



NWF Group plc

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NWF Group plc

NWF Group plc: Half Year results for the period ended 30 November 2015

NWF Group plc, the specialist agricultural and distribution business delivering feed, food and fuel across the UK, today announces its half year results for the period ended 30 November 2015.

Financial highlights	2015	2014	%
Revenue	£224.6m	£247.1m	-9.1%
Headline operating profit*	£2.8m	£2.8m	–
Headline profit before taxation*	£2.6m	£2.5m	+4.0%
Headline basic earnings per share*	4.3p	4.0p	+7.5%
Interim dividend per share	1.0p	1.0p	–
Net debt	£10.4m	£12.4m	16.1% reduction
Net debt to EBITDA	0.8x	1.1x	

* Headline operating profit is reported operating profit before exceptional items. Headline profit before taxation is reported profit before taxation after adding back the net finance cost in respect of the Group's defined benefit pension scheme, and the exceptional items and the taxation effect thereon where relevant. Statutory profit before taxation was £1.8 million (H1 2014: £2.1 million).

Operational highlights:

- First half trading in line with expectations despite difficult market conditions.
- Volume growth in Feeds and Fuels reflects headline growth and the contribution of acquisitions.
- Decrease in revenue due to significantly lower oil prices in Fuels and lower commodity prices in Feeds.
- Good cash generation with reduction in net debt despite completing two acquisitions in Feeds and Fuels.
- Maintained significant financial flexibility for investment in growth initiatives.

Divisional highlights:

- **Feeds** – headline operating profit of £0.3 million (H1 2014: £0.1 million). An improved performance compared to last year with challenging market conditions continuing as lower milk prices impacted farmers across the UK. This has increased pressure on prices as expected. Volumes in the business were robust in spite of mild weather in the autumn and New Breed has performed as planned since its acquisition in June 2015.
- **Food** – headline operating profit of £1.4 million (H1 2014: £1.5 million). A solid result from a business operating at capacity and utilising overflow storage during the summer months to meet increased demand. Service levels were maintained at 99.7%.
- **Fuels** – headline operating profit of £1.1 million (H1 2014: £1.2 million). A robust performance with the continued fall in oil prices having no adverse profit impact on the business. Outperformance over the summer was offset by a warm autumn and a mild start to winter. Volume growth was achieved and Staffordshire Fuels was acquired in November 2015 and is performing well.

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

“NWF has achieved a solid performance in the first half of the year despite difficult market conditions. The Group made two acquisitions in Feeds and Fuels and was still able to report reduced debt as a result of its strong cash generative capabilities and effective working capital management. Current trading is in line with the Board's full year expectations.”

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CHAIRMAN'S STATEMENT

NWF has delivered a solid result in the half year despite difficult conditions in the dairy market and further falls in commodity prices, particularly oil, which has fallen 47% compared to the prior year. Feeds increased volumes in a market where overall volume was lower as a result of a mild and dry autumn period. Lower milk prices, as anticipated, increased pressure on feed prices. Food experienced storage demand greater than the Group's capacity in the summer months and utilised external facilities in the North West. The benefits of greater storage volumes were more than offset by additional handling and transport costs. Fuels performed ahead of expectations through the summer months and delivered volume growth in the first half year. However, the outperformance was eroded by the mild weather at the end of the half year and the consequent reduction in market demand for heating oil. The acquisitions of New Breed and Staffordshire Fuels were successfully completed in the half year, increasing our feed sales and expanding our fuel depot network. Both acquisitions are performing as planned.

Net debt at the period end was £10.4 million (H1 2014: £12.4 million), in spite of two acquisitions which resulted in a £4.5 million net cash outflow, with net debt to EBITDA at 0.8x (H1 2014: 1.1x). The Group's banking facilities of £65.0 million are committed to October 2019 and NWF continues to operate with substantial headroom.

