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NWF Group plc

NWF Group plc: Final results for the year ended 31 May 2021

"Another strong set of results, ahead of expectations set before the pandemic, demonstrating continued performance delivery and resilience."

NWF Group plc ('NWF' or 'the Group'), the specialist distributor of fuel, food and feed across the UK, today announces its audited final results for the year ended 31 May 2021.

	2021	2020	%
Financial highlights			
Revenue	£675.6m	£687.5m	-1.7%
Headline operating profit ¹	£12.9m	£14.3m	-9.8%
Headline profit before taxation ¹	£11.9m	£13.2m	-9.8%
Fully diluted headline earnings per share ¹	20.4p	21.3p	-4.2%
Total dividend per share	7.2p	6.9p	+4.3%
Net debt (excluding IFRS 16 lease liabilities)	£5.7m	£12.3m	-53.7%
Net debt to headline EBITDA (excluding IFRS 16 lease liabilities) ²	0.3x	0.7x	+0.4x
Statutory results			
Operating profit	£12.1m	£13.5m	-10.4%
Profit before taxation	£10.8m	£12.0m	-10.0%
Fully diluted earnings per share	15.9p	18.1p	-12.2%
Net debt (including IFRS 16 lease liabilities)	£31.3m	£38.6m	-18.9%

¹ Headline operating profit excludes exceptional items (see note 5) and amortisation of acquired intangibles. Headline profit before taxation excludes exceptional items, amortisation of acquired intangibles and the net finance cost in respect of the Group's defined benefit pension scheme. The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis (see note 8). Diluted headline earnings per share also take into account the taxation effect thereon.

² Net debt to headline EBITDA is calculated based on net debt excluding IFRS 16 lease liabilities. The headline EBITDA calculation excludes the impact of IFRS 16 depreciation.

Highlights:

- Performance ahead of the market expectations established pre-pandemic. Second highest profit performance on record for the Group; prior year benefitted from a significant fall in the oil price.
- Outperformance in Fuels with strong heating oil demand supported by a cold winter and an increase in home working during the pandemic.
- Strong second half recovery in Food delivering on the anticipated benefits of the new Crewe warehouse, which has been fully utilised.
- Feeds performance impacted by the significant increase in feed commodity prices and reduced management information as a result of the cyber incident.
- Continued effective response to Covid-19:
- All divisions have remained open and operational, providing essential services.
- Continually updated risk assessments across the Group, enabling safe working and meeting customer needs.

- No Government support utilised and no staff furloughed.
- Balance sheet remains in a strong position with net debt to headline EBITDA at 0.3x, highlighting the resilience of the Group and providing significant capacity to support investment driven growth.
- For the tenth successive year, it is proposed to increase the total dividend, by 4.3% to 7.2p per share, reflecting the Board's confidence in prospects of the business.
- Performance to date in the current financial year has been in line with the Board's expectations.

Divisional highlights:

Fuels - headline operating profit of £9.3 million (2020: £11.0 million). Strong performance, ahead of expectations and against the prior year which benefitted from significant oil price volatility. Continued effective commercial and operational execution across the depot network, with strong gas and heating oil sales driving further mix improvement.

Food - headline operating profit of £1.9 million (2020: £1.4 million). Good second half recovery after volatile trading conditions in H1 as a result of Brexit and pandemic buying patterns. The new Crewe warehouse has been fully utilised and has delivered business benefits in line with expectations. Efficiency improvements have delivered the sustained profit improvement.

Feeds - headline operating profit of £1.7 million (2020: £1.9 million). Continued to support farming customers across the country with nutritional advice and on time deliveries. Performance was impacted by unprecedented commodity price increases during key winter months, exacerbated by a lack of visibility as a result of the cyber incident.

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

"NWF has delivered another strong set of results, ahead of expectations set before the pandemic, demonstrating continued performance, delivery and resilience. Our teams have worked hard during the year meeting customers' needs whilst staying safe. I'm proud of how we have responded to the challenges of Covid-19, Brexit and a cyber incident and exited the year strongly, with significant financial capacity and a clear growth strategy.

There is a significant opportunity for growth backed by strong cash flows and flexible banking facilities alongside a strong asset base. We will therefore continue to consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses, as well as investment in organic development.

Performance to date in the current financial year has been in line with the Board's expectations. Overall, the Board continues to remain confident about the Group's future prospects."

A virtual meeting is being held today for analysts at 11.00 a.m. For login details please contact ailsa.prestige@mhpc.com at MHP Communications.

Information for investors, including analyst consensus forecasts, can be found on the Group's website at www.nwf.co.uk.

