages in oil and price volatility which followed the start of the conflict in Ukraine and the desire to cease importation of Russian oil by all major suppliers. This led to shortages and higher value placed on service and availability of fuel. Our depots focused supplies on regular customers and volumes declined in the final quarter as availability issues impacted all distributors. The relatively mild winter reduced demand for heating oil and NWF, along with the majority of distributors, reduced sales via online brokers to concentrate on core direct customers.

Volumes declined by 4.6% to 663 million litres (2021: 695 million litres). Revenue increased by 38.7% to £621.1 million (2021: £447.8 million) as a consequence of a higher oil price and the majority of the volume reduction being from lower value heating oil. This was a result of a relatively mild winter and higher prices in the final quarter when domestic customers were able to defer buying decisions. The average Brent Crude oil price in the year was $87 per barrel compared to $52 per barrel in the prior year. Critically, the oil price peaked at $137 per barrel in March 2022 which coincided with shortages at many terminals and refineries.

Headline operating profit was £17.2 million (2021: £9.3 million) as a consequence of higher returns arising from supply concerns, pricing volatility and the reduction in lower margin spot business. Net profits of 2.6p per litre are significantly higher than the 1.4p per litre in the prior year highlighting the significant one-off gains.

Acquisition activity has continued through the year and whilst none have completed in the year, the pipeline of opportunities is healthy and this remains a focus for development activity.

We have a proven post-acquisition integration plan, retaining the local brand and customer-facing parts of the business and centralising finance, IT, procurement and credit control.

Divisional review: Fuels continued

Division KPIs

Revenue

£621.1m

+38.7%

22	621.1
21	447.8
20	470.2

Headline operating profit

£17.2m

+84.9%

22	17.2
21	9.3
20	11.0

Volume (litres)

663m

-4.6%

22	663
21	695
20	665

Review of the year continued

The Fuels division operates on a de-centralised model with depot management teams focused on optimising performance for the specific conditions of their local markets. 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 109,000 customers (2021: 127,000) being supplied across 25 fuel depots in the year (2021: 25), Fuels operates in large and robust markets and, as a business, it has consistently proved it can effectively manage the impact of volatility in oil prices. The industry remains highly fragmented, with many small operators, which provides NWF with further opportunities to consolidate the market and increase its market share.

Our strategy

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

Fuels: Market trends and responses

Supply shortages and significant price volatility

In autumn 2021 there were fuel shortages in retail forecourts around the country. NWF did not experience any supply issues at that time and was able to maintain supply to all customers from our 25 depots. In March and April 2022 shortages were experienced at various times across the country as oil suppliers moved away from the reliance of importation of Russian oil. Consequently we were able to utilise our supply positions across the country to ensure we could maintain deliveries even when this included trunking fuel across the country on our own vehicles. Prices increased significantly in February and March 2022 as a result of the conflict in Ukraine. We adapted our pricing strategy to accommodate the daily volatility in the price of oil.

Households coping with higher energy bills and availability of fuel

With higher oil prices and the impact of the cost-of-living crisis we are able to help customers to spread payments across the year with our budget plan scheme. In addition, our Oil Fox programme can take away many of the concerns from customers through remote tank monitoring, auto top-up, monthly direct debit and an app which allows (in the same way as a smart meter) customers to monitor their usage and adapt their behaviour.

Our view on the energy transition

We are committed to supporting our customers' energy needs as we transition towards a net zero economy. We are participating in trials across the country utilising hydro-treated vegetable oil ('HVO') which can replace kerosene in a domestic boiler with a non-fossil-based fuel. In addition, we continue to trial HVO30 with customers across the country and are looking to use HVO as our fuel source for vehicles operating within our main site at Wardle in Cheshire.

We are also monitoring the development of all energy sources including hydrogen as a potential solution for our customers' heating and transportation energy requirements.

Read more about our ESG strategy on ***page 23***

Fuels: ESG

"The qualifications I have gained whilst working at NWF have been hugely beneficial."

Alex Lewin, Depot Manager at Boston depot (Lincolnshire Fuels)

Alex joined Fuels in August 2014 in a junior sales role at the Nottingham depot. Alongside his sales role Alex learnt wider aspects of how the fuel depots operated, including vehicle compliance, stock reconciliation and vehicle scheduling. In addition, Alex also obtained his ADR and C Category driver's licence, allowing him to drive a tanker. At the beginning of 2017 he stepped up into a management trainee role to support the Boston depot and became the Depot Manager in June 2019.

In May 2022 Alex gained his International Certificate of Professional Competence for Transport Managers. This qualification has hugely beneficial to Alex to further his understanding of vehicle compliance when it relates to the importance of vehicle safety from a depot perspective when managing a fuel tanker fleet from the depot, which also means he is now able to hold the operator's licence for the depot.

Our acquisition strategy

Chris Belsham
Group Finance Director

"The Group has a strong pipeline of acquisitions being actively pursued and the opportunity for growth remains significant."

Acquisition process

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

1 Proactive target identification

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

2 Clear valuation and pricing strategy

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

3 Effective transaction process

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

4 Integration and value delivery

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

Divisional review: Food

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.

Improved efficiency

> “A solid and significant improvement in performance.”

Angela Carus
Managing Director, Food

Pallets stored
118,000
(2021: 120,000)

People
724
(2021: 691)

Trucks
127
(2021: 117)

Trailers
264
(2021: 305)

Food

Review of the year

Food reported a solid and significant improvement in performance, delivering on the investment in, and growth of the business when we opened the Crewe warehouse. This has been underpinned by effective warehouse utilisation across the year, the retention of staff and drivers, the ability to pass on inflationary cost increases swiftly and an positive improvement in operating efficiency across both sites.

Revenue increased by 14.2% to £62.6 million (2021: £54.8 million). Storage overall was at an average of 118,000 pallets (2021: 120,000 pallets), with warehouses effectively utilised across the year. Stock levels dipped in the run up to Christmas as customers suffering labour shortages were unable to replenish stocks in line with retailer demand. The mix of business improved from prior year as food service and cash and carry volumes recovered resulting in more complex added value work. Pallets dispatched were in line with the prior year, reflecting the more stable business environment.

Headline operating profit was £2.8 million (2021: £1.9 million). E-fulfilment, Palletline and the packing room all increased returns in the year, with the most significant growth in Palletline as customers utilised pallet networks to offset concerns around driver shortages in the market.

Division KPIs

Revenue

£62.6m

+14.2%

22	62.6
21	54.8
20	48.3

Headline operating profit

£2.8m

+47.4%

22	2.8
21	1.9
20	1.4

Pallets stored

118,000

-1.7%

22	118,000
21	120,000
20	103,000

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 consistent operating performance being the key components of its customer proposition.

Our strategy

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

Food: Market trends and responses

Significant inflation in the food supply chain and labour shortages

Inflation is impacting many areas in the food supply chain. Fuel increases are managed through a contracted fuel price escalator which therefore passes on increases or reductions in fuel prices automatically. In August 2021 we implemented an additional pay increase to ensure we maintained our fully resourced team of drivers and passed this through with an additional price increase to customers at the same time. We are managing higher costs in the business through price increases which are normally implemented on an annual basis with our customers who, whilst frustrated by higher costs, recognise and understand the inflationary pressures in our business. Labour supply issues impacted some of our customers significantly and our stock levels fell well below our forecast at the end of December as customers were unable to replenish stock. This situation has since been rectified and stock levels normalised over subsequent months.

*Read more about our ESG strategy on **page 23***

Impact of food service reopening

With the end of Covid-19 restrictions, food service businesses in the UK have fully reopened. This has caused a change of mix in our business with less volume to UK major retailers and more business with cash and carry customers. This increases the complexity of our operations and increases the labour requirements in our warehouses as cash and carry customers have more case picking requirements and smaller deliveries. This is positive for our business overall as we have the required labour to fulfil this work and prices to cash and carry outlets are higher reflecting the increase in added value activity.

Lack of warehousing in the UK

In 2022 as a country there is less available warehouse space and less land with consent for planning permission than at any time in the last decade. This has been driven by the increased move online which requires increased warehousing for a number of sectors across the economy. This is a positive driver for NWF customer retention as there is limited space availability with competitors but has a negative impact on development of the business as we look to expand into additional warehouse units backed by customer contracts.

Food: ESG

"We arrange for unsalvageable stock to be donated to local food banks in our area, so we don't waste anything."

Tash Parry, Food

Tash first joined NWF as a student, working in the packing hall during school holidays. In 1989, Tash returned to work for Food full time and has worked for the division ever since, and is now supervisor of the damages team, clocking up 33 years of loyal service.

Together with her team of three people, Tash provides a unique service salvaging any damaged goods which might occur across our two Food sites. The damages team sorts through any damaged items finding the best solution to salvage as much as possible. Working with customers concerned, arrangements are made where possible to donate any unsalvageable stock to food banks in the local area, so nothing is wasted.

*Read more about the work of Tash's team on **page 31***

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.

Focus on nutrition

> "Pleased with the second half recovery in business performance."

Andrew Downie
Managing Director, Feeds

Tonnes
528,000
(2021: 575,000)

People
224
(2021: 219)

Trucks
45
(2021: 40)

Trailers
17
(2021: 18)

Feeds

Review of the year

Feeds is focused on providing nutritional advice and on time deliveries of animal feed to farmers across the country. Total feed volume decreased by 8.2% to 528,000 tonnes (2021: 575,000 tonnes). This reduction was due to the following reasons; total ruminant feed market volumes were 3.5% lower than prior year with the largest deficit in dairy blends as good forage from the previous summer was utilised by farmers; and NWF's own volumes were lower as a result of lower retail sales in the North and the loss of a merchant in the South due to its acquisition.

Commodity prices increased through the year with an average 8% increase in a basket of commodities to the end of February 2022. As a consequence of the conflict in Ukraine there has been significant concern around the availability of key commodities and prices spiked, increasing by an unprecedented 35%, to a peak in early April. As required price increases were implemented to cover additional commodity and energy costs, the business recovered strongly in the second half of the year.

Revenue was higher at £194.9 million (2021: £173.0 million) reflecting the higher feed prices more than offsetting lower volumes in the year. Headline operating profit was £1.8 million (2021: £1.7 million).

We have continued investment in the NWF Academy in which new trainees engage on

Division KPIs

Revenue

£194.9m

+12.7%

22	194.9
21	173.0
20	169.0

Headline operating profit

£1.8m

+5.9%

22	1.8
21	1.7
20	1.9

Volume (tonnes)

528,000

-8.2%

22	528,000
21	575,000
20	625,000

an 18-month structured training programme to become future NWF nutritionists. The Academy has recruited a third group to the programme, which has been well received across the industry. Graduates of the programme are now developing as successful nutritionists in our national sales team.

Average milk prices in the UK have increased to unprecedented levels, supporting farming customers' higher feed, energy and labour costs. The average price for the year of 34.3p per litre compares to an average in the prior year of 29.3p per litre. The price in May 2022 of 40.4p per litre compares to 30.1p per litre in May 2021. Milk production was 2.4% lower at 12.3 billion litres (2021: 12.6 billion litres).

Feeds has a very broad customer base, working with over 4,325 farmers across the UK. 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.

Our strategy

- Utilise national operations platform
- Continue to develop feed volumes across the country
- Promote personal development with the NWF Academy
- Increase nutritional range offering to over 4,325 farmers across the UK

Feeds: Market trends and responses

Ruminant market 3.5% lower in 2022

The ruminant market is reasonably stable and resilient. The reduction in 2022 was more significant in cattle than sheep as a result of good silage quantity and quality harvested in the summer of 2021. NWF is more focused on the dairy market and whilst dairy compound was resilient there was a marked reduction in blend demand in the year. With a strong milk price and stable demand for milk we are anticipating a stable market going forward.

Impact of commodity shortages and price volatility as a result of the Ukraine conflict

The market for commodities was increasing in price during the winter but then increased at unprecedented levels as a result of the impact of conflict in Ukraine. The price of a typical basket of commodities increased on the spot market by 35% from the start of February 2022 to a peak in early April. This has necessitated price increases being implemented across the market as we have moved into the summer period. In addition, some commodities have been in limited supply, but we have been able to reformulate diets to ensure we maintain nutritional values whilst moving away from certain commodities.

Environmental impact of dairy farming

With increasing concerns with regard 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.

*Read more about our ESG strategy on **page 23***

Feeds: ESG

"NWF's support and training have made me the person I am today."

Eliza Burton, Feeds

Eliza joined NWF in 2020 as part of the second Feeds Academy intake. Having a passion for agriculture and farming, the Academy gave Eliza the opportunity to embark on a career in sales supported by a programme of learning about diet formulation, sales training and animal nutrition.

Eliza was able to use her local farming contacts to start building a customer base for sheep feed sales supported by an experienced sales rep as her mentor. Eliza has built a successful ledger over the last two years which she hopes to continue growing in the future. Eliza also runs her own pedigree flock of Zwartbles sheep which she shows all over the country.

*Read more about our Feeds Academy on **page 29***

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.

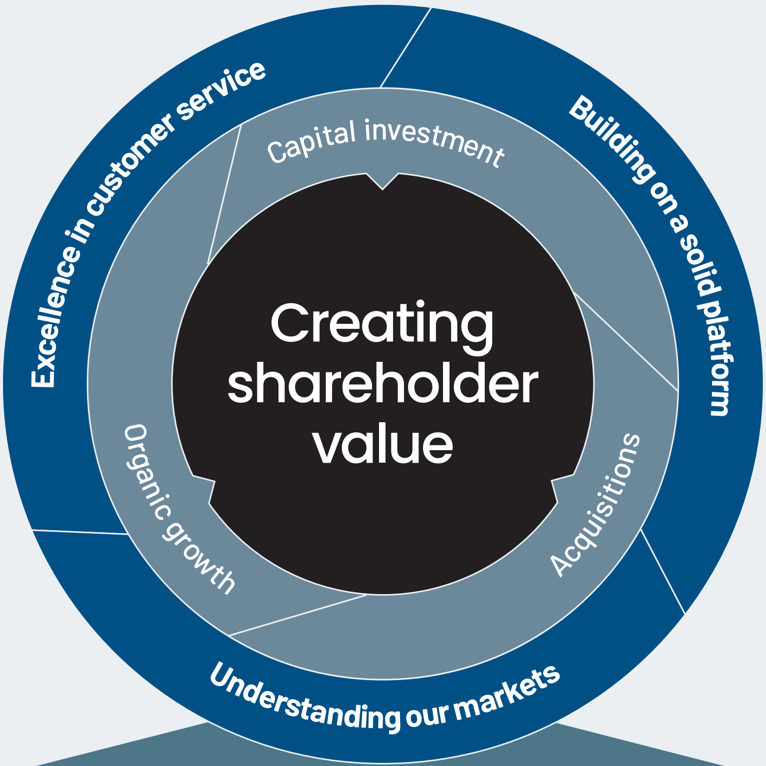
Understanding our markets
Established in 1871, the Group adds value to our customers through an in-depth knowledge of the oil, food distribution and agricultural markets.

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.



Supported by our ESG strategy

Create a culture of safety

Invest in our people

Build strong partnerships

Respect the environment

Investment case

Strong management team
Solid track record with ambition

5
Fuels acquisitions since 2019

Growth opportunities
Consolidate and optimise

1
clear strategy

Asset backing
Strong balance sheet

£213.9m
total assets

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 4,325 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 113,500 customers across the Group, our number one priority.

Total customers
113,500
(2021: 130,000)

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

*Read more about our engagement with suppliers on **pages 35***

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 its impact.

*Read more about our ESG policies on **pages 23-33***

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

Total dividend per share
7.5p
(2021: 7.2p)

*Read more about our engagement with shareholders on **page 36***

Focus on returns
Return on capital employed is a key metric
30.3%
headline ROCE

Good cash generation
£21.3 million of cash generated from operating activities
97.7%
cash conversion

Growing dividend
Increased dividend for 11 consecutive years
7.5p
total dividend per share

Results significantly ahead of expectations at the start of the financial year

Summary

- Headline profit before tax of £20.9 million (2021: £11.9 million).
- Profit before tax of £12.0 million (2021: £10.8 million).
- Diluted headline EPS of 34.8p (2021: 20.4p).
- Net cash/(debt) (excluding lease liabilities) of £9.0 million (2021: £(5.7) million).
- The balance sheet remains in a robust position with the Group cash positive at the year end for the first time, highlighting the resilience of the Group and providing significant capacity to support investment driven growth.

Group results

Group revenue increased by 30.0% to £878.6 million (2021: £675.6 million) with revenue growth from significantly higher commodity prices in Fuels and Feeds. Headline operating profit was £21.8 million, an increase of 69.0% (2021: £12.9 million). Operating profit increased 9.1% to £13.2 million (2021: £12.1 million).

Financing costs decreased by £0.1 million to £1.2 million. The interest on bank debt was £0.4 million (2021: £0.5 million) and headline interest cover was 54.5x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2021: 25.8x).

Headline profit before taxation increased by 75.6% to a record result of £20.9 million (2021: £11.9 million). Profit before taxation increased by £1.2 million to £12.0 million (2021: £10.8 million). There were net exceptional (non-cash) items in the year of £8.3 million relating to the impairment of Feeds goodwill and fixed assets announced in our half-year results (2021: £0.5 million).

The tax charge for the year was £3.6 million (2021: £3.0 million). The effective tax rate for the year was 30.0% (or 19.4% excluding impairment) (2021: 19.4%). The post-tax profit for the year was £8.4 million (2021: £7.8 million).

"Cash generation of £14.7 million resulting in a positive net cash position of £9.0 million."

Chris Belsham
Group Finance Director

The headline earnings per share of 35.0p represented an increase of 71.6% (2021: 20.4p); diluted headline earnings per share increased by 70.6% to 34.8p (2021: 20.4p). The proposed full year dividend per share increased by 4.2% to 7.5p which reflects the strong performance and the Board's confidence in the prospects of the business. The proposed dividend equates to a dividend cover ratio of 4.6x.

The finance costs in respect of the defined benefit pension scheme were £0.3 million (2021: £0.3 million).

Balance sheet summary

The Group increased net assets by £8.6 million to £68.1 million (31 May 2021: £59.5 million) reflecting a profit for the year of £8.4 million (2021: £7.8 million), strong cash conversion and the reduction in the IAS 19 deficit on the defined benefit pension scheme which together more than offset the impairment of goodwill and fixed assets.

Tangible and intangible fixed assets decreased by £10.1 million to £68.1 million as at 31 May 2022 (31 May 2021: £78.2 million) as a result of the impairment of goodwill and fixed assets in Feeds. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2022 were £4.6 million and £0.5 million respectively (2021: £4.5 million and £0.7 million respectively).

Group level ROCE (based on headline operating profit) is 30.3% as at 31 May 2022 (31 May 2021: 15.8%).

Net working capital increased by £1.5 million in the year as higher commodity costs required additional working capital in Feeds. The Group's inventories increased by £3.2 million to £9.8 million (31 May 2021: £6.6 million) with trade and other receivables increasing to £96.2 million (31 May 2021: £72.1 million) and an increase in trade and other payables to £100.6 million (31 May 2021: £74.8 million).

Net debt (excluding lease liabilities) decreased by £14.7 million to a net cash position of £9.0 million (31 May 2021: £5.7 million), as a result of capital expenditure being lower than planned, ongoing disciplined cash management and a strong trading performance. At the year end, the Group's net debt to headline EBITDA ratio was -0.3x (2021: 0.3x).

The deficit of the Group's defined benefit pension scheme decreased by £5.6 million to £9.3 million (31 May 2021: £14.9 million). The value of pension scheme assets decreased by £5.4 million to £39.7 million (31 May 2021: £45.1 million) as a result of actuarial losses on plan assets offset to an extent by employer contributions. The value of the scheme liabilities decreased by £11.0 million to £49.0 million (31 May 2021: £60.0 million) driven by a significant increase in the discount rate used to calculate the present value of the future obligations (31 May 2022: 3.45%; 31 May 2021: 2.00%). The discount rate is based on the yield available on AA rated corporate bonds, which have increased during the year.

Group results for the year ended 31 May 2022

	2022 £m	2021 £m
Revenue	**878.6**	675.6
Cost of sales and administrative expenses	**(865.4)**	(663.5)
Headline operating profit[1]	**21.8**	12.9
Exceptional items	**(8.3)**	(0.5)
Amortisation of acquired intangibles	**(0.3)**	(0.3)
Operating profit	**13.2**	12.1
Financing costs	**(1.2)**	(1.3)
Headline profit before tax[1]	**20.9**	11.9
Exceptional items	**(8.3)**	(0.5)
Amortisation of acquired intangibles	**(0.3)**	(0.3)
Net finance cost in respect of defined benefit pension scheme	**(0.3)**	(0.3)
Profit before taxation	**12.0**	10.8
Income tax expense	**(3.6)**	(3.0)
Profit for the year	**8.4**	7.8
Headline EPS[1]	**35.0p**	20.4p
Diluted headline EPS[1]	**34.8p**	20.4p
Dividend per share	**7.5p**	7.2p
Headline dividend cover[1]	**4.6**	2.8
Headline interest cover	**54.5**	25.8

1 Headline operating profit is statutory operating profit of £13.2 million (2021: £12.1 million) before exceptional items of £8.3 million (2021: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2021: £0.3 million). Headline profit before taxation is statutory profit before taxation of £12.0 million (2021: £10.8 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2021: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

Balance sheet as at 31 May 2022

	2022 £m	2021 ([1]restated) £m
Tangible and intangible fixed assets	**68.1**	78.2
Right of use assets	**27.5**	25.4
Net working capital	**5.4**	3.9
Reimbursement assets	**2.8**	3.0
Derivative financial instruments	**0.2**	0.1
Net cash/(debt) (excluding IFRS 16 lease liabilities)	**9.0**	(5.7)
Lease liabilities	**(28.2)**	(25.6)
Provision for liabilities	**(3.8)**	(3.4)
Current income tax (liabilities)/assets	**(0.4)**	0.4
Deferred income tax liabilities	**(3.2)**	(1.9)
Retirement benefit obligations	**(9.3)**	(14.9)
Net assets	**68.1**	59.5

1 A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third-party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities. The impact on the brought forward balance sheet at 1 June 2020 would be the inclusion of a provision for insurance claims of £2.9 million and a corresponding re-imbursement asset of £2.9 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

Cash flow and banking facilities

The closing net cash (excluding IFRS 16 lease liabilities) was £9.0 million (2021: net debt £5.7 million).

The cash impact of working capital movements was a cash outflow of £0.7 million. Net cash generated from operating activities and after IFRS 16 lease payments was £21.3 million (2021: £13.9 million) representing a cash conversion ratio of 97.7% of headline operating profit (2021: 107.8%).

Net capital expenditure in the year at £3.2 million (2021: £3.0 million) was lower than the annual depreciation charge, excluding IFRS 16 depreciation, of £4.6 million (2021: £4.5 million).

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

Cash flow and banking facilities for the year ended 31 May 2022

	2022 £m	2021 £m
Operating cash flows before movements in working capital and provisions	**34.4**	22.4
Working capital movements	**(0.7)**	2.4
Interest paid	**(0.9)**	(1.0)
Tax paid	**(2.7)**	(2.8)
Net cash generated from operating activities	**30.1**	21.0
Capital expenditure (net of receipts from disposals)	**(3.2)**	(3.0)
Acquisition of subsidiaries – cash paid (net of cash acquired)	**–**	(1.1)
Net cash used in investing activities	**(3.2)**	(4.1)
Net decrease in bank borrowings	**(9.5)**	(7.7)
Repayment of capital element of leases	**(8.8)**	(7.1)
Dividends paid	**(3.5)**	(3.4)
Net cash used in financing activities	**(21.8)**	(18.2)
Net increase/(decrease) in cash and cash equivalents	**5.1**	(1.3)
Cash and cash equivalents at beginning of year	**4.0**	5.3
Cash and cash equivalents at end of year	**9.1**	4.0

Going concern

The Group has an agreement with NatWest Group for credit facilities totalling £65.0 million. With the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility, which are renewed annually, these facilities are committed through to 31 October 2023. The Group's banking facilities, provided by NatWest Group, were renewed on 29 June 2018 and are committed until 31 October 2023. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its lender. As such, there are no concerns regarding the refinancing of the Group's facilities which is expected to complete in 2023. As at 31 May 2022 the Group had available funds of £70.1 million (based on cash balances, invoice discounting availability, RCF and overdraft facilities), against which the Group was utilising £Nil.

The Board has prepared cash flow forecasts for the period to 31 May 2024. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

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

Accordingly, the Directors, having made suitable enquiries, and based on financial performance to date and forecasts along with the available banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Share price

The market price per share of the Group's shares at 31 May 2022 was 220.0p (31 May 2021: 212.0p) and the range of market prices during the year was between 187.0p and 230.0p.