Results

Revenue for the half year ended 30 November 2015 was 9.1% lower at £224.6 million (H1 2014: £247.1 million) as a result of falling commodity prices and subsequent price reductions in Feeds and Fuels. Headline operating profit was in line with the prior year at £2.8 million (H1 2014: £2.8 million). Headline profit before taxation¹ was up 4.0% to £2.6 million (H1 2014: £2.5 million). An exceptional item of £0.4 million relates to the costs of the two acquisitions completed during the period and some one-off divisional restructuring costs.

Headline basic earnings per share¹ was up 7.5% to 4.3p (H1 2014: 4.0p) and headline diluted earnings per share¹ was 4.3p (H1 2014: 4.0p).

Operating cash inflow for the period, before movements in working capital, amounted to £3.7 million (H1 2014: £4.0 million). Net cash generated from operations for the period of £3.2 million was 18.5% higher than the comparable period in the prior year (H1 2014: £2.7 million) as a result of further, sustainable improvements in working capital. In line with the seasonality of working capital requirements, there was a net investment in working capital in the first half of £0.5 million (H1 2014: £1.3 million).

Net capital expenditure in the period was £2.2 million (H1 2014: £2.9 million) reflecting a normal level of replacement capital, the largest single item being fuel tankers.

Net cash expenditure on acquisitions of £4.5 million relates to the acquisitions of New Breed and Staffordshire Fuels completed in the period (2014: £Nil).

Net assets at 30 November 2015 increased by £3.5 million to £36.6 million (30 November 2014: £33.1 million) due primarily to the profit retained by the Group.

¹ Excluding £0.4 million (H1 2014: £0.4 million) net finance cost in respect of the defined benefit pension scheme, and exceptional transaction and restructuring costs of £0.4 million (H1 2014: £Nil) and, where applicable, the tax effect thereon.

Dividend

The Board has approved an interim dividend per share of 1.0p (H1 2014: 1.0p). This will be paid on 3 May 2016 to shareholders on the register on 29 March 2016. The shares will trade ex-dividend on 24 March 2016.

Operations

Feeds

Revenue decreased by 8.7% to £62.1 million (H1 2014: £68.0 million) as a result of lower selling prices offset in part by the sales from New Breed, which joined the Group from 1 July 2015. Volumes were up 2.3% to 264,000 tonnes (H1 2014: 258,000 tonnes) in spite of market volumes being lower as a result of a warm and dry autumn period. Headline operating profit improved to £0.3 million, compared to £0.1 million for the same period last year. The lower milk prices across the market have, as expected, impacted feed prices as farmers look to reduce costs to mitigate the fall in revenue. Across a basket of products, commodity costs fell by 8% during the period. Milk prices have fallen on average by 5p per litre compared to prior year, with the November 2015 average price at 24.6p (November 2014 29.6p). New Breed has performed as planned in its first five months.

Food

Revenue increased by 2.7% to £19.3 million (H1 2014: £18.8 million). Headline operating profit was £1.4 million (H1 2014: £1.5 million), in line with expectations. The business utilised outside warehousing over the summer to meet the increased storage needs of our customers. The operational inefficiency of outside storage more than offset the additional revenue gained. In spite of utilising several storage locations, a high service level of 99.7% was maintained in the period. Average storage levels in the period were 99,000 pallet spaces (H1 2014: 94,000), and transport activity was in line with prior year. Repacking work increased, supporting customer needs particularly for added value products for the Halloween market. The new Palletline distribution service delivered in line with our expectations in the period.

Fuels

Revenue decreased by 10.7% to £143.2 million (H1 2014: £160.3 million) as a consequence of lower oil prices. Volumes increased by 8.1% to 213 million litres (H1 2014: 197 million litres) with the most significant growth in commercial customers for road diesel and in our card marketing business, which continues to develop successfully. Headline operating profit was £1.1 million (H1 2014: £1.2 million). Two new depot start-up operations in the South East, whilst small, are performing as planned and the acquisition of Staffordshire Fuels was completed in November, increasing penetration in Staffordshire and the West Midlands. Brent Crude fell significantly through the period to an average of \$52.19 per barrel (H1 2014: \$98.44 per barrel) and ended the reported period at \$44.61 per barrel.