Richard Whiting, Chief Executive Reg Hoare / James Bavister /Mike Bell / Ed Allsopp
Chris Belsham, Group Finance
Director Ailsa Prestige

NWF Group plc

Tel: 01829 260 260

MHP Communications

Tel: 020 3128 8734

Peel Hunt LLP
(Nominated Advisor)

Tel: 020 7418 8900

Chair's statement

Overview

I am pleased to report another year of outperformance for the Group, exceeding the market expectations that were established before the pandemic. I am proud of the response of all our employees to the Covid-19 pandemic and would like to thank them for their ongoing efforts during this difficult time. The resilience and capability of the Group has been highlighted in the positive response to the challenges of Covid-19, Brexit uncertainty and the cyber incident experienced by the Group in the first half. I am also pleased to report that NWF has not utilised any form of Government support, furloughed any employees or delayed payments at any stage of the pandemic.

As a consequence of the good progress achieved, the Group's cash generation, and its confidence in the Group's future prospects, the Board is recommending a final dividend of 6.2p per share, to be paid to shareholders on 10 December 2021 (2020: 5.9p) giving a total dividend of 7.2p per share (2020: 6.9p), a 4.3% increase on the prior year. This is the tenth year that the Group has increased the dividend, highlighting continual sustained improvements in performance.

Our business

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

Fuels NWF Fuels (including a number of local sub-brands)

Food Boughey

Feeds NWF Agriculture, SC Feeds, New Breed and Jim Peet

Key areas of focus for the Board in 2021 were:

Responding proactively to market conditions

The Group has responded well to volatile market conditions throughout the year. The demand for fuel was a little subdued in H1 as consumers had stocked up in the prior year. This was then offset by strong demand through cold winter months and home working and a continued focus on gas oil sales across our 25 depots. In Food there was significant volatility in H1 with retailers and consumers creating demand uncertainty in response to concerns around Covid-19 and potential impacts and scenarios around Brexit. This demand profile then stabilised in the second half allowing the business to drive efficiency in operations across our sites and improve performance. In Feeds the overall ruminant market grew, driven principally by increased demand for sheep and beef feed where NWF has a smaller share given our focus on dairy.

Delivering on strategy

The Group has been executing a successful acquisition strategy, focused on the Fuel business, which was paused through the peak uncertainty created by the pandemic before activity recommenced in the autumn. Whilst no businesses have been acquired in the year activity in building our pipeline has taken place, albeit limited by lockdowns and lack of face-to-face meetings. The acquisitions completed in prior years in aggregate have performed in line with expectations and further integration planning work has been completed to support future activity. The significant expansion of the Food business with the full utilisation of the new 240,000ft² warehouse in Crewe has significantly increased the scale of activities. The NWF Academy in Feeds is now back in full operation with a third cohort being recruited for the autumn, with training having been undertaken virtually for much of the year.

Cash generation

Cash generation remains a focus for the Group and net debt has been further reduced to 0.3x headline EBITDA as strong cash performances have been delivered across the Group and capex was a little lower than anticipated.

Rewarding good service

The consistent focus on excellence in customer service across the Group has been critical to our continued development with safe working practices and significant home working across the Group.

Commodity volatility

Volatility in oil and feed commodity prices continued to be significant and the businesses managed this effectively. In Fuels, the price of oil (which is purchased on the spot market) moved from a low point of \$38 per barrel to end the year at \$70 per barrel for Brent Crude. In line with market practice, Feeds buys most of its raw materials under forward purchase contracts. Feed input commodities increased to unprecedented levels with a basket of spot commodities peaking at over 40% higher than at the start of the year.

ESG framework

The Board recognises the importance of ESG and has established four pillars of strategic focus. During the year investing in our people has been a priority to ensure safe working whilst maintaining great service to all our customers across the country. We will report on a number of initiatives and areas of focus in the Annual Report. We continue to adopt the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') which we believe has been constructed in a simple, practical and effective style and that meaningful compliance with its ten main principles should provide shareholders with confidence in how the Group operates.

Employees

The Group now employs in excess of 1,200 people across the three divisions and Head Office. I would like to offer my personal thanks to all of our employees for their outstanding efforts and commitment to the Group during these challenging times.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 30 September 2021.

Business and financial review

NWF has delivered another strong set of results, ahead of expectations set before the pandemic, demonstrating continued performance delivery and resilience. Our teams have worked hard during the year meeting customers' needs whilst staying safe. We have responded to the challenges of Covid-19, Brexit and a cyber incident and exited the year strongly, with significant financial capacity and a clear growth strategy.

An effective focus on cash continues and the second highest profit in the Group's history has been converted into cash maintaining significant headroom and a low level of leverage which provides significant scope to fund development activity across the Group. We are proposing an increased dividend, demonstrating the Board's continued confidence in the prospects of the Group, and have a number of strategic development opportunities which we continue to review.

Fuels has delivered a good result, with a solid performance across our depot network and an improvement in product mix as a consequence of clear sales focus and the business benefitting from a cold winter and customers moving to home working during the pandemic.

