NWF GROUP PLC

HALF YEAR REPORT **2016/17**

GROWING **FEEDS**

GROWING **FOOD**

GROWING **FUELS**

NWF GROUP PLC

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.

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. With a heritage in the agricultural sector, established in 1871, the Group has over 140 years' experience in adding value to our customers' businesses.

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

Highlights from H1 2016

FINANCIAL HIGHLIGHTS

	2016	2015	%
Revenue	**£255.9m**	£224.6m	+13.9%
Headline operating profit[1]	**£2.2m**	£2.8m	(21.4%)
Headline profit before taxation[1]	**£2.0m**	£2.6m	(23.1%)
Fully diluted headline earnings per share[1]	**3.3p**	4.3p	(23.3%)
Fully diluted earnings per share	**2.1p**	2.9p	(27.6%)
Interim dividend per share	**1.0p**	1.0p	—
Net debt	**£19.1m**	£10.4m	+83.7%
Net debt to EBITDA	**1.6x**	0.8x	

1 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, and the taxation effect thereon where relevant. Statutory profit before taxation was £1.3 million (H1 2015: £1.8 million).

OPERATIONAL HIGHLIGHTS

» Revenue growth in all three divisions – reflecting acquisition contributions, higher activity levels and increased commodity prices in Feeds and Fuels.

» Profitability impacted by weak first quarter performance due to a warm summer and rapid commodity price increases.

» Development and expansion of the feed mill infrastructure being delivered successfully.

» Board's full-year expectations for performance and net debt levels maintained.

DIVISIONAL HIGHLIGHTS

» **Feeds** – headline operating loss of £0.3 million (H1 2015: profit of £0.3 million). The business increased volumes in the period, benefitting from acquisitions, against a tough market backdrop. However, profitability was adversely impacted by lower market demand for feed in the first quarter and the rapid increase in commodity prices as a result of global dynamics and currency movements. Our investment in mill capacity, both in the North and Cheshire, continues on track and will benefit the division going forward.

» **Food** – headline operating profit of £1.6 million (H1 2015: £1.4 million). A strong result achieved through delivering additional volume demand efficiently and managing the utilisation of external storage facilities effectively. Service levels were maintained at 99.7%.

» **Fuels** – headline operating profit of £0.9 million (H1 2015: £1.1 million). Delivered strong volume growth from organic and acquisition development to offset the lower levels of market demand for heating oil over warm summer/autumn months.

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Chairman's statement

NWF has continued to develop its business both organically and as a result of planned development expenditure.

- Revenue £255.9 million (H1 2015: £224.6 million)
- Headline operating profit £2.2 million (H1 2015: £2.8 million)
- Headline profit before taxation[1] £2.0 million (H1 2015: £2.6 million)
- Headline earnings per share[1] 3.3p (H1 2015: 4.3p)
- Interim dividend per share unchanged at 1.0p (H1 2015: 1.0p)
- Net debt £19.1 million (30 November 2015: £10.4 million)

1 Excluding £0.3 million (H1 2015: £0.4 million) net finance cost in respect of the defined benefit pension scheme, and exceptional restructuring costs of £0.4 million (H1 2015: £0.4 million) and, where applicable, the tax effect thereon.

NWF has continued to develop its business both organically and as a result of planned development expenditure on new feed capacity in both the Northern and Cheshire mills. The first quarter (as reported at the time of the AGM in September 2016) presented some challenging conditions, with the ruminant feed market being impacted by low milk prices and the fuel market by a lack of demand for heating oil as a result of the warm summer/autumn period. Feeds has increased volumes against a lower level of market demand, Food has increased activity levels on the back of increased demand from our customers and Fuels' volumes have increased significantly to both offset the lack of demand for heating oil and fully utilise the tanker fleet.

