

NWF Group plc
 30 January 2018
NWF Group plc

NWF Group plc: Half Year results for the period ended 30 November 2017

NWF Group plc (“NWF” or “the Group”), the specialist agricultural and distribution business delivering feed, food and fuel across the UK, today announces its half year results for the period ended 30 November 2017.

Financial highlights	H1 2017	H1 2016	%
Revenue	£295.8m	£255.9m	+15.6%
Headline operating profit*	£2.4m	£2.2m	+9.1%
Headline profit before taxation*	£2.2m	£2.0m	+10.0%
Headline diluted EPS*	3.6p	3.3p	+9.1%
Interim dividend per share	1.0p	1.0p	–
Net debt	£16.3m	£19.1m	(14.7%)
Net debt to EBITDA	1.2x	1.6x	–
Statutory results			
Profit before taxation	£1.9m	£1.3m	+46.2%
Operating profit	£2.4m	£1.8m	+33.3%
Diluted EPS	3.1p	2.1p	+47.6%

* Headline operating profit excludes exceptional items. Headline profit before taxation excludes exceptional items and the net finance cost in respect of the Group’s defined benefit pension scheme. Headline diluted EPS also takes into account the taxation effect thereon.

Operational highlights:

- Revenue growth from increased activity levels and higher commodity prices in Feeds and Fuels
- Delivery of planned profit improvements in Feeds and Fuels
- New customer wins in Food ensures Wardle will be fully utilised
- Board’s full year expectations for trading performance and net debt levels unchanged

Divisional highlights:

- **Feeds** – headline operating profit of £0.4 million (H1 2016: loss of £0.3 million). The planned benefits from the investment at Longtown and Wardle are being delivered with increases in operational efficiency driving profitability.
- **Food** – headline operating profit of £0.9 million (H1 2016: £1.6 million). Profit in line with our expectations, reflecting lower storage volumes. The focus on business development has been successful with significant new customer wins in the first half year.
- **Fuels** – headline operating profit of £1.1 million (H1 2016: £0.9 million). Delivered strong volume growth with commercial customers to offset the lower levels of market demand for heating oil

over summer/autumn months.

Board appointment:

David Downie appointed to the Board as a non-executive director with immediate effect.

Richard Whiting, Chief Executive, NWF Group plc, commented:

“NWF has delivered profit improvement in line with our expectations in the first half year with each of the divisions performing as planned. The significant increase in profits in Feeds is of particular note, demonstrating the expected return on the capital investment completed in 2017. Current trading is in line with the Board’s full year expectations.”

A short videocast of the Half Year Results highlights is available to view [here](#).

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CHAIRMAN’S STATEMENT

NWF has continued its development as planned in the first half year. Feeds has significantly increased its profitability as a consequence of last year’s investment in Longtown and Wardle and more stable commodity prices. Food had spare capacity as anticipated, however we are pleased to report new customer wins, particularly Arla UHT, which will ensure the Wardle facility is fully utilised. Fuels has continued to grow with increasing volumes across the depot network in commercial fuels.

Net debt at the period end was lower at £16.3 million (H1 2016: £19.1 million), reflecting profit improvement and further reductions in working capital, particularly in Feeds, with net debt to EBITDA at 1.2x (H1 2016: 1.6x). The Group’s banking facilities of £65.0 million are committed to October 2019 and NWF continues to operate with substantial headroom.

Results

Revenue for the half year ended 30 November 2017 was 15.6% higher at £295.8 million (H1 2016: £255.9 million) as a result of increased activity in Feeds and Fuels and higher commodity prices. Headline operating profit was higher at £2.4 million (H1 2016: £2.2 million), with the increases in Feeds and Fuels more than offsetting the reduction in Food. Headline profit before taxation¹ was £2.2 million (H1 2016: £2.0 million).

Headline basic earnings per share¹ was 3.6p (H1 2016: 3.3p) and headline diluted earnings per share¹ was 3.6p (H1 2016: 3.3p).