The Food division experienced a year of very different halves. In H1 significant demand volatility as a consequence of Covid-19 and Brexit caused disruption and inefficiency which was reversed in H2 when efficiency and profitability increased significantly. The new 240,000ft² Crewe warehouse was fully utilised and is delivering on its investment case.

Feeds continued to focus on nutritional advice to farmers across the country and was negatively impacted by the unprecedented increases in commodity prices in the key winter months and a lack of visibility during a cyber incident. This incident at the end of October prompted the Group to instigate its cyber response plan, backed by a bespoke cyber insurance policy; the incident was contained satisfactorily and additional security measures were applied to all of the Group's IT systems.

The Group delivered headline operating profit of £12.9 million (2020: £14.3 million) and headline profit before tax was 9.8% lower than the record prior year at £11.9 million (2020: £13.2 million). Operating profit was £12.1 million (2020: £13.5 million). Diluted headline earnings per share were 4.2% lower at 20.4p (2020: 21.3p)^[1].

Cash management remains strong with net debt of £5.7 million (2020: £12.3 million) excluding lease liabilities, representing 0.3x headline EBITDA, after £3.0 million of net capital expenditure which was a little lower than normal.

Fuels

Fuels' strong performance was as a consequence of a commercial focus on gas oil and solid demand for heating oil across all depots as a result of a cold winter and increased home working during lockdowns by domestic customers. The extended winter period supported margins stronger than anticipated which more than offset any lower commercial activity from the impact of Covid-19.

Volumes rose 4.5% to 695 million litres (2020: 665 million litres); however, revenue decreased by 4.8% to £447.8 million (2020: £470.2 million) due to a change in sales mix, and lower average oil prices offsetting the volume growth. On a like-for-like basis (excluding the impact of acquisitions) volumes were stable. The average Brent Crude oil price in the year was \$52 per barrel compared to \$54 per barrel in the prior year. Oil started the year at \$38 per barrel and ended the year at \$70 per barrel with periods of slow increase the most challenging and where volatility supports performance.

Headline operating profit was £9.3 million (2020: £11.0 million) benefitting from increased volumes, positive product mix and improved margins across the year. Net profits of 1.4 pence per litre are higher than the long-term average of 1.0 pence per litre highlighting some one-off gains but also the improved product mix with robust demand for heating oil and gas oil sales. The prior year record result benefitted from a dramatic fall in the price of oil and a significant demand increase at the start of the pandemic, delivering a net profit of 1.6 pence per litre.

Acquisition activity was paused at the start of the pandemic with the Board agreeing to restart in the autumn. Whilst good progress has been made in developing the pipeline, no acquisitions were completed in the year and the physical restrictions in place through lockdowns reduced progress. There are still significant opportunities to consolidate the fuels market and the business is continuing to build its pipeline and assess potential targets across the country.

The Fuels division operates on a de-centralised model with depot management teams focused on optimising performance for the specific conditions of their local market. This model supported our ability to respond swiftly and effectively to the increased consumer demand and significant commodity price volatility experienced during lockdown. We continue to believe that our model is the most effective way to maximise performance, given the industry structure, but we also believe there are opportunities to leverage benefits from the breadth of our growing network. As such we continue to invest in enhancing systems and capabilities for the Fuels division which we believe will improve efficiencies and provide a strong platform for continued growth.

With over 127,000 customers (2020: 116,000) being supplied across 25 fuel depots in the year (2020: 25), Fuels operates in large and robust markets and, as a business, it has consistently proved it can effectively manage the impact of volatility in oil prices. The industry remains highly fragmented, with many small operators, which provides NWF with further opportunities to consolidate the market and increase share.

Food

A solid overall performance has been achieved with underperformance in H1 offset by a result ahead of expectation in H2. Significant trading volatility was experienced in H1 as a result of atypical Covid-19 demand patterns from consumers and retailers, compounded by uncertainty around Brexit, which together led to business inefficiencies. With stock in the optimum locations in H2 and more normal demand levels, combined with a significant efficiency improvement backed by the new Crewe warehouse, profitability markedly improved.

Revenue increased by 13.5% to £54.8 million (2020: £48.3 million). Storage overall was at an average of 120,000 pallets (2020: 103,000 pallets), as the Crewe facility came fully on stream and no external warehousing was utilised. Pallets despatched increased by 13% on the prior year, reflecting the increased activity of new customer contracts. The mix was somewhat adverse as a result of lower activity for food service and cash and carry outlets where complex distribution activity generates higher value work.

Headline operating profit was £1.9 million (2020: £1.4 million). Demand increased for e-fulfilment services and, whilst a small contribution was made, the growth of the business was offset by continued investment in training and expansion of facilities. The Palletline operation exceeded expectations and a solid performance was delivered by the repacking operation at Wardle.

