NWF Agriculture Limited
Strategic report and financial statements for the year ended 31 May 2021

Registered number: 01117234

NWF Agriculture Limited
Strategic report and financial statements
for the year ended 31 May 2021

Contents

NWF Agriculture Limited
Strategic report
for the year ended 31 May 2021

The Directors present their strategic report on the company for the year ended 31 May 2021.

The business model
NWF Agriculture Limited (the company) is a leading national supplier of ruminant animal feed, the no. 2 producer in the UK, feeding one in six dairy cows in the UK. 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:

- 4,300 customers (2020: 4,500 customers)
- Sold 546,000 tonnes in the year ended 31 May 2021 (2020: 598,000 tonnes)
- Revenue of £163,874,000 in the year ended 31 May 2021 (2020: £160,729,000)
- Operating profit excluding exceptional items of £998,000 in the year ended 31 May 2021 (2020: £1,918,000)

Review of the business
NWF Agriculture Limited is focussed on providing nutritional advice and on time deliveries to farmers across the country. Total feed volume decreased by 8.7% to 546,000 tonnes (2020: 598,000 tonnes). Total ruminant feed market volumes were 4.7% higher than prior year with most gains in sheep and beef feed and a small market decline in core dairy compounds. Less volume was sold to other compounders and merchants in the year as planned.

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

Revenue was higher at £163,874,000 (2020: £160,729,000) reflecting the higher feed and commodity prices in the year. Operating profit excluding exceptional items was £998,000 (2020: £1,918,000).

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

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

NWF Agriculture Limited has a very broad customer base, working with 4,300 farmers across the country. This base, and the underlying robust demand for milk and dairy products, results in a reasonably stable overall demand for our feed in most market conditions.

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

As at 31 May 2021, the company had net assets of £25.6 million (2020: £25.4 million).

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

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 pages 19-21 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 2021, the company had open forward supply contracts with a principal value of £43,351,751 (31 May 2020: £26,566,549). The Directors estimate the fair value of open contracts at 31 May 2021 to be £3,518,472 (31 May 2020: £753,767). 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 plc, 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 plc 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.

Section 172(1) Statement
The company's Section 172(1) Statement is included within the Directors' report and is included in this report by cross-reference.

By order of the Board

S R Andrew
Company secretary
Registered number: 01117234
12 August 2021

NWF Agriculture Limited
Directors' report
for the year ended 31 May 2021

The Directors present their report together with the audited financial statements of the company for the year ended 31 May 2021.

Results and dividends
The profit for the financial year amounted to £668,000 (2020: profit of £1,952,000).

A dividend of £500,000 was approved and paid at the year-end (2020: £900,000). The resulting profit has been transferred to reserves.

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

S R Andrew
C J Belsham
A Downie
G Franks
R J Thomas
R A Whiting
R Warrington

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 and is included in this report by cross-reference.

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

Going concern
The company's ultimate parent, NWF Group plc has an agreement with NatWest Group for credit facilities totalling £65,000,000. With the exception of the bank overdraft facility of £1,000,000 and the £4,000,000 bank guarantee facility, which are renewed annually, these facilities are committed through to 31 October 2023. As at 31 May 2021 NWF Group plc had available facilities of £52,300,000 (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £5,500,000 (excluding hire purchase obligations).

The company is part of an inter-group cross-guarantee arrangement with the bank under which the company and various other subsidiaries of the Group provide security for each other.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, NWF Group plc 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. 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 company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Employee engagement
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 the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in its performance.

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

Section 172(1) Statement
NWF Agriculture Limited depends on the trust and confidence of all its stakeholders to operate sustainably in the long term. The company seeks to build strong partnerships, create a culture of safety, invest in its people, respect the environment in which it operates and strives to generate sustainable value for shareholders.