Chris Belsham
Group Finance Director
2 August 2022

A robust risk management process

Effective risk management aids decision making, underpins the delivery of the Group's strategy and objectives and helps to ensure that the risks the Group takes are adequately assessed and actively managed.

Risk management framework

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

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

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

The Board obtains assurance that the risk management and related control systems in place are effective through a rolling programme of risk and controls testing across the Group and internal control updates to the Audit Committee at each meeting. Further details can be found on page 47.

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

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

Assess risk
- Impact
- Likelihood

Respond
- Avoid
- Mitigate
- Transfer

Implement mitigation
- Controls
- Designated owner

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

Principal risks and uncertainties continued

Risk impact key

Increased · No change · Decreased

	1. Impact of inflation and underlying cost growth	2. Employee availability	3. Commodity prices and volatility in raw material prices	4. Transitional risks of climate change
Risk description and impact	The Group is exposed to the impact of higher inflation and increases in underlying overhead costs. For the first time in a generation, the economy is entering a higher inflationary environment. Furthermore, the Group is exposed to cost accretion arising from increasing responsibilities around compliance, ESG and IT. These increases in central overheads are in addition to those arising from labour and general cost inflation across the businesses and put further pressure on overall Group profitability.	In the aftermath of the Covid-19 pandemic there is a shortage of employees generally in the UK market. This could lead to significant wage inflation which the Group will need to respond to, and it may not be possible to pass these additional costs on to customers.	The Group's Feeds and Fuels divisions operate in sectors which are vulnerable to volatile commodity prices both for fuel and for raw materials.	The long-term profitability of our current businesses is more likely to be impacted by Government strategy and policy in relation to the decarbonisation of the economy, rather than as a direct impact of climate change. The view of the Board is that the main risk to the Group is a transitional risk as the Government introduces policies which could negatively impact the Group. There are also potential additional costs to the Group, arising from the need to redesign and replace infrastructure as a result of ambitions towards decarbonisation.
Mitigating actions	The Group management team is responsible for monitoring and responding to increases in the cost environment by implementing appropriate cost control measures and pricing strategies. The Group continues to balance the level of costs incurred with the needs of its stakeholders.	The Group has successfully managed availability of drivers by reducing reliance on agency drivers to ensure it is less exposed to short-term fluctuations in driver availability. The Group is keeping employee pay and terms and conditions under review and where necessary has made changes to retain employees with the increased cost reflected in the charges to customers where possible. The Group is investigating ways to improve the work environment and non-financial benefits to assist in employee retention.	The Group maintains close relationships with key suppliers, enabling optimal negotiated prices, and where appropriate implements purchasing framework agreements. The Feeds business utilises forward contracts for key raw materials to ensure that impact of volatility can be partially mitigated through committed prices and volumes. Multiple sources of supply are maintained for all key raw materials.	The Directors monitor the regulatory environment on an ongoing basis to identify and anticipate changes in requirements which may impact the Group and also consider the impact on the financial statements. For consideration of the longer-term impacts of climate-related risks on the demand for oil, see CEO Q&A on page 6.
Change	**New principal risk** Changes in the macroeconomic and regulatory environment result in increased cost pressure on the Group.	Remains a principal risk.	Increases in commodity prices have been successfully managed through the year in Fuels. Increases in commodities impacted the performance of Feeds during the first half of the year but were successfully managed in the second half.	**New principal risk** Changes in the regulatory environment and focus on decarbonisation of the economy may result in long-term risk to Group profitability.
Key risk indicator	• RPI/CPI inflation rates • Absolute overhead costs	• Employee survey results – net promoter score ('NPS') • Voluntary labour turnover	• Brent Crude oil prices • Raw material commodity prices	• Government consultations and ambitions towards decarbonisation
Governance oversight	The impact of the macroeconomic environment is monitored by the senior management team.	The key risk indicators are matched to the Group's ESG KPI metrics and reported monthly to the Board.	The Executive team meets with the senior management teams in each division each month, to review and discuss performance, including consideration of the impact of input price volatility.	The Board is responsible for managing the long-term transitional risks to the Group.

	5. Pension scheme volatility	6. Recruitment, retention and development of our key people	7. Infrastructure and IT systems
Risk description and impact	Increases in the ongoing deficit associated with the Group's defined benefit pension scheme would adversely impact on the strength of the Group's balance sheet and could lead to an increase in cash contributions payable by the Group.	Recruiting and retaining the right people is crucial for the success of the Group and its development. Furthermore, the Group is entering a stage of transition at the Board and senior executive level as a consequence of planned retirements. There is a risk around a limited number of key Executives across the Group.	IT system failures or business interruption events (such as cyber incidents) could have a material impact on the Group's ability to operate effectively.
Mitigating actions	The defined benefit pension scheme has been closed to new entrants since 2002 and closed to future accrual since April 2016. 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.	Remuneration policies are regularly reviewed to ensure employees are appropriately incentivised. A succession planning exercise has been undertaken, with a Group succession plan developed which identifies and seeks to address any gaps. Key appointments are approved by the Nomination Committee. 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.	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 following the cyber incident in the prior year. During the year, the Group appointed a Chief Information and Digital Officer ('CIDO') to further strengthen IT leadership at a senior level and has continued its relationship with its external Chief Information and Security Officer ('CISO').
Change	Remains a principal risk.	Remains a principal risk.	Remains a principal risk.
Key risk indicator	• RPI/CPI inflation rates • Mortality rate assumptions • Scheme asset performance	• Key Executive remuneration • Executive retention rate • Executive objective achievement	• IT investment as a proportion of Group operating profit
Governance oversight	The Executive team provides the Board with regular updates from meetings with the scheme trustees and advice taken from professional advisors.	The Remuneration Committee meets three times a year and is responsible for reviewing and approving Executive level recruitment and remuneration policies.	The Group CIDO and CISO provide regular updates to the Executive team and the Board.

Principal risks and uncertainties continued

Risk impact key

Increased *No change* *Decreased*

	8. Non-compliance with legislation and regulations	9. Impact of weather on earnings volatility	10. Strategy development and change management
Risk description and impact	The Group operates in diverse markets and each sector has its own regulatory and compliance frameworks which require ongoing monitoring to ensure that the Group maintains full compliance with all legislative and regulatory requirements. Any incident of major injury or fatality or which results in significant environmental damage could result in reputational or financial damage to the Group.	The demand for both the Feeds and Fuels divisions is impacted by weather conditions and the severity of winter conditions, which directly affect the short-term demand for heating oil and animal feeds. The inherent uncertainty regarding weather conditions represents a risk of volatility in the profitability of the Fuels and Feeds divisions.	Significant development of the Group is only achievable via a significant acquisition or several smaller transactions. The current strategic plan is focused on Fuels acquisitions, which tend to be smaller and therefore do not represent a significant risk on an individual basis.
Mitigating actions	Expertise within the operating divisions is supplemented by ongoing advice from professional advisors and the involvement of the Head Office function which closely monitors existing business practices and any anticipated changes in regulatory practices or requirements. The Group employs appropriately qualified and experienced health and safety personnel and retains health and safety specialists to ensure compliance.	Whilst the Fuels division seeks to mitigate this risk through the provision of a range of fuels including commercial fuels, there will always be volatility in the profitability of the Fuels division related to weather. The Feeds division seeks to mitigate the extent of weather conditions on the profitability of the business through its concentration on the key dairy sector where there is a strong underlying demand.	The Board maintains oversight of Group strategy development. The Group management team is engaged in ongoing review of competitor activity, development, acquisition and market 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.
Change	Remains a principal risk.	Remains a principal risk in Fuels and Feeds.	Remains a principal risk.
Key risk indicator	• Number of LTIs/RIDDORs • Employee training hours • Number of HMRC inspections	• Volatility of earnings • Number and severity of weather events	• Performance of acquisitions against business case
Governance oversight	Divisional Managing Directors are responsible for compliance with laws and regulations and provide regular updates to the Board via the Company Secretary.	The Executive team meets with the senior management teams each month, to review and discuss performance, including consideration of the impact of weather events on earnings volatility.	The Executive team performs periodic strategic reviews of the Group and presents these to the Board for discussion and debate.

Developing our ESG framework and ambitions

Introduction from the Chief Executive – Richard Whiting

During the year work has continued at both a Group and a divisional level to develop our ESG strategy and reporting framework. Whilst good progress has been made in the last two years to support sustainability initiatives, the Board recognises its responsibility to drive further improvement and focus by identifying our long-term ambitions, our key performance indicators and appropriate targets against which we will measure our progress.

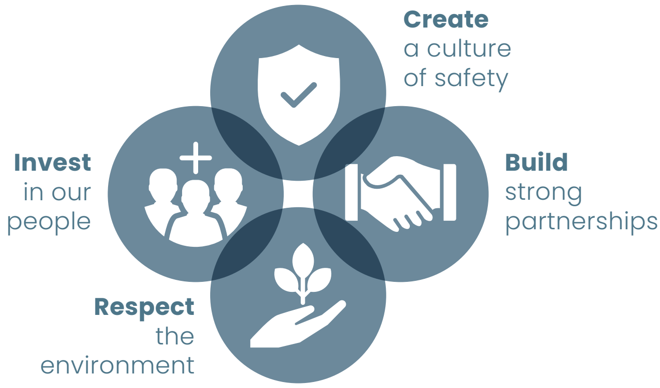
Our principal focus for the year has been to establish a more structured approach to managing ESG around the Group and at a divisional level there are a significant number of actions and initiatives underway. Our aim for the year was to bring these together in order to manage, report and develop our approach to ESG in a more structured and strategic manner.

A key development in the year has been the establishment of our ESG Steering Committee, comprising Executive Directors, the senior management team and key individuals from the divisions. A requirement when forming this Committee was to ensure it included the appropriate mix of skills, experience, and operational and commercial knowledge to address the ESG risks and opportunities relevant to NWF. We recognise that to realise the full value from our sustainability strategy, we must continue to identify opportunities, develop initiatives and embed these throughout our businesses and operations with progress regularly reported back to the Board; the ESG Steering Committee plays a key role in achieving this.

We have progressed a number of workstreams during the year in order to improve the value added by our sustainability strategy. Our focus in the autumn was engaging with our divisions to identify the key measures which, as a Group or an individual division, would provide the most relevant indication of performance against our four strategic pillars. Given the diverse nature of our three operations, a specific challenge was to identify measures which are relevant and appropriate for all. Our ESG update on pages 28 to 33 comprises predominantly Group consolidated metrics, but we also include a number of division specific measures where we have concluded these are more appropriate and useful.

Having established a reporting framework, we have subsequently spent time embedding this in our monthly reporting cycle to the Board, so that ESG reporting sits alongside our financial reporting. Furthermore, another significant area of focus for the ESG Steering Committee has been identifying, developing and progressing the key initiatives that will drive performance against these metrics. These are reported in further detail over pages 24 to 33.

Strategic objectives



Finally, we have challenged ourselves to develop our ESG Roadmap, in which we reflect on our progress to date and begin to map out the work the Group plans to undertake over the next two years, and in the longer term, in order to make progress towards our 2040 ambitions. Our ESG Roadmap to 2040 is detailed on pages 26 and 27. Specific areas of focus for next year will be for the Group to prepare its first full TCFD disclosure (see page 32 for our response to TCFD) and to set further specific targets against each of our KPI measures.

Focus on people

Our people are the focus of this year's Annual Report, allowing us to showcase how our employees have contributed directly towards NWF's performance, strategy and ESG progress during the year.

Throughout our report we have selected specific case studies to celebrate the achievements of some of our people during FY22 and demonstrate how individuals at NWF are contributing towards our strategic ambitions.

I would like to thank all of our people for their continued efforts and commitment to the Group.

Richard Whiting
Chief Executive

> **"Together, we are working to deliver long-term sustainable value."**
>
> **Richard Whiting**
> Chief Executive

Our material issues

During FY20 the Group undertook a materiality assessment to identify the sustainability topics deemed most significant to NWF's employees, investors, customers and communities.

As a result, NWF was able to develop a materiality matrix to prioritise these issues based on those identified as being most significant to stakeholders and where NWF could have the greatest impact.

Assessment of these material topics enabled NWF to identify and develop its sustainability framework, based around four strategic pillars. Each pillar represents an area where NWF could have the greatest positive impact.

During FY22, NWF was assisted by external advisors to perform a review of these material topics to evaluate completeness and relevance, benchmarking against our peers and assessing the degree of coverage of these topics in order to identify any gaps that needed to be addressed.

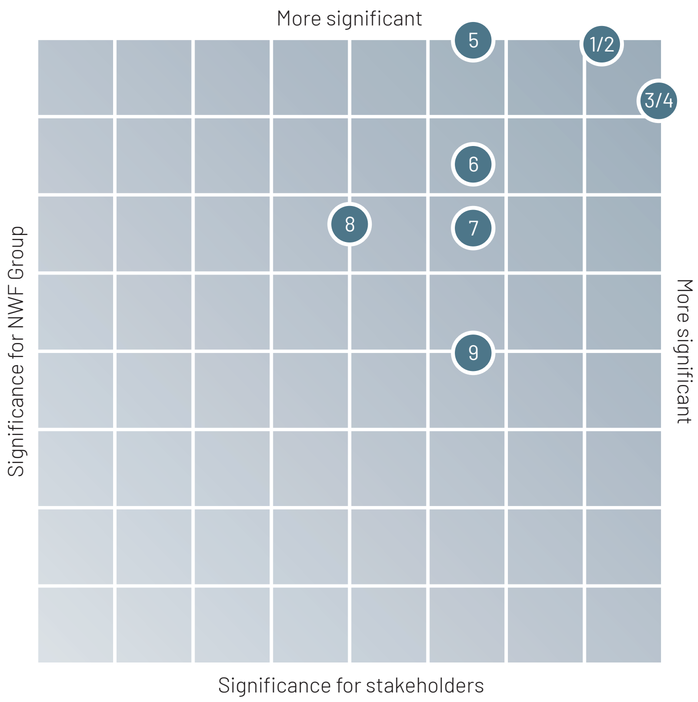
As a result of this work, the Group is satisfied that the material topics identified remain significant and relevant but identified further material issues which require focus and incorporation into our ESG framework. These included diversity and inclusion, and community relations. As a Group we have a number of examples of community initiatives (see the 'Partnerships' section of our Sustainability Report on page 31 and Section 172 Stakeholder Engagement on page 35. Over the next year the Group will seek to embed these initiatives into our ESG framework with regular reporting on community engagement to the ESG Steering Committee.

In our ESG Roadmap to 2040, we outline our 'People' ambition to deliver a culture of equality, diversity and inclusion. In the short term our focus will be to identify appropriate measures for this and determine ways in which the recruitment, training and development of our people can support this ambition. For more information on our approach to diversity and inclusion, see the Q&A with our CEO on page 6.

Strategic objectives	2020 material topics identified	2022 additional material issues identified
Create a culture of safety	• Safety first • Road risk management • Fleet management	
Invest in our people	• Employee engagement • Training and development	Diversity and inclusion
Build strong partnerships	• Customer relations • Supply chain management	Community relations
Respect the environment	• Operating responsibly • Climate change and carbon emissions	

ESG reporting and disclosure

1. Safety first
2. Road risk management
3. Employee engagement
4. Customer relationships/service
5. Fleet management
6. Climate change and carbon emissions
7. Training and development
8. Operating responsibly/responsible resources
9. Supply chain management



What we have achieved so far

The Group has made significant progress on its ESG framework in 2022.

Create a culture of safety

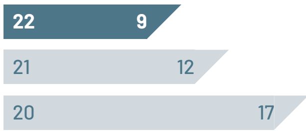
The health, safety and welfare of our employees and the wider community are a top priority in our operations across all of our divisions. Our safety practices are overseen by Health and Safety Officers and are assisted by the engagement of specialist external advisors. Regular audits are undertaken as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

*For more information see **page 28***

Number of RIDDORS

9

-25%

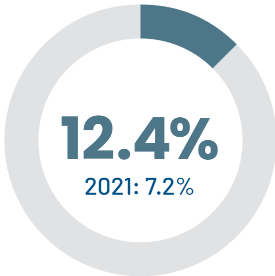


Invest in our people

Our long-term success is dependent on our people. 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.

*For more information see **pages 29 – 30***

Voluntary labour turnover

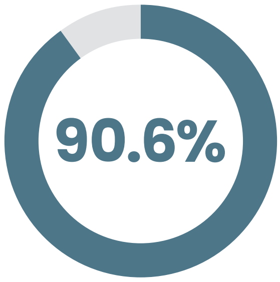


Build strong partnerships

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.

*For more information see **page 31***

Group OTIF



Respect the environment

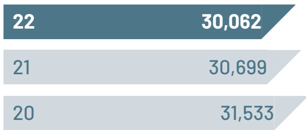
We strive for continual improvement when it comes to our environmental performance, monitoring carbon emissions and waste across our supply chain and promoting a healthy environment.

*For more information see **pages 32 – 33***

Scope 1, 2 & 3 emissions (tCO_2e)

30,062

-2.1%



Our ESG roadmap to 2040

Our sustainability progress and future goals

Since our last report, NWF Group has further developed our commitment to delivering long-term sustainable value by defining our 2040 ambitions and aligning our reporting measures to drive progress towards them. Critical to our success is collaboration between our divisions and key stakeholders and our focus going forward will be to define key milestone targets against which we can measure our progress.

Strategic objectives

- **Create** a culture of safety
- **Build** strong partnerships
- **Invest** in our people
- **Respect** the environment

Where did we start?

2020

- NWF Group developed its sustainability strategy, embedding ESG within its existing corporate governance and reporting framework.
- Sustainability Policy developed and shared with key stakeholders.
- Identification of priority objectives and ambitions.
- Began reporting on environmental impact with SECR disclosure.

Priority objectives

- Create a culture of safety to protect our employees and the wider community.
- Build a workforce for the future where our people are healthy, happy and can fulfil their potential.
- Collaborate and innovate with our customers and suppliers to deliver long-term sustainable solutions.
- Reduce carbon, emissions and waste across our value chain and champion environmental stewardship.

2020 Baseline metrics

- 1,517 driver training hours in Food.
- 17 RIDDORS.
- 18 Feeds Academy Trainees.
- Total emissions 31,533tCO_2e.
- 21.21 tCO_2e/sq ft[1].

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

Where we are now?

2022

- Commitment to 4 long-term ESG ambitions including a net zero target.
- Identification of key ESG reporting measures across 4 strategic objectives.
- Initial target setting and specific ESG initiatives identified.
- Establishment of ESG Steering Committee to further drive the Sustainability agenda within NWF Group.

Key achievements

- Key safety metrics defined and health and safety specific initiatives discussed monthly by the ESG Steering Committee.
- The Group has developed a "Supply Chain Policy" and will begin to share this with our key suppliers during FY23.
- Partnering with The Happiness Index our first Group-wide employee survey has been completed.
- An assessment of environmental impact (including carbon emissions impact) is now included in all major capital investment projects.

*For more information on our ESG initiatives see **pages 28 to 33***

What will we do over the next 2 years?

2023 2024

- The Group is preparing to share its first full TCFD disclosure, which will be reported in the year ending 31 May 2023.
- Further development of ESG initiatives.
- Embedding ESG initiatives within NWF business model.
- Continued investment in fleet and trialling of emerging technologies.

Key targets

- Aim to reduce number of road accidents, lost time injuries and RIDDORs from current reported metrics.
- Maintain and improve OTIF scores and set a target to sign up a percentage of our suppliers to our Supply Chain Policy.
- Roll out further employee engagement surveys and identify key areas to improve employee satisfaction and wellbeing. Set a target for our net promoter score by division.
- All fleet to meet EURO 6 standards and focus on driver behaviour to improve MPG.

ESG Initiatives developed during 2022

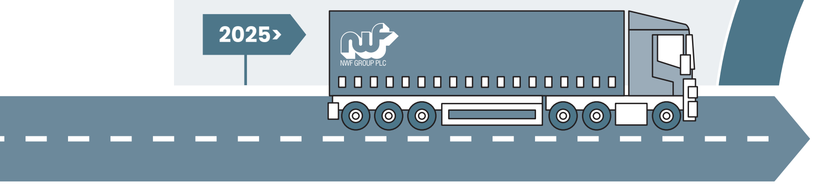
- In Spring 2022 we partnered with "The Happiness Index" and rolled out the first in a new program of Group-wide employee engagement surveys. Use of this platform will ensure that NWF is able to regularly gain feedback from our colleagues, helping us find ways to improve their experience at work and invest in their skills and development.

- During the prior year, Fuels established distribution of lower carbon part-renewable HVO30 (diesel containing 30% hydro-treated vegetable oil) product to commercial and agricultural customers, on a trial basis. In 2022, our fuel depot in Broadlands began using HVO30 to fuel its own tankers to make customer deliveries. As a Group we are considering if use of HVO30 as an alternative fuel source could be rolled out across more of our fleet, enabling us to start making steps towards carbon reduction.

- An ESG Steering Committee has been established comprising members of the Executive Directors and Senior Management Team from each division. The Committee meet on a monthly basis with the remit of sharing best-practice, identifying and driving the ESG agenda, agreeing and reviewing ESG metrics and setting appropriate targets.

For more information on our ESG initiatives during 2022 see ***page 23***

What are our longer term commitments and ambitions?



- Embed a behavioural safety approach to encourage positive open dialogue about safety in all our operations.
- Improve standards and policies, risk assessments and collaboration with our supply chain to maximise positive impacts for our stakeholders.
- Broaden our training and professional development programmes and wider employee wellness initiatives.
- Continue to invest in latest truck technology and fuel sources, and plan for renewable energy transition.

Suppliers · Community · Customers · Environment · Shareholders · Employees

Our 2040 ambitions

Zero-harm
Reduce accidents and incidents to a minimal level with a zero-harm target.

Opportunities for all
Deliver a culture of equality, diversity and inclusion supported by a programme of development in place for every employee.

Leverage business partnerships
Develop, test and adopt emerging technologies to support sustainable delivery and value for our customers.

Net zero emissions
Achieve net zero carbon emissions within our own operations by 2040.

For more information regarding engagement with stakeholders see ***page 34 – 37***

For more information regarding the business model see ***pages 14 – 15***

For more information regarding risks and uncertainties see ***pages 19 – 22***

People and inclusion

NWF Group are committed to creating a culture of equality and inclusion. During the year, Paul Tubb, a driver in Food was selected as a "RHA Hero" by the Road Haulage Association. In the nomination submitted, our compliance team said; "Paul makes a fantastic contribution to our industry. He overcomes adversity every single day; coping with his prosthetic leg, but he always wears a smile and displays a positive attitude. Paul is a great colleague, presents an inspiring story for our industry and, we are sure, encourages others with similar disabilities to pursue a career in driving".

Our 2040 ambitions

Zero harm
Reduce accidents and incidents to a minimal level with a zero-harm target

Create a culture of safety

Number of accidents per 1m km
3.81

Number of driver training hours per year
7,034

LTIs
23.1

RIDDORs
9
2021: 12

Implement a safety-first approach

We implement a safety-first approach in all activities and our 2040 ambition is to reduce accidents and incidents to a minimal level, with a zero-harm target.

Focus on road safety

A common feature of our three divisions is their fleet and across the Group we operate over 300 commercial vehicles. Road safety for our employees and the general public is therefore of significant importance. All safety incidents, including personal injuries, product spills, road traffic accidents and near misses, are recorded and thoroughly investigated to identify the underlying causes, control weaknesses and learn from any errors. Health and safety information is reported to the Board monthly, with any incidents reported immediately and an improvement plan outlined. We continually work to improve our performance towards a goal of zero harm.

Progress in 2022

During the year we have identified the key reporting measures we will use to monitor our progress as a Group with regard to safety. The following initiatives are examples of the progress we have made in championing safety across the Group:

- in February 2022 Fuels achieved ISO 9001, ISO 45001 and ISO 14001 accreditations;
- 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 2022 was 9 (31 May 2021: 12).

Focus on:
Safety and driver behaviour

NWF is committed to a focus on road safety and driver behaviour. During the year, Gareth Bell from our Food division celebrated his 15th year working for NWF Group and was shortlisted for the national finals of the Microlise Driver of the Year Awards.

Gareth was nominated in the 'Driver Hero Award' category after he came to the rescue of a driver who experienced a suspected heart attack while driving on the M6 motorway in January this year.

Speaking about Gareth's actions to support the driver in need, Neil Trotter, our Food Transport Operations Director, said: "Gareth is a hugely committed and professional driver. He always puts the customer and the Company first and the support he provided to a driver who was driving erratically and dangerously on the motorway due to a serious health problem highlights his great awareness on the road and his empathy with fellow drivers."

