

1 August 2017

NWF Group plc

NWF Group plc: Final results for the year ended 31 May 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 audited final results for the year ended 31 May 2017.

Financial highlights	2017	2016	%
Revenue	£555.8m	£465.9m	+19.3%
Headline operating profit*	£9.0m	£8.7m	+3.4%
Headline profit before taxation*	£8.5m	£8.3m	+2.4%
Fully diluted headline earnings per share*	14.0p	13.5p	+3.7%
Fully diluted earnings per share	11.3p	9.7p	+16.5%
Total dividend per share	6.0p	5.7p	+5.3%
Net debt	£13.0m	£9.9m	+31.3%
Net debt to EBITDA	1.0x	0.8x	

* 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 and the taxation effect thereon where relevant. Statutory profit before taxation was £6.7 million (2016: £6.0 million).

Operational highlights:

- Revenue growth in all three divisions – reflecting acquisition contribution, higher activity levels and increased commodity prices in Feeds and Fuels
- Profit improvement – benefit of diversified operations and strong performances by Food and Fuels
- Record headline earnings per share
- Investment in strategic development:
 - £9.4 million capital expenditure, including £5.2 million invested in feed mill developments in the North and Cheshire
 - funded by strong cash generation and increased net debt
 - significant headroom for investment with net debt to EBITDA ratio of 1.0x
- Increased dividend – reflecting Board's confidence in the business

Divisional highlights:

- **Feeds** – headline operating profit of £1.5 million (2016: £2.1 million). Good second half recovery, having been impacted by margin pressure due to increased commodity costs, particularly through the winter months. Volumes were robust and the mill developments in the North and Cheshire, completed during the year, have strengthened the operating platform.
- **Food** – headline operating profit of £3.0 million (2016: £2.7 million). A strong result built on efficiently delivering increased activity levels with the business operating at capacity throughout the year.
- **Fuels** – headline operating profit of £4.5 million (2016: £3.9 million). Strong volume growth across the depot network and the new depots in the South East exceeded expectations in their first full year.

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

"NWF delivered a solid performance last year with increased activity in all three divisions and the benefits of the diversified business model resulted in record earnings per share. The increase in profitability and strong cash generation also enabled the Group to continue its investment strategy, with major feed mill expansions completed in the year. We continue to see opportunity for further strategic and operational progress and our performance in the current financial year to date has been in line with our expectations."



For further information please visit www.nwf.co.uk or contact:

Richard Whiting, Chief Executive
Chris Belsham, Finance Director
NWF Group plc
Tel: 01829 260 260

Reg Hoare / Andrew Leach
MHP Communications
Tel: 020 3128 8100

Justin Jones / Mike Bell
Peel Hunt LLP
(Nominated Adviser)
Tel: 020 7418 8900

NWF GROUP PLC
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
CHAIRMAN'S STATEMENT

Overview

In my last year as Chairman, I am pleased to report another robust performance for NWF and continued investment in the strategic development of the Group. Over the last ten years we have seen solid progress from the Group with revenue up from £361 million to £556 million, headline profit before tax from £4.0 million to £8.5 million, headline earnings per share up from 5.8p to a record 14.0p this year and dividend per share increased from 3.9p per share to 6.0p per share. Over the same period net debt has fallen from £52 million to £13 million.

During the year, strong performances from Food and Fuels more than offset the challenging conditions experienced in the Feeds market. Food remained at full capacity, operated efficiently and delivered more loads whilst maintaining service levels at 99.7%. Fuels increased volumes significantly, more than offsetting the impact of the mild weather in the first half with growth across the depot network and the successful development of our cold starts in the South East. Feeds volumes were stable, with growth in line with the market but, with increasing commodity costs, margins were under pressure and the business was not able to fully pass on these increases during the year.

The capability of the Group to deliver sustainable growth whilst experiencing tough trading conditions due to its diversified operations has again been demonstrated. The continued ambition of the Group has been shown by the significant investment in the feed mills in the North and in Cheshire. Strong cash generation has allowed this investment in the year whilst maintaining a satisfactorily low level of net debt and a robust balance sheet position.

As a consequence of the good progress achieved and the Group's strong cash generation, the Board is recommending a final dividend of 5.0p per share (record date: 3 November 2017, payment date: 4 December 2017) (2016: 4.7p) giving a total dividend of 6.0p per share (2016: 5.7p), a 5.3% increase on the prior year.

Our business

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. Each of our trading divisions has scale, good market position, are profitable and cash generative. Each division trades under different brands with their own brand architecture as follows:

- Feeds: NWF Agriculture, SC Feeds, New Breed and Jim Peet
- Food: Boughey
- Fuels: NWF Fuels (including a number of local sub-brands)

Key areas of focus for the Board in 2017 were:

Investing in strategic development

The Group has invested in significantly increasing the capacity and improving efficiency of the mill at Longtown in Cumbria, which was acquired with the Jim Peet business in 2016. In parallel the blending facility at Wardle has been automated which improves the production capacity for this growing segment of the market and increases efficiency. Both were completed during the year, albeit the Longtown facility was delayed by a few months and so incurred some additional exceptional costs in the year.

Responding proactively to market conditions

The Group has responded effectively to some challenging market conditions in the year. In Feeds the year started with low milk prices and whilst feed volumes recovered with milk price increases, the volatility in the commodity and foreign exchange markets led to significant cost increases, which the business endeavoured to pass on to the market. In Food, further efficiencies have been gained from ensuring loads are ready for dispatch ahead of time and improved backload revenue was delivered. In Fuels, in spite of a mild first half, the business has delivered increased volumes and improved margins on key product lines to offset the impact of lower demand for heating oil.

