

DELIVERING FUEL, FOOD AND FEED

NWF Group plc Half Year Report 2018/19



WE HAVE A STRONG TRACK RECORD OF DELIVERING INCREASED SHAREHOLDER RETURNS

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

Our aim is to deliver total shareholder returns by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.

Download the latest investor presentations and fact sheets at www.nwf.co.uk



HIGHLIGHTS FROM H1 2018/19

Divisional highlights

- » **Fuels** – headline operating profit of £0.9 million (H1 2017: £1.1 million). A warm summer reduced demand for heating oil with performance in the autumn months as planned.
- » **Food** – headline operating profit of £1.0 million (H1 2017: £0.9 million). Profit in line with our expectations, demonstrating a strong recovery as planned from the second half of FY18, benefiting from new business won in the last 12 months.
- » **Feeds** – headline operating profit of £0.7 million (H1 2017: £0.4 million). Benefits delivered from strong demand over the summer months, when grazing conditions were poor, and the investment made in prior years.

Operational highlights

- » Revenue growth from increased activity in Food and Feeds and higher commodity prices.
- » Delivery of planned profit improvements in Food.
- » Acquisition in the Fuels market in December 2018 in line with strategy.
- » Board's full year expectations for trading performance and net debt levels unchanged.

Financial highlights

Revenue

£330.5m +11.7%



Headline operating profit¹

£2.6m +8.3%



Headline profit before tax¹

£2.4m +9.1%



Fully diluted headline EPS¹

3.8p +5.6%



Interim dividend per share

1.0p



Net debt to EBITDA

1.0x



Statutory results	H1 2018	H1 2017	%
Net debt	£14.8m	£16.3m	(9.2%)
Operating profit	£2.3m	£2.4m	(4.2%)
Profit before taxation	£1.9m	£1.9m	-
Fully diluted EPS	2.8p	3.1p	(9.7%)

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¹ Headline operating profit excludes exceptional items (see note 4). Headline profit before taxation excludes exceptional items and the net finance cost in respect of the Group's defined benefit pension scheme. Diluted headline earnings per share also takes into account the taxation effect thereon.

CHAIRMAN'S STATEMENT



NWF has delivered profit improvement in line with the Board's expectations with each of the divisions performing as planned."

NWF HAS CONTINUED ITS DEVELOPMENT AS PLANNED IN THE FIRST HALF YEAR.

NWF has continued its development as planned in the first half year. Fuels delivered in line with expectations with a weaker summer market offset by stronger results in the autumn. The acquisition in December 2018 of Midland Fuel Oil Supplies demonstrates our strategic ambitions in that market. Food has increased profits significantly from the end of the prior year with higher activity levels from new customers won in the last 12 months. Feeds benefited from meeting the increased demand from our customers over the summer months to support the nutrition of dairy herds when grazing conditions were poor.

Results

Revenue for the half year ended 30 November 2018 was 11.7% higher at £330.5 million (H1 2017: £295.8 million) as a result of increased activity in Food and Feeds and higher commodity prices in the period. Headline operating profit¹ was higher at £2.6 million (H1 2017: £2.4 million), with the increases in Food and Feeds more than offsetting the reduction in Fuels. Headline profit before taxation¹ was £2.4 million (H1 2017: £2.2 million).

Headline basic earnings per share¹ was 3.8p (H1 2017: 3.6p) and headline diluted earnings per share¹ was 3.8p (H1 2017: 3.6p).

Net cash absorbed by operations for the period amounted to £4.9 million (H1 2017: net cash absorbed of £0.6 million). The normal seasonal trading pattern results in a cash outflow in the first half with increased activity in Feeds absorbing cash in working capital in the first half.

Net capital expenditure in the period was £1.4 million (H1 2017: £1.6 million), reflecting normal replacement capex as planned.

Net debt at the period end was lower at £14.8 million (H1 2017: £16.3 million), reflecting profit improvement and effective management of working capital in spite of increased demand in Feeds over the period. Net debt to EBITDA reduced to 1.0x (H1 2017: 1.2x). The Group's banking facilities of £65.0 million are committed to October 2023 and NWF continues to operate with substantial headroom.

Net assets at 30 November 2018 increased to £46.9 million (30 November 2017: £39.6 million) largely due to the decrease in the accounting valuation of the pension scheme deficit. The IAS 19R valuation has decreased from £19.0 million to £15.4 million primarily as a result of an increase in the discount rate from 2.70% to 3.25%.

1. Headline operating profit excludes exceptional items (see note 4). Headline profit before taxation excludes exceptional items and the net finance cost in respect of the Group's defined benefit pension scheme. Diluted headline earnings per share also takes into account the taxation effect thereon.