Our 2040 ambitions

Opportunities for all

Deliver a culture of equality, diversity and inclusion supported by a programme of development in place for every employee

Invest in our people

Learning and development expenditure

£0.3m

2021: £0.2m

Voluntary labour turnover

12.4%

2021: 7.2%

Employee NPS

6.0

Changing ways of working

Engagement with our employees has been a focus during the year and we have recognised that, post-pandemic, the Group should continue to offer flexible ways of working. As a result of consultation with our employees we have introduced an agile working policy to allow the opportunity for up to two days a week of remote working.

The following further initiatives demonstrate the outcomes of engagement with our employees and further development of ESG initiatives to develop our people and promote well-being across the Group:

- During the year, the Group was pleased to safely reintroduce our regular programme of free fitness classes in our on-site studio provided by a local team of personal trainers. This service has subsequently been rolled out to our facility in Crewe with access to workouts also available via the web, for those colleagues working at remote sites.
- The Group has entered into a partnership with 'The Happiness Index' and rolled out the first in a new programme of Group-wide employee engagement surveys, the first of which was completed in spring 2022. The results of these surveys will enable NWF to identify issues of importance to our people and drive improvements in their experience at work.
- Our Feeds Sales Training Academy continues to thrive. The Academy was designed to produce the feed advisors of the future and help British farmers develop a sustainable and profitable future. The programme involves practical and technical courses which our trainees complete alongside work over an 18-month period. A third cohort of 10 trainees joined the Academy in September 2021 and a further 4 graduated from the programme during the year.
- Each division has a handful of people completing leadership and development programmes. In Food, our 'warehouse to wheels' programme offers warehouse workers the opportunity to go through training to become a driver, providing them with more job opportunities and flexibility. Food have successfully passed 13 new Class 1 drivers through this programme over the course of FY21 and FY22. A further 6 employees are undertaking this programme during FY23.
- In the Fuels division our Head Office staff have been able to safely return to work, in a phased approach, allowing staff to benefit from the purpose-built new office environment, which we invested in during FY21. The facility provides employees with a modern, spacious workplace, with plenty of amenities such as free parking, a fitness studio and cycle storage, as well as capacity to expand.
- Across the Group we celebrated 333 employees (2021: 371 employees) with over ten years' service, equivalent to one-third of our employees.

Focus on:

Investing in people and safety

NWF is committed to developing our people and providing support for career development. During the year, Dawn Davies from our Feeds division celebrated her 15th year working for NWF Group. Dawn joined Feeds in 2006 as part of the customer services team where she worked for several years.

In addition to her role in the customer service department ('CSD'), during quieter periods Dawn spent time assisting other departments, including health and safety, which she enjoyed. Dawn completed a trainer course and started delivering display screen assessments Display Screen Equipment ('DSE') assessments and manual handling training to her colleagues.

In 2017, Dawn moved over to health and safety full time and since then NWF has supported her through her Level 6 Diploma in Health and Safety and she has become a graduate member of IOSH. Dawn aims to complete the IMEA environmental course and a teaching course so that she can deliver first aid training directly to our employees. The Group has been pleased to support Dawn through her career development and will continue to create opportunities for Dawn and others to develop and excel in their chosen fields.

Our 2040 ambitions

Leverage business partnerships
Develop, test and adopt emerging technologies to support sustainable delivery and value for our customers

Build strong partnerships

OTIF

Fuels 89.0%
Food 96.7%
Feeds 86.2%

We have developed our Supply Chain Policy during 2022

Customer relationships

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.

The following initiatives demonstrate how we are seeking to improve engagement with our customers across the Group:

- The Food division has worked with customers to develop a 'Customer Welcome Pack'; detailing ways of working and industry best practice to support the customers preparing and presenting products in the warehouse. The pack includes information on the process of order management, KPIs and reporting, helping to manage customer expectations.
- Furthermore, Food have begun issuing a quarterly newsletter to support customers by keeping them informed with regards to the latest industry insights across the transport, warehouse and grocery supply chain.
- Through regular attendance at trade and agricultural shows, and its team of sales reps, the Feeds division has continued to engage directly with customers.
- Within Fuels we are participating in the UKIFDA domestic HVO trials, with eight properties on the trial offering free fuel until the trial finishes in early 2023. This campaign is being piloted across all major fuel distributors for 200 homes in conjunction with OFTEC.

Supply chain management

It is critical to NWF that we work together with suppliers to promote responsible business practices. As such, a key step forward for the Group in FY22 has been the development of our Supply Chain Policy which we intend to share with key suppliers during the first half of FY23.

Furthermore, the following ESG initiatives have been pursued during the year:

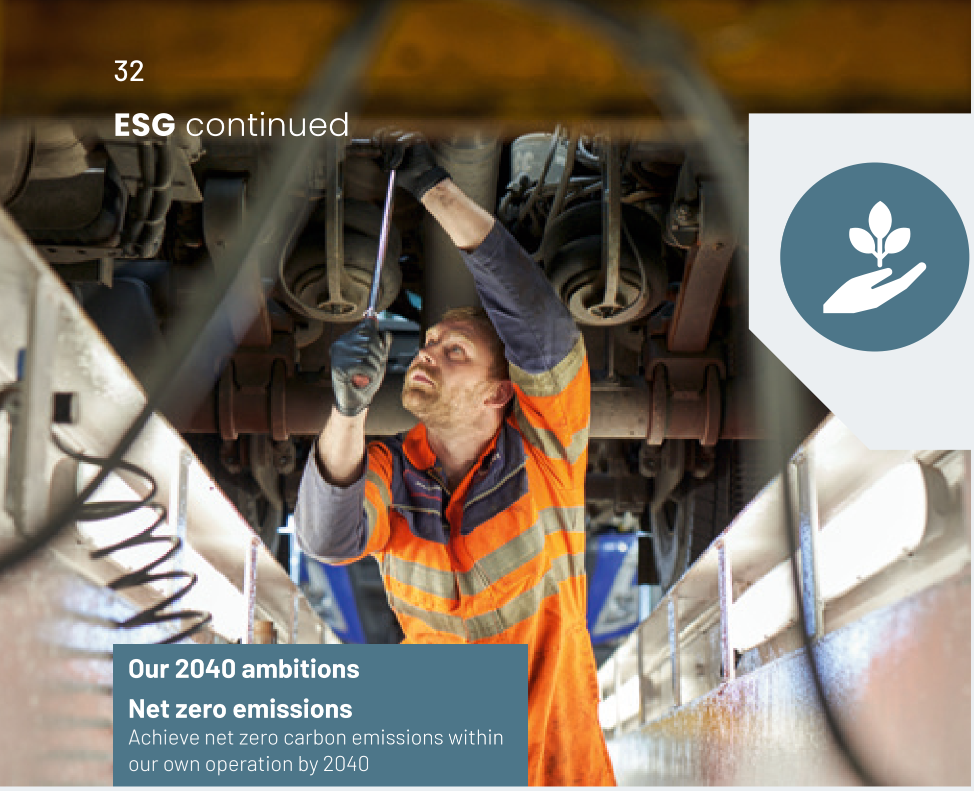
- Our Feeds division has completed work with suppliers to create a range of compound feeds which do not contain soya or palm kernel, which have been launched under the 'Sustain' range of feeds.
- Fuels has continued to distribute its lower carbon part-renewable HVO30 product to commercial and agricultural customers.
- We are working with our commercial vehicle suppliers to understand if and how emerging technology around electric vehicles could benefit NWF Group. These discussions are early stage, but we will continue to research, test and seek to adopt these technologies if they prove a viable option.

Focus on:

Working with customers to reduce waste

NWF is committed to working with customers and suppliers to reduce waste and minimise our environmental impact. Damages Supervisor Tash Parry has worked in our Food division for 33 years. Together with her team, Tash provides a unique service salvaging any damaged goods which might occur across our two Food sites.

The damages team receives all stock and sorts through any damaged items finding the best solution to salvage as much as possible. Working with the customers concerned, the team either makes arrangements to re-package or re-box the items so they can be returned to storage or, if the stock is unsalvageable, then arrangements are made for it to be donated to food banks in the local area. The team aims to reduce as much waste as possible which also generates cost savings for the customer and for the Company.



Our 2040 ambitions

Net zero emissions
Achieve net zero carbon emissions within our own operation by 2040

Respect the environment

MPG
Fuels 7.76
Food 10.32
Feeds 6.85

Fleet meeting EURO 6 standards
94%

Average age of fleet
3.14 years

LED lighting across sites
58%

Our approach to 'TCFD'

The Task Force on Climate-related Financial Disclosures ('TCFD') requires companies to identify, measure, quantify and report upon the risks and opportunities of climate change. As an AIM-listed Group it is not currently mandatory for NWF Group to make disclosures under the 'TCFD' framework and we will share our first full disclosure in next year's Annual Report. However, the Board recognises that climate change is a principal risk (further detail on risks and uncertainties can be found on pages 19 to 22) and furthermore recognises its duty to stakeholders to operate the business in an ethical and responsible manner.

As such, where relevant information is already available, relevant disclosures are provided in this Annual Report. Over the course of the coming year, the Group will continue to develop its reporting around the TCFD framework in order to provide full and detailed disclosures from FY23.

Pillars	Recommended disclosure	NWF alignment	Further information
Governance	Disclosure of governance structures, oversight and management processes in place to manage climate-related risks and opportunities.	• Responsibility for climate-related issues and our ESG strategy is held by our CEO. • The Board has overall responsibility for reviewing the risk management processes and controls in place within the Group and ensuring that they are appropriate, which includes climate-related and ESG risk. • Our ESG Steering Committee is responsible for reviewing performance against our KPIs and monitoring the progress of climate/ESG-related initiatives.	Corporate Governance Statement on pages 41 to 46. ESG Framework on page 23. Principal Risks and Uncertainties on pages 19 to 22.
Strategy	Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where material.	• During the year, a strategy day was held by the Board to consider the longer-term impacts and opportunities presented by climate change on the Group. • Further work has been completed to define our 'Roadmap to 2040' and embed climate/ESG-related issues within the Group's long-term business model and strategy.	Q&A with Chief Executive on page 6. Divisional Reviews on pages 7 to 13. Roadmap to 2040 on pages 26 and 27.
Risk management	Disclosure of how the organisation identifies, assesses and manages climate-related risks.	• The Group's risk management programme, which assesses key risks and the required internal controls, is delegated to Directors and managers and is reviewed twice annually by the Audit Committee. • Principal risks, including climate-related risks, are identified and addressed using the risk management process detailed on page 19.	Principal Risks and Uncertainties on pages 19 to 22. Corporate Governance Statement on pages 41 to 46.
Metrics and targets	Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where material.	• The Group has outlined its long-term ambitions for 2040, which include a net zero target. • Our carbon emissions are disclosed in accordance with SECR requirements. • The Group has defined its KPI metrics for ESG reporting.	ESG Framework on pages 23.

Focus on:

Alternative energy sources

NWF is committed to investing in the latest technologies to reduce carbon emissions. Following customer trials in Fuels last year of HVO30 (a lower carbon, part-renewable alternative fuel product comprising diesel containing 30% hydro-treated vegetable oil), we have rolled out further trials of the product in our own fleet.

At the Broadlands fuel depot, HVO30 is being trialled across the fleet of six tankers making deliveries to customers. At our Wardle site, the fuel depot has a dedicated HVO30 tank for use by all three divisions in on-site vehicles such as shunters and JCBs.

Meanwhile we continue to explore the possibility to replace some of our fleet with electric vehicles as part of our plan for renewable energy transition.

Fleet management

Across our divisions we promote sustainable logistics, investing in clean fleet and energy initiatives to achieve this. In addition, our strategy to maximise fleet capacity to minimise 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:

- dedicated tank based at Wardle to allow all site vehicles such as JCBs and shunters to be fuelled by HVO30 rather than diesel. There is no upfront cost in switching to this fuel type, albeit the running costs are slightly higher than diesel. The benefits of HVO30 are described in the 'Focus on' section above;
- during 2022 Fuels has begun a trial using HVO30 to fuel its own tankers to make deliveries to customers from its depot in Broadlands. If successful, the Group will consider if HVO30 can be used as an alternative fuel source across more of the fleet;
- sharing of best practice, including driver debrief programmes developed in Food being shared with our Fuels division to promote good behaviours and efficient driving;
- launch of Fusion initiative in Feeds, focusing on reducing the environmental impact of feed manufacture through a combination of efficiencies in operations and transport, procurement policies, diet and feeding habits and on-farm support;
- further roll-out of LED efficient lighting across all divisions with the aim of 100% LED lighting across all sites in the next two years; and
- early-stage engagement with our supply chain to understand if and how emerging technology around electric vehicles could benefit NWF Group. These discussions are early stage, but we will continue to research, test and seek to adopt these technologies if they prove a viable option. In the meantime, NWF continues its policy of investment in clean, modern and efficient fleet.

SECR statement

We measure and report our energy and carbon data across the entire Group (Food, Fuels and Feeds), providing comprehensive data to substantiate our overall environmental impact. Our SECR statement includes all emission sources required under the 2019 regulations for the financial year ended 30 May 2022. Information regarding energy efficiency action taken during the year can be found on page 32.

NWF Group generated 30,062 carbon dioxide equivalent tonnes (tCO_2e) of emissions during the year (2021: 30,699). 77% 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 2022 was 91.10 tCO_2e per commercial vehicle (2021: 101.32), and 20.22 tCO_2e per 1,000 sq. ft of warehouse and office space (2021: 20.65), representing a 2.1% decrease on last year. This can be partly attributed to reduced electricity usage as a result of lower volumes of feed manufactured.

In order to calculate the carbon emissions, we have used the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021. One of the requirements of the SECR regulations is to report our total UK energy use in kilowatt hours (kWh); for this we have used the 2021 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. Scope 3 transport emissions relate to those emissions from employees, own use or hire car vehicles used in the course of business. Other fuel emissions include kerosene used for creating steam in feed manufacturing facilities and gas oil/LPG used to fuel on-site vehicles. As NWF Group is a UK-based company it is not required to report any global activity emissions. Purchased electricity has been calculated based on locations-based emissions factors. Details of energy efficiency initiatives undertaken in the year can be found on above.

Carbon emissions (tCO_2e)[1]	**2021/22**	2020/21	2019/20
Transport (scope 1)	**23,218**	22,913	22,417
Transport (scope 3)	**33**	26	29
Purchased electricity (scope 2)	**4,639**	5,294	5,970
Other fuels (scope 1)	**2,172**	2,466	3,117
Total emissions	**30,062**	30,699	31,533
Carbon intensity ratio 1 (tCO_2e/commercial vehicle)	**91.10**	101.32	n/a
Carbon intensity ratio 2 (tCO_2e/1,000 sq. ft of warehouse and office space)	**20.22**	20.65	21.21
Total UK energy usage (kWh)	**116,737,255**	117,717,572	119,092,791

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

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

How we engage with our stakeholders

NWF Group plc depends on the trust and confidence of all its stakeholders to operate sustainably in the long-term.

The Group seeks to build strong partnerships, create a culture of safety, invest in its people, respect the environment in which it operates and generate sustainable value for shareholders.

The Directors of NWF Group plc ('the Group') have discharged their duties as set out in Section 172(1) of the Companies Act 2006; they have had regard to the matters set out in Section 172(1)(a) to (f) when performing their duty to promote the success of the Group for the benefit of its members as a whole. In doing so, the Directors must have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Group's employees;

(c) the need to foster the Group's business relationships with suppliers, customers and others;

(d) the impact of the Group's operations on the community and the environment;

(e) the desirability of the Group maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the Group.

The Board's understanding of the interests of the Group's stakeholders is informed by the programme of stakeholder engagement detailed overleaf.

Section 172 considerations are embedded in decision making at Board level and throughout the Group. Examples of how the Directors discharged their Section 172 duty when taking principal decisions during the year are set out on pages 34 to 37.

FareShare partnership

FareShare is the UK's leading food redistribution charity, fighting hunger and food waste. The charity redistributes surplus food to frontline charities and community groups which turn it into meals for vulnerable people.

Many of our Food customers store products that FareShare could use, items which don't reach end consumers as planned because of issues such as forecasting, mislabelling or promotional items not selling as well as expected. Our Food division saw the opportunity to forge a partnership with the charity and present the food recycling option to its customers.

As well as the charitable and environmental benefits of diverting food away from landfill, customers can also save on additional costs they might incur, such as return of food, collection costs for food bins, landfill tax and labour to remove packaging.

Customers

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

Stakeholder expectations

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

Why we engage

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

How we engage

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

Outcomes of engagement

- Worked with our Food customers to increase stockholding and ensure service levels were maintained as volatile demand patterns impacted the business.
- Our Fuels division currently has eight customers participating in a domestic HVO trial in conjunction with UKIFDA and OFTEC.

Suppliers

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

Stakeholder expectations

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

Why we engage

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

How we engage

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

Outcomes of engagement

- The Fuels division is working closely with fuel producers to develop the next generation of fuels.
- During FY22 we have drafted a Supply Chain Policy which will be communicated to our key suppliers during FY23.

Employees and community

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

Stakeholder expectations

- Fair salary and benefits.
- An inclusive and diverse workplace with opportunities for personal development and flexible working.
- Job security and satisfaction, with support for wellbeing and the opportunity for feedback.

Why we engage

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

How we engage

- The Chief Executive holds a series of twice-yearly presentations for staff, where the financial results of the Group and development of its strategy are shared, with employees invited to discuss and ask questions.
- Through our new partnership with 'The Happiness Index' we are able to invite regular feedback tailored to specific needs.
- At a divisional level, regular employee briefings are conducted, either via floor briefings or monthly newsletters, to enable regular sharing of information.
- Intranet, email communication and newsletters are used to keep employees up to date with divisional and Group activities.

Outcomes of engagement

- Following consultation with our employees we have introduced an agile working policy to promote flexible working.
- As a result of workplace meetings, we have been able to safely reintroduce our programme of free weekly fitness classes in our on-site studio, provided by a local team of personal trainers.

Shareholders

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

Stakeholder expectations

- Responsible and sustainable growth ambitions.
- Share price accretion.
- Progressive dividend policy.
- Resilience to adverse market conditions.

Why we engage

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

How we engage

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

Outcomes of engagement

- Engagement with our shareholders has influenced our acquisition, capital investment and progressive dividend policy.
- As a result of shareholder engagement, we have enhanced our ESG reporting to include further information on our long-term sustainability ambitions.

*See our Roadmap to 2040 on **pages 26 – 27***

The environment

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

Stakeholder expectations

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

Why we engage

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

How we engage

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

Outcomes of engagement

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

Decision making by the Board

Board information	Board strategic discussion	Board decision
• CEO communications re: competitive activity, market trends and analyst reports. • Professional experience and qualification. • Training and induction. • Monthly provision of Board papers including financial and non-financial information. • Advice and presentations by internal and external subject matter experts.	• The Board satisfies itself that the information provided is sufficient, accurate and comprehensive to support decision making. Further information is sought, if required. • Section 172 considerations are taken into account in the Board's strategic discussions, including the long-term impacts on the Group and its stakeholders.	• Feedback from outcomes/actions of decisions is communicated back to the Board. • Actions are taken to implement the Board's decisions.

Stakeholders

- Customers
- Suppliers
- Employees and community
- Shareholders
- Environment

Section 172 considerations

- Likely long-term consequences
- Employee interests
- Relationships with customers, suppliers and others
- The impact on the community and environment
- Maintaining a reputation for high standards of business conduct
- Acting fairly between members of the Group.

Decision 1: Appointment of new Directors

Matter for discussion	Section 172 considerations	Actions and outcomes
The Board identifies recruitment, retention and development of our key people as a principal risk to the Group (see page 21). Succession planning for our senior management team is a key matter for consideration and discussion by the Board. As planned during the year, two of our long-serving Directors retired from the Food division.	The Board considered the appropriate skills, experience and qualifications necessary for long-term success in the Food senior management team. External senior-level recruiters were appointed to assist the Board in the search for successors to these two roles. Determining the needs of the division, its employees and its customers was also critical in the decision-making process. Appropriate levels of remuneration commensurate to the role were also considered by the Remuneration Committee.	Following an extensive search, recruitment and interview process, the Board has appointed a new Managing Director and Finance Director in its Food division, both of whom bring significant industry knowledge and experience to the Group. For more information on our new Managing Director appointment, see page 54.

Decision 2: Ongoing response to Covid-19

Matter for discussion	Section 172 considerations	Actions and outcomes
The resilience and capability of the Group and its employees were demonstrated during the challenges of the Covid-19 pandemic. Our operational teams, deemed 'key workers', continued with safe-working practices. For our back-office and administrative teams, FY22 presented a new set of challenges in bringing our employees back to our offices in a safe, understanding and flexible manner as lockdown restrictions eased.	Management was encouraged to seek direct feedback from its teams to ascertain views and sentiments towards post-pandemic working arrangements. The Board considered how the change in working arrangements during the pandemic had impacted employees in different ways, depending on individual circumstances. It was determined that maintaining flexibility in work location was important for the Group, both for its existing employees but also for potential new recruits.	The Group has once again remained fully operational during the year. Our employees were invited back to their offices via a phased return, with appropriate safety measures communicated and implemented. Our agile working policy was launched during the year and offers ongoing flexibility in respect of working arrangements for eligible employees.

Decision 3: ESG ambitions

Matter for discussion	Section 172 considerations	Actions and outcomes
The Board determined that there was a need to better communicate our long-term ambitions in regard to our ESG strategy and to start to define interim targets to support direction of travel.	In response to the increasing importance of ESG for employees and shareholders, the senior management team proposed an approach for the Board's consideration consisting of an ESG Roadmap with a focus on defining our 2040 ambitions and milestone targets. In reviewing the proposal, the Board considered the effectiveness of the Group's existing ESG reporting in supporting the ambitions in this regard. Guidance has been taken from external ESG specialists on current trends and regulations in ESG reporting.	ESG Roadmap launched in current financial year. Remuneration Committee to consider ESG-related objectives for the Executive Directors for FY23. ESG Roadmap to continue to be developed and strengthened over time.

An experienced and capable Board

Philip Acton
Non-Executive Chair

Experience
Joined the Board in 2013 and became Chair in 2017. Worked for 17 years in agriculture as chief operating officer for Genus Europe and Asia and group finance director of Genus plc. Prior to that spent ten years in the electrical engineering sector as group finance director of Scholes Group plc.

Key skills
- Sector experience
- Finance
- Mergers and acquisitions

Key development
A B C D E F G H

Committee membership
- Audit
- Remuneration
- Disclosure
- Nomination (Chair)

Richard Whiting
Chief Executive

Experience
Joined in 2007. Previously group finance director of Heywood Williams Group plc, after joining as business development director from Brand-Rex Ltd, where he was managing director of the datacom division.

Key skills
- Strategy and leadership
- Sales and marketing
- Operations
- Finance
- Mergers and acquisitions

Key development
A B C D E F G H

Committee membership
- Disclosure

Chris Belsham
Group Finance Director

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

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

Key development
A B C D E F G H

Committee membership
- Disclosure (Chair)

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

Skills

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

David Downie
Senior Independent Non-Executive Director and Chair Designate

Experience

Joined the Board in 2018. Holds a BSc in agriculture and spent over 15 years as a senior executive at ASDA. Currently chair at Marmion Recruitment and non-executive director of a vacant property service company which trades as VPS Group.

Key skills

- Sector experience
- Mergers and acquisitions
- Strategy and leadership

Key development

A B C D E F G H

Committee membership

- Audit
- Remuneration (Chair)
- Nomination

Richard Armitage
Independent Non-Executive Director

Experience

Joined the Board in July 2020. Currently chief financial officer at Morgan Advanced Materials plc having previously been 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 Board experience
- Strategy and leadership

Key development

A B C D E F G H

Committee membership

- Audit (Chair)
- Remuneration
- Nomination

Rob Andrew
Company Secretary

Experience

Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc.

Key skills

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

Key development

A B C D E F G H

Senior management

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

Richard Huxley
Managing Director, Fuels

Experience
Joined the Fuels division in May 2018. Richard has held significant commercial leadership roles in complex distribution businesses including Brammer and RS Components (part of Electrocomponents plc).

Key skills
- Leadership
- Operations
- Sales and marketing

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

Angela Carus
Managing Director, Food

Experience
Appointed Managing Director of the Food division in January 2022. Angela has worked in the logistics sector since leaving school and held a variety of senior positions before joining the Group from Culina, where she was a director of operations.

Key skills
- Leadership
- Operations
- Sales and marketing

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

Andrew Downie
Managing Director, Feeds

Experience
Appointed Managing Director of the Feeds division in February 2015. Previously held the position of head of operations at ABF plc and senior positions at AB World Foods and Patak's Foods Limited.