Cash generation

Cash generation remains a priority for the Group and a further sustainable improvement in working capital has been achieved in Feeds that has been managed sensitively at a time of recovery in the dairy market.

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Rewarding good service

The consistent focus on excellence in customer service across the Group has been critical to our continued development. It has enabled volume gains to be achieved in each of the three divisions in the year.

Commodity volatility

Volatility in the commodity markets impacted the Group's performance in 2017. In Fuels, oil (which is purchased on the spot market) moved between \$42 per barrel and \$57 per barrel for Brent Crude with further volatility resulting from exchange rates. In line with market practice, Feeds buys its raw materials under forward purchase contracts. Significant increases in feed input commodities in the year impacted margins as price increases were implemented after cost inflation was experienced.

Board changes

My thanks go to all who have supported NWF throughout the year both inside and outside the Group.

I am delighted that Philip Acton, Non-Executive Director, will be taking over from me as the Chairman of NWF Group, with effect from the AGM in September. Philip has extremely valuable experience in listed agricultural businesses and has gained a good understanding of NWF since joining the Board almost four years ago. In addition, as previously announced, Lorraine Clinton will join the Board in September and brings a strong operational and commercial background which adds complementary skills to the Board. Chris Belsham, Finance Director, joined the Board in April 2017 and this completes the transition process for the Board to whom I wish the best for the future.

Finally, I wish to pay tribute to the Executive team, many of whom have worked with me during the entire 11 years that I have chaired the Board. As a group, they have displayed that combination of commitment, hard work, vision, humanity and humour that has made my job rewarding and NWF successful.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 28 September 2017.

Sir Mark Hudson KCVO

Chairman

1 August 2017

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BUSINESS AND FINANCIAL REVIEW

NWF delivered a solid performance last year with increased activity in all three divisions and the benefits of the diversified business model resulting in record earnings per share. The increase in profitability and strong cash generation allowed the Group to continue its investment strategy, completing major feed mill expansions in the year.

The Group delivered headline operating profit up 3.4% to £9.0 million (2016: £8.7 million) and headline profit before tax up 2.4% to £8.5 million (2016: £8.3 million). Headline earnings per share were up 3.7% to a record level of 14.0p (2016: 13.5p).

Cash management remains strong with net debt of £13.0 million, representing 1.0x EBITDA. This has been achieved by generating net cash of £2.1 million after interest, tax, dividends and net replacement and maintenance capital expenditure of £4.0 million, but before development spend of £5.2 million, as a consequence of the trading performance and further sustainable working capital improvements.

Feeds

2017 was a year of investment for Feeds whilst operating in a volatile market environment. Low milk prices at the start of the year depressed market volumes for feed over the summer. As milk prices increased, feed demand recovered and for the year as a whole ruminant feed market volumes were ahead by 1.5%, albeit with the growth coming from sheep feed. In addition, commodity prices increased significantly through the year, increasing by 17% from the start of the year until March 2017, since when they have eased back.

The new feed mill in Longtown, Cumbria was completed in the year, although later than anticipated, and the automated blends production facility in Cheshire opened in line with the project plan. These investments complete the operational re-organisation for Feeds and the exceptional costs incurred relating to this project. This provides world class operating units close to our key farming customers from the South West of England to Scotland and gives an effective platform for further development.

Revenue increased by 16.5% to £158.2 million (2016: £135.8 million) as a result of increased volumes, feed prices and additional sales of traded products in the year. Headline operating profit was £1.5 million (2016: £2.1 million) as a consequence of the impact of increasing commodity prices on margins. Total feed volume was 1.6% higher at 589,000 tonnes (2016: 580,000 tonnes).

A key strategic priority for the business remains to increase the nutritional focus in Feeds by providing high quality advice and value added products to our farming customers. This has been of particular importance in the year to support our farming customers as the milk price has increased and farmers look to increase yields.

Average milk prices in Great Britain increased during the year by 6.4p per litre to 26.9p in May 2017, a level that positively is above the average cost of production and therefore reducing the hardship faced by dairy farmers at the start of the year. Despite this, milk production fell by 5% to 11.8 billion litres (2016: 12.4 billion litres) as the UK herd size had reduced as a consequence of a low milk price.

Feeds has a very broad customer base working with over 4,750 farmers across the country. This base and the underlying robust demand for milk and dairy products, results in a reasonably stable overall demand for our feed in most market conditions.

Food

This has been another strong year in Food despite the supermarkets' continued competition for market share. The business has operated efficiently with its warehouses remaining full throughout the year, and the business responded effectively to increased demand for our customers' products measured in outloads, whilst service levels have been maintained at 99.7%. The Palletline operation in Cheshire has developed ahead of expectations and has greater resources deployed. The Mercedes trucks brought into the fleet have continued to perform well, ahead of our initial expectations, and more of these trucks will be brought into the fleet in the coming months.

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Revenue increased 3.7% to £39.0 million (2016: £37.6 million). Storage overall was at an average of 97,000 pallets (2016: 97,000 pallets), reflecting the full-year benefit of customers won in the prior year and some organic customer growth. This offset lower contracted volumes with a major customer, as previously announced. Total loads were 6.3% higher than prior year. Headline operating profit increased by 11.1% to £3.0 million (2016: £2.7 million), as a consequence of increased activity, improved backload revenue and increased Palletline activity. As previously announced, we have storage capacity available at Wardle and have increased business development activity to fill this space during 2018.

Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers. The business has a leading position in consolidating ambient grocery products in the North West, with high service levels, industry leading systems and a strong operating performance being the key components of its customer proposition.

Fuels

Fuels has delivered significant growth in the year breaking through the 500 million litres mark for the first time. Growth was delivered across the depot network and this along with robust margins mitigated effectively the warm weather of the first half and consequent lower demand for heating oil. In addition, the cold starts (Home Counties Fuels and Martlet Fuels) performed ahead of expectations delivering in excess of 30 million litres in the year.

Volumes rose 8.2% to 513 million litres (2016: 474 million litres), whilst revenue increased by 22.6% to £358.6 million (2016: £292.5 million) as a result of higher oil prices and a greater proportion of diesel and gas oil sales in the year. The average Brent Crude oil price in the year was \$51 per barrel compared to \$46 per barrel in the prior year.

Headline operating profit was up 15.4% to £4.5 million (2016: £3.9 million) as the additional volume generated an increase in profitability.

With 58,000 customers being supplied across 19 fuel depots, Fuels operates in markets that are large, robust and can effectively manage the volatility in oil prices.

Outlook

In Feeds, margins and volumes are in line with our expectations for this time of the year. Our mills in the North, Cheshire and the South West are fully operational and aligned to the needs of our farming customers in these key areas of the country.

In Food, we are focused on business development activity to maintain utilisation levels at the Wardle site and have won some small new accounts to date. The Palletline operation continues to expand and we are looking at further options to increase this segment of our business. We remain focused on continuing to provide excellent levels of service and value to our customers and supermarkets across the UK.

In Fuels, we have a proven depot operating model and have demonstrated that the business can deliver a solid result even when market conditions are adverse. Volumes remain robust for the time of year.

The Group has established a solid platform for development, has strong cash flows and flexible banking facilities to fund growth and a strong asset base that provides resilience. We will therefore continue to review acquisition opportunities, building on our successful track record of acquiring and integrating businesses.

Performance to date in the current financial year has been in line with the Board's expectations. We expect to benefit from a full year of efficiencies at our new expanded Feeds operational base. Overall, the Board therefore remains confident about the Group's future prospects.

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Group results

Year ended 31 May £m	2017	2016
Revenue	555.8	465.9
Operating expenses	(548.0)	(458.8)
Headline operating profit*	9.0	8.7
Exceptional items	(1.2)	(1.6)
Operating profit	7.8	7.1
Financing costs	(1.1)	(1.1)
Headline profit before tax*	8.5	8.3
Exceptional items	(1.2)	(1.6)
Net finance cost in respect of defined benefit pension scheme	(0.6)	(0.7)
Profit before taxation	6.7	6.0
Income tax expense	(1.2)	(1.2)
Profit for the year	5.5	4.8
Headline EPS*	14.0p	13.6p
Diluted headline EPS*	14.0p	13.5p
Dividend per share	6.0p	5.7p
Dividend cover*	2.3	2.4
Interest cover	18.0	21.8

* Headline operating profit is statutory operating profit of £7.8 million (2016: £7.1 million) before exceptional items of £1.2 million (2016: £1.6 million). Headline profit before taxation is statutory profit before taxation of £6.7 million (2016: 6.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.6 million (2016: £0.7 million) and the exceptional items and the taxation effect thereon where relevant. Dividend cover is calculated using Headline EPS.

Group revenue increased by 19.3% to £555.8 million (2016: £465.9 million) reflecting higher activity levels, increased oil and commodity prices and the contribution from the acquisitions in 2016. Headline operating profit was £9.0 million, an increase of 3.4% (2016: £8.7 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) increased by £0.1 million to £0.5 million, reflecting the higher average net debt levels during the year resulting from the three acquisitions last year and the investment in the Northern and Cheshire mills in the year, with interest cover decreasing to 18.0x (excluding IAS 19 net pension finance costs) (2016: 21.8x).

Headline profit before taxation increased by 2.4% to £8.5 million (2016: £8.3 million). Exceptional items totalling £1.2 million have been recognised in the year, the cash impact of which was £1.0 million. These represent restructuring costs in the Feeds business as the investment in the mills was completed and the mill at Longtown commenced production in the year. Profit before taxation has increased by £0.7 million to £6.7 million (2016: £6.0 million).

The headline basic earnings per share of 14.0p represented an increase of 2.9% (2016: 13.6p), whilst diluted headline earnings per share increased by 3.7% to 14.0p (2016: 13.5p). The proposed full-year dividend per share is an increase of 5.3% to 6.0p which reflects the Board's confidence in the robustness of the Group's earnings, strong underlying cash generation and its future prospects. The proposed dividend equates to a dividend cover ratio of 2.3x.

The finance costs in respect of the defined benefit pension scheme were slightly lower than prior year at £0.6 million (2016: £0.7 million).

The tax charge for the year is £1.2 million (2016: £1.2 million) which represents an effective tax rate of 17.9% (2016: 20.4%). However, this has been reduced by an adjustment in respect of the prior year of £0.2 million

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which has resulted from the prudent assessment at 31 May 2016 of the tax impact of capital allowances and exceptional items recognised in the year ended 31 May 2016. The Group's headline effective rate of tax is slightly above the standard rate at 20%. The Group's future underlying effective rate of tax is expected to fall in line with the decrease in the main rate of corporation tax. After the exceptional items noted above, the post-tax profit for the year was £5.5 million (2016: £4.8 million).

