NWF Agriculture Limited
Strategic report and financial statements for the year ended 31 May 2016

Registered number: 1117234

NWF Agriculture Limited
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Contents

NWF Agriculture Limited
Strategic report
for the year ended 31 May 2016

The Directors present their strategic report on the company for the year ended 31 May 2016.

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

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

- 4,750 customers (2015: 4,000 customers)
- Sold 477,000 tonnes in the year ended 31 May 2016 (2015: 492,000 tonnes)
- Revenue of £112,396,000 in the year ended 31 May 2016 (2015: £129,933,000)
- Headline operating profit of £1,348,000 in the year ended 31 May 2016 (2015: £1,402,000)

Review of the business
2016 was a challenging year for NWF Agriculture. There was no respite from the impact of low milk prices for our farming customers which, combined with a warm winter, resulted in ruminant feed UK market volumes falling by 4% year on year. In addition, commodity prices drifted down until February 2016 and, with raw materials bought forward, this created challenging trading conditions. Against this backdrop good progress has been made both in market share gains and profitability. Earnings enhancing acquisitions were made with New Breed in June 2015 and Jim Peet in February 2016. New Breed delivers over 45,000 tonnes of ruminant feed in the North and Jim Peet delivers annual volume of over 50,000 tonnes and gives an effective operating platform with mills at Longtown, near Carlisle and Aspatria in Cumbria.

Revenue fell to £112.4 million (2015: £129.9 million) as a result of the reductions in selling prices caused by falling commodity prices in the year. Despite this, headline operating profit remained broadly consistent at £1.3 million (2015: £1.4 million). Total volume reflected increased market share as it was 3.0% lower at 477,000 tonnes (2015: 492,000 tonnes), compared to market shortfalls of 4.0%.

Average milk prices in Great Britain decreased during the year by 3.7p per litre to 21.0p in May 2016, a level below the average cost of milk production, which has caused hardship for dairy farmers. Despite this, milk production increased year on year through to March 2016, with total volume ahead by 1.6% to a six year high of 12.4 billion litres (2015: 12.2 billion litres). The UK market for ruminant feed fell by 4% as a consequence of a warm winter and the lower milk price for farmers.

NWF Agriculture has a very broad customer base working with 4,750 farming customers across the country. This base and the underlying robust demand for milk and dairy products results in a reasonably stable overall demand for our feed.

Exceptional costs of £2,106,000 (2015: £723,000) were incurred during the year; these related to redundancy and reorganisation costs, lease exit costs and acquisition-related transaction costs. See note 3 for further details.

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

A key strategic priority for the business is to increase our nutritional focus by providing more advice and value added products to our farming customers. In the year an improved on farm rationing system has been deployed which increases the use of fermentable products and silage sample analysis has been refined and improved. This has been of particular importance in the year to support our farming customers facing a difficult business environment.

The increasing emphasis on a technically supported, nutritional based sales approach will continue to add value to the business and the recent recruits to the sales team are performing well. The business aims to continue the track record of organic growth and in line with the strategic emphasis on agriculture, looking for complementary acquisitions and bolt on businesses to increase the business with UK farming. Furthermore the business aims to diversify the agriculture offering from a focused ruminant feed base to a broader agriculture offering.

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

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

Price risk
The company is exposed to commodity price risk, principally for certain raw materials, and enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The use of these contracts is not speculative. At 31 May 2016, the company had open forward supply contracts with a principal value of £25,482,488 (31 May 2015: £30,407,000). The Directors estimate the fair value of open contracts at 31 May 2016 to be £187,127 (31 May 2015: £53,000).

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

Credit risk
Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the executive Directors of NWF Group plc.

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

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

Brexit
The uncertainty around the implications of the EU exit and exchange rate volatility creates commodity price risk. The company manages the impact of commodity price volatility by utilising forward contracts and focusing on margin.

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

By order of the Board

S R Andrew
Company secretary
Registered number: 1117234
5 October 2016

NWF Agriculture Limited
Directors' report
for the year ended 31 May 2016

The Directors present their report together with the audited financial statements of the company for the year ended 31 May 2016.

Results and dividends
The loss for the financial year amounted to £1,114,000 (2015: profit of £161,000).

A dividend of £6,500,000 was approved at the year-end (2015: £500,000). The remaining surplus has been transferred to reserves.

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

S R Andrew

B J Banner (resigned 31 August 2016)

A Downie

M I Evington (resigned 5 June 2015)

A Jackson

I A Kenmuir (resigned 1 June 2015)

I Simpson

R J Thomas (appointed 7 September 2015)

R A Whiting

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

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

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

Employees
The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in NWF Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance.