Net debt at the period end was £19.1 million (H1 2015: £10.4 million), as a result of the acquisition of Jim Peet Agriculture and planned development expenditure on mill expansions, with net debt to EBITDA at 1.6x (H1 2015: 0.8x). 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 2016 was 13.9% higher at £255.9 million (H1 2015: £224.6 million) as a result of acquisitions, higher levels of activity in all three divisions and increased commodity prices in Feeds and Fuels. Headline operating profit was lower at £2.2 million (H1 2015: £2.8 million), due to weak trading conditions in the first quarter and the adverse impact of rapidly rising commodity prices in the Feeds division. Headline profit before taxation[1] was £2.0 million (H1 2015: £2.6 million). An exceptional item of £0.4 million relates to the costs of restructuring the Feeds business as the new mill investment is made.

Headline basic earnings per share[1] was 3.3p (H1 2015: 4.3p) and headline diluted earnings per share[1] was 3.3p (H1 2015: 4.3p).

Operating cash inflow for the period, before movements in working capital, amounted to £3.3 million (H1 2015: £3.7 million). Whilst the focus on working capital management has continued, there was an increase in working capital at the end of November 2016 due to the increased activity levels. This resulted in net cash absorbed by operations of £2.3 million (H1 2015: net cash generated from operations of £3.2 million).

Net capital expenditure in the period was £6.1 million (H1 2015: £2.2 million), representing £3.6 million of development spend and a normal level of replacement capital (£2.5 million).

Net assets at 30 November 2016 reduced to £34.5 million (30 November 2015: £36.6 million) largely due to the increase in the accounting valuation of the pension deficit. The IAS 19R valuation has increased from £19.2 million to £21.9 million primarily as a result of a reduction in the discount rate from 3.90% to 3.05%. A triennial valuation is being undertaken as at 31 December 2016.

Dividend

The Board has approved an interim dividend per share of 1.0p (H1 2015: 1.0p). This will be paid on 2 May 2017 to shareholders on the register on 24 March 2017. The shares will trade ex-dividend on 23 March 2017.

Operations

Feeds

Revenue increased by 4.8% to £65.1 million (H1 2015: £62.1 million) as a result of increased volumes and commodity prices. Headline operating loss was £0.3 million, compared to a £0.3 million profit for the same period last year.

Volumes were up 1.5% to 268,000 tonnes (H1 2015: 264,000 tonnes) in spite of market demand being depressed as a result of a lower milk price, particularly in the first quarter. The lower milk prices have continued to impact feed prices and this has been exacerbated by a significant increase in commodity costs. Across a basket of products, commodity costs increased by over 20% from March to November 2016 as a result of both underlying commodity prices and adverse movements in exchange rates. Average milk prices at the end of November were 25.5p (November 2015: 24.6p), but were as low as 20.5p in June 2016. The acquisitions made in the last eighteen months have continued to perform in line with expectations.

Food

Revenue increased by 4.1% to £20.1 million (H1 2015: £19.3 million). Headline operating profit was £1.6 million (H1 2015: £1.4 million).

The business benefited from increased activity levels both in storage and distribution. Activity at Wardle and in external warehouse locations has been managed efficiently to meet this increased level of demand and importantly a service level of 99.7% was maintained in the period. Average storage levels in the period were 103,000 pallet spaces (H1 2015: 99,000), and transport activity was over 10% up on the prior year. Post-period end we have entered into a two-year agreement with Princes Limited to store a reduced number of pallets at Wardle as they utilise existing warehouse capacity within their network.

Fuels

Revenue increased by 19.2% to £170.7 million (H1 2015: £143.2 million) as a result of increased activity levels and the benefit of Staffordshire Fuels, which was acquired in November 2015. Headline operating profit was £0.9 million (H1 2015: £1.1 million).

Volumes increased by 17.4% to 250 million litres (H1 2015: 213 million litres) with the most significant growth in commercial customers for road diesel and gas oil, which attract a lower gross margin than heating oil. This area continues to develop successfully and helped to partially offset the lower market demand for heating oil in the warm summer months. The new start-up depots at Home Counties and Martlet are performing well, as is Staffordshire Fuels. Brent Crude was more stable than during the previous year at an average of $48.20 per barrel (H1 2015: $52.19 per barrel) and ended the reported period at $50.47 per barrel.