Balance sheet summary

As at 31 May

	2017	2016
	£m	£m
Tangible and intangible fixed assets	69.4	64.4
Net working capital	3.5	3.7
Net debt	(13.0)	(9.9)
Contingent deferred consideration	(1.4)	(1.4)
Current tax liabilities	(0.6)	(0.9)
Deferred tax liabilities	-	(0.4)
Provisions	(0.3)	(0.5)
Retirement benefit obligations	(19.9)	(18.3)
Net assets	37.7	36.7

The Group has increased net assets by £1.0 million to £37.7 million (31 May 2016: £36.7 million). This reflects the robust underlying trading performance during the year with a retained profit for the year of £2.7 million (2016: £2.2 million) which has been partly offset by an increase in the accounting valuation of the pension deficit.

Tangible and intangible assets have increased by £5.0 million to £69.4 million as at 31 May 2017 (31 May 2016: £64.4 million) as a result of the capital expenditure of £9.4 million. The depreciation and amortisation charges for the year to 31 May 2017 were £3.4 million and £0.8 million respectively (2016: £3.2 million and £0.7 million respectively).

Group level ROCE has decreased to 12.4% as at 31 May 2017 (31 May 2016: 12.9%) primarily due to the increased capital base.

The Group has continued to focus on reducing net working capital which has decreased by £0.2 million despite the increase in revenue resulting from increased commodity prices. The Group's inventories have increased by £0.8 million to £4.2 million (31 May 2016: £3.4 million) with trade and other receivables increasing to £61.3 million (31 May 2016: £52.8 million) and an increase in trade and other payables to £62.2 million (31 May 2016: £52.7 million).

Net debt increased by £3.1 million to £13.0 million (31 May 2016: £9.9 million), reflecting the capital investment in the year of £9.4 million partly offset by the strong underlying cash generation of the Group resulting from a combination of the trading performance and further reductions in working capital. At the year end, the Group's net debt to EBITDA ratio was 1.0x (2016: 0.8x).

The deficit of the Group's defined benefit pension scheme increased by £1.6 million to £19.9 million (31 May 2016: £18.3 million). The value of pension scheme assets increased by £5.0 million to £39.5 million (31 May 2016: £34.5 million). The value of the scheme liabilities increased by £6.6 million to £59.4 million (31 May 2016: £52.8 million) as a result of the reduction in the discount rate used to calculate the present value of the future obligations (31 May 2017: 2.60%, 31 May 2016: 3.55%).

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Cash flow and banking facilities

Year ended 31 May

	2017	2016
	£m	£m
Operating cash flows before movements in working capital and provisions	10.8	9.1
Working capital movements	0.2	5.2
Utilisation of provision	(0.2)	-
Interest paid	(0.5)	(0.4)
Tax paid	(1.4)	(2.0)
Net cash generated from operating activities	8.9	11.9
Capital expenditure (net of receipts from disposals)	(9.2)	(3.4)
Acquisition of subsidiaries	-	(7.5)
Net cash absorbed by investing activities	(9.2)	(10.9)
Repayment of bank borrowings in respect of acquisitions	-	(2.0)
Net increase in bank borrowings	2.4	5.5
Capital element of finance lease and HP payments	(0.1)	(0.1)
Dividends paid	(2.8)	(2.6)
Net decrease in cash and cash equivalents	(0.8)	1.8
Cash and cash equivalents at beginning of year	1.8	-
Cash and cash equivalents at end of year	1.0	1.8

The Group has continued to deliver further sustained improvements in working capital during the year which, together with the robust trading performance, has resulted in strong underlying cash generation. Net debt has increased by £3.1 million as a result of £9.2 million of net capital expenditure, including the investment in the Cheshire and Northern mills of £5.2 million. The closing net debt of £13.0 million represents a net debt to EBITDA ratio of 1.0x.

Net cash generated from operating activities was £8.9 million (2016: £11.9 million) representing a cash conversion ratio of 98.9% of headline operating profit (2016: 136.8%). Our consistent focus on working capital has resulted in a decrease of £0.2 million (2016: £5.2 million), despite significant increases in commodity prices, through continued initiatives to reduce debtor days, particularly in the Feeds division.

Net capital expenditure in the year at £9.2 million (2016: £3.4 million) was significantly ahead of the annual depreciation charge of £3.4 million (2016: £3.2 million). The main focus of capital expenditure was the investment in the Cheshire and Northern mills.

The Group's banking facilities, totalling £65.0 million are committed through to 31 October 2019 with the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility which are renewed annually. There remains substantial facility headroom available to support the development of the Group. Within the total facility of £65.0 million, the Group has an invoice discounting facility, the availability of which depends on the level of trade receivables available for refinancing which is subject to a maximum drawdown of £50.0 million. The banking facilities are provided subject to ongoing compliance with conventional banking covenants against which the Group has substantial levels of headroom.