Outlook and future prospects

We have performed as planned since the period end. In Feeds, our customers have seen no respite from low milk prices and we continue to work to provide technical input to optimise diets to help mitigate the tough conditions for dairy farmers. In the Food division, we are operating close to capacity and look to improve efficiencies further whilst maintaining high levels of service. In Fuels the oil price has fallen further, which increases affordability for customers, albeit demand in December and January has reflected the mild weather.

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

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

Mark Hudson

Chairman

2 February 2016

Condensed consolidated income statement

for the half year ended 30 November 2015 (unaudited)

	Note	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Revenue	3	224.6	247.1	492.3
Operating expenses		(222.2)	(244.3)	(483.2)
Headline operating profit		2.8	2.8	8.6
Exceptional items	4	(0.4)	—	0.5
Operating profit	3	2.4	2.8	9.1
Finance costs	5	(0.6)	(0.7)	(1.2)
Headline profit before taxation		2.6	2.5	8.1
Net finance cost in respect of the defined benefit pension scheme		(0.4)	(0.4)	(0.7)
Exceptional items	4	(0.4)	—	0.5
Profit before taxation		1.8	2.1	7.9
Income tax expense	6	(0.4)	(0.5)	(1.7)
Profit for the period attributable to equity shareholders		1.4	1.6	6.2
Earnings per share (pence)				
Basic	9	2.9	3.4	12.9
Diluted	9	2.9	3.4	12.7
Headline earnings per share (pence)*				
Basic	9	4.3	4.0	13.2
Diluted	9	4.3	4.0	13.1

* Headline earnings per share is based on headline profit before taxation and is adjusted to remove the net finance cost in respect of the defined benefit pension scheme, and the exceptional items and the taxation effect thereon where relevant.

Condensed consolidated statement of comprehensive income

for the half year ended 30 November 2015 (unaudited)

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Profit for the period attributable to equity shareholders	1.4	1.6	6.2
Items that will never be reclassified to profit or loss:			
Actuarial gain/(loss) on the defined benefit pension scheme	0.9	(2.5)	(3.2)
Tax on items that will never be reclassified to profit or loss	(0.2)	0.5	0.6
Total comprehensive income/(expense) for the period	2.1	(0.4)	3.6

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

Condensed consolidated balance sheet

as at 30 November 2015 (unaudited)

	30 November 2015 £m	30 November 2014 £m	31 May 2015 £m
Non-current assets			
Property, plant and equipment	39.4	38.6	38.7
Intangible assets	22.2	16.4	15.9
Deferred income tax assets	3.5	4.1	4.2
	65.1	59.1	58.8
Current assets			
Inventories	5.0	4.2	3.8
Trade and other receivables	52.6	58.2	55.0
Cash at bank and in hand	—	—	—
Derivative financial instruments (note 10)	0.2	0.4	0.2
	57.8	62.8	59.0
Total assets	122.9	121.9	117.8
Current liabilities			
Trade and other payables	(50.1)	(51.4)	(51.4)
Current income tax liabilities	(1.2)	(0.8)	(1.2)
Borrowings (note 10)	(0.1)	—	—
Derivative financial instruments (note 10)	(0.2)	(0.2)	(0.1)
	(51.6)	(52.4)	(52.7)
Non-current liabilities			
Borrowings (note 10)	(10.3)	(12.4)	(5.9)
Contingent deferred consideration	(1.4)	—	—
Deferred income tax liabilities	(3.8)	(4.3)	(4.2)
Retirement benefit obligations	(19.2)	(19.7)	(20.2)
	(34.7)	(36.4)	(30.3)
Total liabilities	(86.3)	(88.8)	(83.0)
Net assets	36.6	33.1	34.8
Equity			
Share capital (note 11)	12.0	12.0	12.0
Share premium	0.9	0.9	0.9
Retained earnings	23.7	20.2	21.9
Total shareholders' equity	36.6	33.1	34.8