Net cash absorbed by operations for the period amounted to £0.6 million (H1 2016: net cash absorbed of £2.3 million). Whilst the normal seasonal trading pattern results in a cash outflow in the first half, a continued focus on working capital management has reduced the level of cash absorbed.

Net capital expenditure in the period was £1.6 million (H1 2016: £6.1 million). This reflects normal replacement capex as planned, compared to last year when significant capital investments were

made.

Net assets at 30 November 2017 increased to £39.6 million (30 November 2016: £34.5 million) largely due to the decrease in the accounting valuation of the pension scheme deficit. The IAS 19R valuation has decreased from £21.9 million to £19.0 million primarily as a result of a reduction in the discount rate from 3.05% to 2.70%.

The triennial valuation at 31 December 2016 has been completed as planned with the deficit increasing as anticipated from £14.1 million to £19.1 million. As a consequence the Group has increased recovery contributions from £1.2 million to £1.8 million per annum from 1 January 2018.

¹ Excluding £0.3 million (H1 2016: £0.3 million) net finance cost in respect of the defined benefit pension scheme, and exceptional restructuring costs of £Nil (H1 2016: £0.4 million) and, where applicable, the tax effect thereon.

Dividend

The Board has approved an interim dividend per share of 1.0p (H1 2016: 1.0p). This will be paid on 1 May 2018 to shareholders on the register as at 23 March 2018. The shares will trade ex-dividend on 22 March 2018.

Operations

Feeds

Revenue increased by 19.5% to £77.8 million (H1 2016: £65.1 million) as a result of higher commodity prices and increased sales of traded products in the period. Headline operating profit was £0.4 million, compared to a £0.3 million loss for the same period last year, due to our improved operational efficiency.

Volumes were 1.0% lower at 265,000 tonnes (H1 2016: 268,000 tonnes) as the business focused on those customers within an efficient range from our key operational locations. Market conditions were good as milk prices increased to more sustainable levels, which has improved farm incomes and confidence in the dairy sector. Feed demand increased, particularly from farmers who had cut feed rates due to a lower milk price in the prior year. Overall commodity input costs were more stable in the first half in spite of volatility caused by movements in exchange rates, albeit they increased towards the period end. Average milk prices at the end of November were 25.6% higher at 31.9p per litre (November 2016: 25.4p). Our operational platform with the expanded facilities in Longtown and Wardle delivered the planned efficiencies and provides an effective base for future development.

Food

Revenue reduced by 3.0% to £19.5 million (H1 2016: £20.1 million). Headline operating profit was £0.9 million (H1 2016: £1.6 million).

As anticipated, storage volumes were lower at 89,000 pallet spaces (H1 2016: 103,000). The division has focused on business development to fully utilise the Wardle facility and has secured, through competitive tenders, over 15,000 pallet spaces including significant pallet spaces for the storage of Arla UHT requirements. With other new ambient customers this will ensure continued full utilisation of the facility. Activity measured in the number of loads was robust in spite of lower storage volumes and higher levels of backload work were secured. The Palletline operation continued its planned development and is being utilised by food and non-food customers across the region. Service levels were at 99.5% during the period.

Fuels

Revenue increased by 16.3% to £198.5 million (H1 2016: £170.7 million) as a result of increased volumes, higher oil prices and a greater commercial product mix. Headline operating profit was £1.1 million (H1 2016: £0.9 million).

Volumes increased by 7.6% to 269 million litres (H1 2016: 250 million litres) with increased sales of diesel and gas oil in particular. Commercial growth reflected the benefit of having additional business development resources committed in several key depots across the country. Brent Crude has increased during the first half to an average of \$54.11 per barrel (H1 2016: \$48.20 per barrel) and ended the reported period at \$63.57 per barrel.

Board appointment

I am pleased to announce the appointment of David Downie to the Board as non-executive director with immediate effect. David brings a wealth of operational and commercial skills which are complementary to the capabilities of the Board. In addition, David will chair the Remuneration Committee.