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Principal risks and uncertainties

As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The principal risks and uncertainties which could have a material adverse impact on the Group are:

- Brexit - the uncertainty around the implications of the European Union exit and exchange rate volatility creates commodity price risk.
- Commodity prices and volatility in raw material prices - The Group's Feeds and Fuels divisions operate in sectors which are vulnerable to volatile commodity prices both for fuel and for raw materials.
- Climate - impact on earnings volatility - The demand for both the Feeds and Fuels divisions are impacted by climatic conditions and the severity of winter conditions in particular, which directly affect the demand for heating products. The inherent uncertainty regarding climatic conditions represents a risk of volatility in the profitability of the Fuels and Feeds divisions.
- Pension scheme volatility - Increases in the ongoing deficit associated with the Group's defined benefit pension scheme would adversely impact on the strength of the Group's balance sheet and could lead to an increase in cash contributions payable by the Group.
- Recruitment, retention and development of key people - Recruiting and retaining the right people is crucial for the success of the Group and its development.
- Infrastructure and IT systems - IT system failures or business interruption events (such as cyber-attacks) could have a material impact on the Group's ability to operate effectively.
- Non-compliance with legislation and regulations - The Group operates in diverse markets and each sector has its own regulatory and compliance frameworks which require ongoing monitoring to ensure that the Group maintains full compliance with all legislative and regulatory requirements. Any incident of major injury or fatality or which results in significant environmental damage could result in reputational or financial damage to the Group.
- Strategic growth and change management - A failure to identify, execute or integrate acquisitions, change management programmes or other growth opportunities could impact on the profitability and strategic development of the Group. A major consolidation amongst competitors, a new market entrant or other competitor activity could impact the Group's profitability or development opportunities.

Going concern

The Group has an agreement with The Royal Bank of Scotland Group for credit facilities totalling £65.0 million. With the exception of the bank overdraft facility of £1.0 million and the £4.0 million bank guarantee facility, which are renewed annually, these facilities are committed through to 31 October 2019.

Accordingly, the Directors having made suitable enquiries, and based on financial performance to date and the available banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Share price

The market price per share of the Company's shares at 31 May 2017 was 136.5p (31 May 2016: 152.0p) and the range of market prices during the year was between 133.0p and 178.0p.

Richard Whiting
Chief Executive

Chris Belsham
Finance Director

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CONSOLIDATED INCOME STATEMENT

	Note	2017 £m	2016 £m
Revenue	4	555.8	465.9
Cost of sales		(528.7)	(439.3)
Gross profit		27.1	26.6
Administrative expenses		(19.3)	(19.5)
Headline operating profit*		9.0	8.7
Exceptional items	5	(1.2)	(1.6)
Operating profit	4	7.8	7.1
Finance costs	6	(1.1)	(1.1)
Headline profit before taxation*		8.5	8.3
Net finance cost in respect of defined benefit pension scheme		(0.6)	(0.7)
Exceptional items	5	(1.2)	(1.6)
Profit before taxation	5	6.7	6.0
Income tax expense**	7	(1.2)	(1.2)
Profit for the year attributable to equity shareholders		5.5	4.8
Earnings per share (pence)			
Basic	8	11.3	9.8
Diluted	8	11.3	9.7
Headline earnings per share (pence)*			
Basic	8	14.0	13.6
Diluted	8	14.0	13.5

* Headline operating profit is statutory operating profit before exceptional items. Headline profit before taxation is statutory 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. Statutory profit before taxation was £6.7 million (2016: £6.0 million).

** Taxation on exceptional items in the current year has reduced the charge by £0.3 million (2016: £0.1 million)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 £m	2016 £m
Profit for the year attributable to equity shareholders	5.5	4.8
Items that will never be reclassified to profit or loss:		
Re-measurement (loss)/gain on defined benefit pension scheme	(1.8)	0.2
Tax on items that will never be reclassified to profit or loss	0.3	(0.3)
Total comprehensive income for the year	4.0	4.7

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CONSOLIDATED BALANCE SHEET

	Note	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment		46.6	41.1
Intangible assets		22.8	23.3
Deferred income tax assets		3.5	3.4
		72.9	67.8
Current assets			
Inventories		4.2	3.4
Trade and other receivables		61.3	52.8
Cash at bank and in hand		1.0	1.8
Derivative financial instruments		0.2	0.2
		66.7	58.2
Total assets		139.6	126.0
Current liabilities			
Trade and other payables		(62.2)	(52.7)
Current income tax liabilities		(0.6)	(0.9)
Borrowings		(0.1)	(0.1)
Contingent deferred consideration		(0.5)	-
Derivative financial instruments		-	-
		(63.4)	(53.7)
Non-current liabilities			
Borrowings	11	(13.9)	(11.6)
Contingent deferred consideration		(0.9)	(1.4)
Deferred income tax liabilities		(3.5)	(3.8)
Retirement benefit obligations	12	(19.9)	(18.3)
Provisions		(0.3)	(0.5)
		(38.5)	(35.6)
Total liabilities		(101.9)	(89.3)
Net assets		37.7	36.7
Equity			
Share capital	10	12.1	12.0
Other reserves		25.6	24.7
Total shareholders' equity		37.7	36.7

NWF GROUP PLC
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 year	-	-	4.8	4.8
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	-	-	0.2	0.2
Tax on items that will never be reclassified to profit or loss	-	-	(0.3)	(0.3)
Total comprehensive income for the year	-	-	4.7	4.7
Transactions with owners:				
Dividends paid (note 9)	-	-	(2.6)	(2.6)
Value of employee services	-	-	(0.3)	(0.3)
Credit to equity for equity-settled share-based payments	-	-	0.1	0.1
	-	-	(2.8)	(2.8)
Balance at 31 May 2016	12.0	0.9	23.8	36.7
Profit for the year	-	-	5.5	5.5
Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	-	-	(1.8)	(1.8)
Tax on items that will never be reclassified to profit or loss	-	-	0.3	0.3
Total comprehensive income for the year	-	-	4.0	4.0
Transactions with owners:				
Dividends paid (note 9)	-	-	(2.8)	(2.8)
Issue of shares	0.1	-	(0.1)	-
Value of employee services	-	-	(0.2)	(0.2)
	0.1	-	(3.1)	(3.0)
Balance at 31 May 2017	12.1	0.9	24.7	37.7