The new Crewe 240,000ft² warehouse was fully utilised in the year, with new and existing customers, with storage at an average of over 26,000 pallets out of a capacity of 35,000 spaces, and is 90% utilised at year end, performing in line with our expectations. This operation focuses on full pallet, full load activities with more complex added value operations being completed in the Wardle facility.

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.

Feeds

Feeds is focused on providing nutritional advice and on time deliveries to farmers across the country. Total feed volume decreased by 8.0% to 575,000 tonnes (2020: 625,000 tonnes). Total ruminant feed market volumes were 4.7% higher than prior year with most gains in sheep and beef feed and a small market decline in core dairy compounds. Less volume was sold to other compounders and merchants in the year as planned.

Commodity prices increased sharply in the winter to unprecedented levels with peak spot commodity prices an average of 40% higher than summer levels which created challenges for the business in managing prices. This was exacerbated by a lack of data visibility as a result of the cyber incident at the end of October 2020. Price increases were implemented but were chasing ever higher commodity costs.

Revenue was higher at £173.0 million (2020: £169.0 million) reflecting the higher feed prices in the year. Headline operating profit was £1.7 million (2020: £1.9 million).

Feeds launched the NWF Academy in September 2019 in which new trainees engage on an 18-month structured training programme to become future NWF nutritionists. The Academy has recruited a second group to the programme which has been well received across the industry, and although work was transferred to a virtual classroom in 2021, a third cohort is being recruited to commence the programme in September 2021 in person.

Average milk prices in the UK were positive, with a 2021 average price of 29.3p per litre compared to an average in the prior year of 28.6p per litre. The price in May 2021 of 30.1p per litre compares to 26.7p per litre in May 2020 maintaining farmers' returns in spite of higher feed costs at the end of the year. Milk production increased marginally to 12.6 billion litres (2020: 12.5 billion litres).

Feeds has a very broad customer base, working with over 4,550 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.

Outlook

In Fuels we have a proven depot-based operating model and a clear growth strategy to add to the network with acquisitions. These are being actively pursued and the opportunity for growth remains significant.

In Food we continue to seek improvement opportunities to continue the progress made in the second half of 2021 and have sufficient contracted business to continue to build on our performance utilising the Wardle and Crewe sites. We do not anticipate the significant volatility events that marked the year to December 2020.

In Feeds, with commodity prices stabilising and a good milk price, demand is anticipated to remain solid and we will look to

increase business on the back of continued developments from the Academy and others joining the sales team of a progressive national feed business.

The Group has clearly demonstrated its capability to deliver performance and has great resilience. There is a significant opportunity for growth backed by strong cash flows and flexible banking facilities alongside a strong asset base. We will therefore continue to consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses, as well as investment in organic development.

Performance to date in the current financial year has been in line with the Board's expectations. Overall, the Board continues to remain confident about the Group's future prospects.

Group results

For the year ended 31 May

	2021	2020
	£m	£m
Revenue	675.6	687.5
Cost of sales and administrative expenses	(663.5)	(674.0)
Headline operating profit ¹	12.9	14.3
Exceptional items	(0.5)	(0.5)
Amortisation of acquired intangibles	(0.3)	(0.3)
Operating profit	12.1	13.5
Financing costs	(1.3)	(1.5)
Headline profit before tax ¹	11.9	13.2
Exceptional items	(0.5)	(0.5)
Amortisation of acquired intangibles	(0.3)	(0.3)
Net finance cost in respect of defined benefit pension scheme	(0.3)	(0.4)
Profit before taxation	10.8	12.0
Income tax expense ²	(3.0)	(3.1)
Profit for the year	7.8	8.9
Headline EPS¹	20.4p	21.5p
Diluted headline EPS¹	20.4p	21.3p
Dividend per share	7.2p	6.9p
Headline dividend cover¹	2.8	2.9
Headline interest cover	25.8	20.4

¹ Headline operating profit is statutory operating profit of £12.1 million (2020: £13.5 million) before exceptional items of £0.5 million (2020: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2020: £0.3 million). Headline profit before taxation is statutory profit before taxation of £10.8 million (2020: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2020: £0.4 million), the exceptional items and amortisation of acquired intangibles. The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

² Taxation on exceptional items in the current period has reduced the charge by £0.1 million (2020: £Nil).

Group revenue decreased by 1.7% to £675.6 million (2020: £687.5 million) with higher activity levels and a full year of revenue from acquisitions largely offset by the impact of the lower average oil price across the year. Headline operating profit was £12.9 million, a decrease of 9.8% (2020: £14.3 million). Operating profit decreased 10.4% to £12.1 million (2020: £13.5 million).

Financing costs (excluding those in respect of the defined benefit pension scheme) decreased by £0.1 million to £1.0 million. The interest on bank debt was £0.5 million (2020: £0.7 million) and headline interest cover was 25.8x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2020: 20.4x).