Dividend

The Board has approved an interim dividend per share of 1.0p (H1 2017: 1.0p). This will be paid on 1 May 2019 to shareholders on the register as at 22 March 2019. The shares will trade ex-dividend on 21 March 2019. The Group has a progressive dividend policy and has increased the annual dividend by c. 5% in nine of the last ten years.

Operations

Fuels

Revenue increased by 12.0% to £222.4 million (H1 2017: £198.5 million) as a result of higher oil prices. Headline operating profit was £0.9 million (H1 2017: £1.1 million).

Volumes reduced by 2.2% to 263 million litres (H1 2017: 269 million litres) with lower heating oil and diesel sales, particularly in the summer months, partially offset by increased gas oil sales. Brent Crude increased during the first half to an average of \$75.04 per barrel (H1 2017: \$54.11 per barrel) and ended the reporting period at \$58.71 per barrel.

In line with our strategy we acquired Midland Fuel Oil Supplies in December 2018, a 12 million litre fuel distributor which consolidates our market position to the south and east of Birmingham.

Food

Revenue increased by 22.1% to £23.8 million (H1 2017: £19.5 million). Headline operating profit was £1.0 million (H1 2017: £0.9 million).

As anticipated, storage volumes increased to 96,000 pallet spaces (H1 2017: 89,000). This increase results from the new business won in the last 12 months to support the long-term future of the Wardle site.

Activity measured in the number of loads was significantly higher than the prior year as the new customers have a greater stock turn, which increases outload requirements. We have completed a successful trial as an Aldi platform provider and continue to develop this business opportunity.

The Palletline operation continued its planned development and we now have four customers utilising our e-fulfilment operations, which continue to expand.

Feeds

Revenue increased by 8.4% to £84.3 million (H1 2017: £77.8 million) as a result of increased volumes and higher commodity prices. Headline operating profit was £0.7 million (H1 2017: £0.4 million), benefiting from increased volumes.

Volumes were 5.3% higher at 279,000 tonnes (H1 2017: 265,000 tonnes) as farmers utilised more feed, particularly over the summer months when grazing conditions were poor and our nutritionists advised higher feed rates to maintain milk output. Fodder stocks are now at broadly normal levels across the country following a positive autumn period.

The market experienced inflationary pressures during the period with increased commodity prices being passed through to farmers. Whilst milk prices increased over the summer months to over 30p per litre, with increased feed usage and prices this broadly offset the revenue gains for farmers. Milk price cuts have subsequently been announced by a number of dairies which increases pressure on farm incomes going forward. Average milk prices at the end of November were 31.8p per litre (November 2017: 31.7p per litre).

Our operational platform with key mills close to customers in the Northern, Central and Southern regions delivered the expected efficiencies and provides an effective base for future development.

Outlook and future prospects

The Group has continued to perform as planned since the period end. In Fuels, the normal seasonal increase in heating and gas oil has been delivered successfully in a market with increased oil price volatility. The acquisition of Midland Fuel Oil Supplies was completed in December 2018. In Food, activity levels continue at their higher rates and customers are considering their options for storing additional stock as a contingency against a hard Brexit. This is against a backdrop of limited warehouse capacity available in the market. In Feeds, following outperformance in the first half, volumes have been a little lower in the ruminant market as farmers look to reduce feed bills following increased usage earlier in the year.

We continue to focus on growth initiatives, both organic and through targeted acquisitions. We also continue to monitor the various Brexit scenarios and make plans as necessary.

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



Philip Acton

Chairman

29 January 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

	Note	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Revenue	3	330.5	295.8	611.0
Cost of sales and administrative expenses		(327.9)	(293.4)	(600.4)
Headline operating profit ¹		2.6	2.4	10.6
Exceptional items	4	(0.3)	—	—
Operating profit	3	2.3	2.4	10.6
Finance costs	5	(0.4)	(0.5)	(0.9)
Headline profit before taxation ¹		2.4	2.2	10.2
Exceptional items	4	(0.3)	—	—
Net finance cost in respect of the defined benefit pension scheme		(0.2)	(0.3)	(0.5)
Profit before taxation		1.9	1.9	9.7
Income tax expense ²	6	(0.5)	(0.4)	(1.9)
Profit for the period attributable to equity shareholders		1.4	1.5	7.8
Earnings per share (pence)				
Basic	7	2.8	3.1	16.0
Diluted	7	2.8	3.1	15.9
Headline earnings per share (pence)¹				
Basic	7	3.8	3.6	16.8
Diluted	7	3.8	3.6	16.7