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

NWF Agriculture Limited
Directors' report
for the year ended 31 May 2016 (continued)

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the shareholders in writing about the use of disclosure exemptions, if any, or FRS 101 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors
Each of the persons who is a Director of the company at the date of the approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

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

By order of the Board

S R Andrew
Company secretary
5 October 2016
Registered number: 1117234

NWF Agriculture Limited
Independent auditors' report to the members of NWF Agriculture Limited

Report on the financial statements

Our opinion
In our opinion, NWF Agriculture Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements comprise:

- the balance sheet as at 31 May 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

NWF Agriculture Limited
Independent auditors' report to the members of NWF Agriculture Limited (continued)

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 October 2016

NWF Agriculture Limited
Statement of comprehensive income
for the year ended 31 May 2016

	Note	2016 £'000	2015 £'000
Revenue	2	**112,396**	129,933
Cost of sales		**(100,666)**	(117,780)
Gross profit		**11,730**	12,153
Distribution costs		**(7,103)**	(7,831)
Administrative expenses		**(5,385)**	(3,643)
Headline operating profit		**1,348**	1,402
Exceptional items	3	**(2,106)**	(723)
Operating (loss)/profit		**(758)**	679
Finance income	6	**34**	4
Finance costs	6	**(343)**	(389)
(Loss)/profit before taxation	3	**(1,067)**	294
Income tax expense	7	**(47)**	(133)
(Loss)/profit for the financial year		**(1,114)**	161
Other comprehensive income:			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**(1,114)**	161

The notes on pages 12 to 36 form part of these financial statements.

NWF Agriculture Limited
Balance sheet
as at 31 May 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Non-current assets					
Intangible assets	9	**8,283**		2,565	
Property, plant and equipment	10	**7,132**		3,552	
Investments	11	**7,896**		8,070	
			23,311		14,187
Current assets					
Inventories	12	**2,011**		2,095	
Trade and other receivables	13	**20,362**		23,748	
Derivative financial assets		**190**		245	
Cash and cash equivalents		**2,246**		431	
			24,809		26,519
Current liabilities					
Borrowings	15	**(1,601)**		(685)	
Trade and other payables	14	**(38,157)**		(20,239)	
Derivative financial liabilities		**(38)**		(162)	
			(39,796)		(21,086)
Net current (liabilities)/assets			**(14,987)**		5,433
Total assets less current liabilities			**8,324**		19,620
Non-current liabilities					
Borrowings	15		**(94)**		(5,853)
Deferred consideration			**(1,415)**		-
Deferred income tax	16		**(377)**		(279)
Net assets			**6,438**		13,488
Equity					
Called up share capital	17		**-**		-
Retained earnings			**6,438**		13,488
Total shareholders' funds			**6,438**		13,488

The notes on pages 12 to 36 form part of these financial statements.

The financial statements on pages 9 to 36 were approved by the Board of Directors on 5 October 2016 and were signed on its behalf by:

A Downie
Director

RJ Thomas
Director

Registered number: 01117234 (England & Wales)

NWF Agriculture Limited
Statement of changes in equity
For the year ended 31 May 2016

	Called up share capital	Retained earnings	Total Shareholder's funds
	£'000	£'000	£'000
Balance at 1 June 2014 under UK GAAP	**-**	**14,080**	**14,080**
Impact of change in GAAP (note 26)	-	(259)	(259)
At 1 June 2014 under FRS 101	-	13,821	13,821
Profit for the financial year	-	161	161
Total comprehensive income for the financial year	-	161	161
Transactions with owners:			
Dividends paid (note 8)	-	(500)	(500)
Credit to equity for equity-settled share based payments	-	6	6
At 31 May 2015	**-**	**13,488**	**13,488**
At 1 June 2015	-	13,488	13,488
Loss for the financial year	-	(1,114)	(1,114)
Total comprehensive income for the year	-	(1,114)	(1,114)
Hive up of subsidiary company (note 27)		564	564
Transactions with owners:			
Dividends paid (note 8)	-	(6,500)	(6,500)
Credit to equity for equity-settled share based payments	-	-	-
At 31 May 2016	**-**	**6,438**	**6,438**

The notes on pages 12 to 36 form part of these financial statements

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2016

1 Accounting policies

General information
NWF Agriculture Limited ("the company") is a manufacturer of animal feeds and other agricultural products in the UK. The company is a private company and is incorporated (Company number 1117234) and domiciled in the UK. The address of its registered office is Wardle, Nantwich, Cheshire CW5 6BP.

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

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

For periods up to and including the year ended 31 May 2015, the company prepared its financial statements in accordance with UK generally accepted accounting standards ("UK GAAP"). These financial statements for the year ended 31 May 2016 are the first the company has prepared in accordance with FRS 101. The company's deemed transition date to FRS 101 is 1 June 2014. The principles and requirements for first time adoption of FRS 101 are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. Details of the transitional adjustments are set out in note 26. The company has adopted the FRS 101 accounting principles on a consistent basis from the date of transition.