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

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

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

Cyber-attack
The company experienced an unauthorised access to its IT systems in October 2020. To protect the interests of the company's stakeholders, the Directors authorised the taking of systems offline and the temporary suspension of trading of NWF Group shares on AIM whilst the Directors investigated the nature and extent of the incident, the recoverability of any compromised data and any effects on the operability of its systems. The Directors, through utilisation of the company's cyber insurance, quickly engaged experts in this area to mitigate the effects of this incident on stakeholders and implemented alternative systems of working to ensure business interruption was minimised. The Directors and Senior Management maintained close contact with the company's customers, suppliers, employees, shareholders and regulators following the discovery of the cyber-attack and kept them updated through a combination of direct communications and announcements to the London Stock Exchange.

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

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Strategic report and the financial statements in accordance with applicable law and regulation.

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

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

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

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

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

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

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

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

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

By order of the Board

S K Andrew
Company secretary
Registered number: 01117234
12 August 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 May 2021; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 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 company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

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

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

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

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.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

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

NWF Agriculture Limited
Statement of comprehensive income
for the year ended 31 May 2021

	Note	2021 £'000	2020 £'000
Revenue	2	**163,874**	160,729
Cost of sales		**(158,898)**	(154,686)
Gross profit		**4,976**	6,043
Administrative expenses		**(4,126)**	(4,125)
Headline operating profit		**998**	1,918
Exceptional items	3	**(148)**	-
Operating profit		**850**	1,918
Income from subsidiary		**500**	900
Finance income	6	**24**	45
Finance costs	6	**(356)**	(438)
Profit before taxation	3	**1,018**	2,425
Tax on profit	7	**(350)**	(473)
Profit and total comprehensive income for the financial year		**668**	1,952

The notes on pages 15 to 38 form part of these financial statements.

NWF Agriculture Limited
Balance sheet
as at 31 May 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Non-current assets					
Intangible assets	9	**7,551**		7,780	
Property, plant and equipment	10	**11,589**		12,249	
Right of use assets	11	**6,432**		7,438	
Investments	12	**7,896**		7,896	
			33,468		35,363
Current assets					
Inventories	13	**3,010**		2,502	
Trade and other receivables	14	**22,835**		19,961	
Derivative financial assets		**235**		105	
Cash and cash equivalents		**286**		155	
			26,366		22,723
Current liabilities					
Borrowings	16	**(6,127)**		(3,165)	
Lease liabilities	17	**(1,278)**		(1,278)	
Trade and other payables	15	**(20,440)**		(21,106)	
Derivative financial liabilities		**(79)**		(18)	
			(27,924)		(25,567)
Net current liabilities			**(1,558)**		(2,844)
Total assets less current liabilities			**31,910**		32,519
Non-current liabilities					
Lease liabilities	17		**(5,266)**		(6,228)
Deferred taxation	18		**(1,086)**		(888)
Net assets			**25,558**		25,403
Equity					
Called up share capital	19		**-**		-
Share premium account	19		**14,836**		14,836
Retained earnings			**10,722**		10,567
Total shareholder's funds			**25,558**		25,403

The notes on pages 15 to 38 form part of these financial statements.

NWF Agriculture Limited
Balance sheet (continued)
as at 31 May 2021

The financial statements on pages 11 to 38 were approved by the Board of Directors on 12 August 2021 and were signed on its behalf by:

12/8/21

A Downie	**R J Thomas**
Director	**Director**

Registered number: 01117234 (England & Wales)

NWF Agriculture Limited
Statement of changes in equity
For the year ended 31 May 2021

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholder's funds £'000
At 1 June 2019	-	14,836	9,410	24,246
Profit and total comprehensive income for the financial year	-	-	1,952	1,952
Dividend paid	-	-	(900)	(900)
Credit to equity on long term incentive plan award	-	-	94	94
Tax credit relating to share option scheme	-	-	11	11
At 31 May 2020	**-**	**14,836**	**10,567**	**25,403**
At 1 June 2020	-	14,836	10,567	25,403
Profit and total comprehensive income for the financial year	-	-	668	668
Shares issued	-	-	(77)	(77)
Dividend paid	-	-	(500)	(500)
Credit to equity on long term incentive plan award	-	-	64	64
At 31 May 2021	**-**	**14,836**	**10,722**	**25,558**

The notes on pages 15 to 38 form part of these financial statements.