1 Headline operating profit is statutory operating profit of £2.3 million (H1 2017: £2.4 million) before exceptional items of £0.3 million (H1 2017: £Nil). Headline profit before taxation is statutory profit before taxation of £1.9 million (H1 2017: £1.9 million), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.2 million (H1 2017: £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 2017: £Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Profit for the period attributable to equity shareholders	1.4	1.5	7.8
Items that will never be reclassified to profit or loss:			
Re-measurement gain on the defined benefit pension scheme	1.5	0.5	2.0
Tax on items that will never be reclassified to profit or loss	(0.3)	(0.1)	(0.4)
Total comprehensive income for the period	2.6	1.9	9.4

The notes form an integral part of this condensed consolidated Half Year Report.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 NOVEMBER 2018 (UNAUDITED)

	Note	30 November 2018 £m	30 November 2017 £m	31 May 2018 £m
Non-current assets				
Property, plant and equipment		44.8	45.8	45.7
Intangible assets		22.1	22.8	22.2
Deferred income tax assets		2.8	3.2	3.1
		69.7	71.8	71.0
Current assets				
Inventories		5.3	4.6	5.7
Trade and other receivables		80.0	68.6	64.1
Cash and cash equivalents		1.0	0.6	0.5
Derivative financial instruments	8	0.2	0.2	0.2
		86.5	74.0	70.5
Total assets		156.2	145.8	141.5
Current liabilities				
Trade and other payables		(74.1)	(65.2)	(67.5)
Current income tax liabilities		(0.4)	(0.6)	(1.1)
Borrowings	8	—	(0.1)	(0.1)
Contingent deferred consideration		—	(0.9)	(0.8)
		(74.5)	(66.8)	(69.5)
Non-current liabilities				
Borrowings	8	(15.8)	(16.8)	(6.8)
Deferred income tax liabilities		(3.5)	(3.3)	(3.6)
Retirement benefit obligations		(15.4)	(19.0)	(17.1)
Provisions		(0.1)	(0.3)	(0.1)
		(34.8)	(39.4)	(27.6)
Total liabilities		(109.3)	(106.2)	(97.1)
Net assets		46.9	39.6	44.4
Equity				
Share capital	9	12.2	12.2	12.2
Share premium		0.9	0.9	0.9
Retained earnings		33.8	26.5	31.3
Total equity		46.9	39.6	44.4

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 2018 (UNAUDITED)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 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 gain 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
Profit for the period	—	—	6.3	6.3
Items that will never be reclassified to profit or loss:				
Re-measurement gain on the defined benefit pension scheme	—	—	1.5	1.5
Tax on items that will never be reclassified to profit or loss	—	—	(0.3)	(0.3)
Total comprehensive income for the period	—	—	7.5	7.5
Transactions with owners:				
Dividend paid	—	—	(2.9)	(2.9)
Issue of shares	—	—	—	—
Value of employee services	—	—	0.2	0.2
	—	—	(2.7)	(2.7)
Balance at 31 May 2018	12.2	0.9	31.3	44.4
Profit for the period	—	—	1.4	1.4
Items that will never be reclassified to profit or loss:				
Re-measurement gain on the defined benefit pension scheme	—	—	1.5	1.5
Tax on items that will never be reclassified to profit or loss	—	—	(0.3)	(0.3)
Total comprehensive income for the period	—	—	2.6	2.6
Transactions with owners:				
Issue of shares	—	—	—	—
Value of employee services	—	—	(0.1)	(0.1)
	—	—	(0.1)	(0.1)
Balance at 30 November 2018	12.2	0.9	33.8	46.9

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 2018 (UNAUDITED)

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Cash flows from operating activities			
Headline operating profit	2.6	2.4	10.6
Adjustments for:			
Depreciation and amortisation	2.3	2.3	4.5
Contributions to pension scheme not recognised in income statement	(0.8)	(0.5)	(1.3)
Other	(0.1)	(0.1)	0.1
Operating cash flows before movements in working capital	4.0	4.1	13.9
Movements in working capital:			
Decrease/(increase) in inventories	0.4	(0.4)	(1.5)
Increase in receivables	(15.9)	(7.3)	(2.8)
Increase in payables	6.6	3.0	5.3
Utilisation of provision	—	—	(0.2)
Net cash (absorbed by)/generated from operations	(4.9)	(0.6)	14.7
Interest paid	(0.2)	(0.2)	(0.4)
Income tax paid	(1.1)	(0.4)	(1.4)
Net cash (absorbed by)/generated from operating activities	(6.2)	(1.2)	12.9
Cash flows from investing activities			
Purchase of intangible assets	(0.1)	(0.1)	(0.2)
Purchase of property, plant and equipment	(1.3)	(1.5)	(2.9)
Payment of contingent consideration	(0.8)	(0.5)	(0.5)
Proceeds on sale of property, plant and equipment	—	—	0.2
Net cash absorbed by investing activities	(2.2)	(2.1)	(3.4)
Cash flows from financing activities			
Increase in bank borrowings	9.0	3.0	(7.0)
Capital element of finance lease and hire purchase payments	(0.1)	(0.1)	(0.1)
Dividends paid	—	—	(2.9)
Net cash generated from/(absorbed by) financing activities	8.9	2.9	(10.0)
Net movement in cash and cash equivalents	0.5	(0.4)	(0.5)
Cash and cash equivalents at beginning of period	0.5	1.0	1.0
Cash and cash equivalents at end of period	1.0	0.6	0.5