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

The company has early adopted the July 2015 amendments to FRS 101 and the "Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015" (SI2015/980) in these financial statements.

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

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

1 Accounting policies (continued)

Basis of preparation (continued)

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

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

Adoption of new and revised standards

The following new EU-endorsed standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 June 2015, but have not had an impact on the amounts reported in the financial statements:

IFRS 1	'First time adoption'
IFRS 2	'Share-based payment'
IFRS 3	'Business combinations'
IFRS 8	'Operating segments'
IFRS 13	'Fair value measurement'
IAS 16	'Property, plant and equipment'
IAS 38	'Intangible assets'
Amendment to IAS 19	'Employee benefits'
IAS 40	'Investment property'
Consequential amendments to:	
IFRS 9	'Financial instruments';
IAS 37	'Provisions, contingent liabilities and contingent assets'; and
Amendment to IAS 39	'Financial Instruments: recognition and measurement'

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 June 2015 and have not yet been early adopted:

Amendment to IFRS 11	'Joint arrangements' – on acquisition of an interest in a joint operation
Amendment to IAS 16	'Property, plant and equipment' – depreciation and amortisation
Amendment to IAS 16 and IAS 41	'Agriculture' regarding bearer plants
Amendment to IAS 38	'Intangible assets' – depreciation and amortisation
IFRS 14	'Regulatory deferral accounts'
Amendment to IAS 27 regarding the equity method	
Amendment to IAS 1	'Presentation of financial statements' – on the disclosure initiative
Amendments to IFRS 10 and IAS 28 regarding consolidation exemption	
Amendments to IAS 7 regarding the statement of cash flows on disclosure initiative	
Amendments to IAS 12 on the recognition of deferred tax assets on unrealised losses	
Amendments to IFRS 2	'Share based payments'
IFRS 9	'Financial instruments' – classification and measurement
IFRS 15 and amendments	'Revenue from contracts with customers'
Annual improvements 2012, 2013, 2014 and 2015	

The impact of these new standards and amendments will be assessed in detail prior to adoption; however, at this stage the Directors do not anticipate them to have a material impact on the amounts reported in the financial statements.

1 Accounting policies (continued)

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

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

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

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

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

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

Goodwill is allocated to the company's one segment, being the sale of animal feeds and other agricultural products in the United Kingdom.

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

Property, plant & equipment
Property, plant and equipment is stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation on assets is calculated to reduce their cost to their residual values over their estimated useful economic life on a straight line basis as follows:

Freehold buildings	10 to 50 years
Plant and machinery	3 to 10 years
Cars and commercial vehicles	4 to 8 years

Land is not depreciated. Finance costs that are directly attributable to the construction of significant assets are capitalised. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

1 Accounting policies (continued)

Property, plant & equipment (continued)
Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying value and are recognised in the statement of comprehensive income.

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

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

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

The company also operates a money purchase scheme whereby the company pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the statement of comprehensive income when they are due.

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

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

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

Share-based payments
The company's employees were eligible to participate in the NWF Group plc SAYE share option scheme. The scheme was closed in the prior year. 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.

1 Accounting policies (continued)

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.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in an immediate accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

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.

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

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

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

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

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

Bank borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings, using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

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

Other leases are classified as finance leases.

1 Accounting policies (continued)

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

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

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

Share capital
Ordinary shares are classified as equity.

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

Critical accounting estimates
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and 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.

Estimated impairment of goodwill
The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 14. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates, both in arriving at expected future cash flows and a suitable discount rate in order to calculate the present value of these flows.

Estimated impairment of trade receivables
The company regularly reviews the recoverability of trade receivables. A provision for impairment is made where the company believes that it will not be able to collect amounts due according to the original terms of sale. Provisions for impairment are estimates of future events and are therefore uncertain.

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

2 Revenue

Analysis of revenue by category:

	2016 £'000	2015 £'000
Feed	**91,534**	103,837
Traded products	**20,862**	26,096
	112,396	129,933

3 (Loss)/Profit before taxation

Profit before taxation is stated after charging:

	2016 £'000	2015 £'000
Auditors' remuneration:		
- Statutory audit of the company's financial statements	**30**	25
Depreciation (note 10) – owned assets	**701**	702
Amortisation of intangible assets	**162**	183
Loss on sale of fixed assets	**-**	3
Impairment of trade receivables (included in "administrative expenses")	**62**	81
Inventory recognised as an expense	**89,317**	106,007
Staff costs including Directors (note 5)	**9,463**	9,375
Operating lease rentals	**902**	857
Exceptional items:		
- Transaction costs	**260**	-
- Restructuring and redundancy costs	**1,846**	-
- Consultancy costs	**-**	519
- Aborted project costs	**-**	204

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

Exceptional items
During the year the company incurred transaction costs on acquisition of £260,000 and restructuring costs of £1,846,000 which have been disclosed as exceptional items. In the prior year, the company implemented a new ERP system which went live during the year and consequently £519,000 of non-capitalised consultancy costs were incurred. Additionally, the company incurred £204,000 of one-off aborted project costs in the prior year.