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2021

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 limited company and is incorporated (Company number 01117234) and domiciled in the UK. The address of its registered office is Wardle, Nantwich, Cheshire CW5 6BP.

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

The financial statements have been prepared on a historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (as applicable) basis and in accordance with the Companies Act 2006 as applicable to companies using FRS 101, except for the departure from the Companies Act explained in note 9. The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

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

- IFRS 7, "Financial Instruments: Disclosures"
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets or liabilities),
- Paragraph 38 of IAS 1, "presentation of financial statements" comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73 (e) of IAS 16 Property, plant and equipment; and
  - 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":
  - 10(d) (statement of cash flows);
  - 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);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information);
  - 40A-D (requirement for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 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);
- Paragraphs 130(f)(ii)-(iii), 134(d)-(f) and 135(c)-(e) of IAS 36 Impairment of assets;
- The requirements of IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a group; and
- The following paragraphs of IFRS 2, "Share based payment";
  - 45(b) (details the number and weighted average exercise prices of share options)
  - 46 – 52 (how the fair value of goods or services was determined).

NWF Agriculture Limited
Notes to the financial statements
for the year ended 31 May 2021 (continued)

1 Accounting policies (continued)

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

Adoption of new and revised standards
The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2020.

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

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

Standard or interpretation	Content	Applicable for financial year beginning on
IFRS 4	Insurance Contracts	1 June 2021

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

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 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.

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 prepared in accordance with International Financial Reporting Standards, and 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.

1 Accounting policies (continued)

Intangible fixed assets

Goodwill

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

Goodwill on acquisitions of subsidiaries is included within intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the statement of comprehensive income and are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to the company's one segment, being the sale of animal feeds and other agricultural products in the United Kingdom.

Computer software

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

Property, plant & equipment

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

Freehold land & buildings:	
Land	Not depreciated
Buildings	10 to 50 years
Plant and machinery	3 to 25 years
Cars and commercial vehicles	3 to 10 years

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

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.

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 company, transition results in the recognition of almost all leases on the balance sheet as a right of use asset, with a corresponding lease liability.

At the inception of a contract, the 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.

1 Accounting policies (continued)

Right of use assets and lease liabilities (continued)
Lease payments are discounted using the company's incremental borrowing rate, since the interest rate implicit in the company'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 Statement of comprehensive income 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 company 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 company 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 Statement of comprehensive income. The company 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 company occurs where lease consideration changes due to a market rent review clause or 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 company 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.

1 Accounting policies (continued)

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. Deferred income tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1 Accounting policies (continued)

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9 the company 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 company continues to establish a provision for impairment of trade receivables 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. 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 company 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 company 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 Statement of comprehensive income 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 Statement of comprehensive income.

Derivative financial instruments and hedging instruments
A derivative is initially recognised at fair value on the date that the associated contract is entered into and then is remeasured at fair value at each subsequent balance sheet date.

The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. During the current and prior year, none of the Group's derivative financial instruments have been designated as effective hedges. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. 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.

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.

1 Accounting policies (continued)

Exceptional items
The 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, cyber-related costs, acquisition related costs, costs of implementing new systems 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 quantitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management.

Dividends
Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the company's shareholders. Dividend income is recognised when the right to receive payment is established.

Share capital
Ordinary shares are classified as equity.

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 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.

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 intangibles are determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2022 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

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

2 Revenue

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

3 Profit before taxation

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

	2021 **£'000**	2020 £'000
Auditors' remuneration:		
- Statutory audit of the company's financial statements	**108**	41
- Tax compliance services	**10**	16
Depreciation on property, plant and equipment (note 10)	**1,375**	1,373
Depreciation on right of use assets (note 11)	**1,429**	1,300
Amortisation of intangible assets (note 9)	**238**	237
Loss on sale of property, plant and equipment	**11**	38
Impairment of trade receivables (included in "administrative expenses")	**70**	77
Inventory recognised as an expense	**135,824**	130,520
Staff costs including Directors (note 5)	**11,607**	11,506
Exceptional items:		
- Cyber-related costs	**320**	-
- Insurance reclaim credit	**(172)**	-

Exceptional items
During the year the company incurred exceptional costs of £320,000 in respect of rebuild and professional service costs incurred as a result of the cyber incident announced on 2 November 2020.
An exceptional credit of £172,000 has been recognised as a result of reimbursement received from the Company's insurer in respect of the cyber incident. Further reimbursement is expected in respect of cyber costs incurred, but is not virtually certain and therefore has not been recognised at the year end.