Outlook and future prospects

The Group has continued to perform as planned since the period end. In Feeds, our customers continue to buy feed to optimise their performance in a higher milk price environment, albeit some limited milk price reductions have been announced. Price increases have been implemented to offset recent increased commodity costs and we are introducing new products to support our nutritional advice on farm. In Food, the Christmas period has been delivered successfully and we are focused on the ontake of customers won in the first half year. In Fuels, the cold weather pre-Christmas supported a solid December performance as we focus on providing industry leading service levels to customers across our depot network.

We continue to focus on growth initiatives, both organic and through targeted acquisitions.

Overall the Group continues to trade in line with the Board's expectations and I look forward to updating shareholders later this year.

Philip Acton

Chairman

30 January 2018

Condensed consolidated income statement

for the half year ended 30 November 2017 (unaudited)

	Note	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Revenue	3	295.8	255.9	555.8
Operating expenses		(293.4)	(254.1)	(548.0)
Headline operating profit ¹		2.4	2.2	9.0
Exceptional items	4	—	(0.4)	(1.2)
Operating profit	3	2.4	1.8	7.8
Finance costs	5	(0.5)	(0.5)	(1.1)
Headline profit before taxation ¹		2.2	2.0	8.5
Net finance cost in respect of the defined benefit pension scheme		(0.3)	(0.3)	(0.6)
Exceptional items	4	—	(0.4)	(1.2)
Profit before taxation		1.9	1.3	6.7
Income tax expense ²	6	(0.4)	(0.3)	(1.2)
Profit for the period attributable to equity shareholders		1.5	1.0	5.5
Earnings per share (pence)				
Basic	7	3.1	2.1	11.3
Diluted	7	3.1	2.1	11.3
Headline earnings per share (pence)¹				
Basic	7	3.6	3.3	14.0
Diluted	7	3.6	3.3	14.0

1 Headline operating profit is statutory operating profit of £2.4 million (H1 2016: £1.8 million) before exceptional items of £Nil (H1 2016: £0.4 million). Headline profit before taxation is statutory profit before taxation of £1.9 million (H1 2016: £1.3 million), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (H1 2016: £0.3 million), and the exceptional items. Headline earnings per share also takes into account the taxation effect thereon.

2 Taxation on exceptional items in the current period has reduced the charge by £Nil (H1 2016: £0.1 million).

Condensed consolidated statement of comprehensive income

for the half year ended 30 November 2017 (unaudited)

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Profit for the period attributable to equity shareholders	1.5	1.0	5.5
Items that will never be reclassified to profit or loss:			
Re-measurement gain/(loss) on the defined benefit pension scheme	0.5	(3.7)	(1.8)
Tax on items that will never be reclassified to profit or loss	—	0.6	0.3
Total comprehensive income/(expense) for the period	2.0	(2.1)	4.0

The notes form an integral part of this condensed consolidated half year report.

Condensed consolidated balance sheet

as at 30 November 2017 (unaudited)

	Note	30 November 2017 £m	30 November 2016 £m	31 May 2017 £m
Non-current assets				
Property, plant and equipment		45.8	45.2	46.6
Intangible assets		22.8	23.1	22.8
Deferred income tax assets		3.2	3.7	3.5
		71.8	72.0	72.9
Current assets				
Inventories		4.6	4.7	4.2
Trade and other receivables		68.6	61.8	61.3
Cash and cash equivalents		0.6	0.5	1.0
Derivative financial instruments	8	0.2	0.2	0.2
		74.0	67.2	66.7
Total assets		145.8	139.2	139.6
Current liabilities				
Trade and other payables		(65.2)	(57.4)	(62.2)
Current income tax liabilities		(0.6)	(0.4)	(0.6)
Borrowings	8	(0.1)	(0.1)	(0.1)
Contingent deferred consideration		(0.9)	—	(0.5)
Derivative financial instruments	8	—	—	—
		(66.8)	(57.9)	(63.4)
Non-current liabilities				
Borrowings	8	(16.8)	(19.5)	(13.9)
Contingent deferred consideration		—	(1.4)	(0.9)
Deferred income tax liabilities		(3.3)	(3.6)	(3.5)
Retirement benefit obligations		(19.0)	(21.9)	(19.9)
Provisions		(0.3)	(0.4)	(0.3)
		(39.4)	(46.8)	(38.5)
Total liabilities		(106.2)	(104.7)	(101.9)
Net assets		39.6	34.5	37.7
Equity				
Share capital	9	12.2	12.1	12.1
Share premium		0.9	0.9	0.9
Retained earnings		26.5	21.5	24.7
Total equity		39.6	34.5	37.7