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

Condensed consolidated statement of changes in equity

for the half year ended 30 November 2015 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2014	11.9	0.5	20.6	33.0
Profit for the period	—	—	1.6	1.6
Items that will never be reclassified to profit or loss:				
Actuarial loss on the defined benefit pension scheme	—	—	(2.5)	(2.5)
Tax on items that will never be reclassified to profit or loss	—	—	0.5	0.5
Total comprehensive expense for the period	—	—	(0.4)	(0.4)
Transactions with owners:				
Issue of shares	0.1	0.4	(0.1)	0.4
Credit to equity for equity-settled share-based payments	—	—	0.1	0.1
	0.1	0.4	—	0.5
Balance at 30 November 2014	12.0	0.9	20.2	33.1
Profit for the period	—	—	4.6	4.6
Items that will never be reclassified to profit or loss:				
Actuarial loss on the defined benefit pension scheme	—	—	(0.7)	(0.7)
Tax on items that will never be reclassified to profit or loss	—	—	0.1	0.1
Total comprehensive income for the period	—	—	4.0	4.0
Transactions with owners:				
Dividend paid	—	—	(2.4)	(2.4)
Issue of shares	—	—	—	—
Credit to equity for equity-settled share-based payments	—	—	0.1	0.1
	—	—	(2.3)	(2.3)
Balance at 31 May 2015	12.0	0.9	21.9	34.8
Profit for the period	—	—	1.4	1.4
Items that will never be reclassified to profit or loss:				
Actuarial gain on the defined benefit pension scheme	—	—	0.9	0.9
Tax on items that will never be reclassified to profit or loss	—	—	(0.2)	(0.2)
Total comprehensive income for the period	—	—	2.1	2.1
Transactions with owners:				
Value of employee services	—	—	(0.3)	(0.3)
	—	—	(0.3)	(0.3)
Balance at 30 November 2015	12.0	0.9	23.7	36.6

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

Condensed consolidated cash flow statement

for the half year ended 30 November 2015 (unaudited)

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Cash flows from operating activities			
Operating profit	2.4	2.8	9.1
Adjustments for:			
Depreciation and amortisation	2.0	2.0	4.0
Other	(0.7)	(0.8)	(1.1)
Operating cash flows before movements in working capital	3.7	4.0	12.0
Movements in working capital:			
Increase in inventories	(1.2)	(0.4)	—
Decrease/(increase) in receivables	5.4	(0.5)	2.8
Decrease in payables	(4.7)	(0.4)	(0.4)
Net cash generated from operations	3.2	2.7	14.4
Interest paid	(0.2)	(0.3)	(0.5)
Income tax paid	(0.6)	(0.8)	(1.6)
Net cash generated from operating activities	2.4	1.6	12.3
Cash flows from investing activities			
Purchase of intangible assets	(0.2)	(0.4)	(0.2)
Purchase of property, plant and equipment	(2.0)	(2.6)	(4.5)
Proceeds on sale of property, plant and equipment	—	0.1	0.1
Acquisition of subsidiaries (net of cash acquired)	(4.5)	—	—
Net cash absorbed by investing activities	(6.7)	(2.9)	(4.6)
Cash flows from financing activities			
Proceeds from share issue	—	0.5	0.5
Proceeds from bank borrowings	7.0	0.8	—
Repayment of bank borrowings	(2.7)	—	(5.7)
Capital element of finance lease and hire purchase payments	—	—	(0.1)
Dividends paid	—	—	(2.4)
Net cash generated from/(absorbed by) financing activities	4.3	1.3	(7.7)
Net movement in cash and cash equivalents	—	—	—
Cash and cash equivalents at beginning of period	—	—	—
Cash and cash equivalents at end of period	—	—	—

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

Notes to the condensed consolidated half year report

for the half year ended 30 November 2015 (unaudited)

1. General information

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

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

These condensed consolidated interim financial statements ('interim financial statements') were approved for issue on 2 February 2016.

These interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements for the half year ended 30 November 2015 and 30 November 2014 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2015 were approved by the Board of Directors on 4 August 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation and accounting policies

Except as described below, these interim financial statements have been prepared in accordance with the principal accounting policies used in the Company's consolidated financial statements for the year ended 31 May 2015. These interim financial statements should be read in conjunction with those consolidated financial statements, which have been prepared in accordance with IFRS as endorsed by the European Union.