4 Directors' emoluments

	2021 £'000	2020 £'000
Salary and benefits	**545**	540
Performance related bonuses	**54**	71
Long-term incentive plans	**79**	143
Company contributions to money purchase pension schemes	**48**	46
	726	800

	2021 Number	2020 Number
Number of Directors with retirement benefits accruing under:		
Money purchase pension schemes	**4**	4

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

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

No recharge is made to the company by the ultimate parent company and it is not possible to make an accurate apportionment of the above Directors' remuneration in respect of the company.

Highest paid Director

	2021 £'000	2020 £'000
Total amount of emoluments receivable	**305**	365

The highest paid director exercised 84,788 options (2020: no options) over shares in NWF Group plc in the financial year. The total emoluments receivable of the highest paid director include company contributions to a money purchase pension scheme of £23,000 (2020: £23,000).

5 Staff costs

	2021 £'000	2020 £'000
Wages and salaries	**9,667**	9,553
Social security costs	**1,126**	1,137
Other pension costs (note 21)	**814**	816
	11,607	11,506

The average monthly number of employees during the year was:

	2021 No	2020 No
Selling and distribution	**100**	96
Production	**66**	72
Administration	**45**	47
	211	215

6 Finance income/(costs)

	2021 £'000	2020 £'000
Finance income		
Other interest receivable	**24**	45
Total finance income	**24**	45
Finance costs		
Bank interest payable	**(139)**	(191)
Group interest payable	**(79)**	(103)
Interest costs on lease liabilities	**(138)**	(144)
Total finance costs	**(356)**	(438)

7 Tax on profit

	2021 £'000	2020 £'000
Current tax		
U.K. corporation tax on profit for the year	**93**	254
Adjustments in respect of prior years	**59**	10
Total current tax charge	**152**	264
Deferred tax		
Origination and reversal of timing differences	**50**	94
Impact of the increase in the U.K. corporation tax rate on closing deferred tax liability	**212**	85
Adjustments in respect of prior years	**(64)**	30
Total deferred tax charge	**198**	209
Total tax charge on profit	**350**	473

During the year ended 31 May 2021, corporation tax has been calculated at 19% of estimated assessable profits for the year (2020: 19.0%)

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

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

The total tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the U.K. as explained below:

	2021 £'000	2020 £'000
Profit before taxation	**1,018**	2,425
Profit before taxation multiplied by standard rate of corporation tax in the U.K. of 19.00% (2020: 19.00%)	**193**	461
Effects of:		
Income from subsidiary not assessable for corporation tax	**(95)**	(171)
Expenses not deductible for tax purposes	**29**	58
Impact of the increase in the U.K. corporation tax rate on deferred tax	**212**	85
Share options	**16**	-
Adjustments in respect of prior years	**(5)**	40
Total income tax charge	**350**	473

A tax credit of £nil (2020: £11,000) has been recognised in equity relating to the share option scheme.

8 Dividend paid

	2021 £'000	2020 £'000
Dividend paid £500 per share (2020: £900 per share)	**500**	900

9 Intangible assets

	Goodwill £'000	Brands £'000	Software £'000	Total £'000
Cost				
At 1 June 2020	8,265	285	1,560	10,110
Additions	-	-	9	9
At 31 May 2021	**8,265**	**285**	**1,569**	**10,119**
Accumulated amortisation				
At 1 June 2020	(1,180)	(60)	(1,090)	(2,330)
Charge for the year	-	(15)	(223)	(238)
At 31 May 2021	**(1,180)**	**(75)**	**(1,313)**	**(2,568)**
Net book amount				
At 31 May 2021	**7,085**	**210**	**256**	**7,551**
At 31 May 2020	7,085	225	470	7,780

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

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the statement of comprehensive income. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £354,250 (2020: £354,250) against operating profit, and a reduction of £354,250 (2020: £354,250) in the carrying value of goodwill in the balance sheet.