The notes form an integral part of this condensed consolidated half year report.

Condensed consolidated statement of changes in equity

for the half year ended 30 November 2017 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2016	12.0	0.9	23.8	36.7
Profit for the period	—	—	1.0	1.0
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	—	—	(3.7)	(3.7)
Tax on items that will never be reclassified to profit or loss	—	—	0.6	0.6
Total comprehensive expense for the period	—	—	(2.1)	(2.1)
Transactions with owners:				
Issue of shares	0.1	—	(0.1)	—
Value of employee services	—	—	(0.1)	(0.1)
	0.1	—	(0.2)	(0.1)
Balance at 30 November 2016	12.1	0.9	21.5	34.5
Profit for the period	—	—	4.5	4.5
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	—	—	1.9	1.9
Tax on items that will never be reclassified to profit or loss	—	—	(0.3)	(0.3)
Total comprehensive income for the period	—	—	6.1	6.1
Transactions with owners:				
Dividend paid	—	—	(2.8)	(2.8)
Issue of shares	—	—	—	—
Value of employee services	—	—	(0.1)	(0.1)
	—	—	(2.9)	(2.9)
Balance at 31 May 2017	12.1	0.9	24.7	37.7
Profit for the period	—	—	1.5	1.5
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	—	—	0.5	0.5
Tax on items that will never be reclassified to profit or loss	—	—	(0.1)	(0.1)
Total comprehensive income for the period	—	—	1.9	1.9
Transactions with owners:				
Issue of shares	0.1	—	(0.1)	—
Value of employee services	—	—	—	—
	0.1	—	(0.1)	—
Balance at 30 November 2017	12.2	0.9	26.5	39.6

The notes form an integral part of this condensed consolidated half year report.

Condensed consolidated cash flow statement

for the half year ended 30 November 2017 (unaudited)

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Cash flows from operating activities			
Operating profit	2.4	1.8	7.8
Adjustments for:			
Depreciation and amortisation	2.3	2.1	4.2
Cash contributions to pension scheme	(0.7)	(0.7)	(1.3)
Other	0.1	0.1	0.1
Operating cash flows before movements in working capital	4.1	3.3	10.8
Movements in working capital:			
(Increase)/decrease in inventories	(0.4)	(1.3)	(0.8)
(Increase)/decrease in receivables	(7.3)	(9.0)	(8.5)
Increase/(decrease) in payables	3.0	4.7	9.5
Utilisation of provision	—	—	(0.2)
Net cash (absorbed by)/generated from operations	(0.6)	(2.3)	10.8
Interest paid	(0.2)	(0.2)	(0.5)
Income tax paid	(0.4)	(0.6)	(1.4)
Net cash (absorbed by)/generated from operating activities	(1.2)	(3.1)	8.9
Cash flows from investing activities			
Purchase of intangible assets	(0.1)	(0.2)	(0.3)
Purchase of property, plant and equipment	(1.5)	(6.0)	(9.1)
Payment of contingent consideration	(0.5)	—	—
Proceeds on sale of property, plant and equipment	—	0.1	0.2
Net cash absorbed by investing activities	(2.1)	(6.1)	(9.2)
Cash flows from financing activities			
Increase in bank borrowings	3.0	8.0	2.4
Capital element of finance lease and hire purchase payments	(0.1)	(0.1)	(0.1)
Dividends paid	—	—	(2.8)
Net cash generated from/(absorbed by) financing activities	2.9	7.9	(0.5)
Net movement in cash and cash equivalents	(0.4)	(1.3)	(0.8)
Cash and cash equivalents at beginning of period	1.0	1.8	1.8
Cash and cash equivalents at end of period	0.6	0.5	1.0

The notes form an integral part of this condensed consolidated half year report.