Key skills
- Leadership
- Operations
- Sales and marketing

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

Advisors

Registrars
Link Group
10th Floor
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Independent auditors
PricewaterhouseCoopers LLP
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Manchester M3 3EB

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

Nominated advisor and broker
Peel Hunt LLP
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100 Liverpool Street
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Solicitors
Brabners LLP
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Exchange Street E
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Registered number
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Strong governance

Dear shareholder,

On behalf of the Board, I am pleased to present NWF Group plc's Corporate Governance Statement for the year ended 31 May 2022. This statement provides details of our current governance framework and practices and how we discharge our governance duties.

Whilst 2021/22 has been another challenging year globally and for us as a business, I am delighted that the Group has achieved another strong performance through the efforts of our dedicated people. The Group has continued with its clear, long-term strategy and improved performance whilst mitigating, wherever possible, the risks faced by the businesses.

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 Group's corporate governance culture to ensure that an appropriate governance framework is embedded within the Group and its businesses. The Board recognises the fundamental importance of maintaining a strong corporate governance framework in order to continue to create long-term value and 2021/22 has seen the Group's governance framework evolve as the Group's businesses, and the environments in which those businesses operate, have developed.

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

Given the Group's size, we also endeavour to have regard to the provisions of the UK Corporate Governance Code to the extent that we believe this is appropriate. As such, all Board Directors are required to stand for annual re-election and our Non-Executive Directors are unable to serve for more than nine years in accordance with our independence policy. In keeping with this policy, and as previously announced, I will be stepping down from the Board at the time of the 2022 AGM, having completed nine years' service with the Group. David Downie, currently our Senior Independent Non-Executive Director, will be appointed as Chair at that time and Richard Armitage, currently a Non-Executive Director, will be appointed as Senior Independent Non-Executive Director. Following a review of the skills, experience, personal qualities and capabilities of the existing Board members and those required as the Group continues to evolve, a rigorous and targeted recruitment process was undertaken during the year to recruit a new Non-Executive Director and Chair of the Remuneration Committee (further details can be found in the Nomination Committee report on pages 53 and 54).

The expansion of the Audit Committee's remit in respect of monitoring non-financial risks has led to the development of a comprehensive workplan covering areas including health and safety, modern slavery and internal controls. Substantial progress has been made during the year in actioning the workplan, which will be regularly updated and kept under review by the Audit Committee.

The Board recognises that sustainability of the Group is key to its long-term success. As such, 2021/22 saw a continued focus on embedding and developing our four pillars of strategic focus (further details can be found on pages 23 to 33) and creating our 'Roadmap to 2040'. The Board is cognisant of the risks and opportunities presented by an increased focus on ESG and has consciously sought to bolster its skills and experience, particularly in respect of the social element of ESG, through the recruitment of Dawn Moore (further details can be found on pages 53 and 54).

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

For our strategy and business model to succeed in creating sustainable value in the long-term, and to enable the mitigation of our principal risks and uncertainties (as detailed on pages 19 to 22), positive relationships with the Group's various stakeholders must be cultivated. This will only be achieved through integrity and transparency. The Board monitors the Group's culture through engagement with the Group's stakeholders (further details on how we engage can be found on pages 34 to 37), the regular review of the Group's consolidated risk register and any changes to the principal risks and uncertainties, and externally facilitated employee surveys which allow us to engage with our people and identify areas of focus.

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

Philip Acton

Philip Acton
Non-Executive Chair
2 August 2022

> **"The Board recognises the fundamental importance of maintaining a strong corporate governance framework in order to continue to create long-term value."**

Philip Acton
Non-Executive Chair

Delivering growth and building trust

Our strategy

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

Effective risk management and internal control

The achievement of the Group's strategy is dependent upon the effective identification and management of new and existing risks. The Board recognises though that the risks faced by the Group also present opportunities for innovation and growth. The principal risks and uncertainties affecting the Group, and how these risks are identified, assessed, managed and reviewed, are explained on pages 19 to 22.

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

There are, however, inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board obtains assurance that the risk management and related control systems in place are effective in a number of ways. During the year a rolling programme of risk and controls testing has been undertaken across the Group with a focus on various key areas of risk identified. This programme was undertaken through a combination of internal and external resource and the results were reported to the Board. The Group's risk management programme, which assesses key risks and the required internal controls that are delegated to Directors and managers at all levels in the Group, is reviewed regularly in order to ensure that it continues to meet the Board's requirements. Although the Group does not have a formal internal audit function, targeted reviews and visits to operations are conducted by the Head Office team and professional advisors. The results of these reviews are communicated back to the Audit Committee. An internal control update is provided to the Audit Committee at each meeting. Further details can be found on pages 47 and 48.

Engagement with our shareholders and stakeholders

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

Whilst the Group 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 56;
2. other institutional investors;
3. private individuals; and
4. employees and ex-employees.

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

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

The Investors section of our website, ***nwf.co.uk/investors***, includes historical Annual Reports, Notices of AGMs and voting history for a minimum of five years.

Details of how we engage with our other stakeholders and the outcomes of this engagement can be found on pages 34 to 37.

https://www.nwf.co.uk/investors/share-price-and-tools/share-price-chart

Key shareholder engagements

June 2021
- Trading Update and Notice of Results
  RNS
- Shareholder and potential shareholder presentations

August 2021
- Preliminary Results
  Online meetings/CEO and Group FD presentation/RNS

September 2021
- AGM Statement and Trading Update
  RNS
- AGM
  Hybrid meeting held to allow participation by shareholders both in person and virtually. Recording of the AGM available on demand via nwf.co.uk

December 2021
- Trading Update
  Analyst communication/RNS

January 2022
- Notice of Half Year Results
  RNS

February 2022
- Half Year Results
  Online meetings/CEO and Group FD presentation/RNS

March 2022
- Trading Updates
  Analyst communication/RNS
- Meeting with significant private shareholder

May 2022
- Trading Update
  Analyst communication/RNS

Maintaining a dynamic management framework

Board

Matters reserved for the Board

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

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

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

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

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

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

A clearly defined Board structure

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

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

Board Committees

There are currently four Board Committees to which the Board delegates specific responsibilities: the Audit Committee, Remuneration Committee, Nomination Committee and Disclosure Committee. The responsibilities of each Committee are detailed in its terms of reference which are reviewed annually and are available on the Group's website. Further details on the activities of the Audit Committee, the Remuneration Committee and the Nomination Committee can be found on pages 47 and 48, pages 49 to 52 and pages 53 and 54 respectively. The Chair of each Committee formally reports to the Board in respect of the Committee's activities and recommendations.

Executive Directors and senior management

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

Maintaining an experienced and capable Board with clearly defined roles

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

Director induction

The Board induction programme has been comprehensively reviewed to create a full, formal and tailored induction for all new Directors. The programme ensures each new Director is fully informed, engaged and supported, enabling the Director to effectively contribute to the Group from the start of their appointment.

Information

Once appointed, each Director is provided with a comprehensive information pack which includes:

- summary of the Group's history and markets;
- details of the Group's strategy;
- guidance on their legal and regulatory responsibilities as a Director of an AIM-listed business;
- information on the Group's corporate governance arrangements, including key policies and procedures;
- minutes and papers from the Board and relevant Committee meetings from at least the last six months;
- copies of the latest Board and relevant Committee evaluations;
- the latest shareholder analysis;
- ESG briefing;
- organigrams; and
- details of key contacts and key advisors.

Engagement

A tailored engagement programme is created for each new Director which includes activities such as:

- briefings with the Chief Executive and the Group Finance Director;
- meeting with the Company Secretary.
- one-to-ones with the senior management team;
- meetings with individuals within the Group to enhance the Director's understanding of the businesses and its culture; and
- key site visits.

Board composition

The Board currently comprises a Non-Executive Chair, a Senior Independent Non-Executive Director, an independent Non-Executive Director and two Executive Directors. As previously announced, the existing Non-Executive Chair will step down from the Board at the time of the 2022 AGM and will be replaced by the current Senior Independent Non-Executive Director. Dawn Moore will join the Board as a Non-Executive Director on 1 September 2022.

The biographical details of the current Directors, including their skills and experience, are set out on pages 38 and 39. The biographical details of Dawn Moore are included in the Nomination Committee report on page 54. The biographical details of the senior management team are set out on page 40.

Board roles

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

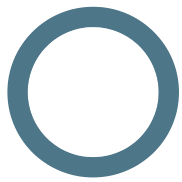
The Senior Independent Non-Executive Director conducts the Chair's annual appraisal and acts as a sounding board for the other Directors. Further information on the role of the Senior Independent Director can be found at ***nwf.co.uk/about-us/governance/corporate-governance-statement***.

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

Board composition

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

Diversity



- Male (5)

Length of tenure

- 0 – 3 years (1)
- 4 – 6 years (2)
- Over 7 years (2)

Board operation

The Board normally meets 11 times a year with additional meetings being called when required.

The number of Board and Committee meetings held in the year ended 31 May 2022, together with the attendance record for each Director, is detailed below.

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

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

The Board and the Committees to the Board are supported by external advisors on a regular basis in respect of matters such as pensions, taxation, property and health and safety. Deloitte LLP continued to act as professional advisors to the Remuneration Committee during the year. Grant Thornton also continued to act as the Group's virtual Chief Information and Security Officer to oversee the Group's information security regime.

Time commitment

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

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

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

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

Attendance of Directors at meetings during year ended 31 May 2022

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

■ Attended ◣ Did not attend — Not required to attend

1 During the year additional Board meetings were held on specific subjects.

2 R J Armitage is not a member of the Disclosure Committee but normally attends Disclosure Committee meetings by invitation.

3 R A Whiting and C J Belsham are not members of the Audit Committee but attend Audit Committee meetings by invitation.

4 R A Whiting is not a member of the Remuneration Committee but attends Remuneration Committee meetings by invitation.

Seeking continuous improvement

Process

The Board annually conducts an appraisal, led by the Chair, of its performance consisting of individual assessments using comprehensive questionnaires that are completed by all Directors. An appraisal of the Chair's performance is conducted at the same time by the Senior Independent Non-Executive Director. The Audit, Remuneration and Nomination Committees also annually consider their own performance using prescribed questionnaires. All questionnaires are prepared following consideration of the QCA Code, the QCA Audit Committee Guide, the QCA Remuneration Committee Guide and the UK Corporate Governance Code, as applicable. The Board appraisal questionnaire in 2022 covered topics such as Board composition, corporate culture and Board communication.

External facilitation of the Board appraisal has not been used to date, although this is kept under review, but does include an external view from the Group's Nominated Advisor.

Feedback

Following completion of the appraisals, the results are reviewed, and feedback is given to the Board by the Senior Independent Non-Executive Director in respect of the assessment of the Chair, and by the Chair in respect of the assessment of the Board as a whole. Feedback from the Committee appraisals is provided by the Committee Chairs to the Board.

Outcomes

Following the Board appraisal conducted in 2021, two actions were identified. Further work has been undertaken to ensure full integration of the Group's ESG strategic objectives throughout the Group (further details can be found on pages 23 to 33) and to determine the position of the ESG framework in relation to the Group's strategy.

Work is ongoing to set clear and relevant objectives to enable Board, Committee and each Director's performance to be evaluated.

The appraisal conducted in 2022 was on a consistent measurement basis, allowing the Board to consider its performance and progress over a three-year period. The appraisal showed an improvement in the score achieved.

Philip Acton
Non-Executive Chair
2 August 2022

Building understanding

The Board continually looks for opportunities to increase its understanding of the Group's businesses and to engage with the Group's stakeholders.

In May 2022, the Board visited Food's 240,000ft^2 Crewe warehouse. Having first been fully utilised in 2020/21, the Crewe warehouse has a capacity of 35,000 pallet spaces and has set new benchmarks for operating efficiency within the Food division.

The Board was given a presentation by the Food senior management team and a tour of the site with the opportunity for a question-and-answer session.

Monitoring all aspects of reporting and risk

Meetings in 2022

3

(2021: 3)

Members of the Audit Committee

R J Armitage (Chair)	■■■
T P Acton	■■■
D S Downie	■■■

■ Attended
◣ Did not attend
— Not required to attend

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 May 2022.

Composition

The Audit Committee consists of the Chair and two Non-Executive Directors and is chaired by myself as an independent Non-Executive Director. The Audit Committee met on three occasions during the year, consistent with the prior year.

Responsibilities

The Audit Committee has terms of reference in place which have been formally approved by the Board and are made available at the AGM and on the Group'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 ***nwf.co.uk***.

Key areas of focus in the year ended 31 May 2022

The Audit Committee has monitored the Group's financial performance and resilience as the UK emerged from the Covid-19 crisis and through volatility in commodity prices arising from the conflict in Ukraine. Furthermore, the Audit Committee has given particular focus to the key judgements and estimates of future business performance in the Feeds division, resulting in an impairment of the goodwill and other intangibles in the Feeds segment.

Specific activities in this financial year include expanding the scope of review and communication of internal control procedures performed across the Group.

The Audit Committee continues to pay particular attention to the development of the Group's IT systems in order to ensure there is continued progress in enhancing the resilience of the Group's information systems.

In the forthcoming financial year 2022/23 the Audit Committee will consider the Group's transition to reporting in line with the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD'). The Audit Committee will also consider any implications of the outcome of the Business, Energy and Industrial Strategy ('BEIS') consultation.

Experience of the Audit Committee

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

External audit

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

The respective responsibilities of the Directors and external auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 57 and the Auditors' Report on pages 58 to 62. Details of services provided by, and fees payable to, the auditors are shown in note 5 of the Group financial statements.

> **"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 Group's website."**

Richard Armitage
Chair of the Audit Committee

Audit Committee report continued

External audit continued

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 Group'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 third year of his term as audit partner. There are no contractual obligations restricting the Group's choice of auditors. As an AIM-listed Group the Group does not have a requirement to put the audit out to tender every ten years; however, this is kept under review by the Audit Committee to decide if tendering is appropriate.

Internal audit

The Group does not have a formal internal audit function but performs targeted reviews and visits to operations by the Head Office team and professional advisors. The Head Office function performs a rolling programme of internal control reviews with the divisions. External auditors are engaged to conduct annual internal control reviews into areas of specifically identified risk. The results of these reviews are communicated back to the Audit Committee. This approach is considered appropriate and proportionate for the size of the organisation.

Internal control and risk management

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

Going concern

The Board has prepared cash flow forecasts for the period to 31 May 2024. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

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

Significant issues considered in relation to the financial statements

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. The Committee also reviews reports by the external auditors on the half-year and full-year results which highlight any issues arising from their work undertaken in respect of the half-year review and year end audit. The specific areas of risk in relation to the financial statements reviewed by the Committee were:

1. Acquisition accounting

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

2. The carrying value of goodwill and fixed assets

The Group's goodwill and fixed assets are material balances. Annual impairment reviews are performed which use key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates. As a consequence of the lower level of performance in Feeds, the key assumptions used in the base case projections for Feeds were updated to reflect a slower speed of recovery. The Committee is comfortable with the key assumptions applied and management's conclusion that an impairment of goodwill and other intangibles was appropriate. There are no indications of impairment identified in the Fuels and Food CGU.

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 25 to the financial statements.

5. Exceptional items

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

6. Alternative performance measures ('APMs')

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

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

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

The Committee considers that the APMs, all of which exclude the impact of non-recurring items or non-operating events, provide useful information for shareholders on the underlying trends and performance of the Group.

Richard Armitage
Chair of the Audit Committee
2 August 2022

Rewarding performance

Meetings in 2022

3

(2021: 4)

Members of the Remuneration Committee

D S Downie (Chair)	■■■
T P Acton	■■■
R J Armitage	■■■

■ Attended
◣ Did not attend
— Not required to attend

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2022.

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

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

Composition

The Remuneration Committee consists of the Chair and two Non-Executive Directors and is currently chaired by myself as an independent Non-Executive Director. As previously announced, Philip Acton will be stepping down from the Board at the time of the 2022 AGM, and I will be appointed as Chair of the Group at that time. As such, immediately following the 2022 AGM, Dawn Moore will become Chair of the Committee (further details including Dawn's biography, can be found on pages 53 and 54), whilst I will remain as a member of the Committee.

Group performance in 2021/22

The Group has delivered another strong set of results, again demonstrating its resilience and growth. The Group's financial performance is detailed in the Strategic Report on pages 4 to 22. Overall Group performance has been taken into consideration by the Remuneration Committee when determining remuneration matters.

Key pay out-turns for 2021/22

For 2021/22, the performance achieved against financial and operational targets resulted in 88% of the maximum annual bonus being paid.

Given our headline earnings per share ('EPS') performance of 35.0p at 31 May 2022, 100% of the LTIP awards granted in July 2019 will vest in August 2022.

> **"We have followed the guidance contained in the Quoted Companies Alliance Remuneration Committee Guide when preparing this report."**

David Downie
Chair of the Remuneration Committee

Remuneration policy review
The annual review of our remuneration policies, with our external advisors, has been conducted to ensure that the policies are aligned to growth ambitions and the current marketplace. No changes to the remuneration policies have been made as a result of the review which concluded that the policies remain appropriate for an AIM listed business. The key reward schemes can be summarised as follows:

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

Looking forward to 2022/23
An in-depth review of our remuneration policies will be undertaken with the assistance of external advisors, following Dawn Moore becoming Chair of the Committee later in the year. As part of this review, proposals for the addition of ESG measure(s) to the annual bonus and LTIP will be considered for incorporation into the remuneration policy.

Base salary for Executive Directors
As of 1 June 2022, Richard Whiting and Chris Belsham received a 3% increase in basic salary to £318,500 and £191,500 respectively. This was broadly in line with the average increase for the Group's employees of 4.2%.

Advisory vote
At the AGM to be held on 29 September 2022, this report, excluding the remuneration policy section, will again be subject to an "advisory" shareholder vote (Resolution 9).

David Downie
Chair of the Remuneration Committee
2 August 2022

Remuneration policy
The Group'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.

2022/23 remuneration policy
The principles of our approved remuneration policy are as follows:

Element	Operation	Maximum opportunity	Performance metrics
Base salary Designed to attract and retain Directors with the skills and experience needed to deliver long-term sustainable growth. Positioned competitively in line with the market.	Reviewed annually. Any changes will normally take effect from 1 June each year.	There is no maximum salary; however, any increase will usually correspond to the level of increase applied across the Group.	Base salary reviews and any increases are based upon pay conditions throughout the Group, the Director's experience, skills and performance, market conditions and the Group's performance.
Annual bonus To reward and motivate based upon challenging personal objectives and budget.	Performance is measured over one financial year with weightings and targets being reviewed and set at the start of each financial year. Malus and clawback provisions will be applied in a number of cases, including, but not limited to: • a gross misstatement of the performance of the business; • gross misconduct; or • a miscalculation of the extent to which targets have been met.	100% of base salary.	For 2022/23, 75% of the bonus will be based on headline profit before tax performance with the remaining 25% based on the achievement of personal objectives.

Element	Operation	Maximum opportunity	Performance metrics
Long-term Incentive Plan To align the interests of the Executive Directors with shareholders.	Awards are usually made annually. Performance is measured over three years. Malus and clawback provisions will be applied in a number of cases, including, but not limited to: • a gross misstatement of the performance of the business; • gross misconduct; or • a miscalculation of the extent to which targets have been met. Upon vesting, a holding period of two years applies to all awards made after 2020. Executive Directors are expected to hold shares of value equivalent to 100% of their salary by the fifth anniversary of their appointment.	100% of base salary at the time of the award.	For 2022/23, the awards will be subject to EPS performance as follows: • 30% may vest for performance of RPI + 2% per annum; and • up to a maximum of 100% may vest for performance of RPI + 2% to 8% per annum.
Pension and benefits To provide a competitive package to attract and retain skilled and experienced Directors.	The Executive Directors are entitled to receive pension contributions from the Group. They can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a defined contribution pension scheme. The Executive Directors are entitled to a standard Director benefits package, including a company car and private medical cover.	In respect of pension contributions, 30% of base salary for R A Whiting and 15% of base salary for C J Belsham. For all new Executive Director appointments, pension contributions will be a maximum of 10% of base salary.	None.

ESG framework

Annual report on remuneration 2021/22

Directors' emoluments – audited information

Name of Director	Fees/basic salary £'000	Benefits £'000	Bonus £'000	LTIP[1] £'000	Pension £'000	**2022 Total £'000**	2021 Total £'000
C J Belsham	186	13	174	231	25	**629**	439
R A Whiting	309	20	274	385	81	**1,069**	764
Non-Executive							
T P Acton	82	–	–	–	–	**82**	79
R J Armitage	43	–	–	–	–	**43**	37
D S Downie	43	–	–	–	–	**43**	42
Y M Monaghan[2]	–	–	–	–	–	–	14
Aggregate emoluments	663	33	448	616	106	**1,866**	1,375

1 Calculated as an LTIP award for the three years ended 31 May 2022. C J Belsham and R A Whiting will be awarded 55,678 and 92,667 shares respectively, at the three-month average price of £214.81. The award will not vest until after the date of this report.

2 Y M Monaghan resigned as of 24 September 2020.

Annual bonus

For the year ended 31 May 2022, Executive Directors were eligible to receive a bonus of up to 100% of base salary, subject to the achievement of challenging headline profit before tax targets and personal objectives.

2022 bonus targets	Determination	Performance against targets
Up to 75% of basic salary based on headline profit before tax.	The profit element of the bonus has a minimum threshold set at 95% achievement of budget. If this is achieved, 30% of the maximum available bonus for this element may be paid. If headline profit before tax is as budgeted, 50% of the maximum available bonus for this element may be paid. If headline profit before tax is 125% of budget, the maximum available bonus for this element may be paid. A sliding scale operates between these thresholds.	The maximum available profit-related bonus will be paid in respect of headline PBT performance in FY22.

Annual report on remuneration 2021/22 continued

Annual bonus continued

2022 bonus targets	Determination	Performance against targets
Up to 25% of base salary based on personal objectives.	R A Whiting considers the extent to which personal objectives have been achieved by C J Belsham to determine the award under the personal objectives element of the bonus. The Chair of the Board considers the extent to which personal objectives have been achieved by R A Whiting. In both cases the Remuneration Committee has the ultimate approval on the achievement.	65% achievement of personal objectives.[1]

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

Long-term Incentive Plan

The table below summarises the outstanding Performance Share Plan awards. 2019 awards are based on absolute EPS performance in the year ended 31 May 2022. 2020 awards are based on absolute EPS performance in the year ending 31 May 2023. 2021 awards are based on absolute EPS performance in the year ending 31 May 2024.

	Award date	Share price at date of grant	Number of shares vesting at maximum	Face value of shares vesting at maximum	EPS for maximum vesting[1]	Number of shares vesting at threshold (30%)	EPS for threshold vesting[1]	Performance year ending
C J Belsham	30 July 2019	166.0p	107,590	£178,600	22.8p	32,277	19.4p	31 May 2022
	4 August 2020[2]	205.0p	88,902	£182,250	30.8p	26,671	26.2p	31 May 2023
	3 August 2021[2]	217.0p	85,714	£186,000	30.4p	25,714	25.9p	31 May 2024
R A Whiting	30 July 2019	166.0p	179,066	£297,250	22.8p	53,720	19.4p	31 May 2022
	4 August 2020[2]	205.0p	147,927	£303,250	30.8p	44,378	26.2p	31 May 2023
	3 August 2021[2]	217.0p	142,512	£309,250	30.4p	42,753	25.9p	31 May 2024

1 EPS targets based on headline EPS – year ended 31 May 2022 for the 2019 award, year ending 31 May 2023 for the 2020 award and year ending 31 May 2024 for the 2021 award. EPS targets for maximum and threshold vesting are based on the forecast RPI as at 31 May 2022.

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

C J Belsham and R A Whiting exercised options over 49,919 and 83,079 shares respectively during the year, at the three-month average price of £216.34.

Directors' interests

The Directors who held office at 31 May 2022 had the following interests in the ordinary shares of the Group:

Name of Director	31 May 2022 Number
T P Acton	**30,000**
R J Armitage	**10,000**
C J Belsham	**107,167**
D S Downie	**10,000**
R A Whiting	**412,455**

Payments for loss of office

No payments for loss of office were made during the year ended 31 May 2022 to previous Directors (31 May 2021: none).

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 Group's AGM.

Planning for the future

Meetings in 2022

2

(2021: N/A)

Members of the Nomination Committee

T P Acton (Chair)	■■
D S Downie	■■
R J Armitage	■■

■ Attended

◣ Did not attend

— Not required to attend

Dear shareholder,

I am pleased to present the first Nomination Committee Report which covers the year ended 31 May 2022.

Composition

The Nomination Committee consists of myself, as Chair of the Committee, and two Non-Executive Directors. As I will be stepping down from the Board at the 2022 AGM, David Downie will become Chair of the Committee and Dawn Moore will be appointed as a member of the Committee at that time.