The company tests annually for impairment of goodwill. The recoverable amount of goodwill is determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2021. Subsequent cash flows are extrapolated using an estimated growth rate of 2%. The rate used to discount the projected cash flows, being a pre-tax risk-adjusted discount rate based on comparative businesses, is 10.8% (2020: 9.9%).

The value in use calculations described above indicate ample headroom and therefore do not give rise to impairment concerns. The base case calculation results in a value in use of £53.5 million. Furthermore, a sensitivity analysis which reduces the Board-approved forecasts by 10% in each of the first five years and increases the discount rate by 1% results in satisfactory headroom and does not give rise to an impairment. The impact of these two sensitivities on the value in use calculation is a reduction of £5.9 million and £7.4 million respectively. Having completed the 2021 impairment reviews, no impairments have been identified.

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 2020	2,900	401	16,592	19,893
Additions	-	12	734	746
Disposals	-	(58)	(70)	(128)
At 31 May 2021	**2,900**	**355**	**17,256**	**20,511**
Accumulated depreciation				
At 1 June 2020	(374)	(267)	(7,003)	(7,644)
Charge for the year	(78)	(47)	(1,250)	(1,375)
Disposals	-	45	52	97
At 31 May 2021	**(452)**	**(269)**	**(8,201)**	**(8,922)**
Net book amount				
At 31 May 2021	**2,448**	**86**	**9,055**	**11,589**
At 31 May 2020	2,526	134	9,589	12,249

11 Right of use assets

	Properties £'000	Cars and commercial vehicles £'000	Total £'000
Cost			
At 1 June 2020	3,697	4,926	8,623
Additions	-	423	423
Disposals	-	(94)	(94)
At 31 May 2021	**3,697**	**5,255**	**8,952**
Accumulated depreciation			
At 1 June 2020	(148)	(1,037)	(1,185)
Charge for the year	(148)	(1,281)	(1,429)
Disposals	-	94	94
At 31 May 2021	**(296)**	**(2,224)**	**(2,520)**
Net book amount			
At 31 May 2021	**3,401**	**3,031**	**6,432**
At 31 May 2020	3,549	3,889	7,438

Depreciation charges are recognised in cost of sales.

12 Investments

	£'000
At 31 May 2020 and 31 May 2021	**7,896**

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

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

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

At 31 May 2021 the closing year end investment relating to non-trading subsidiaries represents the underlying net assets in the now dormant companies with the difference between this and the original cost of investment classified as goodwill. The remaining investment relating to New Breed (UK) Limited is included at cost and the Directors believe that the carrying value of the investment is supported by their underlying trade and net assets.

13 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**2,723**	2,316
Finished goods and goods for resale	**287**	186
	3,010	2,502

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

Inventories are stated after provisions for impairment of £12,840 (2020: £12,840).

14 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**20,349**	18,145
Amounts owed by group undertakings	**1,115**	872
Other receivables	**287**	233
Prepayments and accrued income	**1,084**	711
	22,835	19,961

All of the amounts owed from group undertakings shown above are non-interest bearing trade balances and are repayable on demand. 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 company is required to utilise objective evidence as well as consider forward-looking information and the probability of default when calculating expected credit losses. The maturity of financial assets and history of write-offs is therefore used as an indicator as to the probability of default. Trade receivables are written off when they have been overdue for a number of years, or if a customer has entered into insolvency and there is no expectation of recovery.

The loss allowance as at 31 May 2021 was £583,000 (2020: £575,000).