Notes to the condensed consolidated half year report

for the half year ended 30 November 2017 (unaudited)

1. General information

NWF Group plc ('the Company') is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The address of its registered office is NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP.

The Company has its primary listing on AIM, part of the London Stock Exchange.

These condensed consolidated interim financial statements ('interim financial statements') were approved for issue on 30 January 2018.

These interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements for the half years ended 30 November 2017 and 30 November 2016 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2017 were approved by the Board of Directors on 1 August 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation and accounting policies

Except as described below, these interim financial statements have been prepared in accordance with the principal accounting policies used in the Company's consolidated financial statements for the year ended 31 May 2017. These interim financial statements should be read in conjunction with those consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

These interim financial statements do not fully comply with IAS 34 'Interim Financial Reporting', as is currently permissible under the rules of AIM.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The triennial actuarial valuation of the Group's defined benefit pension scheme was completed in the half year ended 30 November 2017, with a deficit of £19.1 million at the valuation date of 31 December 2016. In these interim financial statements, this liability has been updated in order to derive the IAS 19R valuation as of 30 November 2017. The triennial valuation resulted in Group contributions of £2.1 million per annum, including recovery plan payments of £1.8 million per annum for 11 years from 1 January 2018.

The Directors consider that headline operating profit, headline profit before taxation and headline earnings per share measures, referred to in these interim financial statements, provide useful information for shareholders on underlying trends and performance. Headline profit before taxation is reported profit before taxation, after adding back the net finance cost in respect of the Group's defined benefit pension scheme, and the exceptional items and the taxation effect thereon where relevant. The calculations of basic and diluted headline earnings per share are shown in note 7 of these interim financial statements.

Certain statements in these interim financial statements are forward looking. The terms 'expect', 'anticipate', 'should be', 'will be' and similar expressions identify forward looking statements. Although the Board of Directors believes that the expectations reflected in these forward looking statements are reasonable, such statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those expressed or implied by these forward looking statements.

A number of amendments to IFRS became effective for the financial period beginning on 1 June 2017; however, the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new standards.

IFRS 9 and IFRS 15 are applicable for the year beginning 1 June 2018 but are not expected to have a material impact on the Group.

IFRS 16 is applicable for the year beginning 1 June 2019. Under IFRS 16 the present distinction between operating and finance leases will be removed, resulting in all leases being recognised on the balance sheet except for those with a very low value. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. Whilst the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ due to the requirement to distinguish between the lease and non-lease elements of the agreement. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities, and the consolidated income statement is expected to have an increased depreciation expense; however, the lease expense will reduce by a similar amount. The Group will make an assessment of the full impact in due course.

3. Segment information

The chief operating decision-maker has been identified as the Board of Directors ('the Board'). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined that the operating segments, based on these reports, are Feeds, Food and Fuels.

The Board considers the business from a product/services perspective. In the Board's opinion, all of the Group's operations are carried out in the same geographical segment, namely the UK.

