



NWF Group plc

For release 5 August 2014

NWF Group plc ('NWF' or 'the Group')

---

## **NWF Group plc: Preliminary results for the year ended 31 May 2014**

NWF Group plc, the specialist agricultural and distribution business, today makes the preliminary announcement of its audited results for the year ended 31 May 2014.

**Commenting on the results, Mark Hudson, Chairman, said:** "I am pleased to report another successful year for the Group after the record results in 2013. NWF has delivered results ahead of market expectations and has performed strongly in spite of some adverse market conditions."

**Richard Whiting, Chief Executive, added:** "This good set of results for the Group has been achieved by clear targeted actions by management in all three divisions, which have been delivered in line with our plans. The successful acquisition of S.C. Feeds demonstrates our strategic intent and we are pleased with its performance since joining the Group."

### **Financial highlights:**

- Revenue £537.7 million (2013: £545.8 million)
- Operating profit £8.5 million (2013: £9.4 million)
- Headline profit before taxation<sup>1</sup> £7.7 million (2013: £8.5 million)
- Headline basic earnings per share<sup>1</sup> 12.4p (2013: 13.1p)
- Full year dividend increased 6.3% to 5.1p per share (2013: 4.8p)
- Net debt £11.7 million (31 May 2013: £9.2 million)
- Net debt to EBITDA at 1.0 times (31 May 2013: 0.7 times)
- New £65.0 million banking facilities in place to October 2019

<sup>1</sup> Excluding £0.8 million (2013: £0.7 million) net finance cost in respect of the defined benefit pension scheme and, where applicable, the tax effect thereof.

### **Divisional highlights:**

- **Feeds** – operating profit of £3.3 million (2013: £3.8 million). A good result with the business growing volume in a falling market as a result of investing in additional sales and marketing resource. The acquisition of S.C. Feeds in November 2013 was in line with our strategy and has been earnings enhancing.
- **Food** – operating profit of £2.0 million (2013: £1.2 million). A positive result delivered by focusing all consolidation activity at the main Wardle site to improve operating efficiencies. Long-term contracts signed with customers during the year help to underpin the future utilisation of the Wardle site.
- **Fuels** – operating profit of £3.2 million (2013: £4.4 million). A strong performance in spite of adverse market conditions with a warm winter and spring, which led to a significant reduction in the demand for heating oil. New products supported growth in gas oil in particular and a strong operational focus ensured efficient use of tankers and depots during the year.

**Commenting on the outlook for 2015, Mark Hudson added:** "Progress to date in the current financial year has been in line with the Board's expectations with all divisions performing as planned. We continue to focus on development opportunities, both organic and through targeted acquisitions."

For further information please visit [www.nwf.co.uk](http://www.nwf.co.uk) or contact:

Richard Whiting, Chief Executive  
Brendon Banner, Finance Director  
**NWF Group plc**  
Tel: 01829 260 260

John West/  
Andrew Dunn  
**Tavistock Communications**  
Tel: 020 7920 3150

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

A meeting will be held for analysts at 10.30 am today at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT.

## **Chairman's Statement**

### **Financial highlights:**

- Revenue £537.7 million (2013: £545.8 million)
- Operating profit £8.5 million (2013: £9.4 million)
- Headline profit before taxation<sup>1</sup> £7.7 million (2013: £8.5 million)
- Headline basic earnings per share<sup>1</sup> 12.4p (2013: 13.1p)
- Full year dividend increased 6.3% to 5.1p per share (2013: 4.8p)
- Net debt £11.7 million (31 May 2013: £9.2 million)
- Net debt to EBITDA at 1.0 times (31 May 2013: 0.7 times)
- New £65.0 million banking facilities in place to October 2019

<sup>1</sup> Excluding £0.8 million (2013: £0.7 million) net finance cost in respect of the defined benefit pension scheme and, where applicable, the tax effect thereof.

I am pleased to report another successful year for the Group after the record results in 2013. NWF has delivered results ahead of market expectations and has performed strongly in spite of some adverse market conditions. Whilst the business did not benefit from similar weather conditions or increasing commodity prices, planned management actions in each of the businesses have enabled the Group to deliver these results. Market share increased in Feeds following investment in sales and marketing. Food delivered a strong result through completing the planned restructuring and agreed long-term customer contracts to fill the Wardle facility. In spite of reduced demand for heating oil in the year resulting from the warm winter and spring, Fuels delivered a solid result through increasing sales of other products, particularly gas oil and focusing on operational efficiencies.

The successful acquisition of S.C. Feeds in November 2013 was in line with the Group's strategy to invest further in Agriculture and has been earnings enhancing in 2014, growing volumes in a shrinking market.

## **Results**

Revenue for the year was down 1.5% to £537.7 million (2013: £545.8 million) and operating profit was down to £8.5 million against the record prior year (2013: £9.4 million). The decrease in revenue was a result of lower oil prices and a small reduction in overall fuel volumes.