Headline profit before taxation decreased by 9.8% to £11.9 million (2020: £13.2 million). Profit before taxation decreased by £1.2 million to £10.8 million (2020: £12.0 million). There were net exceptional items in the year of £0.5 million relating to the cyber incident and acquisition-related costs (2020: £0.5 million).

The tax charge for the year was £3.0 million (2020: £3.1 million) which included an increase in the deferred tax liability of the Group arising from the Finance Bill 2021 which was substantively enacted on 24 May 2021, resulting in deferred tax balances being remeasured from 19% to 25%. This resulted in an additional tax charge of £1.3 million (2020: £0.5 million).

Excluding the impact of the deferred tax increase the effective underlying tax rate for the year was 19.4% (2020: 21.7%). The post-tax profit for the year was £7.8 million (2020: £8.9 million).

The headline earnings per share of 20.4p represented a decrease of 5.1% (2020: 21.5p); diluted headline earnings per share decreased by 4.2% to 20.4p (2020: 21.3p). The proposed full year dividend per share increased by 4.3% to 7.2p which reflects the Board's confidence in the Group, its strong underlying cash generation and its future prospects. The proposed dividend equates to a dividend cover ratio of 2.8x.

The finance costs in respect of the defined benefit pension scheme were £0.3 million (2020: £0.4 million).

Balance sheet summary

As at 31 May

	2021	2020
	£m	£m
Tangible and intangible fixed assets	78.2	79.9
Right of use assets	25.4	27.3
Net working capital	3.5	4.8
Derivative financial instruments	0.1	0.1
Net debt (excluding IFRS 16 lease liabilities)	(5.7)	(12.3)
Lease liabilities	(25.6)	(26.3)
Current tax assets/(liabilities)	0.4	(0.9)
Deferred tax liabilities (net)	(1.9)	(0.5)
Retirement benefit obligations	(14.9)	(21.0)
Net assets	59.5	51.1

The Group increased net assets by £8.4 million to £59.5 million (31 May 2020: £51.1 million). This reflects the robust trading performance during the year with a profit for the year of £7.8 million (2020: £8.9 million) and the reduction in the IAS 19 deficit on the defined benefit pension scheme.

Tangible and intangible fixed assets decreased by £1.7 million to £78.2 million as at 31 May 2021 (31 May 2020: £79.9 million) largely as depreciation charges were in excess of capital spend. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2021 were £4.5 million and £0.7 million respectively (2020: £4.1 million and £0.6 million respectively).

Group level ROCE (based on headline operating profit) is 15.8% as at 31 May 2021 (31 May 2020: 16.7%).

Net working capital decreased by £1.3 million in the year as the Group benefitted from some short-term timing benefits at the year end. The Group's inventories increased by £1.9 million to £6.6 million (31 May 2020: £4.7 million) with trade and other receivables increasing to £72.1 million (31 May 2020: £56.7 million) and an increase in trade and other payables to £75.2 million (31 May 2020: £56.6 million).

Net debt (excluding lease liabilities) decreased by £6.6 million to £5.7 million (31 May 2020: £12.3 million), as a result of capital expenditure being lower than planned, ongoing disciplined cash management and a strong trading performance. At the year end, the Group's net debt to headline EBITDA ratio was 0.3x (2020: 0.7x).

The deficit of the Group's defined benefit pension scheme decreased by £6.1 million to £14.9 million (31 May 2020: £21.0 million). The value of pension scheme assets increased by £5.0 million to £45.1 million (31 May 2020: £40.1 million) as a result of employer contributions and actuarial gains on plan assets. The value of the scheme liabilities decreased by £1.1 million to £60.0 million (31 May 2020: £61.1 million) largely as a result of changes actuarial assumptions, and an increase in the discount rate used to calculate the present value of the future obligations (31 May 2021: 2.00%; 31 May 2020: 1.65%).

Cash flow and banking facilities

For the year ended 31 May

	2021	2020
	£m	£m
Operating cash flows before movements in working capital and provisions	22.4	23.8
Working capital movements	2.4	1.7
Interest paid	(1.0)	(1.1)
Tax paid	(2.8)	(2.7)
Net cash generated from operating activities	21.0	21.7

Capital expenditure (net of proceeds from disposals)

Capital expenditure (net of receipts from disposals)	(3.0)	(5.7)
Acquisition of subsidiaries - cash paid (net of cash acquired)	(1.1)	(6.0)
Capitalised legal costs associated with leases	-	(0.3)
Net cash used in investing activities	(4.1)	(12.0)
Net (decrease)/increase in bank borrowings	(7.7)	1.6
Capital element of leases	(7.1)	(5.6)
Dividends paid		
	(3.4)	(3.2)
Net cash used in financing activities	(18.2)	(7.2)
Net (decrease)/increase in cash and cash equivalents	(1.3)	2.5
Cash and cash equivalents at beginning of year		
	5.3	2.8
Cash and cash equivalents at end of year	4.0	5.3

During the year the final balance of £1.1 million was paid for the acquisition of Ron Darch & Sons Co Limited, following finalisation of the completion accounts. The closing net debt (excluding IFRS 16 lease liabilities) of £5.7 million represents a net debt to headline EBITDA ratio of 0.3x (2020: 0.7x).