15 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**12,656**	11,567
Amounts owed to group undertakings	**6,137**	8,060
Income tax payable	**93**	62
Other taxation and social security	**374**	376
Accruals and deferred income	**1,180**	1,041
	20,440	21,106

All of the amounts owed to group undertakings shown above are repayable on demand. Included in these amounts is £5,981,000 (31 May 2020: £7,960,000) which represents loans owed to group undertakings. Interest has been charged on these group loans in the year at 2.0% (31 May 2020: 2.0%) per annum.

The remaining amounts are non-interest bearing trade balances.

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

16 Borrowings

	2021 £'000	2020 £'000
Bank loans and overdrafts	-	1
Invoice discounting advances	6,127	3,164
	6,127	3,165

Banking facilities are provided by NatWest Group, in an arrangement with the company's ultimate parent company NWF Group plc. These facilities were renewed on 29 June 2018 and are committed until 31 October 2023. The overdraft facility at 31 May 2021 was repayable on demand and was subject to a maximum limit of £1.0 million (previous terms £1.0 million). In the year ended 31 May 2021 interest was charged at 1.5 % per annum over the bank's base rate (2020: 1.5% per annum over the bank's base rate).

Invoice discounting advances
Invoice discounting advances at 31 May 2021 were drawn under a committed facility with an expiry date of 31 October 2023. The availability of invoice discounting facilities is dependent on the level of current trade receivables available for refinancing and is subject to a maximum drawdown of £50.0m (2020: £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% (2020: 1.25%) per annum above the bank's base rate.

Invoice discounting advances have been classified within current liabilities as the company does not have an unconditional right to defer settlement of the liabilities for at least one year after the balance sheet date. Accordingly, all of the invoice discounting advances at 31 May 2021 totalling £6,127,000 (31 May 2020: £3,164,000) are presented within current liabilities.

17 Lease liabilities

	Properties £'000	Cars and commercial vehicles £'000	Total £'000
Cost			
At 1 June 2020	3,582	3,924	7,506
Additions	-	423	423
Lease liability payments	(188)	(1,335)	(1,523)
Finance costs	70	68	138
At 31 May 2021	**3,464**	**3,080**	**6,544**

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £'000	2020 £'000
Current liabilities		
Amounts due within one year	**1,278**	1,278
Non-current liabilities		
Amounts due greater than one year	**5,266**	6,228
Total	**6,544**	7,506

Lease liabilities are as follows:

	2021 £'000	2020 £'000
Not more than one year		
Minimum lease payments	1,393	1,413
Interest element	(115)	(135)
Present value of minimum lease payments	**1,278**	1,278
Between one and five years		
Minimum lease payments	2,902	3,504
Interest element	(344)	(339)
Present value of minimum lease payments	**2,558**	3,165
More than five years		
Minimum lease payments	3,191	3,661
Interest element	(483)	(598)
Present value of minimum lease payments	**2,708**	3,063

18 Deferred taxation

	2021 £'000	2020 £'000
Timing differences between capital allowances claimed and depreciation provided	**1,098**	957
Short-term timing differences	**21**	14
Losses and other deductions	**(33)**	(83)
	1,086	888

	2021 £'000	2020 £'000
At 1 June	**888**	690
Charge to the statement of comprehensive income (note 7)	**198**	209
Credit to equity	**-**	(11)
At 31 May	**1,086**	888

19 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2021	2020	**2021**	2020
	No/£	No/£	**No/£**	No/£
Ordinary shares of £1 each	**1,000**	1,000	**3**	3

The share premium balance of £14,836,000 (2020: £14,836,000) arose on the exchange of the equivalent value of intercompany loans in return for the issue of one share on 31 May 2019.

20 Capital commitments

	2021 £'000	2020 £'000
Authorised, contracted but not provided for	**858**	-

21 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 and closed to future accrual with effect from April 2016.

Contributions into the scheme and amounts charged to the Statement of comprehensive income during the year were £490,000 (2020: £490,000). There were no outstanding or prepaid contributions at the balance sheet date (31 May 2020: £Nil).

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

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

The following disclosure reflects the pension information included in the consolidated financial statements of the company's ultimate parent company, NWF Group plc.