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 2018 (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 by the Board for issue on 29 January 2019.

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 2018 and 30 November 2017 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2018 were approved by the Board of Directors on 31 July 2018 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 2018. 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 ('IFRSs') 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 at 30 November 2018. 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.

The Group has adopted IFRS 9 (Financial Instruments: Classification and Measurement) and IFRS 15 (Revenue from Contracts with Customers) in the financial period beginning on 1 June 2018. IFRS 9 has introduced an expected credit loss model for recognising impairment of financial assets held at amortised cost. IFRS 15 requires revenue to be recognised when the performance obligations are satisfied. There were no material changes as a result of adopting these new standards.

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

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR REPORT CONTINUED

FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

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 Fuels, Food and Feeds.

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:

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

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of 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 2018	Note	Fuels £m	Food £m	Feeds £m	Group £m
Revenue					
Total revenue		225.5	24.2	84.3	334.0
Inter-segment revenue		(3.1)	(0.4)	–	(3.5)
Revenue		222.4	23.8	84.3	330.5
Result					
Headline operating profit		0.9	1.0	0.7	2.6
Group exceptional item	4				(0.3)
Operating profit as reported					2.3
Finance costs	5				(0.4)
Profit before taxation					1.9
Income tax expense	6				(0.5)
Profit for the period					1.4
Other information					
Depreciation and amortisation		0.7	0.8	0.8	2.3

3. Segment information continued

As at 30 November 2018		Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet					
Assets					
Segment assets		64.6	32.4	55.4	152.4
Deferred income tax assets					2.8
Cash and cash equivalents					1.0
Consolidated total assets					156.2
Liabilities					
Segment liabilities		(53.2)	(5.3)	(15.7)	(74.2)
Current income tax liabilities					(0.4)
Deferred income tax liabilities					(3.5)
Borrowings					(15.8)
Retirement benefit obligations					(15.4)
Consolidated total liabilities					(109.3)
Half year ended 30 November 2017	Note	Fuels £m	Food £m	Feeds £m	Group £m
Revenue					
Total revenue		201.0	19.8	77.8	298.6
Inter-segment revenue		(2.5)	(0.3)	–	(2.8)
Revenue		198.5	19.5	77.8	295.8
Result					
Headline operating profit		1.1	0.9	0.4	2.4
Operating profit as reported		1.1	0.9	0.4	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

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR REPORT CONTINUED

FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

3. Segment information continued

As at 30 November 2017		Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet					
Assets					
Segment assets		58.4	31.0	52.6	142.0
Deferred income tax assets					3.2
Cash and cash equivalents					0.6
Consolidated total assets					145.8
Liabilities					
Segment liabilities		(46.3)	(4.2)	(15.0)	(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)
Year ended 31 May 2018	Note	Fuels £m	Food £m	Feeds £m	Group £m
Revenue					
Total revenue		406.2	41.0	169.9	617.1
Inter-segment revenue		(5.5)	(0.6)	–	(6.1)
Revenue		400.7	40.4	169.9	611.0
Result					
Headline operating profit		6.9	0.7	3.0	10.6
Operating profit as reported		6.9	0.7	3.0	10.6
Finance costs	5				(0.9)
Profit before taxation					9.7
Income tax expense	6				(1.9)
Profit for the year					7.8
Other information					
Depreciation and amortisation		1.4	1.6	1.5	4.5

3. Segment information continued

As at 31 May 2018	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	54.3	30.9	52.7	137.9
Deferred income tax assets				3.1
Cash at bank and in hand				0.5
Consolidated total assets				141.5
Liabilities				
Segment liabilities	(44.7)	(4.6)	(18.3)	(67.6)
Current income tax liabilities				(1.1)
Deferred income tax liabilities				(3.6)
Borrowings				(6.9)
Contingent deferred consideration				(0.8)
Retirement benefit obligations				(17.1)
Consolidated total liabilities				(97.1)

4. Profit before taxation – exceptional items

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
GMP equalisation	0.3	—	—
Exceptional costs	0.3	—	—

On 26 October 2018, the High Court issued a judgement involving the Lloyds Banking Group defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. The judgement has implications for many defined benefit schemes, including the NWF Group Benefits Scheme.