4 Directors' emoluments

	2016 **£'000**	2015 £'000
Salary and benefits	**501**	368
Performance related bonuses	**86**	37
Termination payments	**4**	-
Company contributions to money purchase pension schemes	**41**	17
	632	422

	Number	Number
Number of Directors with retirement benefits accruing under:		
Money purchase pension schemes	**3**	4
Defined benefit pension schemes	**1**	2

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

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

Highest paid Director

	2016 **£'000**	2015 £'000
Total amount of emoluments receivable	**231**	122
Defined benefit pension scheme:		
Contributions attributed to highest paid director	-	5
Accrued pension at end of year	-	17

The highest paid Director did not exercise any share options in the current or prior year.

5 Staff costs

	2016 £'000	2015 £'000
Wages and salaries	**7,917**	7,740
Social security costs	**769**	830
Share-based payments (note 20)	**-**	6
Other pensions costs (note 19)	**777**	799
	9,463	9,375

The above staff costs exclude exceptional redundancy costs of £154,000 (2015: £Nil).

The average monthly number of employees during the year was:

	2016 No	2015 No
Selling and distribution	**99**	103
Production	**59**	59
Administration	**33**	30
	191	192

6 Finance income/(expense)

	2016 £'000	2015 £'000
Finance income		
Other interest receivable	**34**	4
Total finance income	**34**	4
Finance expense		
Bank interest payable	**(155)**	(202)
Group interest payable	**(188)**	(185)
Other interest payable	**-**	(2)
Total finance expense	**(343)**	**(389)**

7 Income tax expense

	2016 £'000	2015 £'000
Current tax		
U.K. corporation tax on (loss)/profits for the year	**152**	9
Adjustments in respect of prior years	**103**	15
Total current tax charge	**255**	24
Deferred tax		
Origination and reversal of timing differences	**(121)**	81
Impact of the reduction in the U.K. corporation tax rate on opening deferred tax liability	**(20)**	-
Adjustments in respect of prior years	**(67)**	28
Total deferred tax (credit)/charge	**(208)**	109
Total tax charge on (loss)/profit	**47**	133

Corporation tax has been calculated at an effective rate of 20% of estimated assessable (loss)/profit for the year (2015: 20.8%).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Further changes were announced in the 2016 Budget statement to reduce the rate to 17% from 1 April 2020 – this change has not been substantively enacted by the balance sheet date and is not reflected in these financial statements.

The total tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the U.K. as explained below:

	2016 £'000	2015 £'000
(Loss)/profit before taxation	**(1,067)**	294
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the U.K. of 20% (2015: 20.8%)	**(213)**	61
Effects of:		
Expenses not deductible for tax purposes	**244**	43
Impact of the reduction in the U.K. corporation tax rate on deferred tax	**(20)**	-
Adjustments in respect of prior years	**36**	29
Total income tax charge	**47**	133

8 Dividends

	2016 £'000	2015 £'000
Interim dividend paid £3,250,000 per share (2015: £250,000 per share)	**6,500**	500

9 Intangible assets

	Goodwill £'000	Brands £'000	Software £'000	Total £'000
Cost				
At 1 June 2015	2,853	-	1,075	3,928
Additions	5,440	285	115	5,840
Disposals	-	-	(66)	(66)
Acquired on hive-up (see note 11 & 27)	40	-	-	40
At 31 May 2016	**8,333**	**285**	**1,124**	**9,742**
Accumulated amortisation				
At 1 June 2015	(1,180)	-	(183)	(1,363)
Charge for the year	-	-	(162)	(162)
Disposals	-	-	66	66
At 31 May 2016	**(1,180)**	**-**	**(279)**	**(1,459)**
Net book amount				
At 31 May 2016	**7,153**	**285**	**845**	**8,283**
At 31 May 2015	1,673	-	892	2,565

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

The group tests annually for impairment of goodwill. The recoverable amount of goodwill is determined using value in use calculations. The value in use calculations use pre-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2017. Subsequent cash flows are extrapolated using an estimate growth rate of 2%.

The rate used to discount the projected cash flows, being a post-tax risk-adjusted discount rate, is 9.9% (2015: 9.9%).

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns. Having completed the 2016 impairment reviews, no impairments have been identified. Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. The impact of a 1% increase in the discount rate results in a reduction in headroom of £4,315,000.

During the year the company acquired 100% of the issued share capital of Jim Peet (Agriculture) Limited and New Breed (UK Limited). See note 10 for further details.