The Feeds division delivered a good performance increasing volumes in the dairy and beef segments to more than offset lower levels of demand for sheep feed. Volume growth was also achieved post acquisition in S.C. Feeds against a backdrop of lower market volumes. The Food division operates in a tough market where overall volumes are static. Action by management to consolidate all activities at Wardle and agree long-term contracts with key customers has delivered the planned increase in operating efficiency and profitability. Fuels has been negatively impacted by the warm winter and subsequent lack of demand for heating oil, which it has mitigated by focusing on operating efficiency and increasing sales of other products, most notably gas oil.

Headline profit before taxation was down 9.4% to £7.7 million (2013: £8.5 million) and profit after taxation was down 7.0% to £5.3 million (2013: £5.7 million).

Headline basic earnings per share were down 5.3% to 12.4p (2013: 13.1p) and headline diluted earnings per share were down by 4.6% to 12.4p (2013: 13.0p).

### **Cash flows and funding**

The Group generated a £9.6 million (2013: £10.4 million) net cash inflow from operating activities. This included a net working capital inflow of £1.1 million (2013: £0.4 million), as the Group continues to focus on working capital and cash management. Net cash absorbed by investing activities increased from £1.9 million to £9.7 million as a result of a £1.3 million increase in capital expenditure (net of disposal proceeds) and £6.5 million attributable to the acquisition of S.C. Feeds. Overall net debt at 31 May 2014 was £11.7 million (31 May 2013: £9.2 million).

Cash conversion was 112.9% (2013: 110.6%); measured as net cash generated from operating activities as a percentage of operating profit.

Net debt to EBITDA at 31 May 2014 was 1.0 times (2013: 0.7 times). Interest cover (excluding IAS 19 net pension finance cost) for the year was 10.6 times (2013: 10.4 times).

As previously announced, in June the Group agreed new long term facilities with Royal Bank of Scotland for five years through to October 2019. The facilities total £65.0 million and are on improved terms, which illustrates the confidence they have in supporting the development plans of NWF.

### **Dividend**

We are proposing to increase the final dividend for the year to 4.1p (2013: 3.8p) per share which, if approved at the Annual General Meeting, will be payable on 5<sup>th</sup> December 2014 to shareholders on the register at 31<sup>st</sup> October 2014 and the shares will be marked ex-div from 30<sup>th</sup> October 2014. Together with the interim dividend paid during the year of 1.0p (2013: 1.0p) per share, this will result in a total dividend increase of 6.3% for the year to 5.1p per share (2013: 4.8p), amounting to a total cost of £2.4 million (2013: £2.3 million).

### **Board**

As previously announced, John Acornley and David Southworth stepped down from the Board during the year after 13 and 8 years of service respectively. I would like to thank them both for their significant contributions to support the development and governance of the Group during their tenure.

### **Current trading and prospects**

Progress to date in the current financial year has been in line with the Board's expectations with all divisions performing as planned. We continue to focus on development opportunities, both organic and through targeted acquisitions.

My thanks go to all who have supported NWF through the year both inside and outside the Group. I look forward to updating shareholders on the Group's progress at the time of the Annual General Meeting on 25 September 2014.

**Mark Hudson**

**Chairman**

5 August 2014

## **Business and Financial Review**

This good set of results for the Group has been achieved by clear, targeted actions by management in all three divisions, which have been delivered in line with our plans. Operating cash conversion remains above 100% demonstrating continued effective cash management and new five year facilities have been agreed with Royal Bank of Scotland to support the long term development of the Group.

The Group delivered an operating profit of £8.5 million (2013: £9.4 million) and a headline profit before tax of £7.7 million (2013: £8.5 million). This was achieved against a less favourable market backdrop than was experienced in the record year of 2013.

Net debt of £11.7 million (2013: £9.2 million), which represents a debt to EBITDA ratio of 1.0 times (2013: 0.7 times), was delivered in spite of the £6.5 million cash acquisition costs in the year, highlighting the cash generative capability of the Group.

## **Feeds**

2014 was another good year for Feeds; critically underlying volume and market share increased as a result of targeted investment in sales and marketing resources. The acquisition of S.C Feeds in November 2013 added additional volume to the Group and post acquisition has performed well, increasing volume compared to the prior year. Demand for ruminant feed was lower than in the prior year, which experienced both a long hard winter and poor silage and forage. Over the year feed commodity prices drifted lower with a basket of commodities on the spot market over 20% lower by the year-end.

Revenue increased by 5.0% to £160.7 million (2013: £153.1 million) as a result of the acquisition of S.C. Feeds, offset by some reductions in selling prices. Operating profits were £3.3 million (2013 £3.8 million). As anticipated the acquisition was earnings enhancing in its first six months. The prior year profit performance includes some one-off gains, which were a result of increasing commodity prices. Total volume was significantly higher at 543,000 tonnes (2013: 481,000 tonnes) with an increase in the underlying volume of NWF and the additional six months contribution from S.C. Feeds.