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

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

The triennial actuarial valuation of the Group's defined benefit pension scheme was completed in the half year ended 30 November 2014, with a deficit of £14.1 million at the valuation date of 31 December 2013. In these interim financial statements, this liability has been updated in order to derive the IAS 19R valuation as of 30 November 2015. The triennial valuation resulted in expected Group contributions of £1.8 million per annum, including recovery plan payments of £1.2 million per annum for 12 years from 1 January 2014.

The Directors consider that headline operating profit, headline profit before taxation and headline earnings per share measures, referred to in these interim financial statements, provide useful information for shareholders on underlying trends and performance. Headline profit before taxation is reported profit before taxation, after adding back the net finance cost in respect of the Group's defined benefit pension scheme, and the exceptional items and the taxation effect thereon where relevant. The calculations of basic and diluted headline earnings per share are shown in note 9 of these interim financial statements.

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

The following new European Union-endorsed standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 June 2015 and have been adopted by the Group. None of these standards and interpretations have had an impact on the amounts reported in these interim financial statements.

Amendment to IAS 19 regarding defined benefit plan contributions

Annual improvements to IFRS 2010 - 2012 and 2011 - 2013 cycles

The following new standards, amendments to standards and interpretations have been issued and have yet to receive European Union endorsement, but are not effective for the financial year beginning 1 June 2015 and have not been early adopted.

IFRS 14	'Regulatory Deferral Accounts'
IFRS 15	'Revenue from Contracts with Customers'
IFRS 9	'Financial Instruments (2014)' – classification and measurement
Amendment to IFRS 11	'Joint Arrangements' – on acquisition of an interest in a joint operation
Amendment to IAS 16	'Property, Plant and Equipment' – depreciation and amortisation
Amendment to IAS 38	'Intangible Assets' – depreciation and amortisation
Amendment to IAS 1	'Presentation of Financial Statements' – on the disclosure initiative
Amendment to IAS 27	'Separate Financial Statements' – regarding equity accounting
Amendments to IAS 10 and IAS 28	– regarding the sale or contribution of assets
Amendments to IAS 16 and IAS 41 'Agriculture'	– regarding accounting for 'bearer plants'
Annual improvements to IFRSs	– 2012-2014 cycle

The impact of these new standards and amendments will be assessed in detail prior to adoption; however, at this stage the Directors do not anticipate them to have a material impact on the amounts reported in the Group financial statements.

3. Segment information

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

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

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

Feeds – manufacture and sale of animal feeds and other agricultural products

Food – warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres

Fuels – sale and distribution of domestic heating, industrial and road fuels

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of headline operating profit. Finance income and costs are not included in the segment result which 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, contingent deferred consideration, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

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

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

Half year ended 30 November 2014	Feeds £m	Food £m	Fuels £m	Group £m
Revenue				
Total revenue	68.0	19.1	163.1	250.2
Inter-segment revenue	—	(0.3)	(2.8)	(3.1)
Revenue	68.0	18.8	160.3	247.1
Result				
Operating profit	0.1	1.5	1.2	2.8
Finance costs (note 5)				(0.7)
Profit before taxation				2.1
Income tax expense (note 6)				(0.5)
Profit for the period				1.6
Other information				
Depreciation and amortisation	0.6	0.8	0.6	2.0

As at 30 November 2014	Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	41.9	31.6	44.3	117.8
Deferred income tax assets				4.1
Cash at bank and in hand				—
Consolidated total assets				121.9
Liabilities				
Segment liabilities	(9.4)	(4.3)	(37.9)	(51.6)
Current income tax liabilities				(0.8)
Deferred income tax liabilities				(4.3)
Borrowings				(12.4)
Retirement benefit obligations				(19.7)
Consolidated total liabilities				(88.8)