On 31 May 2016 the trade and business assets of Jim Peet (Agriculture) Limited and S.C. Feeds Limited were transferred to the company. The goodwill transferred from subsidiaries represents the difference between the net assets transferred to NWF Agriculture on 31 May 2016 and the original cost of the share capital. See note 27 for further details.

10 Property, plant and equipment

	Freehold land and buildings £'000	Cars and Commercial vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 June 2015	753	513	12,437	13,703
Additions	578	26	954	1,558
Disposals	(67)	(113)	(8,097)	(8,277)
Transfer from subsidiary	615	101	2,672	3,388
At 31 May 2016	**1,879**	**527**	**7,966**	**10,372**
Accumulated depreciation				
At 1 June 2015	(169)	(220)	(9,762)	(10,151)
Charge for the year	(14)	(93)	(594)	(701)
Disposals	67	87	7,784	7,938
Transfer from subsidiary	(3)	(14)	(309)	(326)
At 31 May 2016	**(119)**	**(240)**	**(2,881)**	**(3,240)**
Net book amount				
At 31 May 2016	**1,760**	**287**	**5,085**	**7,132**
At 31 May 2015	584	293	2,675	3,552

11 Investments

	£'000
At 1 June 2015	**8,070**
Additions	**6,372**
Capital reduction	**(1,385)**
Reclassification to goodwill (see note 9 & 27)	**(5,161)**
At 31 May 2016	**7,896**

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

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

On 30 June 2015, the company acquired 100% of the issued share capital of New Breed (UK) Limited, a high quality agricultural nutritional advisory business working with clients in the North of England and Scotland. Consideration consists of £2.3m net consideration and up to a further £1.5m of deferred cash consideration payable in the period to June 2018, dependent on achievement of certain volume and profit thresholds during this three year period. Transaction costs of £0.1m have been incurred and reported as exceptional items in the year.

On 1 March 2016 the company acquired 100% of the issued share capital of Jim Peet (Agriculture) Limited, a well-established ruminant feed manufacturer supplying farmers across the North of England and South West Scotland. Consideration consisted of £2.4m net consideration plus £2.0m of debt acquired with the business settled by the company immediately post acquisition. Transaction costs of £0.1m have been incurred and reported as exceptional items in the year.

On 31 May 2016 the trade and business assets of Jim Peet (Agriculture) Limited and S.C. Feeds Limited were transferred to the company. Jim Peet (Agriculture) Limited and S.C. Feeds Limited ceased to trade at this date and their operations became discontinued. See note 9 and 27 for further details.

During the year, the non-trading subsidiary companies undertook an exercise to simplify the Group's corporate structure, resulting in a capital reduction in the investments relating to non-trading subsidiaries.

At 31 May 2016 the closing year end investment relating to non-trading subsidiaries represents the underlying net assets in the now dormant companies with the difference between this and the original cost of investment classified as goodwill. The remaining investment relating to New Breed (UK) Limited is included at cost and the Directors believe that the carrying value of the investment is supported by their underlying net assets.

12 Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	**1,536**	1,780
Finished goods and goods for resale	**475**	315
	2,011	2,095

There is no significant difference between the replacement cost of inventories and their carrying values.

Inventories are stated after provisions for impairment of £35,000 (2015: £35,000).

13 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**18,255**	22,180
Amounts owed by group undertakings	**854**	442
Other receivables	**244**	245
Prepayments and accrued income	**1,009**	881
	20,362	23,748

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

Trade receivables are stated after provisions for impairment of £681,192 (2015: £523,830)

14 Trade and other payables

	2016 £'000	2015 £'000
Trade Payables	**10,793**	9,867
Amounts owed to group undertakings	**24,651**	9,095
Income tax	**252**	9
Other taxation and social security	**384**	344
Accruals and deferred income	**2,077**	924
	38,157	20,239

All of the amounts due from group undertakings shown above are repayable on demand. Included in these amounts is £24,453,000 (31 May 2015: £6,607,000) which represents loans to group undertakings. Interest has been charged on these group loans in the year at 2.0% (31 May 2015: 3.0%) per annum.

The remaining amounts are non-interest bearing trade balances.

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

NWF Agriculture Limited
Notes to the financial statements
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15 Borrowings

	2016 £'000	2015 £'000
Current liabilities		
Bank loans and overdrafts	**1,534**	685
Hire purchase liabilities	**67**	-
	1,601	685
Non-current liabilities		
Invoice discounting advances	**-**	5,853
Hire purchase liabilities	**94**	-
	94	5,853

Banking facilities are provided by The Royal Bank of Scotland, in an arrangement with the company's ultimate parent company NWF Group plc. These facilities were renewed and increased on 19 June 2014 and are committed until 31 October 2019. The overdraft facility at 31 May 2016 was repayable on demand and was subject to a maximum limit of £1.0 million (2015: £1.0 million). In the year ended 31 May 2016 interest was charged at 1.5% per annum over the bank's base rate (2015: 1.25% per annum over the bank's base rate).