We have worked with our actuarial advisors to understand the implications of the High Court judgement for the NWF Group Benefits Scheme and, as a result, have recorded a £0.3 million pre-tax exceptional expense to reflect our best estimate of the effect on our reported pension liabilities.

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. It is expected that there will be further court hearings to further clarify the application of GMP equalisation in practice. Also, it is not yet known whether Lloyds Banking Group will appeal the High Court judgement. Whilst the financial statements reflect the best estimate of the impact on pension liabilities reflecting the information currently available, that estimate reflects several assumptions. The Directors will continue to monitor any further clarifications or court hearings arising from the Lloyds Banking Group case and consider the impact on pension liabilities accordingly.

The Directors have made the judgement that the estimated effect of GMP equalisation on the Group's pension liabilities is a past service cost that should be reflected through the consolidated income statement and that any subsequent change in the estimate of that should be recognised in other comprehensive income. The judgement is based on the fact that the reported pension liabilities for the NWF Group Benefits Scheme did not previously include any amount in respect of GMP equalisation.

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR REPORT CONTINUED

FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

5. Finance costs

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Interest on bank loans and overdrafts	0.2	0.2	0.4
Net finance cost in respect of the defined benefit pension scheme	0.2	0.3	0.5
Total finance costs	0.4	0.5	0.9

6. Income tax expense

The income tax expense for the half year ended 30 November 2018 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2019 of 20.8% (H1 2017: 20.9%). The exceptional item in respect of GMP equalisation has not been treated as a tax-deductible expense as relief will be on a cash paid basis. As a consequence, there will be a deferred tax impact.

7. Earnings per share

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

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	1.4	1.5	7.8

	Half year ended 30 November 2018 000s	Half year ended 30 November 2017 000s	Year ended 31 May 2018 000s
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	48,720	48,646	48,658
Weighted average dilutive effect of conditional share awards (note 9)	30	14	173
Weighted average number of shares for the purposes of diluted earnings per share	48,750	48,660	48,831

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

	Half year ended 30 November 2018 £m	Half year ended 30 November 2017 £m	Year ended 31 May 2018 £m
Profit for the period attributable to equity shareholders	1.4	1.5	7.8
Add back:			
Net finance cost in respect of the defined benefit pension scheme	0.2	0.3	0.5
Exceptional items	0.3	—	—
Tax effect of the above	—	(0.1)	(0.1)
Headline earnings	1.9	1.7	8.2

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 2018 are as follows:

	30 November 2018 £m	30 November 2017 £m	31 May 2018 £m
Total book and fair value			
Trade and other receivables	74.5	64.0	61.1
Financial assets carried at amortised cost: cash and cash equivalents	1.0	0.6	0.5
Financial assets carried at fair value: derivatives	0.2	0.2	0.2
Financial assets	75.7	64.8	61.8

The book and fair values of financial liabilities at 30 November 2018 are as follows:

	30 November 2018 £m	30 November 2017 £m	31 May 2018 £m
Total book and fair value			
Trade and other payables	74.1	65.2	67.5
Financial liabilities carried at amortised cost:			
Hire purchase obligations repayable within one year	—	0.1	0.1
	74.1	65.3	67.6
Floating rate invoice discounting advances	11.8	12.8	2.8
Revolving credit facility	4.0	4.0	4.0
	15.8	16.8	6.8
Financial liabilities	89.9	82.1	74.4

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR REPORT CONTINUED

FOR THE HALF YEAR ENDED 30 NOVEMBER 2018 (UNAUDITED)

9. Share capital

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
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
Issue of shares	—	—
Balance at 31 May 2018	48,660	12.2
Issue of shares (see below)	90	—
Balance at 30 November 2018	48,750	12.2

During the half year ended 30 November 2018, 89,920 (H1 2017: 15,900) shares with an aggregate nominal value of £22,480 (H1 2017: £3,975) 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 2018 amounted to 1,216,945 (H1 2017: 1,124,619) 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 2019. 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.

2019 FINANCIAL CALENDAR

Interim dividend paid	1 May 2019
Financial year end	31 May 2019
Full year results announcement	Early August 2019
Publication of Annual Report and Accounts	Late August 2019
Annual General Meeting	26 September 2019
Final dividend paid	Early December 2019

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