The increase in nutritional focus in our Feeds division is a key strategy for the business in providing more advice and value added products to our farming customers to improve their business performance.

Milk prices in Great Britain increased during the year by 3.0p per litre to 32.9p leading farmers to increase milk production to a five year high of 11.8 billion litres (2013: 10.9 billion litres). Compared to last year, silage quality was better and the warm winter and spring reduced feed volumes. The UK market for ruminant feed was down 4.7% on prior year.

The Feeds division has a very broad customer base working with over 4,300 farmers across the country. This broad base and the underlying robust demand for milk and dairy products results in a reasonably stable overall demand for our feed.

## **Food**

This has been a year of successful self-help in Food with market conditions remaining difficult as the supermarkets fight for share in a static market. As previously announced, the business exited a leased facility in Deeside, relocating customers to its main facility in Wardle, Cheshire. This transition increased the consolidation levels at Wardle, with over 95,000 pallets storage in a single location, which improves operational efficiencies. Long-term contracts with customers signed during the year underpin the storage volumes for the business going forward. Service levels have been maintained at 99.7%.

Revenue remained consistent at £36.4 million (2013: £36.4 million). Storage overall was at an average of 97,000 pallets (2013: 93,000 pallets) and total loads were at a similar level to prior year. Operating profits increased to £2.0 million (2013: £1.2 million), as a consequence of centralising activities at Wardle and improving operational efficiencies.

The IT team were recently recognised at the UK Warehousing Association awards, for excellence in their field and delivering significant customer value. Customers now have real time access, via an extranet link, to key information including stock, order status and account data, which has been well received and utilised. This gives customers industry-leading access to live data and is a part of the strong proposition we provide to ambient grocery customers.

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.

## **Fuels**

Market conditions have been difficult in Fuels as a result of the significant reduction in demand for heating oil during a warm winter and spring period. The business has worked hard to increase gas oil sales to offset lower heating oil demand and has introduced new product lines that have been successful. Additional resources deployed on card marketing have also supported volumes. A focus on operating efficiency and strong sales management has in part mitigated the market conditions.

Revenue decreased by 4.4% to £340.6 million (2013: £356.3 million) as a result of lower oil prices and some volume reduction. The average Brent Crude oil price in the year was stable at \$108 per barrel, however a stronger exchange rate led to a fall in prices of between 2% and 5% across different categories. Total volume was 402 million litres (2013: 411 million litres).

Operating profits were £3.2 million (2013: £4.4 million), which is a very positive result given the lack of heating oil demand from customers.

With nearly 57,000 customers being supplied across 17 fuel depots, the Fuels division operates in markets that are large, robust and reasonably stable.

## **Banking**

The Group has an agreement in place with The Royal Bank of Scotland Group for credit facilities totalling £65.0 million through to 31 October 2019, comprising of £10.0 million of revolving credit facilities, £50.0 million of working capital facilities and ancillary facilities of £5.0 million for guarantees and overdrafts. These facilities and the on-going support of the bank allow the Group to progress its development plans. There is significant headroom against these facilities after allowing for anticipated working capital fluctuations during the year.

## **Outlook**

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. Each of our trading divisions have scale, good market positions, and are both profitable and cash generative.

In our Feeds division, we are a leading national supplier of ruminant animal feeds (feeding one in six dairy cows in Britain) and are continuing to develop the business with investment in sales and marketing. Since year end we have opened a new blending facility in Dumfries to support the growing Scottish market and to service our existing customers in that region. We are continuing to focus on technical leadership and to be the nutritional advisor of choice. We are looking to continue our track record of organic growth in this division and in line with our strategic emphasis on agriculture, we are looking for complementary and bolt-on acquisition opportunities to increase our business with UK farming.

In Food, we have improved our performance through the consolidation of all customers at the key Wardle site. We remain focused on continuing to provide excellent levels of customer service and support whilst ensuring we drive efficiencies in the business, which can further improve returns.

In Fuels, we have a proven depot operating model and have demonstrated that the rationalised business has recovered to sustainable levels of performance. We are looking to develop the business organically through the establishment of new storage depots and through appropriate strategic bolt-on acquisitions.

The Group has established a solid platform for development, has competitive long-term banking facilities and a strong asset base.