Invoice discounting advances
Invoice discounting advances at 31 May 2016 were drawn under a committed facility with an expiry date of 31 October 2019. The availability of invoice discounting facilities is dependent on the level of current trade receivables available for refinancing and is subject to a maximum drawdown of £50.0m (2015: £50.0m).

The facility is secured by way of a fixed and floating charge against the company's trade receivables. Interest is charged at 1.25% (2015: 1.25%) per annum above the bank's base rate.

Invoice discounting advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, all of the invoice discounting advances at 31 May 2016 totalling £Nil (31 May 2015: £5,853,000) are presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities.

16 Deferred taxation

	2016 £'000	2015 £'000
Timing differences between capital allowances claimed and depreciation provided	**376**	275
Short term timing differences	**1**	4
	377	279

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

	2016 £000	2015 £'000
At 1 June	**279**	170
Transfer from subsidiary	**306**	-
Charge to the statement of comprehensive income (note 7)	**(208)**	109
At 31 May	**377**	279

17 Share capital

	Authorised		Allotted, called up and fully paid	
	2016	2015	**2016**	2015
	No/£	No/£	**No/£**	No/£
Ordinary shares of £1 each	**1,000**	1,000	**2**	2

18 Capital commitments

	2016	2015
	£'000	£'000
Authorised, contracted but not provided for	**2,029**	46

19 Pensions

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

The Scheme operates under UK Trust law and the trust is a separate legal entity from the company. The scheme is governed by a board of trustees that are required by law to act in the best interests of scheme members and are responsible for setting certain policies (including investment and funding policies) together with the company. The scheme exposes the company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk and salary risk.
The results of the latest valuation are reported in the consolidated financial statements of NWF Group plc. The defined benefit scheme was closed to new members during the year ended 31 May 2002.
Contributions into the scheme and amounts charged to the statement of comprehensive income during the year were £619,000 (2015: £682,000). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2015: £Nil).

The latest full triennial actuarial valuation of this scheme was completed in the year ended 31 May 2015, with a valuation date of 31 December 2013. The triennial valuation has resulted in expected total NWF Group plc contributions of £1.8m per annum (2015: £1.8m), including recovery plan payments of £1.2m per annum for twelve years from 1 January 2015.

The scheme was closed to future accrual in April 2016. This resulted in a past service credit of £1,370,000 which is recognised in the consolidated financial statements of NWF Group plc as an exceptional item.

19 Pensions (continued)

Further details on the scheme are shown below.

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

	2016 %	2015 %
Discount rate	**3.55**	3.70
Future salary increases	**N/a**	2.00
RPI inflation	**2.90**	3.20
CPI inflation	**1.90**	2.20
Pension increases in payment (LPI 5%)	**2.80**	3.10

The mortality assumptions adopted imply the following life expectancies:

	2016 Years	2015 Years
Current pensioners – male life expectancy at age 65	**22.2**	22.5
Future pensioners currently aged 45 – male life expectancy at age 65	**23.9**	24.0

The 2016 and 2015 mortality assumptions above are based on S1PXA tables with CMI 2013 improvements and a long-term trend rate of 1.25%.

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

	2016 £'000	2015 £'000
Present value of defined benefit obligations	**(52,866)**	(54,905)
Fair value of scheme assets	**34,526**	34,755
Deficit in the scheme recognised as a liability in the balance sheet	**(18,340)**	(20,150)
Related deferred tax asset	**3,301**	4,030
Net pension liability	**(15,039)**	(16,120)

19 Pensions (continued)

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

	2016	2015
	£'000	£'000
Current service cost	**482**	499
Past service credit	**(1,370)**	-
Scheme administration expenses	**280**	288
Net interest on the defined benefit liability	**713**	723
Total cost recognised in the statement of comprehensive income	**105**	1,510

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

	2016	2015
	£'000	£'000
Actuarial (loss)/gain on plan assets	**(1,118)**	2,289
Actuarial gain/(loss) arising from changes in financial assumptions	**1,282**	(5,465)
Re-measurement gain/(loss)	**164**	(3,176)

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

	2016	2015
	£'000	£'000
At 1 June	**54,905**	48,588
Current service cost	**482**	499
Interest on scheme liabilities	**1,997**	2,101
Actuarial (gains)/losses	**(1,282)**	5,465
Contributions by scheme members	**159**	197
Benefits paid	**(2,025)**	(1,945)
Past service credit	**(1,370)**	-
At 31 May	**52,866**	54,905