The Nomination Committee met on two occasions during the year.

Responsibilities

The Nomination Committee has terms of reference in place which have been formally approved by the Board, are regularly reviewed and updated, and are available on the Group's website. The Committee's main responsibilities include developing and maintaining a rigorous and transparent procedure for making recommendations on Board, and material subsidiary company board, appointments and ensuring plans are in place for orderly succession to Board and senior management positions.

The Committee has a key role in ensuring the Board, its Committees and senior management team have the appropriate balance of skills, experience, qualities and capabilities they need to be successful and effective now, and as the businesses evolve. The process by which Board and other senior management appointments are determined is detailed in the Committee's terms of reference.

Key areas of focus in the year ended 31 May 2022

Succession planning has been the main area of focus for the Nomination Committee during the year.

Specific activities undertaken include:

- succession of the Chair;
- recommendation of successors for the Food Managing Director and Food Finance Director positions;
- recommendation of the appointment of Dawn Moore to the Board and its Committees; and
- a review of the existing succession plans for the Board.

"Succession planning will remain an area of focus for the Committee in 2022/23 and will be extended to encompass other senior management positions."

Philip Acton
Chair of the Nomination Committee

Nomination Committee report continued

Succession of the Chair

This process was led by myself, undertaking a rigorous process to establish my successor, with the support of executive search firm Warren Partners. Warren Partners is independent and has no other connection to the Group.

The skills, experience, qualities and capabilities required were identified through interviews with each of the Executive Directors and following a review of the results of the appraisals undertaken by the Board and its Committees and in respect of the Chair and individual Directors. Following a thorough evaluation of the candidates against the criteria identified, David Downie was announced as Chair Designate on 1 February 2022. David is an experienced Director who has served on the Board for four years and is currently Chair of the Remuneration Committee.

Recommendation of successors for the Food Managing Director and Food Finance Director positions

Following the decision by the Food Managing Director and Food Finance Director to retire in 2022, the Committee oversaw the recruitment process for successors for both roles. Competency and role descriptions for both positions were compiled, and a comprehensive search and selection process was undertaken, again utilising the services of Warren Partners in respect of the Food Managing Director position.

A shortlist of candidates was prepared for both roles, with candidates for the Food Managing Director vacancy giving presentations to the Board. This led to the appointment of Angela Carus as Food Managing Director in January 2022 and Alex Hall as Food Finance Director in March 2022.

Recommendation of the appointment of Dawn Moore

Following the announcement of David Downie as my successor as Chair of the Group, a comprehensive, focused search for a new Non-Executive Director and Chair of the Remuneration Committee was undertaken with the assistance of HW Global (an independent executive search firm with no other connection with the Group). In accordance with the QCA Code, the Board and Committee regularly challenge the Board's composition and balance of skills. Increasing the Board's diversity and bolstering its skills and capabilities within the social aspects of ESG were key criteria of the search process.

Following interviews of the shortlisted candidates with all Board members, the Committee recommended Dawn Moore for appointment. Dawn will be appointed on 1 September 2022 and will be subject to election by shareholders at the AGM to be held on 29 September 2022. Dawn Moore is an experienced Director and is currently Group Director of People and Communications for J Murphy & Sons Ltd, overseeing the People strategy and activities for all of Murphy operations across the UK, Ireland and Canada. Prior to this Dawn held senior HR roles in a variety of construction, engineering and manufacturing related businesses. Dawn has over 27 years of HR experience and is also an experienced Non-Executive Director and Remuneration Committee chair, having held roles in the public, private and third sectors since 2014.

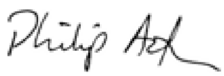
Review of existing succession plans

A review of the existing succession plans for the Board has been undertaken during the year, with some of the outcomes of the review being described above. The results of the appraisals undertaken by the Board, its Committees and in respect of the Chair (as detailed on page 46) have informed the development of the existing succession plans.

Succession planning will remain an area of focus for the Committee in 2022/23 and will be extended to encompass other senior management positions.

Nomination Committee evaluation

The Committee will annually evaluate its performance. The first evaluation is being conducted using a comprehensive, tailored questionnaire. Further details can be found on page 46.



Philip Acton
Chair of the Nomination Committee
2 August 2022

Key activities in 2021/22

Board, Committee and senior management team composition

- Reviewed the composition of the Board and its Committees to identify the skills, experience, qualities and capabilities required of the Chair's successor and the new Non-Executive Director.
- Undertaken a rigorous process to establish the Chair's successor.
- Oversaw the recruitment process for successors for the Food Managing Director and Food Finance Director roles.
- Undertaken a comprehensive search for a new Non-Executive Director and Chair of the Remuneration Committee.
- Recommended to the Board the appointment of Dawn Moore as Non-Executive Director and Chair of the Remuneration Committee.

Succession planning

- Reviewed the existing succession plans for the Board.

Directors' report
for the year ended 31 May 2022

The Directors present their report together with the audited Annual Report and Accounts of the Parent Company ('the Company') and the Group for the year ended 31 May 2022.

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

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 £878.6 million (2021: £675.6 million) and profit after tax of £8.4 million (2021: £7.8 million).

The Directors recommend a final dividend for the year of 6.5p per share (2021: 6.2p) which, if approved at the AGM, will be payable on 9 December 2022. Together with the interim dividend paid during the year of 1.0p per share (2021: 1.0p), this will result in a total dividend of 7.5p per share (2021: 7.2p) amounting to £3.7 million (2021: £3.5 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 22, Financial instruments and risk management.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Financial Review on pages 16 to 18. 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 22 of the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to price, interest rate, credit and liquidity risk.

Accordingly, the Directors, having made suitable enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future based on the following factors:

- The Group has an agreement with NatWest Group for credit facilities totalling £65.0 million. With the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility, which are renewed annually, these facilities are committed through to 31 October 2023. The Group's banking facilities, provided by NatWest Group, were renewed on 29 June 2018 and are committed until 31 October 2023. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its banker. As such, there are no concerns regarding the refinancing of the Group's facilities, which is expected to complete in 2023. As at 31 May 2022 the Group had available funds of £70.1 million (based on cash balances, invoice discounting availability, RCF and overdraft facilities), against which the Group was utilising £Nil.
- The Board has prepared cash flow forecasts for the period to 31 May 2024. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.
- The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.
- On the basis of the above, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Forward-looking statements
The Annual Report and Accounts include certain statements that are forward-looking statements. These statements appear in a number of places throughout the Strategic Report and include statements regarding the Group's intentions, beliefs or current expectations and those of its officers, Directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Group's businesses. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated.

Directors and their interests
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Philip Acton
- Richard Armitage
- Chris Belsham
- David Downie
- Richard Whiting

The Directors who held office as at 31 May 2022 had the following interests in the ordinary shares of the Group.

Name of Director	31 May 2022 Number
T P Acton	**30,000**
R J Armitage	**10,000**
C J Belsham	**107,167**
D S Downie	**10,000**
R A Whiting	**412,455**

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

	31 May 2022 Number
C J Belsham	**174,616**
R A Whiting	**290,439**

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 Group's shares at the end of the financial year was 220.0p (31 May 2021: 212.0p) and the range of market prices during the year was between 187.0p and 230.0p.

No changes took place in the interests of Directors between 31 May 2022 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 Group has made qualifying third party indemnity provisions for the benefit of the Directors, which were in force during the year and up to the date of this report.

Directors' report continued
for the year ended 31 May 2022

Major shareholdings as at 31 May 2022

Name of shareholder	Number	%
Interactive Investor	**2,602,804**	**5.30**
Festa Lífeyrissjóður	**2,382,389**	**4.85**
Sameinaði Lífeyrisjóðurinn	**2,382,389**	**4.85**
Lífeyrissjóður Vestmannaeyja	**2,382,389**	**4.85**
Close Brothers Asset Management	**2,026,897**	**4.13**
Cazenove Capital Management	**1,836,802**	**3.74**
JM Finn	**1,503,813**	**3.06**
Hargreaves Lansdown	**1,485,034**	**3.02**

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, disabilities, age, marital or civil partner status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Further information and examples of the Group's engagement with employees can be found in our Section 172 Statement on page 35 and sustainability strategy on pages 29 and 30.

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

Further information and examples of the Group's engagement with customers, suppliers and others can be found in our Section 172 Statement on pages 34 to 37 and sustainability strategy on pages 23 to 33.

Takeover Directive requirements
The Group 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 Group's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Group's website (***nwf.co.uk***).

Notice of AGM
A Notice of AGM, with explanatory notes, accompanies these financial statements.

Corporate governance
The Group's statement on corporate governance can be found in the Corporate Governance Statement which is incorporated by reference and forms part of this Directors' Report.

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
2 August 2022

Statement of Directors' responsibilities
for the year ended 31 May 2022

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 UK-adopted international accounting standards and the 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, 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Parent 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent 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 Group's and Parent Company's auditors are aware of that information.

By order of the Board

Rob Andrew
Company Secretary
Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 02264971
2 August 2022

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 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 2022; 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

Audit scope

- The Group consists of five trading entities alongside its Head Office company and other holding companies. Our audit focused on those entities with the most significant contribution to the Group's results, being NWF Agriculture Limited, NWF Fuels Limited, Boughey Distribution Limited, New Breed (UK) Limited along with the Head Office company.
- The components within the scope of our work accounted for 99% of Group revenue and 99% of Group profit before tax.

Key audit matters

- Defined benefit pension plan liabilities (group and parent)
- Goodwill impairment of the Feeds CGU (group)

Materiality

- Overall group materiality: £1,000,000 (2021: £567,000) based on 5% of adjusted profit before tax.
- Overall parent company materiality: £530,000 (2021: £480,000) based on 0.97% of total assets.
- Performance materiality: £750,000 (2021: £425,000) (group) and £397,500 (2021: £360,000) (parent company).

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Goodwill impairment of the Feeds CGU is a new key audit matter this year. Impact of Covid-19, which was a key audit matter last year, is no longer included because of the reduced impact of Covid-19 on the Group's and the parent's operations and results. Otherwise, the key audit matters below are consistent with last year.

Report on the audit of the financial statements continued
Our audit approach continued
Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension plan liabilities (group and parent) Refer to page 48 (Audit Committee Report), note 2 (Accounting policies), page 73 (Critical accounting estimates and judgements) and note 25. The Group and the parent company have a defined benefit pension plan net liability of £9.3 million (2021: £14.9 million), which is significant in the context of both the overall balance sheet of the Group and the parent company. 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 £49.0 million (2021: £60.0million) requires significant judgement and expertise primarily in respect of the key actuarial assumptions used. These assumptions include both financial assumptions, e.g. the discount rate and inflation, but also key demographic assumptions, e.g. mortality rates. Modest changes in a number of these key assumptions can have a material impact on the calculation of the liability and therefore a significant effect on the financial position of the Group and the parent company. We therefore focused our work on this area.	Our procedures over the testing of this net defined benefit pension plan liability include: We obtained the external actuary's report used in valuing the scheme's liabilities. Using our experience of the valuation of similar schemes, and our own pension specialists, we challenged a number of the key inputs in the report and evaluated the methodologies adopted by the actuary in forming the valuation consistent with industry practice and our expectations. We also agreed the key financial assumptions used within the valuation of the scheme's liabilities, including the discount and inflation rates, to our internally developed benchmarks. Further we considered the appropriateness and reasonableness of the approach taken to setting the mortality assumptions. We assessed the membership data used in valuing the schemes' liabilities and tested any significant changes since the last valuation. We read the disclosures within the financial statements in respect of the defined benefit scheme and determined if they are consistent with accounting standards. We checked the disclosures made in the financial statements back to supporting documentation. As a result of these procedures, we concluded that defined benefit pension plan liabilities are free from material misstatement and that appropriate disclosures have been made in the financial statements.
Goodwill impairment of the Feeds CGU (group) Refer to page 73 (Critical accounting estimates and judgements) and note 13. The Group has a goodwill balance in its Feeds CGU of £4.4 million (2021: £11.9 million). As required by UK-adopted international accounting standards, specifically IAS 36 'Impairment of asset, it is the annual responsibility of the directors to test for impairment or more frequently if there are indications of impairment. We have tested the directors' goodwill impairment model of its Feeds cash generating unit (CGU). At the half year in November 2021, impairment indicators existed that resulted in the directors to perform an impairment review of this CGU. It was calculated that an impairment of £7.9m was required to goodwill which has subsequently been adjusted in the Group financial statements. This impairment review was revisited at the year end by the directors to update for any post November 2021 actual results. The forecasts for 2023 and beyond remained in-line with those based on the half year model. The impairment review used a value in use model determined using the discounted cash flow projections based on the budgets approved by the Directors of the Group. The model involved a number of estimates and assumptions used in deriving the recoverable amounts of the CGU, for example, revenue growth, earnings before interest and tax ("EBIT"), earnings before interest, tax, depreciation and amortisation ("EBITDA"), terminal growth rate and discount rate.	In assessing the appropriateness of valuation of goodwill, we obtained management's impairment calculations and our work included the following substantive procedures: We evaluated management's discounted cash flow model, checking the relevant inputs to supporting documentation and challenging management on key assumptions within the calculations. Our challenge included assessing whether management had considered consumer trends and any associated climate change considerations within their model. We obtained an external specialist report used in valuing the discount rate and using our own valuer, we challenged a number of the key inputs in the report and concluded that the methodologies adopted by the specialist in forming the valuation were consistent with industry practice and within our acceptable range. We recalculated management's own sensitivity analysis of key assumptions used in the value in use assessment and also challenged the appropriateness of management's sensitivity analysis. We also performed our own independent breakeven analysis on discount rate to establish the point where an impairment existed. We assessed the accuracy of management's historic forecasts against actual financial results to assess the reasonableness of estimates used in the forecast. We considered publicly available information and considered whether there were any views contrary to those of management. We reviewed the goodwill disclosures made in the financial statements back to supporting documentation. Based on our work performed, we concluded that the carrying values of those assets have been appropriately reduced to their recoverable amounts as at 31 May 2022 and that appropriate disclosures have been made in the 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

How we tailored the audit scope

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

The Group is managed on an entity basis with five trading entities, along with a Head Office company and three holding companies. The Group's trading entities are all based in the UK and operate their own accounting function, which report to the Group finance team. Consistent with the Group's operations, we scoped our audit at an entity level, performing a full scope audit in respect of NWF Agriculture Limited, NWF Fuels Limited, Boughey Distribution Limited and New Breed (UK) Limited, along with the Head Office company. Audit work across the Group, including the trading entities and Head Office company, was performed by the same audit team based out of our Manchester office.

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:

	Financial statements - group	Financial statements - parent company
Overall materiality	£1,000,000 (2021: £567,000).	£530,000 (2021: £480,000).
How we determined it	5% of adjusted profit before tax	0.97% of total assets
Rationale for benchmark applied	Adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Profit before tax has been adjusted for exceptional items only.	Total assets are 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 £50,000 to £950,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £750,000 (2021: £425,000) for the group financial statements and £397,500 (2021: £360,000) for the parent company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £50,000 (group audit) (2021: £28,000) and £26,500 (parent company audit) (2021: £24,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- we obtained management's forecasts and information for the period extending 12 months from the date of approval of the financial statements;
- we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared;
- we agreed the opening position of the Group's cash flow forecasts to the June 2022 management accounts. We also agreed the gross debt and cash per the 31 May 2022 audited financial statements to the cash flow forecast;
- we have reviewed the mathematical accuracy of management's forecasts;
- we assessed and challenged management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the next 12 months;
- we evaluated the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis on key assumptions underpinning the cash flows throughout the going concern period;
- we obtained the terms of the Group's financing facility and the covenants in place in relation to this facility, and determined that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approved financial statements; and
- we have reviewed management's disclosure in the Annual Report and Accounts in relation to the Directors' going concern conclusion and are satisfied that they are consistent with the assessment performed.

Report on the audit of the financial statements continued

Conclusions relating to going concern continued

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislations and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries including those to increase revenue of the Group/parent company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

Independent auditors' report continued

to the members of NWF Group plc

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
2 August 2022

Consolidated income statement

for the year ended 31 May 2022

	Note	2022 £m	2021 £m
Revenue	3,4	**878.6**	675.6
Cost of sales		**(823.3)**	(637.7)
Gross profit		**55.3**	37.9
Administrative expenses		**(42.1)**	(25.8)
Headline operating profit[1]		**21.8**	12.9
Exceptional items	5	**(8.3)**	(0.5)
Amortisation of acquired intangibles	13	**(0.3)**	(0.3)
Operating profit	4	**13.2**	12.1
Finance costs	7	**(1.2)**	(1.3)
Headline profit before taxation[1]		**20.9**	11.9
Net finance cost in respect of the defined benefit pension scheme		**(0.3)**	(0.3)
Exceptional items	5	**(8.3)**	(0.5)
Amortisation of acquired intangibles	13	**(0.3)**	(0.3)
Profit before taxation	5	**12.0**	10.8
Income tax expense	8	**(3.6)**	(3.0)
Profit for the year attributable to equity shareholders		**8.4**	7.8
Earnings per share (pence)			
Basic	10	**17.1**	15.9
Diluted	10	**17.0**	15.9
Headline earnings per share (pence)[1]			
Basic	10	**35.0**	20.4
Diluted	10	**34.8**	20.4

1 Headline operating profit is statutory operating profit of £13.2 million (2021: £12.1 million) before exceptional items of £8.3 million (2021: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2021: £0.3 million). Headline profit before taxation is statutory profit before taxation of £12.0 million (2021: £10.8 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2021: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline earnings per share also takes into account the taxation effect thereon.

The results relate to continuing operations.

The notes on pages 68 to 95 form part of these Group financial statements.

Consolidated statement of comprehensive income
for the year ended 31 May 2022

	Note	2022 £m	2021 £m
Profit for the year attributable to equity shareholders		**8.4**	7.8
Items that will never be reclassified to income statement:			
Remeasurement gain defined benefit pension scheme	25	**4.0**	4.0
Tax on items that will never be reclassified to income statement		**(1.0)**	0.1
Total other comprehensive income		**3.0**	4.1
Total comprehensive income for the year		**11.4**	11.9

The notes on pages 68 to 95 form part of these Group financial statements.

Consolidated balance sheet
as at 31 May 2022

	Note	2022 £m	2021 (restated[1]) £m
Non-current assets			
Property, plant and equipment	11	**45.4**	47.3
Right of use assets	12	**27.5**	25.4
Intangible assets	13	**22.7**	30.9
		95.6	103.6
Current assets			
Inventories	14	**9.8**	6.6
Trade and other receivables	15	**96.2**	72.1
Reimbursement assets	16	**2.8**	3.0
Current income tax assets		**–**	0.4
Cash and cash equivalents	17	**9.1**	4.0
Derivative financial instruments	22	**0.4**	0.2
		118.3	86.3
Total assets		**213.9**	189.9
Current liabilities			
Trade and other payables	18	**(100.6)**	(74.8)
Current income tax liabilities		**(0.4)**	–
Borrowings	19	**–**	(6.5)
Lease liabilities	20	**(8.6)**	(7.4)
Provision for liabilities	21	**(3.1)**	(3.0)
Derivative financial instruments	22	**(0.2)**	(0.1)
		(112.9)	(91.8)
Non-current liabilities			
Borrowings	19	**–**	(3.0)
Lease liabilities	20	**(19.7)**	(18.4)
Provision for liabilities	21	**(0.7)**	(0.4)
Deferred income tax liabilities	23	**(3.2)**	(1.9)
Retirement benefit obligations	25	**(9.3)**	(14.9)
		(32.9)	(38.6)
Total liabilities		**(145.8)**	(130.4)
Net assets		**68.1**	59.5
Equity			
Share capital	24	**12.3**	12.3
Share premium		**0.9**	0.9
Retained earnings		**54.9**	46.3
Total equity		**68.1**	59.5

1 A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities. The impact on the brought forward balance sheet at 1 June 2020 would be the inclusion of a provision for insurance claims of £2.9 million and a corresponding re-imbursement asset of £2.9 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

The Group financial statements on pages 63 to 95 were approved by the Board of Directors on 2 August 2022 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 68 to 95 form part of these Group financial statements.

Consolidated statement of changes in equity
for the year ended 31 May 2022

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2020	12.2	0.9	38.0	51.1
Profit for the year	–	–	7.8	7.8
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme (note 25)	–	–	4.0	4.0
Tax on items that will never be reclassified to income statement	–	–	0.1	0.1
Total other comprehensive income	–	–	4.1	4.1
Total comprehensive income for the year	–	–	11.9	11.9
Transactions with owners:				
Issue of shares	0.1	–	(0.1)	–
Dividends paid (note 9)	–	–	(3.4)	(3.4)
Value of employee services	–	–	(0.5)	(0.5)
Credit to equity for equity-settled share-based payments	–	–	0.4	0.4
Total transactions with owners	0.1	–	(3.6)	(3.5)
Balance at 31 May 2021	12.3	0.9	46.3	59.5
Profit for the year	**–**	**–**	**8.4**	**8.4**
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme (note 25)	**–**	**–**	**4.0**	**4.0**
Tax on items that will never be reclassified to income statement	**–**	**–**	**(1.0)**	**(1.0)**
Total other comprehensive income	**–**	**–**	**3.0**	**3.0**
Total comprehensive income for the year	**–**	**–**	**11.4**	**11.4**
Transactions with owners:				
Issue of shares	**–**	**–**	**–**	**–**
Dividends paid (note 9)	**–**	**–**	**(3.5)**	**(3.5)**
Value of employee services	**–**	**–**	**(0.1)**	**(0.1)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.8**	**0.8**
Total transactions with owners	**–**	**–**	**(2.8)**	**(2.8)**
Balance at 31 May 2022	**12.3**	**0.9**	**54.9**	**68.1**

The notes on pages 68 to 95 form part of these Group financial statements.

Consolidated cash flow statement
for the year ended 31 May 2022

	Note	2022 £m	2021 £m
Net cash generated from operations	27	**33.7**	24.8
Interest paid		**(0.9)**	(1.0)
Income tax paid		**(2.7)**	(2.8)
Net cash generated from operating activities		**30.1**	21.0
Cash flows used in investing activities			
Purchase of intangible assets	13	**(0.2)**	(0.1)
Purchase of property, plant and equipment	11	**(3.4)**	(2.9)
Acquisition of subsidiaries – cash paid (net of cash acquired)		**–**	(1.1)
Proceeds on sale of property, plant and equipment		**0.4**	–
Net cash used in investing activities		**(3.2)**	(4.1)
Cash flows used in financing activities			
Decrease in bank borrowings		**(9.5)**	(7.7)
Capital element of finance leases		**(8.8)**	(7.1)
Dividends paid	9	**(3.5)**	(3.4)
Net cash used in financing activities		**(21.8)**	(18.2)
Net increase/(decrease) in cash and cash equivalents	28	**5.1**	(1.3)
Cash and cash equivalents at beginning of year	28	**4.0**	5.3
Cash and cash equivalents at end of year	28	**9.1**	4.0

The notes on pages 68 to 95 form part of these Group financial statements.

Notes to the Group financial statements

for the year ended 31 May 2022

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 2 August 2022.

2. Significant accounting policies

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

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in the Group financial statements on 1 June 2021.

This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards. 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. The accounting policies have been applied consistently throughout the period, other than where new policies have been adopted.

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 2024. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

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

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

Alternative performance measures ('APMs')

The Directors consider that headline operating profit, headline profit before taxation, headline EBITDA, headline ROCE 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.

Headline ROCE refers to the return on capital employed calculated as headline operating profit as a proportion of net assets.

The calculation of headline earnings includes any exceptional impact of remeasuring deferred tax balances. 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 2021.

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

Standard or interpretation	Content	Applicable for financial year beginning on
Amendment to IFRS 3	Business Combinations	1 June 2021
Amendment to IFRS 9	Financial Instruments	1 June 2021
Amendment to IFRS 16	Leases	1 June 2021
Amendments to IAS 16	Property, Plant and Equipment	1 June 2021
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 June 2021

2. Significant accounting policies continued

Adoption of new and revised standards continued

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

Standard or interpretation	Content	Applicable for financial year beginning on
IFRS 4	Insurance Contracts	1 June 2022
Amendments to IAS 1	Presentation of Financial Statements	1 June 2023
Amendments to IAS 8	Accounting Policies	1 June 2023
Amendments to IAS 12	Income Taxes	1 June 2023
Amendments to IFRS 17	Insurance Contracts	1 June 2023
IFRS Practice Statement 2	Making Materiality Judgements	1 June 2023

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

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.

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.