Board

As announced on 4 January 2017, Chris Belsham has been appointed as Group Finance Director and will join the Group in June 2017. In addition, after ten years' service as Chairman, I have informed the Board of my decision to step down at this year's AGM to be held in September 2017. I am pleased to confirm that Philip Acton, currently a Non-Executive Director of NWF and Chairman of the Remuneration Committee, has accepted the position of Chairman, which he will commence upon the conclusion of the AGM.

Outlook and future prospects

We have performed as planned since the period end. In Feeds, our customers have seen some further positive increases in milk prices and the new milling capacity comes online to optimise our infrastructure, deliver efficiency benefits and meet increased demand. In the Food division, demand has remained robust and we maintained our high service levels over the crucial Christmas period. The division is now focused on new business development to offset the reduced demand from Princes Limited. In Fuels, oil prices have now moved to over $50 per barrel and the business is trading well in the normal winter conditions experienced to date.

Having invested significantly in new feed mill and fuel capacity and successfully integrated recent acquisitions in both areas, we continue to focus on growth initiatives, both organic and through further 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.

Mark Hudson
Chairman
31 January 2017

Condensed consolidated income statement

for the half year ended 30 November 2016 (unaudited)

	Note	**Half year ended 30 November 2016 £m**	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Revenue	3	**255.9**	224.6	465.9
Operating expenses		**(254.1)**	(222.2)	(458.8)
Headline operating profit[1]		**2.2**	2.8	8.7
Exceptional items	4	**(0.4)**	(0.4)	(1.6)
Operating profit	3	**1.8**	2.4	7.1
Finance costs	5	**(0.5)**	(0.6)	(1.1)
Headline profit before taxation[1]		**2.0**	2.6	8.3
Net finance cost in respect of the defined benefit pension scheme		**(0.3)**	(0.4)	(0.7)
Exceptional items	4	**(0.4)**	(0.4)	(1.6)
Profit before taxation		**1.3**	1.8	6.0
Income tax expense[2]	6	**(0.3)**	(0.4)	(1.2)
Profit for the period attributable to equity shareholders		**1.0**	1.4	4.8
Earnings per share (pence)				
Basic	7	**2.1**	2.9	9.8
Diluted	7	**2.1**	2.9	9.7
Headline earnings per share (pence)[1]				
Basic	7	**3.3**	4.3	13.6
Diluted	7	**3.3**	4.3	13.5

1 Headline operating profit is statutory operating profit of £1.8 million (H1 2015: £2.4 million) before exceptional items of £0.4 million (H1 2015: £0.4 million). Headline profit before taxation is statutory profit before taxation of £1.3 million (H1 2015: £1.8 million), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (H1 2015: £0.4 million), and the exceptional items and the taxation effect thereon where relevant.

2 Taxation on exceptional items in the current period has reduced the charge by £0.1 million (H1 2015: £0.1 million).

Condensed consolidated statement of comprehensive income

for the half year ended 30 November 2016 (unaudited)

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Profit for the period attributable to equity shareholders	**1.0**	1.4	4.8
Items that will never be reclassified to profit or loss:			
Re-measurement (loss)/gain on the defined benefit pension scheme	**(3.7)**	0.9	0.2
Tax on items that will never be reclassified to profit or loss	**0.6**	(0.2)	(0.3)
Total comprehensive (expense)/income for the period	**(2.1)**	2.1	4.7

The notes on pages 9 to 16 form an integral part of this condensed consolidated Half Year Report.