Year ended 31 May 2015	Feeds £m	Food £m	Fuels £m	Group £m
Revenue				
Total revenue	146.2	37.8	315.7	499.7
Inter-segment revenue	(1.3)	(0.6)	(5.5)	(7.4)
Revenue	144.9	37.2	310.2	492.3
Result				
Headline operating profit	1.8	2.5	4.3	8.6
Segment exceptional items	(0.7)	—	—	(0.7)
Group exceptional items				1.2
Operating profit as reported				9.1
Finance costs (note 5)				(1.2)
Profit before taxation				7.9
Income tax expense (note 6)				(1.7)
Profit for the year				6.2
Other information				
Depreciation and amortisation	1.1	1.3	1.6	4.0

As at 31 May 2015	Feeds £m	Food £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	42.0	30.8	40.8	113.6
Deferred income tax assets				4.2
Consolidated total assets				117.8
Liabilities				
Segment liabilities	(12.8)	(4.2)	(34.5)	(51.5)
Current income tax liabilities				(1.2)
Deferred income tax liabilities				(4.2)
Borrowings				(5.9)
Retirement benefit obligations				(20.2)
Consolidated total liabilities				(83.0)

4. Profit before taxation – exceptional items

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Restructuring costs	(0.2)	—	—
Acquisition-related costs	(0.2)	—	—
Net gain on settlement of legal claim	—	—	1.2
Costs incurred on ERP system integration	—	—	(0.5)
Aborted project costs	—	—	(0.2)
Net exceptional (cost)/credit	(0.4)	—	0.5

5. Finance costs

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Interest on bank loans and overdrafts	0.2	0.3	0.5
Total interest expense	0.2	0.3	0.5
Net finance cost in respect of the defined benefit pension scheme	0.4	0.4	0.7
Total finance costs	0.6	0.7	1.2

6. Income tax expense

The income tax expense for the half year ended 30 November 2015 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2016 of 20.7% (H1 2014: 23.4%).

7. Business combinations – New Breed (UK) Limited

On 30 June 2015, the Group acquired 100% of the share capital of New Breed (UK) Limited, a high quality agriculture nutritional advisory business, for a gross consideration of £4.6 million before acquisition-related costs. £1.5 million of this consideration is dependent on the performance of New Breed over the next three years.

Details of the total consideration and the provisional fair values of the assets and liabilities acquired are shown below:

	Net assets acquired £m	Fair value adjustments £m	Initial fair value of assets acquired £m
Intangible assets – goodwill	—	3.9	3.9
Intangible assets – brand	—	0.2	0.2
Debtors	1.1	—	1.1
Cash	0.8	—	0.8
Trade and other creditors	(1.3)	—	(1.3)
Current income tax liability	(0.1)	—	(0.1)
	0.5	4.1	4.6

Provisional goodwill of £3.9 million arises from the acquisition and is attributable to the acquired customer base and the expected economies of scale from combining the operations of the Group and New Breed (UK) Limited.

As the acquisition has had a relatively short period of ownership, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(3.1)
Cash and cash equivalents acquired	0.8
	(2.3)
Acquisition-related costs	(0.1)
	(2.4)

Acquisition-related costs of £0.1 million have been charged to the income statement (included within exceptional costs) in the half year ended 30 November 2015.

The deferred consideration of £1.5 million has been recognised in the financial statements at a discounted value of £1.4 million.

8. Business combinations – Staffordshire Fuels Limited

On 2 November 2015, the Group acquired 100% of the share capital of Staffordshire Fuels Limited, a fuel distribution business, for a gross consideration of £4.0 million before acquisition-related costs. The acquisition will increase the fuel division's sales volume and improve penetration in Staffordshire and the West Midlands.

Following finalisation of the completion accounts, £0.3 million of the £4.0 million consideration is expected to be payable.