2. Significant accounting policies continued

Interest income

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

Segment reporting

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

Taxation

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

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

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

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

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

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

Borrowing costs

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

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

Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised in the Group's financial statements in the period in which it is approved by the Company's shareholders.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to reduce their cost to their residual values over their useful economic lives, as follows:

Freehold and long leasehold buildings	10 – 50 years
Plant and machinery	3 – 10 years
Cars and commercial vehicles	4 – 8 years

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

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

Right of use assets and lease liabilities

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

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

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

2. Significant accounting policies continued

Right of use assets and lease liabilities continued

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.

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

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

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

Intangible assets

Goodwill

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

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

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

Brands

Separately acquired brands are shown at historical cost less accumulated amortisation. Brands acquired in a business combination are recognised at fair value at the date of acquisition. Brands have a finite useful life and are carried at cost less accumulated amortisation and represent an acquired intangible asset. Amortisation is calculated, using the straight-line method, to allocate the cost of brands over their estimated useful lives of either ten or twenty years.

Customer relationships

Separately acquired customer relationships are shown at historical cost less accumulated amortisation. Customer relationships acquired in a business combination are recognised at fair value at the date of acquisition. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and represent an acquired intangible asset. Amortisation is calculated, using the straight-line method, to allocate the cost of these assets over their estimated useful lives of ten years.

Computer software

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

Cloud-based software provided under a Software as a Service ('SaaS') arrangement is assessed separately to determine whether any power to obtain future economic benefit from the software arises and if access to those benefits can be restricted. If not, such costs are recognised as an expense. A further assessment of any configuration and customisation costs associated with the SaaS arrangement is made to determine if such services are distinct from the provision of the software and therefore establish the appropriate period over which to expense such costs.

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.

2. Significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average costing method. The cost of 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.

Reimbursement assets

The Group recognises a reimbursement asset in respect of third party claims made against the Group, but which under the terms of its insurance policy, the Group is indemnified. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy, and therefore it is virtually certain that reimbursement will be received.

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, and in accordance with IFRS 9, when it has the contractual right to obtain cash from the bank. 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 have the contractual right to obtain the cash and is therefore not deemed to exercise control over it. The Group's cash recognition policies are aligned with the IFRIC Committee tentative agenda decision in September 2021, as follows; in respect of incoming receipts via electronic transfer, the Group recognises cash as a financial asset on the transfer settlement date, and not before. In respect of cheques received, the Group classifies these as 'promissory notes' and recognises within cash equivalents all cheques dated and deposited with the bank up to and including the reporting period end. In respect of card receipts, the Group recognises a cash equivalent on the transaction date as the conversion to cash is very quick and the credit risk is deemed very low. In respect of outgoing payments, where there is often a delay between the remittance date and the transfer settlement date, the Group de-recognises the cash from financial assets on the transfer remittance date, and not after. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade and other payables

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

Exceptional items

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

Bank borrowings

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

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

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 Group has considered the recognition requirements of IFRIC 14 and determined that they do not apply to the scheme.

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 shown net within deferred income tax liabilities 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 2022, the Group operated one (2021: one) equity-settled share-based payment plan, details of which can be found in note 26 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 25 of the Group financial statements.

Assessment of impairment

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

The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2023 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. For further details of our assessment of impairment please see note 13.

Carrying value of trade receivables

The Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

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

Notes to the Group financial statements continued
for the year ended 31 May 2022

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

	2022 £m	2021 £m
Sale of goods	**816.0**	620.8
Rendering of services	**62.6**	54.8
	878.6	675.6

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.

2022	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	**628.9**	**62.7**	**194.9**	**886.5**
Inter-segment revenue	**(7.8)**	**(0.1)**	**–**	**(7.9)**
Revenue	**621.1**	**62.6**	**194.9**	**878.6**
Result				
Headline operating profit	**17.2**	**2.8**	**1.8**	**21.8**
Segment exceptional item (note 5)	**–**	**–**	**(8.4)**	**(8.4)**
Group exceptional item (note 5)				**0.1**
Amortisation of acquired intangibles	**(0.3)**	**–**	**–**	**(0.3)**
Operating profit as reported				**13.2**
Finance costs (note 7)				**(1.2)**
Profit before taxation				**12.0**
Income tax expense (note 8)				**(3.6)**
Profit for the year				**8.4**
Other information				
Depreciation and amortisation	**5.2**	**5.9**	**2.9**	**14.0**
Property, plant and equipment additions (note 11)	**0.9**	**1.1**	**1.4**	**3.4**

4. Segment information continued

2022	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	**106.5**	**48.3**	**50.0**	**204.8**
Cash and cash equivalents (note 17)				**9.1**
Consolidated total assets				**213.9**
Liabilities				
Segment liabilities	**(88.7)**	**(20.1)**	**(24.1)**	**(132.9)**
Deferred income tax liabilities (note 23)				**(3.2)**
Current income tax liabilities				**(0.4)**
Retirement benefit obligations (note 25)				**(9.3)**
Consolidated total liabilities				**(145.8)**

2021	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	453.9	54.9	173.0	681.8
Inter-segment revenue	(6.1)	(0.1)	–	(6.2)
Revenue	447.8	54.8	173.0	675.6
Result				
Headline operating profit	9.3	1.9	1.7	12.9
Segment exceptional item (note 5)	(0.1)	–	(0.2)	(0.3)
Group exceptional item (note 5)				(0.2)
Amortisation of acquired intangibles	(0.3)	–	–	(0.3)
Operating profit as reported				12.1
Finance costs (note 7)				(1.3)
Profit before taxation				10.8
Income tax expense (note 8)				(3.0)
Profit for the year				7.8
Other information				
Depreciation and amortisation	4.3	5.6	3.0	12.9
Property, plant and equipment additions (note 11)	1.0	1.1	0.8	2.9

4. Segment information continued

2021 (restated[1])	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	82.3	46.3	56.9	185.5
Current income tax asset				0.4
Cash and cash equivalents (note 17)				4.0
Consolidated total assets				189.9
Liabilities				
Segment liabilities	(65.2)	(18.0)	(20.9)	(104.1)
Deferred income tax liabilities (note 23)				(1.9)
Borrowings (note 19)				(9.5)
Retirement benefit obligations (note 25)				(14.9)
Consolidated total liabilities				(130.4)

1 A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities.

5. Profit before taxation

Profit before taxation is stated after charging:

	2022 £m	2021 £m
Cost of inventories recognised as an expense (included in cost of sales)	**756.0**	573.5
Depreciation of property, plant and equipment (note 11)	**4.6**	4.5
Depreciation of right of use assets (note 12)	**8.9**	7.7
Amortisation of other intangible assets (note 13)	**0.5**	0.7
Profit on disposal of property, plant and equipment	**–**	–
Staff costs (note 6)	**55.6**	51.4
Exceptional items	**8.3**	0.5

A net exceptional cost of £8.3 million (2021: £0.5 million) is included in administrative expenses. Exceptional items by type are as follows:

	2022 £m	2021 £m
Impairment of goodwill and other intangible assets	**7.9**	–
Impairment of property, plant and equipment	**0.5**	–
Acquisition-related costs	**–**	0.2
Cyber-related costs	**–**	0.7
Insurance reclaim credit	**(0.1)**	(0.4)
Net exceptional cost	**8.3**	0.5

Impairment of goodwill and other intangible assets – Recent performance in Feeds has been below planned levels, driven predominantly by lower volumes, and consequently a detailed impairment review was performed at the half-year reporting period end.

The key assumptions used in the base case value in use calculations were updated to reflect a slower speed of recovery, and future growth, of volume.

As a result, a total impairment loss of £7.9 million has been recognised for the Feeds reporting segment, reducing the carrying amount of the goodwill and other intangible assets to £4.4 million; see note 13.

Impairment of property, plant and equipment – The impairment of various items of plant and machinery in the Feeds segment which are no longer in use and deemed obsolete; see note 11.

Acquisition-related costs – Prior year acquisition-related costs comprise professional fees and other costs in relation to the integration and hive-up of acquisitions made during the year ended 31 May 2021.

Cyber-related costs – Prior year cyber-related costs comprise certain insurance excesses on the Group's cyber insurance policy, and other rebuild, business interruption and professional service costs, which were incurred during the year ended 31 May 2021 as a result of the cyber incident announced on 2 November 2020.

5. Profit before taxation continued

Insurance reclaim credit – The insurance reclaim comprises amounts reimbursed through the Group's insurer, in respect of costs incurred as a result of the cyber incident. A final reimbursement of £0.1 million has been received during the year ended 31 May 2022 in respect of cyber costs incurred in the prior year.

Services provided by the Company's auditors

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual financial statements	**48**	75
Fees payable to the Company's auditors for other services:		
– audit of the financial statements of the Company's subsidiaries pursuant to legislation	**311**	416
– non-audit assurance services	**2**	2
– tax compliance services	**51**	45
Total auditors' remuneration	**412**	538

Fees relating to the audit of the financial statements in the prior year ending 31 May 2021 included £90,000 of additional costs relating to the previous year that have not recurred in the current year.

6. Staff costs

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

	2022 Number	2021 Number
Fuels	**342**	337
Food	**705**	704
Feeds	**227**	219
Head Office	**18**	18
	1,292	1,278

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 51.

	2022 £m	2021 £m
Wages and salaries	**48.0**	44.8
Social security costs	**5.4**	4.7
Share-based payments (note 26)	**0.8**	0.5
Other pension costs (note 25)	**1.4**	1.4
	55.6	51.4

In addition to the above staff costs, the Group incurred no termination costs (2021: £Nil), and £2.4 million (2021: £3.0 million) in respect of costs of agency workers.

Other pension costs above are amounts charged to operating profit in respect of defined contribution pension schemes.

7. Finance costs

	2022 £m	2021 £m
Interest on bank loans and overdrafts	**0.4**	0.5
Finance costs on lease liabilities relating to IFRS 16	**0.5**	0.5
Total interest expense	**0.9**	1.0
Net finance cost in respect of defined benefit pension schemes (note 25)	**0.3**	0.3
Total finance costs	**1.2**	1.3

8. Income tax expense

	2022 £m	2021 £m
Current tax		
UK corporation tax on profits for the year	**3.8**	2.2
Adjustments in respect of prior years	**(0.1)**	(0.2)
Current tax expense	**3.7**	2.0
Deferred tax		
Origination and reversal of temporary differences	**(0.1)**	(0.1)
Adjustments in respect of prior years	**–**	(0.2)
Effect of increased tax rate on opening balances	**–**	1.3
Deferred tax expense (note 23)	**(0.1)**	1.0
Total income tax expense	**3.6**	3.0

During the year ended 31 May 2022, corporation tax has been calculated at 19% of estimated assessable profits for the year (2021: 19%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. At the prior year reporting date, deferred tax balances were remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse. The impact of the change in tax rate was recognised in tax expense in the income statement, except to the extent that it related to items previously recognised outside the income statement. For the Group, such items included 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:

	2022 £m	2021 £m
Profit before taxation	**12.0**	10.8
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	**2.3**	2.0
Effects of:		
– expenses not deductible for tax purposes	**1.7**	0.1
– super-deduction allowance	**(0.1)**	–
– impact of share-based payments	**(0.2)**	–
– impact of increased tax rate on opening balances	**–**	1.3
– adjustments in respect of prior years	**(0.1)**	(0.4)
Total income tax expense	**3.6**	3.0

A net £1.0 million has been recognised in Other Comprehensive Income, relating to a £1.4 million debit to equity arising on the movement within the deferred tax provision (2021: £0.3 million) (note 23) offset with a movement in current tax of a credit of £0.4 million (2021: £0.4 million).

The tax charge in the current year is higher than the standard tax charge as a result of the level of the Group's disallowable expenses, which are largely related to goodwill impairment.

9. Dividends paid

	2022 £m	2021 £m
Final dividend for the year ended 31 May 2021 of 6.2p (2020: 5.9p) per share	**3.0**	2.9
Interim dividend for the year ended 31 May 2022 of 1.0p (2021: 1.0p) per share	**0.5**	0.5
Amounts recognised as distributions to equity shareholders in the year	**3.5**	3.4
Proposed final dividend for the year ended 31 May 2022 of 6.5p (2021: 6.2p) per share	**3.2**	3.0

The proposed final dividend is subject to approval at the AGM on 29 September 2022 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:

	2022	2021
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**8.4**	7.8
Number of shares ('000)		
Weighted average number of shares for the purposes of basic earnings per share	**49,109**	48,940
Weighted average dilutive effect of conditional share awards	**299**	194
Weighted average number of shares for the purposes of diluted earnings per share	**49,408**	49,134
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**17.1**	15.9
Diluted earnings per ordinary share	**17.0**	15.9
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	**35.0**	20.4
Diluted headline earnings per ordinary share	**34.8**	20.4

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

	2022 £m	2021 £m
Profit for the year attributable to equity shareholders	**8.4**	7.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	**0.3**	0.3
Exceptional items	**8.3**	0.5
Exceptional impact of remeasuring deferred tax balances	**–**	1.3
Amortisation of acquired intangibles	**0.3**	0.3
Tax effect of the above	**(0.1)**	(0.2)
Headline earnings	**17.2**	10.0

Notes to the Group financial statements continued
for the year ended 31 May 2022

11. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Plant and machinery £m	Cars and commercial vehicles £m	Total £m
Cost					
At 1 June 2020	37.9	2.7	31.0	6.6	78.2
Additions	–	0.4	2.5	–	2.9
Transfers in from right of use asset	–	–	–	0.6	0.6
Disposals	–	–	(0.9)	(0.9)	(1.8)
At 1 June 2021	37.9	3.1	32.6	6.3	79.9
Additions	0.4	–	2.9	0.1	3.4
Transfers in from right of use asset	–	–	–	0.3	0.3
Disposals	–	–	(0.9)	(2.3)	(3.2)
At 31 May 2022	**38.3**	**3.1**	**34.6**	**4.4**	**80.4**
Accumulated depreciation and impairment					
At 1 June 2020	11.8	0.3	14.8	2.8	29.7
Charge for the year	0.8	0.1	2.4	1.2	4.5
Transfers in from right of use asset	–	–	–	0.2	0.2
Disposals	–	–	(0.9)	(0.9)	(1.8)
At 1 June 2021	12.6	0.4	16.3	3.3	32.6
Charge for the year	0.9	0.1	2.6	1.0	4.6
Transfers in from right of use asset	–	–	–	0.1	0.1
Impairment charge	–	–	0.5	–	0.5
Disposals	–	–	(0.7)	(2.1)	(2.8)
At 31 May 2022	**13.5**	**0.5**	**18.7**	**2.3**	**35.0**
Carrying amount					
At 31 May 2022	**24.8**	**2.6**	**15.9**	**2.1**	**45.4**
At 31 May 2021	25.3	2.7	16.3	3.0	47.3

The Group has pledged certain freehold land and buildings with a carrying value of £20.9 million (31 May 2021: £21.3 million) to secure banking facilities granted to the Group.

Depreciation charges are recognised in administrative expenses in the consolidated income statement.

12. Right of use assets

	Properties £m	Commercial vehicles £m	Total £m
Cost			
At 1 June 2020	9.0	24.5	33.5
Additions	0.1	6.1	6.2
Disposals	–	(0.2)	(0.2)
Transfers out to property, plant and equipment	–	(0.6)	(0.6)
At 1 June 2021	9.1	29.8	38.9
Additions	0.6	10.7	11.3
Disposals	(0.2)	(0.8)	(1.0)
Transfers out to property, plant and equipment	–	(0.3)	(0.3)
At 31 May 2022	**9.5**	**39.4**	**48.9**
Accumulated depreciation and impairment			
At 1 June 2020	0.6	5.6	6.2
Charge for the year	1.5	6.2	7.7
Disposals	–	(0.2)	(0.2)
Transfers out to property, plant and equipment	–	(0.2)	(0.2)
At 1 June 2021	2.1	11.4	13.5
Charge for the year	1.5	7.4	8.9
Disposals	(0.2)	(0.7)	(0.9)
Transfers out to property, plant and equipment	–	(0.1)	(0.1)
At 31 May 2022	**3.4**	**18.0**	**21.4**
Carrying amount			
At 31 May 2022	**6.1**	**21.4**	**27.5**
At 31 May 2021	7.0	18.4	25.4

Depreciation charges are recognised in administrative expenses in the consolidated income statement.

13. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Brands £m	Total £m
Cost					
At 1 June 2020	28.1	6.7	2.2	1.4	38.4
Additions	0.1	0.1	–	–	0.2
At 1 June 2021	28.2	6.8	2.2	1.4	38.6
Additions	–	0.2	–	–	0.2
At 31 May 2022	**28.2**	**7.0**	**2.2**	**1.4**	**38.8**
Accumulated amortisation and impairment					
At 1 June 2020	0.6	5.6	0.2	0.6	7.0
Charge for the year	–	0.4	0.2	0.1	0.7
At 1 June 2021	0.6	6.0	0.4	0.7	7.7
Charge for the year	–	0.2	0.3	–	0.5
Impairment charge	7.5	0.2	–	0.2	7.9
At 31 May 2022	**8.1**	**6.4**	**0.7**	**0.9**	**16.1**
Carrying amount					
At 31 May 2022	**20.1**	**0.6**	**1.5**	**0.5**	**22.7**
At 31 May 2021	27.6	0.8	1.8	0.7	30.9

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

13. Intangible assets continued

Customer relationships

Customer relationships are allocated as follows:

	2022 £m	2021 £m
Fuels	**1.5**	1.8

Brands

Brands are allocated as follows:

	2022 £m	2021 £m
Feeds	**–**	0.2
Fuels	**0.5**	0.5
	0.5	0.7

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:

	2022 £m	2021 £m
Feeds	**4.4**	11.9
Fuels	**15.7**	15.7
	20.1	27.6

The Group tests annually for impairment of goodwill, or more frequently if there are indications that goodwill may be impaired. 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 budgets and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using the growth rates detailed below.

The Group identifies its CGUs as the smallest identifiable group of assets that generate cash inflows, and which are largely independent of the cash inflows of the other assets or groups of assets. CGU specific discount rates are applied in each of the impairment tests as the principal risks and uncertainties associated with each CGU may vary as they operate in different industries and as such the Group risks identified on pages 19 to 22 may impact each CGU differently.

Feeds

The Feeds goodwill impairment test is performed based on the aggregate value in use calculations for the group of CGUs making up this reporting segment. In line with IAS 36, these units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and this group of units is not larger than the operating segment before aggregation.

The performance of the Feeds segment at the half year to 30 November 2021 was below historical levels, driven predominantly by lower volumes, and consequently a detailed impairment review was performed at the half-year reporting period end.

The value in use calculations performed at the half-year included key assumptions to reflect a slower speed of recovery, and future growth of volume. Whilst performance in the second half of the financial year has been stronger, volumes are still lower and the outlook for the segment remains in line with the Board's expectations as at 30 November 2021. As at the half-year reporting date the rate used to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses, was 10.46% (31 May 2021: 10.80%).

As a result, a goodwill and brand impairment loss of £7.7 million has been recognised for the Feeds aggregated CGUs, reducing the carrying amount of the goodwill and brands for this CGU to £4.4 million. A further £0.2 million of computer software has been separately identified as obsolete and written off during the period.

The impairment test was reperformed at 31 May 2022 against the carrying value of £4.4 million and the Group are satisfied that the value in use calculations indicate no further impairment. The rate used at 31 May 2022 to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses is noted in the table below

Fuels

The value in use calculations described above indicate ample headroom and therefore do not give rise to impairment concerns.

Value in use assumptions and sensitivities

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

	2022 %	2021 %
Fuels	**10.43**	11.22
Feeds	**10.26**	10.80

13. Intangible assets continued

Value in use assumptions and sensitivities continued

The headroom on the value in use calculations for Fuels and Feeds are £106.0 million and £3.9 million respectively. The following sensitivities have been performed on the CGU Board-approved forecasts, the impact of which still result in satisfactory headroom and do not give rise to further impairment:

	Value in use impact	
	Fuels £m	**Feeds £m**
Decrease EBITDA by 10%	**(11.9)**	**(0.6)**
Increase discount rate by 1%	**(16.3)**	**(0.5)**

14. Inventories

	2022 £m	2021 £m
Raw materials and consumables	**3.6**	2.8
Finished goods and goods for resale	**6.2**	3.8
	9.8	6.6

15. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**93.9**	68.3
Less: provision for impairment	**(2.8)**	(1.6)
Trade receivables – net	**91.1**	66.7
VAT recoverable	**0.9**	0.7
Other receivables	**0.1**	0.3
Prepayments and accrued income	**3.2**	3.2
Contract assets	**0.9**	1.2
	96.2	72.1

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

The loss allowance as at 31 May 2022 and 31 May 2021 was determined as follows for trade receivables:

31 May 2022	**Current**	**<30 days past due**	**30 to 60 days past due**	**>60 days past due**	**Total**
Expected loss rate	**0.14%**	**1.70%**	**5.80%**	**88.05%**	
Gross carrying amount (£m)	**76.3**	**11.0**	**3.9**	**2.7**	**93.9**
Loss allowance (£m)	**0.1**	**0.2**	**0.2**	**2.3**	**2.8**

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

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

	2022 £m	2021 £m
At 1 June	**1.6**	1.8
Provision for receivables impairment	**1.5**	0.1
Receivables written off in the year	**(0.3)**	(0.3)
At 31 May	**2.8**	1.6

The other classes of receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable.

16. Reimbursement assets

	2022 £m	2021 (restated[1]) £m
Reimbursement assets	**2.8**	3.0

1 £3.0 million of reimbursement assets have been recognised as at 31 May 2021 in respect of the reimbursement of third party claims made against the Group, which are indemnified under the terms of its insurance policy. A corresponding provision for liabilities of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities.

The Group recognises a reimbursement asset in respect of third-party claims made against the Group, but which under the terms of it's insurance policy, the Group is indemnified. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy, and therefore it is virtually certain that reimbursement will be received.

17. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	**9.1**	4.0

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

18. Trade and other payables

	2022 £m	2021 (restated[1]) £m
Current		
Trade payables	**90.0**	65.3
Social security and other taxes	**1.4**	1.3
Accruals	**9.2**	8.2
	100.6	74.8

1 £0.4 million of provision for dilapidations and £0.2 million of other provisions previously included within accruals as at 31 May 2021 has been reclassified to provisions for liabilities.

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

19. Borrowings

	2022 £m	2021 £m
Current		
Invoice discounting advances	**–**	6.5
	–	6.5
Non-current		
Revolving credit facility	**–**	3.0
	–	3.0
Total borrowings	**–**	9.5

The Group's banking facilities, provided by NatWest Group, were renewed on 29 June 2018 and are committed until 31 October 2023. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its lender. As such, there are no concerns regarding the refinancing of the Group's facilities which is expected to complete in 2023. Further information on the facilities, which total £65.0 million (2021: £65.0 million), is outlined below.

Invoice discounting advances

Invoice discounting advances at 31 May 2022 were drawn under a committed facility with an expiry date of 31 October 2023 (2021: 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 (2021: £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% (2021: 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 2022 totalling £Nil (2021: £6.5 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 (2021: £20.0 million).

19. Borrowings continued

Revolving credit facility

The Group has a revolving credit facility of £10.0 million (2021: £10.0 million) with an expiry date of 31 October 2023 (2021: 31 October 2023). During the year, the Group transitioned from an interest charge based on LIBOR, to a rate based on SONIA, with no material impact. Interest is charged on amounts drawn down at 1.72% per annum above SONIA (2021: 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 2022 is £Nil (2021: £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 2022 is repayable on demand and is subject to a maximum limit of £1.0 million (2021: £1.0 million). None of the facility was utilised at 31 May 2022 (2021: £Nil). Interest is charged at 1.5% per annum over the bank's base rate (2021: 1.5% per annum over the bank's base rate).

Bank guarantee

The Group has a bank guarantee agreement with NatWest Group, under which the bank provides a facility which allows the Group to request that the bank issues guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the year.

The above facilities are subject to quarterly covenant tests on interest cover and net debt to EBITDA ratios. The covenants have been set at levels that provide sufficient headroom and flexibility for the Group until maturity of the facilities in October 2023.

Bank borrowings amounting to £Nil (2021: £9.5 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to NatWest Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

All bank borrowings are denominated in Sterling and are repayable as follows:

	2022 £m	2021 £m
Within one year	–	6.5
Between two and five years	–	3.0
	–	9.5

Bank borrowing facilities by expiry date

The Group has a number of bank borrowing facilities which were partly drawn down at 31 May 2022. The Group is in compliance with all covenants.

	2022		2021	
Facilities expiring:	**Facility £m**	**Amount drawn £m**	Facility £m	Amount drawn £m
Within one year	**50.0**	–	49.3	6.5
Between two and five years	**10.0**	–	10.0	3.0
	60.0	–	59.3	9.5

The availability of invoice discounting facilities included above, amounting to £49.0 million (31 May 2021: £48.3 million), is dependent on the level of trade receivables available for refinancing.