The cash impact of working capital movements was £2.4 million, driven by strong cash collection and some supplier payments being taken after the year end as a result of the timing of the bank holiday. Net cash generated from operating activities and after IFRS 16 lease payments was £13.9 million (2020: £16.1 million) representing a cash conversion ratio of 107.8% of headline operating profit (2020: 112.6%).

Net capital expenditure in the year at £3.0 million (2020: £5.7 million) was lower than the annual depreciation charge, excluding IFRS 16 depreciation, of £4.5 million (2020: £4.1 million).

The Group's banking facilities, totalling £65.0 million, were renewed in June 2018 and are committed through to 31 October 2023 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 and 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, some of which are beyond our control. The principal risks and uncertainties which could have a material adverse impact on the Group are:

- **Covid-19 pandemic** - The global pandemic, Covid-19, presents a number of different risks to the business. This is particularly the case if there are continued waves of Covid-19 which result in further nationwide lockdowns. Firstly, the pandemic poses a risk to the health and safety of employees. Secondly, the impact of the pandemic related restrictions on the UK economy and therefore demand for the Group's products and services, particularly in the Fuels division, is uncertain and can lead to volatility. In addition, the response of the UK Government to the pandemic may create restrictions on the Group's ability to operate.
- **Labour shortages following Brexit** - In the aftermath of Brexit, there is an increasing shortage of HGV drivers in the UK. This could lead to significant wage inflation which all three divisions will need to respond to and it may not be possible to pass these additional costs on to customers. The shortage of drivers will also reduce the availability of agency drivers and subcontractors, making it more difficult to respond to fluctuations in demand. Lastly a chronic shortage of drivers could hinder the ability of the Group to operate at full capacity.
- **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.
- **Impact of climate on earnings volatility** - The demand for both the Feeds and Fuels divisions is impacted by weather conditions and the severity of winter conditions, which directly affect the demand for heating oil and animal feeds. The inherent uncertainty regarding weather 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.

Further information on the Group's mitigating actions against risks and uncertainties will be detailed in the Annual Report.

Going concern

The Group has an agreement with NatWest 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 2023. As at 31 May 2021 the Group had available facilities of £52.3 million (based on actual invoice discounting availability and overdraft facilities), against which the Group was utilising £5.5 million.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

Accordingly, the Directors, having made suitable enquiries, and based on financial performance to date and forecasts along with 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 2021 was 212.0p (31 May 2020: 201.0p) and the range of market prices during the year was between 180.0p and 230.0p.

Richard Whiting	Chris Belsham
Chief Executive	Finance Director

Consolidated income statement

for the year ended 31 May 2021

		2021	2020
	Note	£m	£m
Revenue	4	675.6	687.5
Cost of sales		(637.7)	(646.2)
Gross profit		37.9	41.3
Administrative expenses		(25.8)	(27.8)
Headline operating profit ¹		12.9	14.3
Exceptional items	5	(0.5)	(0.5)
Amortisation of acquired intangibles		(0.3)	(0.3)
Operating profit³	4	12.1	13.5
Finance costs	6	(1.3)	(1.5)
Headline profit before taxation ¹		11.9	13.2
Net finance cost in respect of the defined benefit pension scheme		(0.3)	(0.4)
Exceptional items	5	(0.5)	(0.5)
Amortisation of acquired intangibles		(0.3)	(0.3)
Profit before taxation		(0.3)	(0.3)

Profit before taxation		10.8	12.0
Income tax expense ²		2021	2020
	7	(3.0)	(3.1)
Profit for the year attributable to equity shareholders	Note	£m	£m
		7.8	8.9
Earnings per share (pence)			
Basic	8	15.9	18.2
Diluted	8	15.9	18.1
Headline earnings per share (pence)¹			
Basic	8	20.4	21.5
Diluted	8	20.4	21.3

¹ Headline operating profit is statutory operating profit of £12.1 million (2020: £13.5 million) before exceptional items of £0.5 million (2020: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2020: £0.3 million). Headline profit before taxation is statutory profit before taxation of £10.8 million (2020: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2020: £0.4 million), the exceptional items and amortisation of acquired intangibles. The calculation of headline earnings includes the exceptional impact of remeasuring deferred tax balances (see note 8). Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. Headline earnings per share also take into account the taxation effect thereon.