NWF GROUP PLC
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
CONSOLIDATED CASH FLOW STATEMENT

	2017 £m	2016 £m
Cash flows from operating activities		
Operating profit	7.8	7.1
Adjustments for:		
Depreciation and amortisation	4.2	3.9
Impairment/loss on disposal of fixed assets	-	0.7
Share based payment expense	-	0.1
Value of employee services	(0.2)	(0.3)
Fair value gain on financial derivatives	-	(0.1)
Net gain on pension scheme closure	-	(1.3)
Difference between pension charge and cash contributions	(1.0)	(1.0)
Operating cash flows before movements in working capital and provisions	10.8	9.1
Movements in working capital:		
(Increase)/decrease in inventories	(0.8)	0.9
(Increase)/decrease in receivables	(8.5)	7.7
Increase/(decrease) in payables	9.5	(3.4)
Utilisation of provision	(0.2)	-
Net cash generated from operations	10.8	14.3
Interest paid	(0.5)	(0.4)
Income tax paid	(1.4)	(2.0)
Net cash generated from operating activities	8.9	11.9
Cash flows from investing activities		
Purchase of intangible assets	(0.3)	(0.3)
Purchase of property, plant and equipment	(9.1)	(3.2)
Proceeds on sale of property, plant and equipment	0.2	0.1
Acquisition of subsidiaries – cash paid (net of cash acquired)	-	(7.5)
Net cash absorbed by investing activities	(9.2)	(10.9)
Cash flows from financing activities		
Repayment of bank borrowings in respect of acquisitions	-	(2.0)
Increase in bank borrowings	2.4	5.5
Capital element of finance lease and hire purchase payments	(0.1)	(0.1)
Dividends paid	(2.8)	(2.6)
Net cash (absorbed by)/generated from financing activities	(0.5)	0.8
Net movement in cash and cash equivalents	(0.8)	1.8
Cash and cash equivalents at beginning of period	1.8	-
Cash and cash equivalents at end of period (note 11)	1.0	1.8

NWF GROUP PLC
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
NOTES

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 principal activities of NWF Group plc and its subsidiaries (together 'the Group') are the manufacture and sale of animal feeds, the sale and distribution of fuel oils and the warehousing and distribution of ambient groceries. Further information on the nature of the Group's operations and principal activities are set out in the Annual Report.

The address of the Company's 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.

2. Significant accounting policies

The Group's principal accounting policies, all of which have been applied consistently to all of the years presented, are set out below.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), International Financial Reporting Standards Interpretation Committee ('IFRS IC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are outlined in note 13 below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Headline profit before taxation and headline earnings

The Directors consider that headline operating profit, headline profit before taxation and headline earnings per share measures, referred to in these condensed Group financial statements, provide useful information for shareholders on underlying trends and performance.

Headline operating profit is statutory operating profit before exceptional items. Headline profit before taxation is statutory profit before taxation after adding back the net finance cost in respect of the Group's defined benefit pension scheme and exceptional items.

The calculations of basic and diluted headline earnings per share are shown in note 8.

Exceptional items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board.

Forward looking statements

Certain statements in this results announcement 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 events could differ materially from those expressed or implied by these forward-looking statements.

Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2016.

The Group has adopted the following new standards, amendments and interpretations now applicable. None of these standards and interpretations have had any material effect on the Group's results or net assets.

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 10	Consolidated financial statements	1 June 2016
Amendment to IFRS 11	Joint arrangements	1 June 2016
Amendment to IFRS 12	Disclosure of interests in other entities	1 June 2016
IFRS 14	Regulatory deferral accounts	1 June 2016

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FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
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Amendment to IAS 1	Presentation of financial statements	1 June 2016
Amendment to IAS 16	Property, plant and equipment	1 June 2016
Amendment to IAS 27	Separate financial statements	1 June 2016
Amendment to IAS 28	Investments in associates and joint ventures	1 June 2016
Amendment to IAS 38	Intangible assets	1 June 2016
Amendment to IAS 41	Agriculture	1 June 2016
Annual improvements to IFRSs 2014	Various	1 June 2016

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

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment to IAS 7	Statement of cash flows	1 June 2017
Amendment to IAS 12	Income taxes	1 June 2017
IFRS 9	Financial instruments: classification and measurement	1 June 2018
IFRS 15	Revenue from contracts with customers	1 June 2018
Amendment to IFRS 2	Share-based payments	1 June 2018
Amendment to IAS 40	Investment properties	1 June 2018
Annual improvements 2014-2016	Various	1 June 2018
IFRS 16	Leases	1 June 2019

Other than IFRS 16, none of these standards or interpretations are expected to have a material impact on the Group. 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. Group Annual Report and statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 May 2017 or 31 May 2016, but is derived from those accounts.

Statutory accounts for 2016 have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, have reported on the 2016 accounts; the report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for 2017 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors, PricewaterhouseCoopers LLP, have reported on these accounts, their report is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and, does not include a statement under either Section 498(2) or (3) of the Companies Act 2006.