The nature of the products/services provided by the operating segments are summarised below:

- Feeds – manufacture and sale of animal feeds and other agricultural products
- Food – warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres
- Fuels – sale and distribution of domestic heating, industrial and road fuels

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of headline operating profit. Finance income and costs are not included in the segment results which are assessed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets exclude deferred income tax assets and cash and cash equivalents. Segment liabilities exclude taxation, contingent deferred consideration, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

Half year ended 30 November 2017	Note	Feeds £m	Food £m	Fuels £m	Group £m
Revenue					
Total revenue		80.5	19.8	201.0	301.3
Inter-segment revenue		(2.7)	(0.3)	(2.5)	(5.5)
Revenue		77.8	19.5	198.5	295.8
Result					
Headline operating profit		0.4	0.9	1.1	2.4
Operating profit as reported					2.4
Finance costs	5				(0.5)
Profit before taxation					1.9
Income tax expense	6				(0.4)
Profit for the period					1.5
Other information					
Depreciation and amortisation		0.8	0.7	0.8	2.3
Balance sheet					
As at 30 November 2017					
Assets					
Segment assets		52.6	31.0	58.4	142.0
Deferred income tax assets					3.2
Cash and cash equivalents					0.6
Consolidated total assets					145.8
Liabilities					
Segment liabilities		(15.0)	(4.2)	(46.3)	(65.5)
Current income tax liabilities					(0.6)
Deferred income tax liabilities					(3.3)
Borrowings					(16.9)
Contingent deferred consideration					(0.9)
Retirement benefit obligations					(19.0)
Consolidated total liabilities					(106.2)

Half year ended 30 November 2016	Note	Feeds £m	Food £m	Fuels £m	Group £m
Revenue					
Total revenue		67.5	20.4	173.3	261.2
Inter-segment revenue		(2.4)	(0.3)	(2.6)	(5.3)
Revenue		65.1	20.1	170.7	255.9
Result					
Headline operating profit		(0.3)	1.6	0.9	2.2
Segment exceptional items	4	(0.4)	—	—	(0.4)
Operating profit as reported					1.8
Finance costs	5				(0.5)
Profit before taxation					1.3
Income tax expense	6				(0.3)
Profit for the period					1.0
Other information					
Depreciation and amortisation		0.6	0.8	0.7	2.1

As at 30 November 2016		Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet					
Assets					
Segment assets		52.0	32.1	50.9	135.0
Deferred income tax assets					3.7
Cash and cash equivalents					0.5
Consolidated total assets					139.2
Liabilities					
Segment liabilities		(13.3)	(4.1)	(40.4)	(57.8)
Current income tax liabilities					(0.4)
Deferred income tax liabilities					(3.6)
Borrowings					(19.6)
Contingent deferred consideration					(1.4)
Retirement benefit obligations					(21.9)
Consolidated total liabilities					(104.7)

Year ended 31 May 2017	Note	Feeds £m	Food £m	Fuels £m	Group £m
Revenue					
Total revenue		158.2	39.6	364.0	561.8
Inter-segment revenue		—	(0.6)	(5.4)	(6.0)
Revenue		158.2	39.0	358.6	555.8
Result					
Headline operating profit		1.5	3.0	4.5	9.0
Segment exceptional items	4	(1.2)	—	—	(1.2)
Operating profit as reported					7.8
Finance costs	5				(1.1)
Profit before taxation					6.7
Income tax expense	6				(1.2)
Profit for the year					5.5
Other information					
Depreciation and amortisation		1.2	1.5	1.5	4.2

As at 31 May 2017		Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet					
Assets					
Segment assets		53.1	30.1	51.9	135.1
Deferred income tax assets					3.5
Cash at bank and in hand					1.0
Consolidated total assets					139.6
Liabilities					
Segment liabilities		(17.0)	(3.5)	(42.0)	(62.5)
Current income tax liabilities					(0.6)
Deferred income tax liabilities					(3.5)
Borrowings					(14.0)
Contingent deferred consideration					(1.4)
Retirement benefit obligations					(19.9)
Consolidated total liabilities					(101.9)

4. Profit before taxation – exceptional items

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Restructuring costs	—	(0.4)	(1.2)
Net exceptional costs	—	(0.4)	(1.2)

During the year ended 31 May 2017, the Group incurred restructuring costs of £1.2 million in Feeds as it completed its mill development projects in the North and Cheshire and the associated restructuring to align the business with its production facilities.