## Group results

Year ended 31 May

(Restated\*)

	2014 £m	2013 £m
<b>Revenue</b>	<b>537.7</b>	545.8
Operating expenses	<b>(529.2)</b>	(536.4)
<b>Operating profit</b>	<b>8.5</b>	9.4
Financing costs	<b>(0.8)</b>	(0.9)
<b>Headline profit before tax</b>	<b>7.7</b>	8.5
Net finance cost in respect of defined benefit pension schemes	<b>(0.8)</b>	(0.7)
<b>Profit before taxation</b>	<b>6.9</b>	7.8
Income tax expense	<b>(1.6)</b>	(2.1)
<b>Profit for the year</b>	<b>5.3</b>	<b>5.7</b>
<b>Headline EPS</b>	<b>12.4p</b>	13.1p
<b>Dividend per share</b>	<b>5.1p</b>	4.8p
<b>Dividend cover</b>	<b>2.4</b>	2.7
<b>Interest cover</b>	<b>10.6</b>	10.4

\* The prior year has been restated as a result of the change in accounting policy on adoption of IAS 19 (R)

Group revenue decreased by 1.5% to £537.7 million (2013: £545.8 million) reflecting lower oil prices and a 2.2% reduction in oil volumes in the Fuels business, partially offset by the impact of the acquisition of S.C. Feeds. Operating profit was £8.5 million down by £0.9 million (9.6%) from the record performance in 2013 of £9.4 million.

Financing costs decreased by £0.1 million to £0.8 million with interest cover (excluding IAS 19 net pension finance costs) increasing to 10.6 times (2013: 10.4 times).

Headline profit before taxation was down 9.4% to £7.7 million (2013: £8.5 million), resulting in a headline basic earnings per share of 12.4p (2013: 13.1p). The proposed full year dividend per share is an increase of 6.3% to 5.1p in line with the Group's progressive dividend policy, which equates to a dividend cover ratio of 2.4 times.

The finance costs in respect of the defined benefit pension scheme increased by £0.1 million to £0.8 million.

The tax charge has decreased to £1.6 million from £2.1 million in 2013 as a result of the lower profit before tax, together with the impact of the decrease in the main rate of corporation tax, with a fall in the effective tax rate to 23.1% (2013: 25.9%). The Group's future underlying effective rate of tax is expected to fall slightly in line with the decrease in the main rate of corporation tax.

Profit after taxation decreased by 7.0% to £5.3 million (2013: £5.7 million). Basic headline earnings per share have decreased by 5.3% to 12.4p (2013: 13.1p) and diluted headline earnings per share decreased by 4.6% to 12.4p (2013: 13.0p).

## Balance sheet summary

### As at 31 May

	2014	2013
	£m	£m
Tangible and intangible fixed assets	54.0	48.8
Net working capital	9.8	9.2
Cash at bank and in hand	-	0.1
Short-term borrowings	(0.1)	(0.2)
Medium-term borrowings	(11.6)	(9.1)
Current tax liabilities	(1.1)	(1.3)
Deferred tax liabilities (net)	(0.7)	(0.5)
Retirement benefit obligations	(17.3)	(18.8)
<b>Net assets</b>	<b>33.0</b>	<b>28.2</b>

The Group has increased net assets by £4.8 million to £33.0 million (31 May 2013: £28.2 million). The increase has been predominantly driven by the strong trading performance during the year with a retained profit for the year of £3.0 million (2013: £3.6 million), together with a reduction in the Group's defined pension scheme deficit from a net pension liability of £18.8 million as at 31 May 2013 to £17.3 million as at 31 May 2014.

Tangible and intangible assets have increased to £54.0 million as at 31 May 2014 (31 May 2013: £48.8 million) as a result of net capital expenditure £3.5 million, together with the impact of the acquisition of S.C. Feeds which increased tangible assets by £1.5 million and intangible assets by £4.2 million. The depreciation and amortisation charges for the year to 31 May 2014 were £3.2 million and £0.5 million respectively.

Net working capital has continued to be an area of attention for the Group with a year on year increase of only £0.6m despite the impact of the S.C. Feeds acquisition which resulted in an increase in working capital at acquisition of £1.7 million. This equates to an improvement in the underlying working capital of the Group amounting to £1.1 million. The Group's inventories remained unchanged at £3.8 million with trade and other receivables decreasing to £57.8 million (31 May 2013: £62.4m), which was offset by the decrease in trade and other payables to £51.8 million (31 May 2013: £57.0 million).

Net debt increased to £11.7 million (31 May 2013: £9.2 million), reflecting the cash impact of the S.C. Feeds acquisition of £6.5 million, offset by the underlying cash generation of the Group as a result of the strong trading performance and ongoing focus on working capital.

Net deferred tax liabilities increased to £0.7 million (31 May 2013: £0.5 million), reflecting the impact of the S.C. Feeds acquisition, the changes in the retirement benefit obligations and the impact of the fall in the assumed rate at which deferred tax has been provided from 23.0% to 20.0%.

The gross liability of the Group's defined benefit pension scheme decreased by £1.5 million to £17.3 million (31 May 2013: £18.8 million). The value of pension scheme assets increased by 0.6% to £31.2 million (31 May 2013: £31.1 million). The value of the scheme liabilities decreased to £48.6 million (31 May 2013: £49.9 million) primarily as a result of a 0.10% increase, to 4.40%, in the discount rate used to calculate the present value of the future obligations.