19 Pensions (continued)

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

	2016 **£'000**	2015 £'000
At 1 June	**34,755**	31,244
Interest income	**1,284**	1,378
Actuarial (losses)/gains	**(1,118)**	2,289
Scheme administration expenses	**(280)**	(288)
Contributions by employer	**1,751**	1,880
Contributions by scheme members	**159**	197
Benefits paid	**(2,025)**	(1,945)
At 31 May	**34,526**	34,755

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

	2016 **£'000**	2015 £'000
Equities	**7,439**	7,591
Bonds	**7,179**	7,088
Property	**648**	620
Cash	**312**	358
Diversified growth fund	**13,084**	13,490
Liability driven investment fund	**5,864**	5,608
	34,526	34,755

The actual return on scheme assets was a loss of £229,000 (2015: gain of £3,378,000).

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

19 Pensions (continued)

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

- Asset mix based on 20% equity investments, bond allocation 30%, diversified growth fund 40%, property and alternative assets 10%;
- It is the policy of the fund to cover its exposure to the interest rate risk of the defined benefit liability by the use of bond investments only. The fund has not used interest rate derivatives to hedge its exposure to interest rate risk in the current and prior year;
- Inflation risk is mitigated by the use of liability driven investment ('LDI') funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets. Within the 30% bond allocation, there is a 10% LDI fund allocation which affords approximately 30% exposure to changes in inflation;
- Consideration has been given to using LDI funds to give improved leveraged protection against changes in interest rates. However, the current policy is to use LDI funds to hedge inflation risk only, given that the majority of the scheme's liabilities are inflation-linked;
- The fund does not have a material foreign exchange exposure and does not therefore use foreign exchange derivatives to hedge its foreign exchange risk; and
- The only active management is within the diversified growth fund, bond investments, property and alternative assets. All equity investments are passively managed.

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

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

Significant actuarial assumptions for the determination of the defined benefit liability are discount rate, future salary increases, price inflation and mortality. The sensitivity analyses shown below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the balance sheet dates, while holding all other assumptions constant.

The company also operated a money purchase scheme during the year and contributions during the year amounted to £157,000 (2015: £117,000). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2015: £Nil).

20 Share-based payments

SAYE share option scheme
The company operated a SAYE share option scheme for the Group's eligible employees which is now closed. Options vested on completion of a three-year savings contract ending on 1 November 2014 and were exercisable for a period of six months from this date to 30 April 2015 for an exercise price of £1.06 per share. The exercise price represented a 10% discount to the quoted market price of the company's ordinary shares at 12 September 2011 (the date of invitation to join the scheme).

Options were forfeited if an employee left the employment of the Group. Options were cancelled when an employee ceased to save under, and therefore cancel participation in, the scheme but remained in the employment of the Group.

The company had no legal or constructive obligation to repurchase or settle the options for cash.

20 Share-based payments (continued)

The company recognised total expenses of £Nil in respect of SAYE options in the year ended 31 May 2016 (2015: £6,000). Movements in the number of options outstanding in respect of the company's employees in each of the years ended 31 May 2016 and 31 May 2015 are as follows:

	2016 No. of share options	2015 No. of share options
At 1 June	-	181.505
Forfeited during the year	-	(7,693)
Cancelled during the year	-	(4,753)
Exercised during the year	-	(169,059)
At 31 May	-	-

21 Ultimate parent company and controlling party

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

22 Related party transactions

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

23 Contingent liability

The company has given a guarantee to its bankers in respect of the bank borrowings within the group amounting to £11,401,000 at 31 May 2016 (31 May 2015: £5,897,000) and this is secured by way of an unscheduled mortgage debenture which incorporates a fixed charge over the book debts and a floating charge over all other assets.

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

24 Total commitment under operating leases

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

	2016	2015
	£'000	£'000
Within one year	**868**	761
Within two to five years inclusive	**952**	1,532
	1,820	2,293

25 Events after the reporting period

On 23 June 2016 a referendum was held and the outcome of the vote determined that the United Kingdom would leave the European Union. At the time of the signing of the statutory accounts the details of how and when the United Kingdom will leave the European Union, and its impact on the financial markets are uncertain. The company will closely monitor development in this area.

26 Transition to FRS 101

The company previously prepared its financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). The company has applied FRS 101 "Reduced Disclosure Framework" for the first full period within these financial statements for the period ended 31 May 2016 which are prepared using the accounting policies as set out in the 'Accounting Policies' note.

First time adoption exemptions

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The company's date of transition to FRS 101 is 1 June 2014 and the comparative information in the financial statements is restated to reflect the company's adoption of IFRS except where otherwise required or permitted by IFRS 1. As a general rule IFRS 1 requires these standards to be applied retrospectively. However IFRS 1 allows for a number of exemptions to these general principles to assist companies in reporting under IFRS.