² Taxation on exceptional items in the current year has reduced the charge by £0.1 million (2020: £Nil).

The results relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 31 May 2021

	2021	2020
	£m	£m
Profit for the year attributable to equity shareholders	7.8	8.9
Items that will never be reclassified to profit or loss:		
Remeasurement gain/(loss) on defined benefit pension scheme	4.0	(4.0)
Tax on items that will never be reclassified to profit or loss	0.1	
		1.1
Total other comprehensive income/(expense)	4.1	(2.9)
Total comprehensive income for the year	11.9	6.0

Consolidated balance sheet
as at 31 May 2021

	2021	2020
	(Restated^[2])	
	Note	£m
Non-current assets		£m
Property, plant and equipment	47.3	48.5
Right of use assets	25.4	27.3
Intangible assets	30.9	31.4
	103.6	107.2
Current assets		
Inventories	6.6	4.7
Trade and other receivables	72.1	56.7
Current income tax assets	0.4	-

Cash and cash equivalents	12	4.0	5.3
Derivative financial instruments		0.2	0.1
		83.3	66.8
Total assets		186.9	174.0
Current liabilities			
Trade and other payables		(75.2)	(56.6)
Current income tax liabilities		-	(0.9)
Borrowings	12	(6.5)	(7.2)
Lease liabilities		(7.4)	(6.4)
Derivative financial instruments		(0.1)	-
		(89.2)	(71.1)
Non-current liabilities			
Borrowings	12	(3.0)	(10.0)
Lease liabilities		(18.4)	(20.3)
Deferred income tax liabilities		(1.9)	(0.5)
Retirement benefit obligations	13	(14.9)	(21.0)
		(38.2)	(51.8)
Total liabilities		(127.4)	(122.9)
Net assets		59.5	51.1
Equity			
Share capital	10	12.3	12.2
Share premium		0.9	0.9
Retained earnings		46.3	38.0
Total equity		59.5	51.1

Consolidated statement of changes in equity
for the year ended 31 May 2021

	Share capital	Share premium	Retained earnings	Total equity
	£m	£m	£m	£m
Balance at 1 June 2019	12.2	0.9	34.0	47.1
Profit for the year	-	-	8.9	8.9
Items that will never be reclassified to profit or loss:				
Actuarial loss on defined benefit pension scheme	-	-	(4.0)	(4.0)
Tax on items that will never be reclassified to profit or loss	-	-	1.1	1.1
Total other comprehensive expense	-	-	(2.9)	(2.9)
Total comprehensive income for the year	-	-	6.0	6.0
Transactions with owners:				
Dividends paid (note 9)	-	-	(3.2)	(3.2)
Credit to equity for equity-settled share-based payments	-	-	1.2	1.2
Total transactions with owners	-	-	(2.0)	(2.0)
Balance at 31 May 2020	12.2	0.9	38.0	51.1
Profit for the year	-	-	7.8	7.8

Items that will never be reclassified to profit or loss:				
Actuarial gain on defined benefit pension scheme	-	-	4.0	4.0
Tax on items that will never be reclassified to profit or loss	-	-	0.1	0.1
Total other comprehensive income	-	-	4.1	4.1
Total comprehensive income for the year	-	-	11.9	11.9
Transactions with owners:				
Issue of shares	0.1	-	(0.1)	-
Dividends paid (note 9)	-	-	(3.4)	(3.4)
Value of employee services	-	-	(0.5)	(0.5)
Credit to equity for equity-settled share-based payments	-	-	0.4	0.4
Total transactions with owners	0.1	-	(3.6)	(3.5)
Balance at 31 May 2021	12.3	0.9	46.3	59.5

Consolidated cash flow statement
for the year ended 31 May 2021

	2021	2020
	£m	£m
Cash flows from operating activities		
Operating profit	12.1	13.5
Adjustments for:		
Depreciation and amortisation	12.9	10.5
Profit on disposal of fixed assets	-	(0.2)
Share-based payment expense	0.4	1.2
Value of employee services	(0.5)	-
Fair value (profit)/loss on financial derivatives	(0.1)	0.1
Contribution to pension scheme not recognised in income statement	(2.4)	(1.3)
Operating cash flows before movements in working capital and provisions	22.4	23.8
Movements in working capital:		
(Increase)/decrease in inventories	(1.9)	1.9
(Increase)/decrease in receivables	(15.3)	20.2
Increase/(decrease) in payables	19.6	(20.4)
Net cash generated from operations	24.8	25.5
Interest paid	(1.0)	(1.1)
Income tax paid	(2.8)	(2.7)
Net cash generated from operating activities	21.0	21.7
Cash flows used in investing activities		
Purchase of intangible assets	(0.1)	(0.4)
Purchase of property, plant and equipment	(2.9)	(5.7)
Acquisition of subsidiaries - cash paid (net of cash acquired)	(1.1)	(6.0)
Capitalised legal costs associated with acquired leases	-	(0.3)
Proceeds on sale of property, plant and equipment	-	0.4
Net cash used in investing activities	(4.1)	(12.0)
Cash flows used in financing activities		
(Decrease)/increase in bank borrowings	(7.7)	1.6
Capital element of finance leases	(7.1)	(5.6)