Details of the total consideration and the provisional fair values of the assets and liabilities acquired are shown below:

	Net assets acquired	Fair value adjustments	Initial fair value of assets acquired
	£m	£m	£m
Intangible assets – goodwill	—	2.2	2.2
Intangible assets – brand	—	0.2	0.2
Property, plant and equipment	0.4	—	0.4
Debtors	1.8	—	1.8
Cash	1.5	—	1.5
Trade and other creditors	(1.7)	—	(1.7)
Hire purchase obligations	(0.2)	—	(0.2)
Current income tax liability	(0.1)	—	(0.1)
Deferred income tax liability	(0.1)	—	(0.1)
	1.6	2.4	4.0

Provisional goodwill of £2.2 million arises from the acquisition and is attributable to the acquired customer base and the expected economies of scale from combining the operations of the Group and Staffordshire Fuels Limited.

As the acquisition has had a relatively short period of ownership, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total consideration – cash paid on completion	(3.7)
Cash and cash equivalents acquired	1.5
	(2.2)
Acquisition-related costs	(0.1)
	(2.3)

Acquisition-related costs of £0.1 million have been charged to the income statement (included within exceptional costs) in the half year ended 30 November 2015.

9. Earnings per share

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

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share being profit for the period attributable to equity shareholders	1.4	1.6	6.2

	Half year ended 30 November 2015 000s	Half year ended 30 November 2014 000s	Year ended 31 May 2015 000s
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	48,410	47,916	48,126
Weighted average dilutive effect of conditional share awards and SAYE share options (note 11)	119	593	553
Weighted average number of shares for the purposes of diluted earnings per share	48,529	48,509	48,679

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

	Half year ended 30 November 2015 £m	Half year ended 30 November 2014 £m	Year ended 31 May 2015 £m
Profit for the period attributable to equity shareholders	1.4	1.6	6.2
Add back:			
Net finance cost in respect of the defined benefit pension scheme	0.4	0.4	0.7
Exceptional items	0.4	—	(0.5)
Tax effect of the above	(0.1)	(0.1)	—
Headline earnings	2.1	1.9	6.4

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.

10. Financial instruments

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

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

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

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

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

The book and fair values of financial assets at 30 November 2015, other than non-interest bearing short-term trade and other receivables, are as follows:

	Total book and fair value £m
Financial assets carried at fair value: derivatives	0.2
Financial assets carried at amortised cost: cash at bank and in hand	—
	0.2

The book and fair values of financial liabilities at 30 November 2015, other than non-interest bearing short-term trade and other payables, are as follows:

	Total book and fair value £m
Financial liabilities carried at fair value: derivatives	(0.2)
Financial liabilities carried at amortised cost:	
– Floating rate invoice discounting advances	(3.2)
– Revolving credit facility	(7.0)
– Hire purchase obligations repayable within one year	(0.1)
– Hire purchase obligations repayable after more than one year	(0.1)
	(10.6)

11. Share capital

	Number of shares (000s)	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 31 May 2014	47,808	11.9
Issue of shares (see below)	511	0.1
Balance at 30 November 2014	48,319	12.0
Issue of shares	31	—
Balance at 31 May 2015	48,350	12.0
Issue of shares (see below)	178	—
Balance at 30 November 2015	48,528	12.0

During the half year ended 30 November 2015, 178,103 (H1 2014: 510,540) shares with an aggregate nominal value of £44,525 (H1 2014: £127,635) were issued under the Company's conditional Performance Share Plan. The maximum total number of ordinary shares that may vest in the future in respect of conditional Performance Share Plan awards outstanding at 30 November 2015 amounted to 1,164,392 (H1 2014: 1,083,212) shares. These shares will only be issued subject to satisfying certain performance criteria.

There are no SAYE options outstanding at 30 November 2015 (H1 2014: Nil). All previously outstanding options under the SAYE scheme have now vested and were exercisable from 1 November 2014 for a period of six months.

12. Half Year Report

Copies of this Half Year Report are due to be sent to shareholders on 5 February 2016. Further copies may be obtained from the Company Secretary at NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP, or from the Company's website at www.nwf.co.uk.

13. 2016 financial calendar

Interim dividend paid	3 May 2016
Financial year end	31 May 2016
Full year results announcement	Early August 2016
Publication of Annual Report and Accounts	Late August 2016
Annual General Meeting	29 September 2016
Final dividend paid	Early December 2016