The key exemptions the company has taken advantage of are as follows:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that occurred before 1 June 2014. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The company did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

26 Transition to FRS 101 (continued)

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made at 1 June 2014 and 31 May 2015 by the company under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The impact of the transition to FRS 101 is as follows:

Reconciliation of net assets

	Note	**31 May 2015 £'000**	1 June 2014 £'000
Net assets as reported under old UK GAAP		13,560	14,080
Non-amortisation of goodwill	A	148	-
Introduction of holiday pay accrual	C	(156)	(140)
Fair value of derivatives	D	83	14
Deferred tax on property and derivatives	E	(147)	(133)
Net assets as reported under FRS 101		**13,488**	**13,821**

Reconciliation of profit for the year

	Notes	**31 May 2015 £'000**
Loss for the year as reported under old UK GAAP		(26)
Non-amortisation of goodwill	A	148
Introduction of holiday pay accrual	C	(16)
Fair value movement on derivatives	D	69
Movement in deferred tax on property and derivatives	E	(14)
Profit for the year as reported under FRS 101		**161**

Notes to reconciliations from old UK GAAP to new UK GAAP

A Under FRS 101 goodwill is not amortised hence the goodwill amortisation charged under UK GAAP has been reversed.

B Under FRS 101 computer software previously reported within tangible assets has been reclassified as an intangible asset and borrowings reclassified from Creditors: amounts due within and after one year

C Under FRS 101 an accrual is required to represent untaken holidays outstanding at the year end.

D Under FRS 101 derivative financial assets and liabilities relating to the fair value of commodity contracts not designated for own use are recognised on the balance sheet.

E Under FRS 101 deferred tax is recognised in relation to property items and derivatives.

26 Transition to FRS 101 (continued)

		31 May 2015			1 June 2014		
	Note	Old UK GAAP £'000	Effects of change £'000	New UK GAAP £'000	Old UK GAAP £'000	Effects of change £'000	New UK GAAP £'000
Fixed assets							
Intangible assets	A,B	1,525	1,040	2,565	1,673	998	2,671
Property, plant and equipment	B	4,444	(892)	3,552	4,499	(998)	3,501
Investments in subsidiaries		8,070	-	8,070	8,070	-	8,070
		14,039	148	14,187	14,242	-	14,242
Current assets							
Inventory		2,095	-	2,095	2,126	-	2,126
Trade and other receivables		23,748	-	23,748	24,006	-	24,006
Derivative financial assets	D	-	245	245	-	195	195
Cash and cash equivalents		431	-	431	118	-	118
		26,274	245	26,519	26,250	195	26,445
Current liabilities							
Borrowings	B	-	(685)	(685)	-	(93)	(93)
Trade and other payables	B,C	(20,768)	529	(20,239)	(20,730)	(47)	(20,777)
Derivative financial liabilities	D	-	(162)	(162)	-	(181)	(181)
Net current assets		5,506	(73)	5,433	5,520	(126)	5,394
Total assets less current liabilities		19,545	75	19,620	19,762	(126)	19,636
Borrowings		(5,853)	-	(5,853)	(5,645)	-	(5,645)
Deferred income tax	E	(132)	(147)	(279)	(37)	(133)	(170)
Net assets		**13,560**	**(72)**	**13,488**	**14,080**	**(259)**	**13,821**
Equity							
Called up share capital		-	-	-	-	-	-
Profit and loss account	A,C,D,E	13,560	(72)	13,488	14,080	(259)	13,821
Total shareholders' funds		**13,560**	**(72)**	**13,488**	**14,080**	**(259)**	**13,821**

27 Business combinations

On 31 May 2016 the trade and business assets of Jim Peet (Agriculture) Limited and S.C. Feeds Limited were transferred to the company. Jim Peet (Agriculture) Limited and S.C. Feeds Limited ceased to trade at this date and their operations became discontinued. The book and fair value of assets and liabilities transferred (which equates to the consideration received through intercompany account) are summarised below.

	S.C. Feeds Book and fair value £'000	Jim Peet Book and fair value £'000
Intangible assets	-	40
Property, plant and equipment	873	2,189
Inventories	64	370
Trade and other receivables	2,754	1,085
Cash and cash equivalents	3	334
Trade and other payables	(459)	(3,321)
Taxation – current	(100)	-
Taxation – deferred	(111)	(195)
Borrowings	-	(160)
Net assets transferred	**3,024**	**342**

The year end investment values attributed to Jim Peet (Agriculture) Limited and S.C. Feeds Limited represents the underlying net assets in the non-trading companies and the difference between this and the original cost of investment has been reclassified as goodwill (note 9 and 11).

As the hive ups have taken place some time after the original acquisition, in line with IFRS 3, the predecessor value approach has been adopted. As a result, equity has been increased to reflect the post-acquisition movements in net assets of the hived up subsidiaries.