5. Finance costs

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Interest on bank loans and overdrafts	0.2	0.2	0.5
Total interest expense	0.2	0.2	0.5
Net finance cost in respect of the defined benefit pension scheme	0.3	0.3	0.6
Total finance costs	0.5	0.5	1.1

6. Income tax expense

The income tax expense for the half year ended 30 November 2017 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2018 of 20.9% (H1 2016: 20.9%).

7. Earnings per share

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

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	1.5	1.0	5.5
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	48,646	48,599	48,620
Weighted average dilutive effect of conditional share awards (note 9)	14	45	24
Weighted average number of shares for the purposes of diluted earnings per share	48,660	48,644	48,644

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

	Half year ended 30 November 2017 £m	Half year ended 30 November 2016 £m	Year ended 31 May 2017 £m
Profit for the period attributable to equity shareholders	1.5	1.0	5.5
Add back:			
Net finance cost in respect of the defined benefit pension scheme	0.3	0.3	0.6
Exceptional items	—	0.4	1.2
Tax effect of the above	(0.1)	(0.1)	(0.5)
Headline earnings	1.7	1.6	6.8

8. Financial instruments

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, obligations under hire purchase agreements, derivatives and various items such as receivables and payables, which arise from its operations. There is no significant foreign exchange risk in respect of these instruments.

The carrying amounts of all of the Group's financial instruments are measured at amortised cost in the financial statements, with the exception of derivative financial instruments being forward supply contracts. Derivative financial instruments are measured at fair value subsequent to initial recognition.

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1 above, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's derivative financial instruments were classified as Level 2 in the current and prior periods. There were no transfers between levels in both the current and prior periods.

The book and fair values of financial assets at 30 November 2017, other than non-interest bearing short-term trade and other receivables, are as follows:

	30 November 2017 £m	30 November 2016 £m	31 May 2017 £m
Total book and fair value			
Financial assets carried at fair value: derivatives	0.2	0.2	0.2
Financial assets carried at amortised cost: cash and cash equivalents	0.6	0.5	1.0
Financial assets	0.8	0.7	1.2

The book and fair values of financial liabilities at 30 November 2017, other than non-interest bearing short-term trade and other payables, are as follows:

	30 November 2017 £m	30 November 2016 £m	31 May 2017 £m
Total book and fair value			
Financial liabilities carried at fair value: derivatives	—	—	—
Financial liabilities carried at amortised cost:			
Hire purchase obligations repayable within one year	0.1	0.1	0.1
	0.1	0.1	0.1
Floating rate invoice discounting advances	12.8	9.4	9.8
Revolving credit facility	4.0	10.0	4.0
Hire purchase obligations repayable after more than one year	—	0.1	0.1
	16.8	19.5	13.9
Financial liabilities	16.9	19.6	14.0

9. Share capital

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 31 May 2016	48,528	12.0
Issue of shares (see below)	116	0.1
Balance at 30 November 2016	48,644	12.1
Issue of shares	—	—
Balance at 31 May 2017	48,644	12.1
Issue of shares (see below)	16	0.1
Balance at 30 November 2017	48,660	12.2

During the half year ended 30 November 2017, 15,900 (H1 2016: 116,139) shares with an aggregate nominal value of £3,975 (H1 2016: £29,035) were issued under the Company's conditional Performance Share Plan.

The maximum total number of ordinary shares that may vest in the future in respect of conditional Performance Share Plan awards outstanding at 30 November 2017 amounted to 1,124,619 (H1 2016: 866,884) shares. These shares will only be issued subject to satisfying certain performance criteria.

10. Half Year Report

Copies of this Half Year Report are due to be sent to shareholders on 7 February 2018. Further copies may be obtained from the Company Secretary at NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP, or from the Company's website at www.nwf.co.uk.

11. 2018 financial calendar

Interim dividend paid	1 May 2018
Financial year end	31 May 2018
Full year results announcement	Early August 2018
Publication of Annual Report and Accounts	Late August 2018
Annual General Meeting	27 September 2018
Final dividend paid	Early December 2018