## Cash flow and banking facilities

Year ended 31 May	(Restated*)	
	2014 £m	2013 £m
<b>Operating cash flows before working capital movements</b>	<b>11.5</b>	12.2
Working capital movements	1.1	0.4
Interest paid	(0.7)	(0.8)
Tax paid	(2.3)	(1.4)
<b>Net cash generated from operating activities</b>	<b>9.6</b>	10.4
Capital expenditure (net of receipts from disposals)	(3.2)	(1.9)
Acquisition of subsidiary	(6.5)	—
<b>Net cash (absorbed) /generated before financing activities</b>	<b>(0.1)</b>	8.5
Net increase /(decrease) in bank borrowings	2.5	(5.5)
Dividends paid	(2.3)	(2.1)
Other financing cash flows	(0.2)	(1.0)
<b>Net decrease in cash and cash equivalents</b>	<b>(0.1)</b>	(0.1)

The Group continues to focus on cash and working capital management and has been successful in restricting the increase in the level of year end net debt to £2.5 million from £9.2 million to £11.7 million despite the investment of £6.5 million in the acquisition of S.C. Feeds, with an underlying net cash generation of £4.0 million for the Group during the year under review.

Net cash generated from operating activities was £9.6 million, a decrease of £0.8 million (2013: £10.4 million) which is a cash conversion ratio of 112.9% of operating profit (2013: 110.6%). Underlying working capital decreased by £1.1 million (2013: £0.4 million decrease).

Cash utilised to finance capital expenditure (net of disposal proceeds) increased by £1.3 million to £3.2 million (2013: £1.9 million) which compares to the annual depreciation charge of £3.2 million (2013: £3.0 million). The main areas of capital expenditure were investments in new IT systems for the Feeds division £0.8 million, investment in replacement commercial vehicles of £0.7 million, and investment in Feeds new blending facility in Dumfries, together with a range of smaller projects across all three divisions.

Overall there was a small decrease in cash and cash equivalents of £0.1 million (2013: £0.1m).

The Group benefits from renewed and extended credit facilities from The Royal Bank of Scotland totalling £65.0 million which 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. As noted above, included 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.

## Principal risks and uncertainties

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

- 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.
- 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.
- Infrastructure and IT systems - IT system failures or business interruption events could have a material impact on the Group's ability to operate effectively.
- Recruitment, retention and development of the key people - Recruiting and retaining the right people is crucial for the success of the Group and its development.
- Operational gearing, key customer and supplier relationships, and financial resources - The impact of any change in key customer or supplier relationships could have an adverse impact on the ongoing profitability of the Group.
- 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 by the Group.
- Climate - impact on earnings volatility - The demand for both the Fuels and Feeds divisions are impacted by climate conditions and the severity of winter conditions in particular which directly affects 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.
- 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, 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 have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue 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 2014 was 155.5p (31 May 2013: 118.0p) and the range of market prices during the year was between 115.0p and 160.0p.

**Richard Whiting**  
**Chief Executive**

**Brendon Banner**  
**Finance Director**

5 August 2014

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**CONSOLIDATED INCOME STATEMENT**

		(Restated*)	
	Note	2014 £m	2013 £m
<b>Revenue</b>	4	<b>537.7</b>	545.8
Operating expenses		<b>(529.2)</b>	(536.4)
<b>Operating profit</b>	4	<b>8.5</b>	9.4
Finance costs		<b>(1.6)</b>	(1.6)
Profit before taxation and net finance cost in respect of defined benefit pension scheme		<b>7.7</b>	8.5
Net finance cost in respect of defined benefit pension scheme		<b>(0.8)</b>	(0.7)
<b>Profit before taxation</b>		<b>6.9</b>	7.8
Income tax expense	5	<b>(1.6)</b>	(2.1)
<b>Profit for the year attributable to equity shareholders</b>		<b>5.3</b>	5.7
<b>Earnings per share (pence)</b>			
Basic	6	<b>11.2</b>	12.1
Diluted	6	<b>11.1</b>	12.0

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	2014 £m	2013 £m
Profit for the year attributable to equity shareholders	<b>5.3</b>	5.7
Actuarial gain/(loss) on defined benefit pension schemes	<b>1.2</b>	(1.6)
Tax on items that will never be reclassified to profit or loss	<b>(0.2)</b>	0.4
<b>Total comprehensive income for the year</b>	<b>6.3</b>	4.5

\* The prior year has been restated as a result of the change in accounting policy on adoption of IAS 19 (R)

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**CONSOLIDATED BALANCE SHEET**