Condensed consolidated balance sheet

as at 30 November 2016 (unaudited)

	Note	**30 November 2016 £m**	30 November 2015 £m	31 May 2016 £m
Non-current assets				
Property, plant and equipment		**45.2**	39.4	41.1
Intangible assets		**23.1**	22.2	23.3
Deferred income tax assets		**3.7**	3.5	3.4
		72.0	65.1	67.8
Current assets				
Inventories		**4.7**	5.0	3.4
Trade and other receivables		**61.8**	52.6	52.8
Cash and cash equivalents		**0.5**	—	1.8
Derivative financial instruments	8	**0.2**	0.2	0.2
		67.2	57.8	58.2
Total assets		**139.2**	122.9	126.0
Current liabilities				
Trade and other payables		**(57.4)**	(50.1)	(52.7)
Current income tax liabilities		**(0.4)**	(1.2)	(0.9)
Borrowings	8	**(0.1)**	(0.1)	(0.1)
Derivative financial instruments	8	**—**	(0.2)	—
		(57.9)	(51.6)	(53.7)
Non-current liabilities				
Borrowings	8	**(19.5)**	(10.3)	(11.6)
Contingent deferred consideration		**(1.4)**	(1.4)	(1.4)
Deferred income tax liabilities		**(3.6)**	(3.8)	(3.8)
Retirement benefit obligations		**(21.9)**	(19.2)	(18.3)
Provisions		**(0.4)**	—	(0.5)
		(46.8)	(34.7)	(35.6)
Total liabilities		**(104.7)**	(86.3)	(89.3)
Net assets		**34.5**	36.6	36.7
Equity				
Share capital	9	**12.1**	12.0	12.0
Share premium		**0.9**	0.9	0.9
Retained earnings		**21.5**	23.7	23.8
Total equity		**34.5**	36.6	36.7

The notes on pages 9 to 16 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 2016 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2015	12.0	0.9	21.9	34.8
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	—	—	0.9	0.9
Tax on items that will never be reclassified to profit or loss	—	—	(0.2)	(0.2)
Total comprehensive income for the period	—	—	2.1	2.1
Transactions with owners:				
Value of employee services	—	—	(0.3)	(0.3)
	—	—	(0.3)	(0.3)
Balance at 30 November 2015	12.0	0.9	23.7	36.6
Profit for the period	—	—	3.4	3.4
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	—	—	(0.7)	(0.7)
Tax on items that will never be reclassified to profit or loss	—	—	(0.1)	(0.1)
Total comprehensive income for the period	—	—	2.6	2.6
Transactions with owners:				
Dividend paid	—	—	(2.6)	(2.6)
Issue of shares	—	—	—	—
Credit to equity for equity-settled share-based payments	—	—	0.1	0.1
	—	—	(2.5)	(2.5)
Balance at 31 May 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**

The notes on pages 9 to 16 form an integral part of this condensed consolidated Half Year Report.

Condensed consolidated cash flow statement

for the half year ended 30 November 2016 (unaudited)

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Cash flows from operating activities			
Operating profit	**1.8**	2.4	7.1
Adjustments for:			
Depreciation and amortisation	**2.1**	2.0	3.9
Cash contributions to pension scheme	**(0.7)**	(0.9)	(1.8)
Other	**0.1**	0.2	(0.1)
Operating cash flows before movements in working capital	**3.3**	3.7	9.1
Movements in working capital:			
(Increase)/decrease in inventories	**(1.3)**	(1.2)	0.9
(Increase)/decrease in receivables	**(9.0)**	5.4	7.7
Increase/(decrease) in payables	**4.7**	(4.7)	(3.4)
Net cash (absorbed by)/generated from operations	**(2.3)**	3.2	14.3
Interest paid	**(0.2)**	(0.2)	(0.4)
Income tax paid	**(0.6)**	(0.6)	(2.0)
Net cash (absorbed by)/generated from operating activities	**(3.1)**	2.4	11.9
Cash flows from investing activities			
Purchase of intangible assets	**(0.2)**	(0.2)	(0.3)
Purchase of property, plant and equipment	**(6.0)**	(2.0)	(3.2)
Proceeds on sale of property, plant and equipment	**0.1**	—	0.1
Acquisition of subsidiaries (net of cash acquired)	**—**	(4.5)	(7.5)
Net cash absorbed by investing activities	**(6.1)**	(6.7)	(10.9)
Cash flows from financing activities			
Increase in bank borrowings	**8.0**	4.3	5.5
Repayment of bank borrowings in respect of acquisitions	**—**	—	(2.0)
Capital element of finance lease and hire purchase payments	**(0.1)**	—	(0.1)
Dividends paid	**—**	—	(2.6)
Net cash generated from financing activities	**7.9**	4.3	0.8
Net movement in cash and cash equivalents	**(1.3)**	—	1.8
Cash and cash equivalents at beginning of period	**1.8**	—	—
Cash and cash equivalents at end of period	**0.5**	—	1.8