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

20. Lease liabilities

	Properties £m	Commercial vehicles £m	Total £m
Cost			
At 1 June 2020	8.1	18.6	26.7
Additions	–	6.2	6.2
Lease liability payments (including finance costs)	(0.9)	(6.7)	(7.6)
Finance costs	0.2	0.3	0.5
At 1 June 2021	7.4	18.4	25.8
Additions	0.6	10.7	11.3
Lease liability payments (including finance costs)	(1.6)	(7.7)	(9.3)
Finance costs	0.1	0.4	0.5
At 31 May 2022	**6.5**	**21.8**	**28.3**

20. Lease liabilities continued

Lease liabilities are comprised of the following balance sheet amounts:

	2022 £m	2021 £m
Current		
Amounts due within one year	**8.6**	7.4
Non-current		
Amounts due after more than one year	**19.7**	18.4
Total	**28.3**	25.8

Lease liabilities are as follows:

	2022 £m	2021 £m
Not more than one year		
Minimum lease payments	**9.0**	7.8
Interest element	**(0.4)**	(0.4)
Present value of minimum lease payments	**8.6**	7.4
Between one and five years		
Minimum lease payments	**19.2**	18.1
Interest element	**(0.5)**	(0.5)
Present value of minimum lease payments	**18.7**	17.6
More than five years		
Minimum lease payments	**1.0**	0.8
Interest element	**–**	–
Present value of minimum lease payments	**1.0**	0.8

21. Provision for liabilities

	2022 £m	2021 (restated[1]) £m
Current		
Provision for insurance claims	**2.8**	3.0
Provision for dilapidations	**0.1**	–
Other provisions	**0.2**	–
	3.1	3.0
Non-current		
Provision for dilapidations	**0.7**	0.4
Total	**3.8**	3.4

1 A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities.

The Group recognises a provision for liabilities in respect of third party claims made against the Group. A corresponding reimbursement asset of £2.8 million (2021: £3.0 million) has been recognised as all of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy. As the Group expects insurance claims to be settled within one year, recognition of these balances is made with current assets and current liabilities.

The Group also recognises current and non-current provisions for dilapidations totalling £0.8 million (2021: £0.4 million) in respect of leased properties and commercial vehicles.

£0.4 million of provision for dilapidations previously included within accruals as at 31 May 2021 has been reclassified to provisions for liabilities.

Movement year on year is £0.4 million as the Group has recognised dilapidation provisions in the income statement.

22. Financial instruments and risk management

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, rolling credit facility, lease liabilities, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2022 and 2021 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 88 (forward supply contracts) were classified as Level 2 in the current and prior year. There were no transfers between levels in either the current or prior year.

Financial liabilities

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

At 31 May 2022	**Total book and fair value £m**
Financial liabilities carried at amortised cost:	
Trade and other payables[1]	**99.2**
Floating rate invoice discounting advances	**–**
Lease liabilities repayable within one year	**8.6**
Financial liabilities carried at fair value: derivatives	**0.2**
	108.0
Revolving credit facility	**–**
Lease liabilities repayable after one year	**19.7**
	19.7
Total	**127.7**

1 Excludes social security and other taxes.

At 31 May 2021	Total book and fair value £m
Financial liabilities carried at amortised cost:	
Trade and other payables[1]	73.5
Floating rate invoice discounting advances	6.5
Lease liabilities repayable within one year	7.4
Financial liabilities carried at fair value: derivatives	0.1
	87.5
Revolving credit facility	3.0
Lease liabilities repayable after one year	18.4
	21.4
Total	108.9

1 Excludes social security and other taxes.

22. Financial instruments and risk management continued

Financial assets

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

At 31 May 2022	Total book and fair value £m
Trade and other receivables[2]	**93.0**
Financial assets carried at amortised cost: cash and cash equivalents	**9.1**
Financial assets carried at fair value: derivatives	**0.4**
	102.5

2 Excludes prepayments.

At 31 May 2021	Total book and fair value £m
Trade and other receivables[2]	68.9
Financial assets carried at amortised cost: cash and cash equivalents	4.0
Financial assets carried at fair value: derivatives	0.2
	73.1

2 Excludes prepayments.

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 2022, the Group had open forward supply contracts with a principal value of £49.8 million (31 May 2021: £43.3 million). The fair value of forward supply contracts recognised on the balance sheet is £0.2 million (31 May 2021: £0.1 million).

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

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £Nil have been credited to the income statement in the year (2021: £Nil).

The Fuels business' oil-related products are subject to changes in the world commodity price for crude oil. However, the relatively low stockholding maintained and daily price monitoring systems used to determine selling prices enable the business to effectively manage the risk of gross margin erosion. Forward supply contracts are not utilised by this business.

The extent of these risks is regularly reviewed and assessed by the Executive Directors and reported back to the Board. This process is considered to be effective given the size and nature of the risks involved, but will be reviewed in the future should circumstances change.

Interest rate risk

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

The Directors review the interest rate hedging policy on at least an annual basis. The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2022 profit before taxation by approximately £0.3 million (2021: £0.3 million).

Credit risk

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

Liquidity risk

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

All of the Group's financial instruments, with the exception of certain borrowings (see note 19), have a contractual maturity of less than one year, based on the earliest date on which the contractual cash flows are required to be settled.

22. Financial instruments and risk management continued

Financial risk management continued

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 (cash)/debt (excluding lease liabilities) divided by headline operating profit before interest, depreciation and amortisation as shown below:

	2022	2021
Borrowings (£m) (note 19)	**–**	9.5
Obligations under hire purchase agreements now recognised in lease liabilities (£m)	**0.1**	0.2
Less: cash at bank and in hand (£m)	**(9.1)**	(4.0)
Net (cash)/debt (£m) (excluding lease liabilities)	**(9.0)**	5.7
Headline EBITDA (£m)	**26.6**	17.8
Net (cash)/debt/EBITDA ratio	**(0.3x)**	0.3x

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

23. Deferred income tax assets and liabilities

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
Deferred income tax liability/(asset) at 1 June 2020	4.9	(4.0)	(0.4)	0.5
Debit to income statement (note 8)	0.8	—	0.2	1.0
Debit to equity	—	0.3	—	0.3
Arising on intangibles on acquisition	0.1	—	—	0.1
Deferred income tax liability/(asset) at 31 May 2021	5.8	(3.7)	(0.2)	1.9
Credit to income statement (note 8)	0.1	—	(0.2)	(0.1)
Debit to equity	—	1.4	—	1.4
Deferred income tax liability/(asset) at 31 May 2022	**5.9**	**(2.3)**	**(0.4)**	**3.2**

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

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

24. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	49,004	12.3
Issue of shares (see below)	130	—
Balance at 31 May 2022	**49,134**	**12.3**

During the year ended 31 May 2022, 130,198 shares (2021: 253,524 shares) with an aggregate nominal value of £32,550 (2021: £63,381) 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 2022, amounted to 1,386,289 (31 May 2021: 1,400,421). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 26).

25. Retirement benefit obligations

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 £1.9 million (2021: £1.4 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 2021: £Nil).

Defined benefit scheme

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

NWF Group Benefits Scheme

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

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

The triennial actuarial valuation of this scheme was completed in the year ended 31 May 2021, with a deficit of £16.8 million at the valuation date of 31 December 2019. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method. In these financial statements this liability has been updated in order to derive the IAS 19R valuation as of 31 May 2022. The next full triennial valuation will be completed in the year ending 31 May 2024.

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

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

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

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

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

	2022 %	2021 %
Discount rate	**3.45**	2.00
Future salary increases	**n/a**	n/a
RPI inflation	**3.40**	3.30
CPI inflation	**2.80**	2.70
Pension increases in payment (LPI 5%)	**3.30**	3.21

25. Retirement benefit obligations continued

Defined benefit scheme continued

NWF Group Benefits Scheme continued

The mortality assumptions adopted imply the following life expectancies:

	2022 Years	2021 Years
Current pensioners – male life expectancy at age 65	**20.3**	20.5
Future pensioners currently aged 45 – male life expectancy at age 65	**21.6**	21.8

The 2022 mortality assumptions above are based on S3PXA tables with CMI 2021 improvements and a long-term trend rate of 1.25% (2021: S2PXA tables with CMI 2020 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:

	2022 £m	2021 £m
Present value of defined benefit obligations	**(49.0)**	(60.0)
Fair value of scheme assets	**39.7**	45.1
Deficit in the scheme recognised as a liability in the balance sheet	**(9.3)**	(14.9)
Related deferred tax asset (note 23)	**2.3**	3.7
Net pension liability	**(7.0)**	(11.2)

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

	2022 £m	2021 £m
Past service cost	**–**	–
Administrative expenses	**0.3**	0.3
Interest on the net defined benefit liability	**0.3**	0.3
Total cost recognised in the income statement	**0.6**	0.6

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:

	2022 £m	2021 £m
Actuarial (loss)/gain on plan assets	**(6.4)**	3.8
Actuarial gain arising from changes in financial assumptions	**10.4**	0.2
Remeasurement gain	**4.0**	4.0

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

	2022 £m	2021 £m
At 1 June	**60.0**	61.1
Interest cost	**1.2**	1.0
Remeasurement (gains)/losses:		
– actuarial (gains)/losses arising from changes in financial assumptions	**(10.2)**	2.6
– actuarial gains arising from changes in demographic assumptions	**(0.6)**	(4.0)
– actuarial losses on experience assumptions	**0.4**	1.2
Benefits paid	**(1.8)**	(1.9)
At 31 May	**49.0**	60.0

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

	2022 £m	2021 £m
At 1 June	**45.1**	40.1
Interest income	**0.9**	0.7
Remeasurement (losses)/gains:		
– actuarial (losses)/gains on plan assets	**(6.4)**	3.8
Contributions by employer	**2.2**	2.7
Expenses	**(0.3)**	(0.3)
Benefits paid	**(1.8)**	(1.9)
At 31 May	**39.7**	45.1

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

	Fair value of assets	
	2022 £m	2021 £m
Equity-linked bonds	**4.6**	11.1
LDI	**10.4**	6.1
Credit fund	**6.6**	7.8
Property fund	**—**	—
Diversified growth fund	**17.1**	19.3
Cash	**0.7**	0.4
Annuity policies	**0.3**	0.4
Total	**39.7**	45.1

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property used by the Group at the balance sheet date.

The actual return on scheme assets was a £5.5 million loss (2021: £4.5 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 a strategic allocation of 40% diversified growth funds, 23% liability-driven investment ('LDI') funds, 22% equity-linked LDI and 15% multi-asset credit;
- it is the policy of the fund to cover its exposure to the interest rate risk of the defined benefit liability by the use of LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;
- inflation risk is mitigated by the use of LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;
- the fund does not have a material foreign exchange exposure and does not, therefore, use foreign exchange derivatives to hedge its foreign exchange risk;
- active management is within the diversified growth fund and the multi-asset credit fund; and
- there are 15 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.

25. Retirement benefit obligations continued
Defined benefit scheme continued
NWF Group Benefits Scheme continued
Significant actuarial assumptions for the determination of the defined benefit liability are discount rate, price inflation and mortality. The sensitivity analyses shown below have been determined based on reasonably possible changes of the respective assumptions occurring at the balance sheet dates, while holding all other assumptions constant.

Impact on defined benefit obligation	Increase £m	Decrease £m
0.25% change in discount rate	(1.8)	2.2
0.25% change in RPI inflation	1.3	(1.7)
One-year change in the life expectancy at age 65	2.3	(2.6)

26. Share-based payments
In the year ended 31 May 2022, the Group operated one (2021: one) equity-settled share-based payment plan as described below.

The Group recognised total expenses of £0.8 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2022 (2021: £0.5 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 30 July 2019 (vesting date: August 2022), 4 August 2020 (vesting date: August 2023) and 3 August 2021 (vesting date: August 2024). 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 2022, 31 May 2021, 31 May 2020 and 31 May 2019, are as shown below.

	2022 Number of conditional shares	2021 Number of conditional shares	2020 Number of conditional shares	2019 Number of conditional shares
At 1 June	**1,400,421**	1,441,604	1,216,945	1,096,487
Granted in the year	**420,046**	437,164	529,080	434,178
Exercised in the year	**(245,657)**	(478,347)	—	(169,660)
Lapsed/forfeited in the year	**(188,521)**	—	(304,421)	(144,060)
At 31 May	**1,386,289**	1,400,421	1,441,604	1,216,945

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 2022 shown above is £2.4 million (31 May 2021: £2.3 million), before taking into account the likelihood of achieving non-market-based performance conditions.

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

	2022	2021	2020	2019
Share price at grant date	**£2.17**	£2.05	£1.66	£1.97
Black Scholes fair value	**£1.96**	£1.83	£1.49	£1.72
Exercise price	**£Nil**	£Nil	£Nil	£Nil
Expected volatility	**30.40%**	31.09%	25.13%	23.48%
Expected life	**2.83 years**	2.82 years	2.84 years	2.83 years
Expected dividend yield	**3.57%**	4.03%	3.91%	3.61%
Risk-free interest rate	**0.10%**	(0.13)%	0.38%	0.85%

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.

27. Net cash generated from operating activities

	2022 £m	2021 £m
Profit before tax	**12.0**	10.8
Adjustments for:		
Depreciation of property, plant and equipment	**4.6**	4.5
Depreciation of right of use assets	**8.9**	7.7
Amortisation of other intangible assets	**0.5**	0.7
Impairment of intangible assets	**7.9**	–
Impairment of property, plant and equipment	**0.5**	–
Finance costs	**1.2**	1.3
Fair value profit on financial derivative	**(0.1)**	(0.1)
Share-based payment expense	**0.8**	0.4
Value of employee services	**(0.1)**	(0.5)
Contribution to pension scheme not recognised in income statement	**(1.8)**	(2.4)
Operating cash flows before movements in working capital and provisions	**34.4**	22.4
Movements in working capital:		
Increase in inventories	**(3.2)**	(1.9)
Increase in trade and other receivables	**(23.9)**	(15.3)
Increase in trade and other payables	**26.4**	19.6
Net cash generated from operations	**33.7**	24.8

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

	1 June 2021 £m	Cash flow £m	Other non-cash movements £m	31 May 2022 £m
Cash and cash equivalents (note 17)	4.0	5.1	–	**9.1**
Borrowings (note 19)	(9.5)	9.5	–	**–**
Hire purchase obligations[1]	(0.2)	0.1	–	**(0.1)**
Total Group (excluding lease liabilities)	(5.7)	14.7	–	**9.0**
Lease liabilities (excluding hire purchase obligations transferred)	(25.6)	9.2	(11.8)	**(28.2)**
Total Group (including lease liabilities)	(31.3)	23.9	(11.8)	**(19.2)**

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

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':

	2022 £m	2021 £m
Short-term employee benefits (salary and bonus)	**4.3**	3.6
Post-employment benefits	**0.3**	0.3
Share-based payments	**1.1**	0.5
	5.7	4.4

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

29. Related party transactions continued

Directors' transactions

T P Acton purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,574 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,879). At 31 May 2022, the amount outstanding was £Nil (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £713 (2021: £504).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £3,211 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,984). At 31 May 2022, the amount outstanding was £681 (31 May 2021: credit balance of £220). During the year, the highest amount outstanding totalled £1,517 (2021: £500).

S R Andrew purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,265 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,335). At 31 May 2022, the amount outstanding was £150 (31 May 2021: £266). During the year, the highest amount outstanding totalled £380 (2021: £310).

D S Downie purchased, in the normal course of business and under normal terms and conditions, goods to the value of £4,284 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £Nil). At 31 May 2022, the amount outstanding was £105 (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £1,474 (2021: £Nil).

M Adcock purchased, in the normal course of business and under normal terms and conditions, goods to the value of £2,739 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £179). At 31 May 2022, the amount outstanding was a credit balance of £300 (31 May 2021: £1,239). During the year, the highest amount outstanding was a credit balance of £150 (31 May 2021: debit balance of £383).

M Nicholls purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,856 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,635). At 31 May 2022, the amount outstanding was £265 (31 May 2021: £223). During the year, the highest amount outstanding £329 (31 May 2021: £267).

K Forster purchased, in the normal course of business and under normal terms and conditions, goods to the value of £950 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £843). At 31 May 2022, the amount outstanding was £Nil (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £992 (31 May 2021: £684).

G Franks purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,051 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £766). At 31 May 2022, the amount outstanding was £Nil (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £548 (31 May 2021: £477).

30. Commitments for capital expenditure

	2022 £m	2021 £m
Authorised and contracted but not provided for	**9.9**	14.7

31. Contingent liabilities

The Group's bank facilities are provided under an arrangement with NatWest Group. The Group has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2022 of £20.9 million (31 May 2021: £21.3 million). This is secured by way of unscheduled mortgage debentures which incorporate a fixed charge over specified property including land, plant and machinery and goodwill and a floating charge over all other property, assets and rights owned now or in the future which are not subject to an effective fixed charge.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £Nil at 31 May 2022 (31 May 2021: £9.5 million). The Group has an inter-company cross-guarantee arrangement with the bank under which the Company and various subsidiaries provide security for each other.

The Group has a bank guarantee agreement with NatWest Group under which the bank provides a facility which allows the Group to request that the bank issues guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the current or prior year.

The Company and certain subsidiaries have granted a fixed and floating charge in favour of the trustees of a defined benefit pension scheme ('the NWF Group Benefits Scheme'). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million (31 May 2021: £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 2022 has been taken by Consols Oils Limited (02794100). 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 are liable in respect of those liabilities.

32. Contingent assets

In the prior year the Group identified a contingent asset in respect of the reimbursement of remaining unsettled costs from its insurer in relation to the cyber incident announced on 2 November 2020. Whilst it was probable that an inflow of economic benefits would be received, at the time of the report the amount of any reimbursement was not virtually certain and therefore did not warrant recognition as a reimbursement asset. During the year ended 31 May 2022 final reimbursement of £0.4 million was received in respect of this outstanding claim. Consequently, there are no contingent assets recognised by the Group as at 31 May 2022.

Parent Company balance sheet
as at 31 May 2022

	Note	2022 £m	2021 (restated[1]) £m
Non-current assets			
Property, plant and equipment	3	**0.4**	0.4
Investment property	4	**22.0**	22.4
Investments	5	**15.3**	15.3
Finance lease receivables	6	**3.4**	4.5
Reimbursement asset	7	**0.4**	0.4
Deferred tax asset	8	**–**	0.6
		41.5	43.6
Current assets			
Trade and other receivables	9	**5.4**	7.5
Finance lease receivables	6	**1.1**	1.0
Cash and cash equivalents		**6.7**	3.4
		13.2	11.9
Current liabilities			
Trade and other payables	10	**(3.3)**	(3.4)
Lease liabilities	11	**(1.3)**	(1.3)
Provision for liabilities	12	**(0.2)**	–
Net current assets		**8.4**	7.2
Total assets less current liabilities		**49.9**	50.8
Non-current liabilities			
Borrowings		**–**	(3.0)
Lease liabilities	11	**(3.8)**	(5.0)
Provision for liabilities	12	**(0.4)**	(0.4)
Deferred tax liabilities	8	**(0.6)**	–
Retirement benefit obligations		**(9.3)**	(14.9)
Net assets		**35.8**	27.5
Capital and reserves			
Share capital	13	**12.3**	12.3
Share premium		**0.9**	0.9
Retained earnings		**22.6**	14.3
Total shareholders' funds		**35.8**	27.5

1 £0.4 million of provision for dilapidations previously included within accruals as at 31 May 2021 has been reclassified to provisions for liabilities.

The Company's profit for the year was £8.3 million including dividends received (2021: £3.4 million).

The Parent Company financial statements on pages 96 to 107 were approved by the Board of Directors on 2 August 2022 and were signed on its behalf by:

R A Whiting
Director

C J Belsham
Director

The notes on pages 98 to 107 form part of these Parent Company financial statements.

Parent Company statement of comprehensive income
for the year ended 31 May 2022

	2022 £m	2021 £m
Profit for the year attributable to equity shareholders	**8.3**	3.4
Items that will never be reclassified to income statement:		
Actuarial gain on defined benefit pension scheme	**4.0**	4.0
Tax on items that will never be reclassified to income statement	**(1.0)**	0.1
Total other comprehensive income	**3.0**	4.1
Total comprehensive income for the year	**11.3**	7.5

The notes on pages 98 to 107 form part of these Parent Company financial statements.

Parent Company statement of changes in equity
for the year ended 31 May 2022

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m
Balance at 1 June 2020	12.2	0.9	10.3	23.4
Profit for the year	–	–	3.4	3.4
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme	–	–	4.0	4.0
Tax on items that will never be reclassified to income statement	–	–	0.1	0.1
Total comprehensive income for the year	–	–	7.5	7.5
Transactions with owners:				
Issue of shares	0.1	–	–	0.1
Dividends paid	–	–	(3.4)	(3.4)
Value of employee services	–	–	(0.4)	(0.4)
Credit to equity for equity-settled share-based payments	–	–	0.3	0.3
Total transactions with owners	0.1	–	(3.5)	(3.4)
Balance at 31 May 2021	12.3	0.9	14.3	27.5
Profit for the year	**–**	**–**	**8.3**	**8.3**
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme	**–**	**–**	**4.0**	**4.0**
Tax on items that will never be reclassified to income statement	**–**	**–**	**(1.0)**	**(1.0)**
Total comprehensive income for the year	**–**	**–**	**11.3**	**11.3**
Transactions with owners:				
Dividends paid	**–**	**–**	**(3.5)**	**(3.5)**
Value of employee services	**–**	**–**	**(0.1)**	**(0.1)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**0.6**	**0.6**
Total transactions with owners	**–**	**–**	**(3.0)**	**(3.0)**
Balance at 31 May 2022	**12.3**	**0.9**	**22.6**	**35.8**

The notes on pages 98 to 107 form part of these Parent Company financial statements.

Notes to the Parent Company financial statements
for the year ended 31 May 2022

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);
  - 134 – 136 (capital management disclosures);
  - 38A (requirement for minimum of two primary statements, including cash flow statements); and
  - 38B-D (additional comparative information).
- IFRS 7 'Financial Instruments: Disclosures';
- IAS 7 'Statement of Cash Flows';
- IAS 24 (paragraphs 17 and 18a) 'Related Party Disclosures' (key management compensation);
- IAS 24 'Related Party Disclosures' – the requirement to disclose related party transactions between two or more members of a group;
- IAS 16 'Property, plant and equipment' (paragraph 73(e)) – reconciliations between the carrying amount at the beginning and end of the period); and
- IAS 38 'Intangible assets' (paragraph 118(e)) – reconciliations between the carrying amount at the beginning and end of the period).

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 2021.

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

Standard or interpretation	Content	Applicable for financial year beginning on
Amendment to IFRS 3	Business Combinations	1 June 2021
Amendment to IFRS 9	Financial Instruments	1 June 2021
Amendment to IFRS 16	Leases	1 June 2021
Amendments to IAS 16	Property, Plant and Equipment	1 June 2021
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 June 2021

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

Standard or interpretation	Content	Applicable for financial year beginning on
IFRS 4	Insurance Contracts	1 June 2022
Amendments to IAS 1	Presentation of Financial Statements	1 June 2023
Amendments to IAS 8	Accounting Policies	1 June 2023
Amendments to IAS 12	Income Taxes	1 June 2023
Amendments to IFRS 17	Insurance Contracts	1 June 2023
IFRS Practice Statement 2	Making Materiality Judgements	1 June 2023

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

Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year was £8.3 million including dividends received (2021: £3.4 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.

1. Significant accounting policies continued

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 2024. Under this base case scenario, the Company is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

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

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

Dividend distribution

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

Property, plant and equipment

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

Plant and machinery	3 – 10 years

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

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

Investment properties

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

Investment in subsidiary undertakings

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

Finance lease receivables and lease liabilities

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

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

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

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

Lease payments are discounted using the Company's incremental borrowing rate at the time of the inception of the lease.

Reimbursement assets

The Company recognises a reimbursement asset where it has virtual certainty that an economic inflow of resources will be received.

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.

Notes to the Parent Company financial statements continued

for the year ended 31 May 2022

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. The Company recognises cash when it is within its control, and in accordance with IFRS 9, when it has the contractual right to obtain cash from the bank. The Company's cash recognition policies are aligned with the IFRIC Committee tentative agenda decision in September 2021.

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.

The Company has considered the recognition requirements of IFRIC 14 and determined that they do not apply to the scheme.

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 2022, the Company operated one (2021: 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.

1. Significant accounting policies continued

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 Company 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 25 of the Group financial statements.

Assessment of impairment

The Company 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 2023 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.

Carrying value of trade receivables

The Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

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

2. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 51. Details of auditors' remuneration are shown in note 5 of the Group financial statements.