	Note	2014 £m	(Restated*) 2013 £m
<b>Non-current assets</b>			
Property, plant and equipment		37.7	37.1
Intangible assets		16.3	11.7
Deferred income tax assets		3.6	4.4
		<b>57.6</b>	<b>53.2</b>
<b>Current assets</b>			
Inventories		3.8	3.8
Trade and other receivables		57.8	62.4
Cash at bank and in hand		—	0.1
Derivative financial instruments		0.2	0.6
		<b>61.8</b>	<b>66.9</b>
<b>Total assets</b>		<b>119.4</b>	<b>120.1</b>
<b>Current liabilities</b>			
Trade and other payables		(51.8)	(57.0)
Current income tax liabilities		(1.1)	(1.3)
Borrowings		(0.1)	(0.2)
Derivative financial instruments		(0.2)	(0.6)
		<b>(53.2)</b>	<b>(59.1)</b>
<b>Non-current liabilities</b>			
Borrowings		(11.6)	(9.1)
Deferred income tax liabilities		(4.3)	(4.9)
Retirement benefit obligations		(17.3)	(18.8)
		<b>(33.2)</b>	<b>(32.8)</b>
<b>Total liabilities</b>		<b>(86.4)</b>	<b>(91.9)</b>
<b>Net assets</b>		<b>33.0</b>	<b>28.2</b>
<b>Equity</b>			
Share capital	9	11.9	11.8
Other reserves		21.1	16.4
<b>Total shareholders' equity</b>		<b>33.0</b>	<b>28.2</b>

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital £m	Share premium £m	Retained earnings £m	(Restated*) Total equity £m
<b>Balance at 1 June 2012</b>	11.8	—	13.9	25.7
Profit for the year	—	—	5.7	5.7
Other comprehensive income/(expense):				
Actuarial loss on defined benefit pension schemes	—	—	(1.6)	(1.6)
Tax on items taken directly to equity	—	—	0.4	0.4
<b>Total comprehensive loss for the year</b>	—	—	4.5	4.5
Transactions with owners:				
Dividends paid	—	—	(2.1)	(2.1)
Issue of shares (note 9)	—	—	(0.2)	(0.2)
Credit to equity for equity-settled share-based payments	—	—	0.3	0.3
	—	—	(2.0)	(2.0)
<b>Balance at 31 May 2013</b>	11.8	—	16.4	28.2
Profit for the year	—	—	5.3	5.3
Other comprehensive income/(expense):				
Actuarial gain on defined benefit pension scheme	—	—	1.2	1.2
Tax on items taken directly to equity	—	—	(0.2)	(0.2)
<b>Total comprehensive income for the year</b>	—	—	6.3	6.3
Transactions with owners:				
Dividends paid	—	—	(2.3)	(2.3)
Issue of shares (note 9)	0.1	0.5	(0.1)	0.5
Credit to equity for equity-settled share-based payments	—	—	0.3	0.3
	0.1	0.5	(2.1)	(1.5)
<b>Balance at 31 May 2014</b>	<b>11.9</b>	<b>0.5</b>	<b>20.6</b>	<b>33.0</b>

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**CONSOLIDATED CASH FLOW STATEMENT**

	Note	2014 £m	(Restated*) 2013 £m
<b>Net cash generated from operating activities</b>	7	<b>9.6</b>	10.4
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		<b>(0.9)</b>	(0.7)
Purchase of property, plant and equipment		<b>(2.6)</b>	(1.4)
Proceeds on sale of property, plant and equipment		<b>0.3</b>	0.2
Acquisition of subsidiary	8	<b>(6.5)</b>	—
<b>Net cash absorbed by investing activities</b>		<b>(9.7)</b>	(1.9)
<b>Cash flows from financing activities</b>			
(Repayment of)/proceeds from bank borrowings		<b>2.5</b>	(5.5)
Capital element of finance lease and hire purchase payments		<b>(0.2)</b>	(1.0)
Dividends paid		<b>(2.3)</b>	(2.1)
<b>Net cash (absorbed by)/generated from financing activities</b>		<b>—</b>	(8.6)
<b>Net decrease in cash and cash equivalents</b>		<b>(0.1)</b>	(0.1)

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**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 details of the nature of the Group's operations and activities are set out in note 4.

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. Basis of preparation of financial statements**

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 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 10 below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

**3. Group annual report and statutory accounts**

This preliminary announcement does not constitute the Group's annual report and statutory accounts. The figures shown in this release have been extracted from the Group's full audited financial statements which, for the year ended 31 May 2013, have been delivered, and, for the year ended 31 May 2014 will be delivered, to the Registrar of Companies. Both carry an unqualified audit report.

After 27 August 2014, copies of the annual report can be obtained from the Company's registered office at Wardle, Nantwich, Cheshire CW5 6BP or viewed on the Company's website: [www.nwf.co.uk](http://www.nwf.co.uk).



**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**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, Fuels and Food.