The Annual Report and full financial statements will be posted to shareholders during the week commencing 21 August 2017. Further copies will be available to the public, free of charge, from the Company's Registered Office at NWF Group Plc, Wardle, Cheshire CW5 6BP or viewed on the Company's website: www.nwf.co.uk.

NWF GROUP PLC
FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
NOTES

4. 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 is 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 operating profit. Finance income and costs are not included in the segment result that is 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 at bank and in hand. Segment liabilities exclude taxation, borrowings, contingent deferred consideration and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

2017	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 (note 5)	(1.2)	-	-	(1.2)
Operating profit as reported	0.3	3.0	4.5	7.8
Finance costs (note 6)				(1.1)
Profit before taxation				6.7
Income tax expense (note 7)				(1.2)
Profit for the year				5.5
Other information				
Depreciation and amortisation	1.2	1.5	1.5	4.2

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NOTES

4. Segment information

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 (note 11)				(14.0)
Contingent deferred consideration				(1.4)
Retirement benefit obligations (note 12)				(19.9)
Consolidated total liabilities				(101.9)
2016	Feeds £m	Food £m	Fuels £m	Group £m
Revenue				
Total revenue	135.8	38.1	297.8	471.7
Inter-segment revenue	-	(0.5)	(5.3)	(5.8)
Revenue	135.8	37.6	292.5	465.9
Result				
Headline operating profit	2.1	2.7	3.9	8.7
Segment exceptional items (note 5)	(2.6)	(0.1)	(0.2)	(2.9)
	(0.5)	2.6	3.7	5.8
Group exceptional items (note 5)				1.3
Operating profit as reported				7.1
Finance costs (note 6)				(1.1)
Profit before taxation				6.0
Income tax expense (note 7)				(1.2)
Profit for the year				4.8
Other information				
Depreciation and amortisation	1.0	1.5	1.4	3.9

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FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2017
NOTES

4. Segment information

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 at bank and in hand				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 (note 11)				(11.7)
Contingent deferred consideration				(1.4)
Retirement benefit obligations (note 12)				(18.3)
Consolidated total liabilities				(89.3)

5. Profit before taxation - exceptional items

An exceptional cost of £1.2 million (2016: net cost of £1.6 million) is included in administrative expenses.

Exceptional items by type are as follows:

	2017 £m	2016 £m
Restructuring costs	(1.2)	(2.6)
Acquisition-related costs	-	(0.3)
Net gain on pension scheme closure	-	1.3
Net exceptional cost	(1.2)	(1.6)

Current year exceptional items

During the year 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. The restructuring costs include redundancy and relocation payments, costs in respect of site closure and other restructuring costs.

Of the £1.2 million exceptional items, £1.0 million has been recognised as a cash outflow in the year to 31 May 2017. A further £0.2 million will impact cash in future periods.

Prior year exceptional items

Restructuring costs – During the prior year the Group incurred restructuring costs relating to redundancy payments, impairment of property, plant and equipment in respect of site closures, lease provisions for onerous leases and other restructuring costs.

Acquisition-related costs – the acquisition-related costs comprise of professional fees and other costs in relation to the three acquisitions made during the prior year.

Net gain on pension scheme closure – as a result of the closure of the Group's defined benefit pension scheme to future accrual with effect from 6 April 2016 a gain was recognised relating to the impact of lower future inflationary increases, net of the associated legal and professional costs.

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6. Finance costs

	2017	2016
	£m	£m
Interest on bank loans and overdrafts	0.5	0.4
Total interest expense	0.5	0.4
Net finance cost in respect of defined benefit pension scheme (note 12)	0.6	0.7
Total finance costs	1.1	1.1

7. Income tax expense

	2017	2016
	£m	£m
Current tax		
UK corporation tax on profits for the year	1.4	1.4
Adjustments in respect of prior years	(0.2)	-
Current tax expense	1.2	1.4
Deferred tax		
Origination and reversal of temporary differences	-	-
Effect of decreased tax rate on opening balance	-	(0.2)
Deferred tax credit	-	(0.2)
Total income tax expense	1.2	1.2

During the year ended 31 May 2017, as a result of the reduction in the UK corporation tax rate from 20.0% to 19.0% from 1 April 2017, corporation tax has been calculated at 19.8% of estimated assessable profit for the year (2016: 20%).

Further reductions in the UK corporation tax rate, to 17% with effect from 1 April 2020, were substantively enacted into law before the balance sheet date. In the opinion of the Directors, the relevant timing differences are expected to reverse after 1 April 2020 and therefore deferred tax has been provided at a rate of 17%.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2017	2016
	£m	£m
Profit before taxation	6.7	6.0
Profit before taxation multiplied by the standard rate of 19.8% (2016: 20.0%)	1.3	1.2
Effects of:		
– expenses not deductible for tax purposes	0.1	0.2
– adjustments in respect of prior years	(0.2)	-
– impact on deferred tax of reduction in the UK corporation tax rate	-	(0.2)
Total income tax expense	1.2	1.2

The Directors expect that the Group will have a higher than standard tax charge in the future as a result of the level of the Group's disallowable expenses.