The notes on pages 9 to 16 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 2016 (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 31 January 2017.

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 2016 and 30 November 2015 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2016 were approved by the Board of Directors on 3 August 2016 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 2016. 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 2014, with a deficit of £14.1 million at the valuation date of 31 December 2013. In these interim financial statements, this liability has been updated in order to derive the IAS 19R valuation as of 30 November 2016. The triennial valuation resulted in Group contributions of £1.8 million per annum, including recovery plan payments of £1.2 million per annum for 12 years from 1 January 2014.

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 2016; however, the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new standards.

The proposed amendments to IFRS 16 'Leases' have not yet received European Union endorsement. The amendments are expected to have a material impact on the individual amounts reported in the Group financial statements. The consolidated balance sheet is expected to show an increase in both tangible fixed assets and financial liabilities, resulting in an immaterial impact on net assets. The consolidated income statement is expected to have an increased depreciation expense; however, the lease expense will reduce by a similar amount. This is expected to increase EBITDA and have an immaterial impact on net profit.

At this stage the Directors do not anticipate the remaining new standards and amendments to have a material impact on the amounts reported in the Group financial statements.

Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2016 (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 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 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**

3. Segment information continued

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)**

Half year ended 30 November 2015	Note	Feeds £m	Food £m	Fuels £m	Group £m
Revenue					
Total revenue		64.3	19.6	145.5	229.4
Inter-segment revenue		(2.2)	(0.3)	(2.3)	(4.8)
Revenue		62.1	19.3	143.2	224.6
Result					
Headline operating profit		0.3	1.4	1.1	2.8
Segment exceptional items	4	(0.2)	(0.1)	(0.1)	(0.4)
Operating profit as reported					2.4
Finance costs	5				(0.6)
Profit before taxation					1.8
Income tax expense	6				(0.4)
Profit for the period					1.4
Other information					
Depreciation and amortisation		0.6	0.8	0.6	2.0

Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2016 (unaudited)

3. Segment information continued

As at 30 November 2015	Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	41.9	32.2	45.3	119.4
Deferred income tax assets				3.5
Cash and cash equivalents				—
Consolidated total assets				122.9
Liabilities				
Segment liabilities	(9.5)	(4.2)	(36.6)	(50.3)
Current income tax liabilities				(1.2)
Deferred income tax liabilities				(3.8)
Borrowings				(10.4)
Contingent deferred consideration				(1.4)
Retirement benefit obligations				(19.2)
Consolidated total liabilities				(86.3)

Year ended 31 May 2016	Note	Feeds £m	Food £m	Fuels £m	Group £m
Revenue					
Total revenue		142.5	38.1	297.8	478.4
Inter-segment revenue		(6.7)	(0.5)	(5.3)	(12.5)
Revenue		135.8	37.6	292.5	465.9
Result					
Headline operating profit		2.1	2.7	3.9	8.7
Segment exceptional items		(2.6)	(0.1)	(0.2)	(2.9)
Group exceptional items	4				1.3
Operating profit as reported					7.1
Finance costs	5				(1.1)
Profit before taxation					6.0
Income tax expense	6				(1.2)
Profit for the year					4.8
Other information					
Depreciation and amortisation		1.0	1.5	1.4	3.9