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   |
| Fuels | - | sale and distribution of domestic heating, industrial and road fuels   |
| Food  | - | warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres |

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 and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**4. Segment information (continued)**

<b>2014</b>	<b>Feeds £m</b>	<b>Fuels £m</b>	<b>Food £m</b>	<b>Group £m</b>
<b>Revenue</b>				
Total revenue	161.0	346.9	37.0	544.9
Inter-segment revenue	(0.3)	(6.3)	(0.6)	(7.2)
Revenue	160.7	340.6	36.4	537.7
<b>Result</b>				
Operating profit	3.3	3.2	2.0	8.5
Finance costs				(1.6)
Profit before taxation				6.9
Income tax expense (note 5)				(1.6)
Profit for the year				5.3
<b>Other information</b>				
Depreciation and amortisation	1.0	1.1	1.6	3.7

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**4. Segment information (continued)**

<b>2014</b>	<b>Feeds £m</b>	<b>Fuels £m</b>	<b>Food £m</b>	<b>Group £m</b>
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	<b>42.6</b>	<b>41.8</b>	<b>31.4</b>	<b>115.8</b>
Deferred income tax assets				<b>3.6</b>
Cash at bank and in hand				-
Consolidated total assets				<b>119.4</b>
<b>Liabilities</b>				
Segment liabilities	<b>(13.7)</b>	<b>(34.3)</b>	<b>(4.0)</b>	<b>(52.0)</b>
Current income tax liabilities				<b>(1.1)</b>
Deferred income tax liabilities				<b>(4.3)</b>
Borrowings				<b>(11.7)</b>
Retirement benefit obligations				<b>(17.3)</b>
Consolidated total liabilities				<b>(86.4)</b>

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**4. Segment information (continued)**

2013 (Restated*)	Feeds £m	Fuels £m	Food £m	Group £m
<b>Revenue</b>				
Total revenue	153.1	363.4	37.1	553.6
Inter-segment revenue	—	(7.1)	(0.7)	(7.8)
Revenue	153.1	356.3	36.4	545.8
<b>Result</b>				
Operating profit	3.8	4.4	1.2	9.4
Finance costs				(1.6)
Profit before taxation				7.8
Income tax expense (note 5)				(2.1)
Profit for the year				5.7
<b>Other information</b>				
Depreciation and amortisation	0.8	1.2	1.6	3.6

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**4. Segment information (continued)**

2013 (Restated*)	Feeds £m	Fuels £m	Food £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	35.7	47.1	32.8	115.6
Deferred income tax assets				4.4
Cash at bank and in hand				0.1
Consolidated total assets				120.1
<b>Liabilities</b>				
Segment liabilities	(15.5)	(38.5)	(3.6)	(57.6)
Current income tax liabilities				(1.3)
Deferred income tax liabilities				(4.9)
Borrowings				(9.3)
Retirement benefit obligations				(18.8)
Consolidated total liabilities				(91.9)

**5. Income tax expense**

	(Restated*)	
	2014 £m	2013 £m
<b>Current tax</b>		
UK corporation tax on profits for the year	1.9	2.3
Adjustments in respect of prior years	(0.1)	(0.1)
Current tax expense	1.8	2.2
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(0.1)	(0.1)
Adjustments in respect of prior years	(0.1)	—
Deferred tax expense	(0.2)	—
Total income tax expense	1.6	2.1

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**5. Income tax expense (continued)**

During the year ended 31 May 2014, as a result of the reduction in the UK corporation tax rate from 23.0% to 21.0% from 1 April 2014, corporation tax has been calculated at an effective rate of 22.7% of estimated assessable profit for the year (2013: 23.8%).

A further reduction in the UK corporation tax rate to 20.0%, effective from 1 April 2015, has been substantively enacted into law. In the opinion of the directors the relevant timing differences are expected to reverse after 1 April 2015, so relevant deferred tax balances have been re-measured and provided for based on a UK tax rate of 20.0%.

If the relevant timing differences reverse before the 1.0% reduction in the corporation tax rate from 21.0% to 20.0%, effective from 1 April 2015, the estimated impact on the Group balance sheet would be an increase in the deferred tax asset of £0.2 million, from £3.6 million to £3.8 million, and an increase in the deferred tax liability of £0.3 million, from £4.3 million to £4.6 million.

**6. Earnings per share**

	(Restated*)	
	2014	2013
	£m	£m
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share being profit for the period attributable to equity shareholders (£m)	<b>5.3</b>	5.7
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic earnings per share (000s)	<b>47,489</b>	47,277
Weighted average dilutive effect of share consideration (000s)	<b>101</b>	-
Weighted average dilutive effect of conditional share awards and SAYE share options (000s)	<b>259</b>	246
Weighted average number of shares for the purposes of diluted earnings per share (000s)	<b>47,849</b>	47,523
<b>Earnings per ordinary share (p)</b>		
Basic earnings per ordinary share	<b>11.2</b>	12.1
Diluted earnings per ordinary share	<b>11.1</b>	12.0

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**6. Earnings per share (continued)**