21 Pensions (continued)

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

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

The mortality assumptions adopted imply the following life expectancies:

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

The 2021 mortality assumptions above are based on S3PXA tables with CMI 2020 improvements and a long-term trend rate of 1.25% (2020: S2PXA tables with CMI 2019 improvements and a long-term trend rate of 1.25%).

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

	2021 £'000	2020 £'000
Present value of defined benefit obligations	**(60,008)**	(61,092)
Fair value of scheme assets	**45,127**	40,039
Deficit in the scheme recognised as a liability in the balance sheet	**(14,881)**	(21,053)
Related deferred tax asset	**3,720**	4,000
Net pension liability	**(11,161)**	(17,053)

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

	2021 £'000	2020 £'000
Current service cost	**50**	39
Past service cost	**-**	400
Scheme administration expenses	**314**	321
Net interest on the defined benefit liability	**327**	412
Total cost recognised in the Statement of comprehensive income	**691**	1,172

21 Pensions (continued)

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

	2021 £'000	2020 £'000
Actuarial gain on plan assets	**3,890**	1,466
Actuarial gain/(loss) arising from changes in financial & demographic assumptions	**198**	(5,473)
Re-measurement gain/(loss)	**4,088**	(4,007)

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

	2021 £'000	2020 £'000
At 1 June	**61,092**	55,263
Current service cost	**50**	39
Interest on scheme liabilities	**992**	1,357
Actuarial (gains)/losses	**(198)**	5,473
Benefits paid	**(1,928)**	(2,115)
Past service cost	**-**	1,075
At 31 May	**60,008**	61,092

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

	2021 £'000	2020 £'000
At 1 June	**40,039**	37,964
Interest income	**665**	945
Actuarial gains	**3,890**	1,466
Scheme administration expenses	**(314)**	(321)
Contributions by employer	**2,775**	2,100
Benefits paid	**(1,928)**	(2,115)
At 31 May	**45,127**	40,039

21 Pensions (continued)

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

	Fair value of assets	
	2021	2020
	£'000	£'000
Equities	**-**	-
Equity-linked Bonds	**11,158**	8,620
Property fund	**-**	16
Cash	**358**	175
Diversified growth fund	**19,348**	16,326
Liability driven investment fund	**6,114**	7,861
Credit fund	**7,764**	6,596
Annuity policies	**385**	445
	45,127	40,039

The actual return on scheme assets was a gain of £4,555,000 (2020: gain of £2,411,000).

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

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

- asset mix is based on 43% (2020: 40%) diversified growth fund, 25% (2020: 22%) equity investments, 17% (2020:15%) credit funds, 13% (2020:21%) liability driven investment ('LDI') funds and 2% alternative assets (2020: 2%).

- it is the policy of the fund to cover its exposure to the interest rate risk of the defined benefit liability by the use of LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;

- inflation risk is mitigated by the use of LDI funds. LDI funds are derivative-based investments that give leveraged exposures to the bond markets;

- the fund does not have a material foreign exchange exposure and does not, therefore, use foreign exchange derivatives to hedge its foreign exchange risk;

- active management is within the diversified growth fund, bond investments, property funds and equity-linked investments; and

- there are 17 pensioner members with annuity policies held in the name of the pension scheme trustee. The arrangements are held with Aviva plc and Scottish Widows Limited. These policies fully match the pension obligations of those pensioners insured and are therefore set equal to the present value of the related obligations.

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

21 Pensions (continued)

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

The company also operated a money purchase scheme during the year and contributions during the year amounted to £324,000 (2020: £326,000). The outstanding contributions at the balance sheet date totalled £30,379 (31 May 2020: £32,454).

22 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.

23 Contingent liabilities

The company has pledged security in favour of the bank over certain freehold land and buildings within the group with a carrying value at 31 May 2021 of £21.3 million (31 May 2020: £22.0 million) and this is secured by way of an unscheduled mortgage debenture which incorporates 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 and other companies within the NWF Group plc 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.