3. Segment information continued

As at 31 May 2016	Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	45.1	31.0	44.7	120.8
Deferred income tax assets				3.4
Cash and cash equivalents				1.8
Consolidated total assets				126.0
Liabilities				
Segment liabilities	(14.6)	(3.9)	(34.7)	(53.2)
Current income tax liabilities				(0.9)
Deferred income tax liabilities				(3.8)
Borrowings				(11.7)
Contingent deferred consideration				(1.4)
Retirement benefit obligations				(18.3)
Consolidated total liabilities				(89.3)

4. Profit before taxation – exceptional items

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Restructuring costs	**(0.4)**	(0.2)	(2.6)
Acquisition-related costs	**—**	(0.2)	(0.3)
Net gain on pension scheme closure	**—**	—	1.3
Net exceptional costs	**(0.4)**	(0.4)	(1.6)

During the period, the Group incurred exceptional costs of £0.4 million relating to the new mill investment and restructuring of the Feeds business.

5. Finance costs

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Interest on bank loans and overdrafts	**0.2**	0.2	0.4
Total interest expense	**0.2**	0.2	0.4
Net finance cost in respect of the defined benefit pension scheme	**0.3**	0.4	0.7
Total finance costs	**0.5**	0.6	1.1

6. Income tax expense

The income tax expense for the half year ended 30 November 2016 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2017 of 20.9% (H1 2015: 20.7%).

Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2016 (unaudited)

7. Earnings per share

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

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	**1.0**	1.4	4.8

	Half year ended 30 November 2016 000s	Half year ended 30 November 2015 000s	Year ended 31 May 2016 000s
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**48,599**	48,410	48,469
Weighted average dilutive effect of conditional share awards (note 9)	**45**	119	420
Weighted average number of shares for the purposes of diluted earnings per share	**48,644**	48,529	48,889

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

	Half year ended 30 November 2016 £m	Half year ended 30 November 2015 £m	Year ended 31 May 2016 £m
Profit for the period attributable to equity shareholders	**1.0**	1.4	4.8
Add back:			
Net finance cost in respect of the defined benefit pension scheme	**0.3**	0.4	0.7
Exceptional items	**0.4**	0.4	1.6
Tax effect of the above	**(0.1)**	(0.1)	(0.5)
Headline earnings	**1.6**	2.1	6.6

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 2016, other than non-interest-bearing short-term trade and other receivables, are as follows:

Total book and fair value	30 November 2016 £m	30 November 2015 £m	31 May 2016 £m
Financial assets carried at fair value: derivatives	**0.2**	0.2	0.2
Financial assets carried at amortised cost: cash and cash equivalents	**0.5**	—	1.8
Financial assets	**0.7**	0.2	2.0

The book and fair values of financial liabilities at 30 November 2016, other than non-interest-bearing short-term trade and other payables, are as follows:

Total book and fair value	30 November 2016 £m	30 November 2015 £m	31 May 2016 £m
Financial liabilities carried at fair value: derivatives	**—**	0.2	—
Financial liabilities carried at amortised cost:			
Hire purchase obligations repayable within one year	**0.1**	0.1	0.1
Floating rate invoice discounting advances	**9.4**	3.2	1.4
Revolving credit facility	**10.0**	7.0	10.0
Hire purchase obligations repayable after more than one year	**0.1**	0.1	0.2
	19.5	10.3	11.6
Financial liabilities	**19.6**	10.6	11.7

Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2016 (unaudited)

9. Share capital

	Number of shares 000s	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 31 May 2015	48,350	12.0
Issue of shares (see below)	178	—
Balance at 30 November 2015	48,528	12.0
Issue of shares	—	—
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**

During the half year ended 30 November 2016, 116,139 (H1 2015: 178,103) shares with an aggregate nominal value of £29,035 (H1 2015: £44,525) 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 2016 amounted to 866,884 (H1 2015: 1,164,392) 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 2017. 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.

2017 financial calendar

Interim dividend paid	2 May 2017
Financial year end	31 May 2017
Full year results announcement	Early August 2017
Publication of Annual Report and Accounts	Late August 2017
Annual General Meeting	28 September 2017
Final dividend paid	Early December 2017

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