	2014	2013
<b>Headline earnings per ordinary share (p)</b>		
Basic headline earnings per ordinary share	<b>12.4</b>	13.1
Diluted headline earnings per ordinary share	<b>12.4</b>	13.0

**7. Net cash generated from operating activities**

	(Restated*)	
	2014	2013
	£m	£m
Operating profit	<b>8.5</b>	9.4
Adjustments for:		
Depreciation of property, plant and equipment	<b>3.2</b>	3.0
Amortisation of other intangible assets	<b>0.5</b>	0.6
Share-based payment expense	<b>0.3</b>	0.3
Issue of shares	<b>(0.1)</b>	(0.2)
Difference between pension charge and cash contributions	<b>(0.9)</b>	(0.9)
Operating cash flows before movements in working capital	<b>11.5</b>	12.2
Movements in working capital:		
(Increase)/decrease in inventories	<b>0.5</b>	(0.3)
(Increase)/decrease in receivables	<b>6.5</b>	(6.0)
Increase/(decrease) in payables	<b>(5.9)</b>	6.7
<b>Net cash generated from operations</b>	<b>12.6</b>	12.6
Interest paid	<b>(0.7)</b>	(0.8)
Income tax paid	<b>(2.3)</b>	(1.4)
<b>Net cash generated from operating activities</b>	<b>9.6</b>	10.4

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**8. Business combinations**

	Book Value £m	Fair Value Adjustment £m	Total 2014 £m
Property, plant and equipment	0.5	1.0	1.5
Identifiable intangible assets	—	0.1	0.1
Inventory	0.5	—	0.5
Trade & other receivables	1.9	—	1.9
Trade & other payables	(1.4)	—	(1.4)
Deferred tax liability	(0.1)	(0.1)	(0.2)
<b>Total identifiable assets</b>	<b>1.4</b>	<b>1.0</b>	<b>2.4</b>

Property, plant and equipment acquired with S.C. Feeds Ltd has been recognised at a fair value of £1.5 million following an external revaluation exercise completed using the depreciated replacement cost method. In addition, £0.1 million has been recognised in respect of the S.C. Feeds Ltd brand as an intangible asset arising from the acquisition.

	<b>2014</b> <b>£m</b>
Goodwill	<b>4.1</b>
<b>Total consideration</b>	<b>6.7</b>
Satisfied by:	
Cash	<b>6.1</b>
Equity consideration (374,340 ordinary shares of NWF Group plc)	<b>0.6</b>
<b>Total consideration transferred</b>	<b>6.7</b>
Net cash outflow arising on acquisition:	
Cash consideration and fees	<b>6.1</b>
Plus: bank overdraft acquired	<b>0.4</b>
	<b>6.5</b>



**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**8. Business combinations (continued)**

Goodwill of £4.1 million arises from the acquisition and is attributable to the acquired strategic advantage and economies of scale expected from combining the operations of the Group and S.C.

Feeds Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

The S.C. Feeds business contributed revenue of £11.1 million and operating profit of £0.4 million to the Group's results for the year ended 31 May 2014. If the business had been consolidated from 1 June 2013, the consolidated income statement for the year ended 31 May 2014 would show revenue of £19.8 million and operating profit of £0.8 million.

**9. Share capital**

	Number of shares (000s)	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2012, 31 May 2013 and 31 May 2014	80,000	20.0

	Number of shares (000s)	Total £m
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2012	47,176	11.8
Issue of shares (see below)	128	—
Balance at 31 May 2013	47,304	11.8
Issue of shares (see below)	504	0.1
<b>Balance at 31 May 2014</b>	<b>47,808</b>	<b>11.9</b>

During the year ended 31 May 2014, 130,142 (2013: 127,517) shares with an aggregate nominal value of £32,536 (2013: £31,879) were issued for no consideration under the Group's conditional Performance Share Plan and SAYE share option scheme.

In addition, during the year ended 31 May 2014, 374,340 shares (2013: Nil) shares with an aggregate nominal value of £93,585 (2013: £Nil) were issued as part of the consideration paid in the acquisition of S.C. Feeds Ltd.

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**9. Share capital (continued)**

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 2014, amounted to 842,526 (31 May 2013: 826,364). These shares will only be issued subject to satisfying certain performance criteria.

The Company operates a SAYE share option scheme for the Group's eligible employees. The total number of options outstanding at 31 May 2014 amounted to 529,565 (31 May 2013: 627,191) shares. These options have a vesting period of three years and can be exercised from 1 November 2014 for a period of six months at a price of £1.06 per share.

**10. 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 schemes - 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.

**NWF GROUP PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2014**  
**NOTES (CONTINUED)**

**11. Financial calendar**

Annual Report to be published	22 August 2014
Annual General Meeting	25 September 2014
Dividend:	
- ex-dividend date	30 October 2014
- record date	31 October 2014
- payment date	5 December 2014