3. Property, plant and equipment

	Plant and machinery £m	Total £m
Cost		
At 1 June 2021	1.0	1.0
Additions	0.1	0.1
At 31 May 2022	**1.1**	**1.1**
Accumulated depreciation		
At 1 June 2021	0.6	0.6
Charge for the year	0.1	0.1
At 31 May 2022	**0.7**	**0.7**
Carrying amount		
At 31 May 2022	**0.4**	**0.4**
At 31 May 2021	0.4	0.4

4. Investment property

	Investment property £m	Total £m
Cost		
At 1 June 2021	34.1	34.1
Additions	0.3	0.3
At 31 May 2022	**34.4**	**34.4**
Accumulated depreciation		
At 1 June 2021	11.7	11.7
Charge for the year	0.7	0.7
At 31 May 2022	**12.4**	**12.4**
Carrying amount		
At 31 May 2022	**22.0**	**22.0**
At 31 May 2021	22.4	22.4

The fair value of the investment property at 31 May 2022 was £47.6 million (31 May 2021: £41.5 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 (2021: £2.7 million) and direct operating expenses of £2.2 million (2021: £2.4 million) arising from investment property have been recognised in the income statement.

5. Investments

	£m
Cost and carrying amount	
At 1 June 2021	15.3
At 31 May 2022	**15.3**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

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

Company	Business activity
NWF Agriculture Holdings Limited	Holding company – Feeds operations
NWF Distribution Holdings Limited	Holding company – Food operations
NWF Fuels Holdings Limited	Holding company – Fuels operations
Home Counties Fuels Limited	Dormant
Dragon Petroleum Limited	Dormant
Lincolnshire Fuels Limited	Dormant
North Western Farmers Limited	Dormant
NWF Limited	Dormant

5. Investments continued

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

The Company also indirectly owns all of the issued ordinary shares of the following subsidiary undertakings:

Company	Business activity
NWF Agriculture Limited	Supplier of animal feedstuffs and seeds
New Breed (UK) Limited	Supplier of animal feedstuffs and seeds
Boughey Distribution Limited	Warehousing and food distribution
NWF Fuels Limited	Fuel distribution
Consols Oils Limited	Dormant
Caldo Fuel Oil Limited (formerly Figaro Number Two Limited)	Dormant
David Hermon Hodge Group Limited	Dormant
David Hermon Hodge Limited	Dormant
Hermon Hodge Limited	Dormant
Preston Fuels Limited	Dormant
Ron Darch & Sons Co Limited	Dormant
Midland Fuel Oil Supplies Limited	Dormant
S.C. Feeds Limited	Dormant
Jim Peet (Agriculture) Limited	Dormant
Staffordshire Fuels Limited	Dormant
Evesons Fuels Limited	Dormant
Swan Petroleum Limited	Dormant
Evesons (Worcestershire) Limited	Dormant
Nutrition Express Limited	Dormant
Browns of Burwell Limited	Dormant
Broadland Fuels Limited	Dormant
Martlet Fuels Limited	Dormant
J G W Thomas & Son Limited	Dormant
Fuel Oil Supply Co Limited	Dormant
Knutsford Domestic Fuel Oil Company Limited	Dormant
Figaro Number One Limited	Dormant

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

Under Section 479A of the Companies Act 2006, exemption from an audit of the financial statements for the financial year ended 31 May 2022 has been taken by Consols Oils Limited (02794100). 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 are liable in respect of those liabilities.

6. Finance lease receivables

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

	2022 £m	2021 £m
Current		
Amounts receivable within one year	**1.1**	1.0
Non-current		
Amounts receivable after more than one year	**3.4**	4.5
Total	**4.5**	5.5

Financial statements

Notes to the Parent Company financial statements continued
for the year ended 31 May 2022

6. Finance lease receivables continued
Lease receivables are as follows:

	2022 £m	2021 £m
Not more than one year		
Minimum lease receivables	**1.3**	1.2
Interest element	**(0.2)**	(0.2)
Present value of minimum lease receivables	**1.1**	1.0
Between one and five years		
Minimum lease receivables	**3.6**	4.9
Interest element	**(0.2)**	(0.4)
Present value of minimum lease receivables	**3.4**	4.5

7. Reimbursement asset
The Company recognises a reimbursement asset of £0.4 million (2021: £0.4 million) in respect of certain future lease dilapidations costs receivable from subsidiary companies occupying property under a sub-lease arrangement with the Parent Company.

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
Deferred income tax liabilities/(assets) as at 1 June 2021	3.3	(3.7)	(0.2)	(0.6)
Debit to income statement	—	—	(0.2)	(0.2)
Debit to equity	—	1.4	—	1.4
Deferred income tax liabilities/(assets) as at 31 May 2022	**3.3**	**(2.3)**	**(0.4)**	**0.6**

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

9. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by Group undertakings	**1.1**	4.2
Prepayments	**0.6**	0.8
Corporation tax recoverable	**3.5**	2.4
VAT recoverable	**0.2**	0.1
	5.4	7.5

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% (2021: 2.0%) per annum. A provision of £Nil (2021: £0.1 million) against amounts owed by Group undertakings has been recognised in accordance with IFRS 9.

10. Trade and other payables

	2022 £m	2021 (restated[1]) £m
Trade payables	**1.1**	1.1
Accruals	**2.1**	2.2
Other taxation and social security	**0.1**	0.1
	3.3	3.4

1 £0.4 million of provision for dilapidations previously included within accruals as at 31 May 2021 has been reclassified to provisions for liabilities.

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 2022 (31 May 2021: none utilised). This facility is secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to NatWest Group which incorporate a fixed charge over trade receivables and floating charges over all their other assets.

11. Lease liabilities

	Property £m	Total £m
Cost		
At 1 June 2020	6.8	6.8
Lease liability payments (including finance costs)	(0.6)	(0.6)
Finance costs	0.1	0.1
At 31 May 2021	6.3	6.3
Lease liability payments (including finance costs)	(1.3)	(1.3)
Finance costs	0.1	0.1
At 31 May 2022	**5.1**	**5.1**

Lease liabilities are comprised of the following balance sheet amounts:

	2022 £m	2021 £m
Current		
Amounts due within one year	**1.3**	1.3
Non-current		
Amounts due after more than one year	**3.8**	5.0
Total	**5.1**	6.3

Lease liabilities are as follows:

	2022 £m	2021 £m
Not more than one year		
Minimum lease payments	**1.4**	1.4
Interest element	**(0.1)**	(0.1)
Present value of minimum lease payments	**1.3**	1.3
Between one and five years		
Minimum lease payments	**3.9**	5.2
Interest element	**(0.1)**	(0.2)
Present value of minimum lease payments	**3.8**	5.0

Notes to the Parent Company financial statements continued
for the year ended 31 May 2022

12. Provision for liabilities
The Company recognises a current liability for provisions of £0.2 million (2021: £Nil) and a non-current liability in respect of a provision for dilapidations on leased properties of £0.4 million (2021: £0.4 million).

13. Share capital

	Number of shares '000	Total £m
Authorised: ordinary shares of 25p each		
Balance at 1 June 2020, 31 May 2021 and 31 May 2022	80,000	20.0

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	49,004	12.3
Issue of shares (see below)	130	–
Balance at 31 May 2022	**49,134**	**12.3**

During the year ended 31 May 2022, 130,198 shares (2021: 253,524 shares) with an aggregate nominal value of £32,550 (2021: £63,381) 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 2022, amounted to 1,386,289 (31 May 2021: 1,400,421). These shares will only be issued subject to satisfying certain performance criteria (see the Directors' Remuneration Report and note 26 of the Group financial statements).

14. Employee benefit expense

	2022 £m	2021 £m
Wages and salaries	**2.1**	1.6
Social security costs	**0.4**	0.2
Share-based payments	**0.5**	0.3
Other pension costs	**0.1**	0.1
	3.1	2.2

The average monthly number of persons (including Directors) employed in the Company during the year was 18 (2021: 18).

15. 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 £2,574 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,879). At 31 May 2022, the amount outstanding was £Nil (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £713 (2021: £504).

R A Whiting purchased, in the normal course of business and under normal terms and conditions, goods to the value of £3,211 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,984). At 31 May 2022, the amount outstanding was £681 (31 May 2021: credit balance of £220). During the year, the highest amount outstanding totalled £1,517 (2021: £500).

S R Andrew purchased, in the normal course of business and under normal terms and conditions, goods to the value of £1,265 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £1,335). At 31 May 2022, the amount outstanding was £150 (31 May 2021: £266). During the year, the highest amount outstanding totalled £380 (2021: £310).

D S Downie purchased, in the normal course of business and under normal terms and conditions, goods to the value of £4,284 as a customer of the Group in the year ended 31 May 2022 (31 May 2021: £Nil). At 31 May 2022, the amount outstanding was £105 (31 May 2021: £Nil). During the year, the highest amount outstanding totalled £1,474 (2021: £Nil).

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

16. 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 26 of the Group financial statements.

The Company recognised total expenses of £0.7 million (including NI) in respect of the LTIP's equity-settled share-based payment transactions in the year ended 31 May 2022 (2021: £0.4 million).

17. 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 25 to the Group financial statements.

Contributions into the scheme and amounts charged to the profit and loss account during the year were £2.2 million (2021: £2.7 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2021: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2021: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2021: £Nil).

18. Contingent liabilities

The Company's bank facilities are provided under an arrangement with NatWest Group. The Company has pledged security in favour of the bank over certain freehold land and buildings with a carrying value at 31 May 2022 of £20.9 million (31 May 2021: £21.3 million). This is secured by way of unscheduled mortgage debentures which incorporate a fixed charge over specified property including land, plant and machinery and goodwill and a floating charge over all other property, assets and rights owned now or in the future which are not subject to an effective fixed charge.

The Company has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £Nil at 31 May 2022 (31 May 2021: £9.5 million).

The Company has a bank guarantee agreement with NatWest Group, under which the bank provides a facility which allows the Company to request that the bank issues guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million but this was not utilised in the current or prior year.

The Company and certain subsidiaries have granted a fixed and floating charge in favour of the trustees of a defined benefit pension scheme ('the NWF Group Benefits Scheme'). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million (31 May 2021: £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.

19. Contingent assets

In the prior year the Group identified a contingent asset in respect of the reimbursement of remaining unsettled costs from its insurer in relation to the cyber incident announced on 2 November 2020. Whilst it was probable that an inflow of economic benefits would be received, at the time of the report the amount of any reimbursement was not virtually certain and therefore did not warrant recognition as a reimbursement asset. During the year ended 31 May 2022 final reimbursement of £0.4 million was received in respect of this outstanding claim. Consequently, there are no contingent assets recognised by the Group as at 31 May 2022.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ('the Meeting') of NWF Group plc ('the Company') will be held at Wychwood Park Hotel, Weston, Crewe CW2 5GP, on Thursday 29 September 2022 at 10.30 a.m. to transact the business as specified below.

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

1. To receive, adopt and approve the Company's Annual Report and Accounts for the financial year ended 31 May 2022 together with the Directors' Report and Auditors' Report thereon.
2. To declare a final dividend of 6.5p per share for the financial year ended 31 May 2022 payable on 9 December 2022 to shareholders who are on the register of members of the Company at the close of business on 4 November 2022.
3. To re-elect David Downie as a Director of the Company.
4. To re-elect Richard Whiting as a Director of the Company.
5. To re-elect Chris Belsham as a Director of the Company.
6. To re-elect Richard Armitage as a Director of the Company.
7. To elect Dawn Moore as a Director of the Company.
8. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next Meeting of the Company at which the Company's accounts are laid before the Company and to authorise the Directors to set the auditors' remuneration.
9. To approve the Directors' Remuneration Report (excluding the Directors' remuneration policy contained within that report) as set out in the Company's Annual Report and Accounts for the financial year ended 31 May 2022.

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

Directors' authority to allot shares

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

    10.1 up to an aggregate nominal amount of £4,094,514 (the equivalent of 16,378,054 ordinary shares); and

    10.2 comprising equity securities (as defined by Section 560 of the Act) up to an aggregate nominal amount of £8,189,027 (the equivalent of 32,756,108 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 10.1 above) in connection with an offer by way of a rights issue:

    (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective existing holdings; and

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

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

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

    This Resolution 10 revokes and replaces all unexercised authorities previously granted to the Board to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

    For the purposes of this Resolution 10, 'Relevant Securities' means:

    - shares in the Company other than shares allotted pursuant to:
        - an employee share scheme (as defined by Section 1166 of the Act);
        - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security;
        - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; or
        - any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Act). References to the allotment of Relevant Securities in this Resolution 10 include the grant of such rights.

General disapplication of pre-emption rights

11. That, subject to the passing of Resolution 10 on page 108, the Board be and it is hereby empowered, pursuant to Section 570 and Section 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 on page 108 or to sell treasury shares as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    11.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities (but in the case of the authority granted under paragraph 10.2 of Resolution 10 on page 108, 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;

    11.2 the allotment (otherwise than pursuant to paragraph 11.1 above) of equity securities up to an aggregate nominal amount of £1,228,354; and

    11.3 in each case such power shall expire upon the expiry of the general authority conferred by Resolution 10 on page 108, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Board may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

    All previous unutilised authorities under Sections 570 and 573 of the Act shall cease to have effect (save to the extent that they are exercisable by reason of any offer or agreement made prior to the date of this Resolution 11 which would or might require shares to be allotted on or after that date).

By order of the Board

Rob Andrew
Company Secretary
2 August 2022

Registered office
Wardle
Nantwich
Cheshire
CW5 6BP

Notes to the Notice of Annual General Meeting

These notes are important and require your immediate attention.

1. To attend the Meeting in person, please arrive at the venue for the Meeting by 10.15 a.m. to enable your shareholding to be checked against the register of members of the Company and your attendance recorded.
2. Shareholders are encouraged to email any questions in respect of the Company's Annual Report and Accounts for the financial year ended 31 May 2022 or the Meeting to investor.relations@nwf.co.uk in advance of the Meeting. Responses to questions will be provided as soon as reasonably possible, following receipt.
3. A shareholder entitled to vote at the Meeting is entitled to appoint another person of his/her choice as that shareholder's proxy to exercise all or any of that shareholder's rights to attend, speak and vote at the Meeting on his/her behalf. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. A proxy or proxies can be appointed by:
   - submitting a form of proxy electronically by accessing the shareholder portal at www.signalshares.com. To submit a form of proxy electronically, you will require your username and password. If you have not previously registered to use the shareholder portal then this can be done using your investor code ('IVC') (which can be found on your share certificate or by contacting Link Group as detailed in paragraph 12 below), along with your surname and postcode. Once the portal has been accessed, click on 'vote online' on the home page and follow the instructions. All electronic proxy appointments must be made by no later than 10.30 a.m. on 27 September 2022 (or, in the event that the Meeting is adjourned, no later than 48 hours before the time appointed for the adjourned meeting);
   - CREST members using the CREST electronic proxy appointment service (as detailed in paragraph 6); or
   - completing and returning a paper form of proxy (which is enclosed with the document of which this Notice forms part). To appoint more than one proxy, the form of proxy should be photocopied and all completed forms returned together to Link Group in accordance with the instructions in paragraph 5 below.
5. If a paper form of proxy is used to appoint a proxy or proxies, the form of proxy must be completed, signed and returned, together with any power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL, so that it is received no later than 10.30 a.m. on 27 September 2022. In the event of a conflict between a blank paper 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.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting to be held at 10.30 a.m. on 29 September 2022 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Group (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the Meeting (or, in the event that the Meeting is adjourned, no later than 48 hours before the time appointed for the adjourned 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 their 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.

7. If you wish to change your proxy instructions, you should submit a new proxy appointment using the methods detailed above. Your attention is particularly drawn to the deadline for receipt of proxy appointments (as detailed in paragraphs 4, 5 and 6 above) as these are applicable to amended proxy instructions. In the event that more than one valid proxy appointment is received for the same share or shares, the appointment received last before the deadline for receipt of proxy appointments will take precedence.
8. Only those shareholders entered on the register of members of the Company at the close of business on 27 September 2022 or, in the event that the Meeting is adjourned, in the register of members as at the close of business on the day two working 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 27 September 2022 or, in the event that the Meeting is adjourned, in the register of members after the close of business on the day two working 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.
9. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
10. Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the date of the Meeting and at the place of the Meeting for 15 minutes prior to and during the Meeting:
    - copies of all service agreements or letters of appointment under which the Directors of the Company are employed by the Company.
11. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
12. Except as provided above, shareholders who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling Link Group on +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m. (UK time) Monday to Friday excluding public holidays in England and Wales.

Explanatory notes to the Notice of Annual General Meeting

Ordinary Business
Each resolution will be proposed as an Ordinary Resolution. This means that, for each of the resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

The Ordinary Resolutions are routine and deal with the presentation of the Annual Report and Accounts for the financial year ended 31 May 2022, the declaration of a final dividend, the reappointment of David Downie, Richard Whiting, Chris Belsham and Richard Armitage as Directors of the Company, the appointment of Dawn Moore as a Director of the Company (who will have joined the Board since the last Meeting), and the reappointment of PricewaterhouseCoopers LLP as auditors as well as the authorisation of the Directors to set the auditors' remuneration and the approval of the Directors' Remuneration Report (excluding the Directors' remuneration policy contained within that report). The vote in respect of Resolution 9 will be 'advisory' only which means that it is not binding on the Company, and the Directors' entitlement to remuneration is not conditional on it.

Biographical details of the Directors standing for re-election can be found on pages 38 and 39. Dawn Moore's biographical details are set out on page 54.

Special Business
Resolution 10 will be proposed as an Ordinary Resolution and Resolution 11 will be proposed as a Special Resolution. In order for a Special Resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 10 – authority to allot shares (Ordinary Resolution)
The authority conferred on the Directors at last year's Meeting to allot the share capital of the Company expires at the conclusion of the forthcoming Meeting. The Board recommends that this authority be renewed.

Paragraph 10.1 of Resolution 10 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £4,094,514, 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 29 July 2022, the latest practicable date before the publication of this Notice. As at close of business on 29 July 2022 the Company did not hold any treasury shares.

Paragraph 10.2 of Resolution 10 will, if passed, authorise the Directors to allot unissued shares in connection with a rights or other issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities, up to a maximum aggregate nominal amount of £8,189,027, 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 29 July 2022 (such amount to be reduced by the nominal amount of any Relevant Securities issued under the authority conferred by paragraph 10.1 of Resolution 10).

The authorities sought in Resolution 10 are in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such existing authorities. The authorities will each expire 15 months after the date of the Meeting or, if earlier, at the conclusion of the next Meeting of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

Resolution 11 – disapplication of pre-emption rights (Special Resolution)
Resolution 11, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's Meeting to issue equity securities of the Company for cash without application of the pre-emption rights provided by Section 561 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their shareholdings then existing; (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue; and (iii) for cash up to an aggregate nominal value of £1,228,354, which represents 10% of the issued ordinary share capital of the Company as it was at close of business on 29 July 2022, the latest practicable date before the publication of this Notice.

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

The authority sought and the limits set by this resolution will also disapply the application of Section 561 of the Act from a sale of treasury shares to the extent also specified in this resolution.

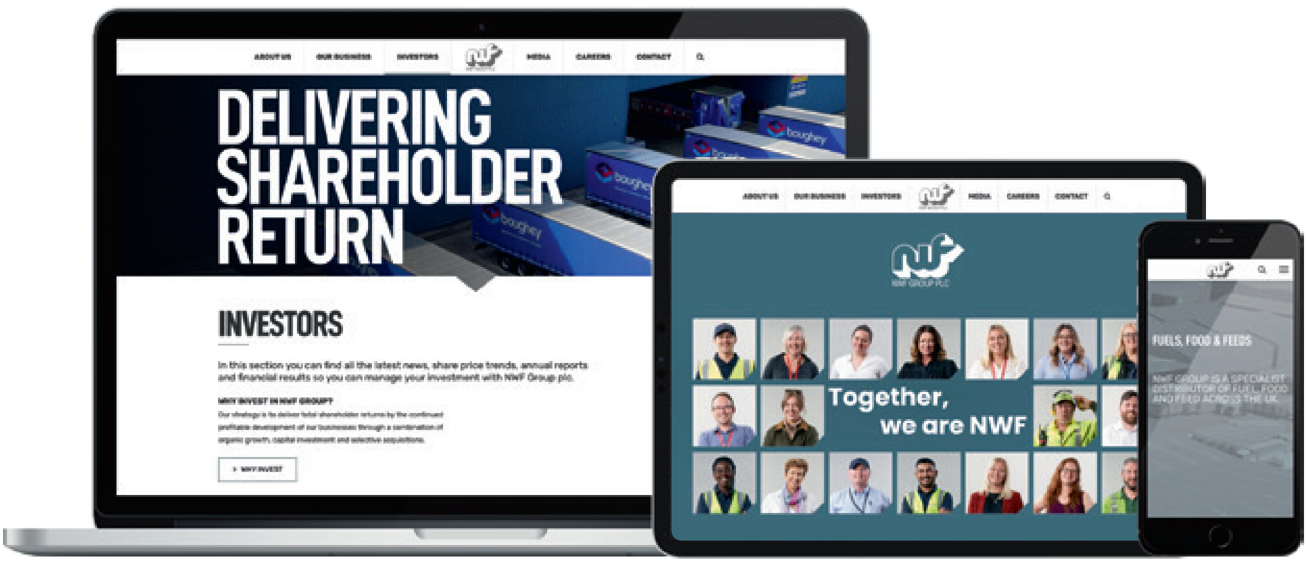
Financial calendar

Annual General Meeting	29 September 2022
Dividend:	
– Ex-dividend date	3 November 2022
– Record date	4 November 2022
– Payment date	9 December 2022
Announcement of half-year results	Early February 2023
Publication of Interim Report	Early February 2023
Interim dividend paid	May 2023
Financial year end	31 May 2023
Announcement of full-year results	Early August 2023
Publication of Annual Report and Accounts	Late August 2023

Divisional contacts

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

Discover more online



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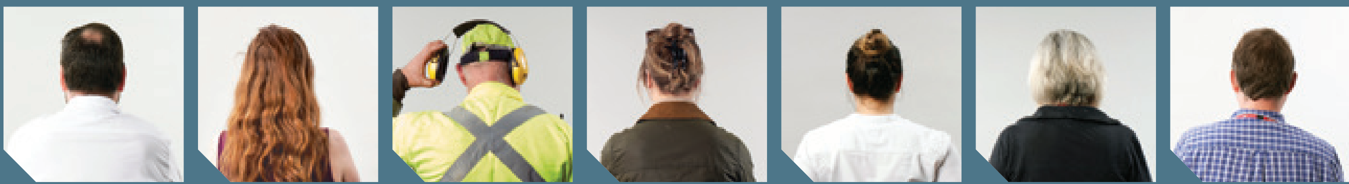
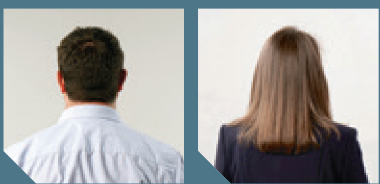


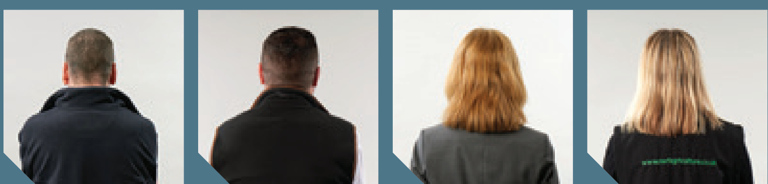
thank you

to all our colleagues

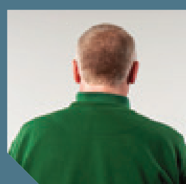


From top left, left to right, front cover: Adam Lysik, Becky Shaw, Natalie Tipper, Andrea Mier, Lucy Jenkin, Andreea Vinatoru, Dawn Davies, Craig Davies, Liz Barratt, Karolina Banaszek, Lilly Evans, Mark Ellis, Sam Bradley, Dan Busby, Missi Nyarko, Anna Meakin, Dave Snelson, Angel Asenov, Katie Welsh, Joe Armitt, Adam Clay, Adam Heath, Craig Jones, Haseeb Ahmed, John Beresford, Martin Browne, Phil Williams, Louise Curran, Brendan Wainwright,

for taking part



Daniela Vintila, Chris Naylor, Sarah Hall, John Davies, Phillip Beckett, Tim Brundrett, Laura Grace, Magda Krekora, Callie Broadhurst, Julie Murray, Ian Couturier, Andy Raiswell, Charlotte Salmon, Neal Parton, Teresa Dodd, Natasha Parry, Che Kerin, Kim Zytkowicz and Emily Pibworth.



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