8. Earnings per share

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

	2017	2016
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	5.5	4.8
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	48,620	48,469
Weighted average dilutive effect of conditional share awards	24	420
Weighted average number of shares for the purposes of diluted earnings per share	48,644	48,889
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	11.3	9.8

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Diluted earnings per ordinary share	11.3	9.7
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	14.0	13.6
Diluted headline earnings per ordinary share	14.0	13.5
	2017	2016
	£m	£m
Profit for the year attributable to equity shareholders	5.5	4.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	0.6	0.7
Exceptional items	1.2	1.6
Tax effect of the above	(0.5)	(0.5)
Headline earnings	6.8	6.6

The denominators used to calculate both basic and headline earnings per share are the same as those shown above for both basic and diluted earnings per share.

9. Equity dividends

	2017	2016
	£m	£m
Final dividend for the year ended 31 May 2016 of 4.7p (2015: 4.4p) per share	2.3	2.1
Interim dividend for the year ended 31 May 2017 of 1.0p (2016: 1.0p) per share	0.5	0.5
Amounts recognised as distributions to equity shareholders in the year	2.8	2.6
Proposed final dividend for the year ended 31 May 2017 of 5.0p (2016: 4.7p) per share	2.4	2.3

10. Share capital

	Number of shares (000s)	Total £m
Authorised: ordinary shares of 25p each		
Balance at 1 June 2015, 31 May 2016 and 31 May 2017	80,000	20.0
	Number of shares (000s)	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2015	48,350	12.0
Issue of shares	178	-
Balance at 31 May 2016	48,528	12.0
Issue of shares (see below)	116	0.1
Balance at 31 May 2017	48,644	12.1

During the year ended 31 May 2017, 116,139 (2016: 178,103) shares with an aggregate nominal value of £29,035 (2016: £44,526) were issued under the Group's conditional Performance Share Plan.

The maximum total number of ordinary shares, which may vest in the future in respect of conditional Performance Share Plan awards outstanding at 31 May 2017, amounted to 867,014 (31 May 2016: 1,164,392). These shares will only be issued subject to satisfying certain performance criteria.

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11. Analysis of cash and cash equivalents and reconciliation to net debt

	1 June 2016 £m	Cash flow £m	Other non-cash movements £m	31 May 2017 £m
Cash and cash equivalents	1.8	(0.8)	-	1.0
Debt due after 1 year	(11.4)	(2.4)	-	(13.8)
Hire purchase obligations due within 1 year	(0.1)	-	-	(0.1)
Hire purchase obligations due after 1 year	(0.2)	0.1	-	(0.1)
Total Group	(9.9)	(3.1)	-	(13.0)

12. Retirement benefit scheme

The Group operates a defined benefit pension scheme providing benefits based on final pensionable earnings.

NWF Group Benefits Scheme

The scheme is administered by a fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to new members during the year ended 31 May 2002 and closed to future accrual with effect from April 2016.

The latest full triennial actuarial valuation of this scheme was completed in the year ended 31 May 2015, with a deficit of £14.1 million at the valuation date of 31 December 2013. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method. In these financial statements, this liability has been updated in order to derive the IAS 19R valuation as of 31 May 2016 and 31 May 2017. The next full triennial actuarial valuation of the scheme will be completed in the year ended 31 May 2018.

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

	2017 £m	2016 £m
Present value of defined benefit obligations	(59.4)	(52.8)
Fair value of scheme assets	39.5	34.5
Deficit in the scheme recognised as a liability in the balance sheet	(19.9)	(18.3)
Related deferred tax asset	3.4	3.3
Net pension liability	(16.5)	(15.0)

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

	2017 £m	2016 £m
At 1 June	18.3	20.2
Current service cost	0.1	0.5
Past service credit	-	(1.3)
Scheme expense	0.4	0.2
Interest cost	0.6	0.7
Contributions by employer	(1.3)	(1.8)
Re-measurement losses	1.8	(0.2)
At 31 May	19.9	18.3

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13. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

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

Estimated impairment of trade receivables

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

Defined benefit pension scheme - valuation assumptions

The balance sheet carrying values of defined benefit pension scheme surpluses or deficits are calculated using independently commissioned actuarial valuations. These valuations are based on a number of assumptions, including the most appropriate mortality rates to apply to the profile of scheme members and the financial assumptions regarding discount rates and inflation. All of these are estimates of future events and are therefore uncertain.

Estimated fair value of derivatives and other financial instruments

The Group has certain financial instruments (forward supply contracts) that are not in an active market and cannot be valued by reference to unadjusted quoted prices for identical instruments. The Group, therefore, uses its judgement to select valuation techniques and makes assumptions that are mainly based on observable market data in respect of equivalent instruments at the balance sheet date.

Valuation of acquired intangibles

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

Classification of exceptional items

Certain items of income and expense are classified as exceptional items due to their nature or size and are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Exceptional items, together with the net finance cost in respect of the Group's defined benefit arrangements are excluded from underlying performance measures in order to present a more meaningful measure of the underlying ('headline') performance of the business. Further detail on exceptional items is included in note 5.

14. Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Company's Annual Report for the year ended 31 May 2017, which will be posted to shareholders on or before the 25 August 2017, contains the following statement regarding responsibility for the Strategic Report, the Directors' Report (including the Corporate Governance Report), the Board Report on Remuneration and the financial statements included within the Annual Report:

"Each of the Directors confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Group;

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- the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information."

15. Financial calendar

Annual Report to be published	21 August 2017
Annual General Meeting	28 September 2017
Final dividend:	
- ex-dividend date	2 November 2017
- record date	3 November 2017
- payment date	4 December 2017