Dividends paid	(3.4)	(3.2)
Net cash used in financing activities	(18.2)	(7.2)
Net (decrease)/increase in cash and cash equivalents	(1.3)	2.5
Cash and cash equivalents at beginning of year	5.3	2.8
Cash and cash equivalents at end of year	4.0	5.3

Notes to the Group financial statements

for the year ended 31 May 2021

1. General information

NWF Group plc ('the Company') is a public limited company incorporated and domiciled in England, United Kingdom, under the Companies Act 2006. The principal activities of NWF Group plc and its subsidiaries (together 'the Group') are the sale and distribution of fuel oils, the warehousing and distribution of ambient groceries and the manufacture and sale of animal feeds. Further information on the nature of the Group's operations and principal activities is set out in the Group financial statements.

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 are set out below.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, with the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB and with those parts 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 14 below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Going concern

Based on financial performance to date and forecasts along with the available banking facilities, there is 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.

The Board has prepared cash flow forecasts for the period to 31 May 2023. Under this base case scenario, the Group is expected to continue to have very significant headroom relative to the funding available to it and to comply with its banking covenants.

The Board has also considered a severe downside scenario based on a significant and sustained reduction in Fuels' profitability alongside underperformance in Food and Feeds. This downside scenario excludes any mitigating actions that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Headline operating profit, headline profit before taxation, headline EBITDA and headline earnings

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

Headline operating profit is reported operating profit after adding back exceptional items and amortisation of acquired intangibles.

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, exceptional items and amortisation of acquired intangibles, to show the underlying performance of the Group.

Headline EBITDA refers to reported operating profit after adding back exceptional items and amortisation of acquired intangibles. The headline EBITDA calculation excludes the impact of IFRS 16 depreciation.

The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis. The calculations of basic and diluted headline earnings per share are shown in note 8.

Exceptional items

The Group's income statement separately identifies exceptional items. Such 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 and may include, but are not limited to, restructuring costs, cyber-related costs, acquisition-related costs, costs of implementing new systems and income from legal settlements. 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. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

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 2020.

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 year beginning on
Amendment to IFRS 9	Financial Instruments	1 June 2020
Amendment to IFRS 3	Business Combinations	1 June 2020
Amendment to IFRS 16	Leases	1 June 2020

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 year beginning on
IFRS 4	Insurance Contracts	1 June 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2021 or 31 May 2020, but is derived from those accounts.

Statutory accounts for 2020 have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, have reported on the 2020 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 2021 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors, PricewaterhouseCoopers LLP, have reported on these accounts and 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 16 August 2021. 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 can be viewed on the Company's website: www.nwf.co.uk.

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 Fuels, Food and Feeds.

The Board considers the business from a products/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:

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

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

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of operating profit ('headline 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.

	Fuels	Food	Feeds	Group
	£m	£m	£m	£m
2021				
Revenue				
Total revenue	453.9	54.9	173.0	681.8
Inter-segment revenue	(6.1)	(0.1)	-	(6.2)
Revenue	447.8	54.8	173.0	675.6
Result				
Headline operating profit	9.3	1.9	1.7	12.9
Segment exceptional item (note 5)	(0.1)	-	(0.2)	(0.3)
Group exceptional item (note 5)	-	-	-	(0.2)
Amortisation of acquired intangibles	(0.3)	-	-	(0.3)
Operating profit as reported				12.1
Finance costs (note 6)				(1.3)
Profit before taxation				10.8
Income tax expense (note 7)				(3.0)
Profit for the year				7.8
Other information				
Depreciation and amortisation	4.3	5.6	3.0	12.9
Fixed asset additions	1.0	1.1	0.8	2.9

	Fuels	Food	Feeds	Group
	£m	£m	£m	£m
2021				
Balance sheet				
Assets				
Segment assets	80.7	45.8	56.0	182.5
Current income tax asset				0.4
Cash at bank and in hand				4.0
Consolidated total assets				186.9
Liabilities				

Liabilities**Segment liabilities**

	Fuels	Food	Feeds	Group
2021	(63.6)	(17.5)	(20.0)	(101.1)
	£m	£m	£m	£m
Deferred income tax liabilities				(1.9)
Borrowings (note 12)				(9.5)
Retirement benefit obligations (note 13)				(14.9)
Consolidated total liabilities				(127.4)

2020

Revenue

	Fuels	Food	Feeds	Group
	£m	£m	£m	£m
Total revenue	476.0	48.7	169.0	693.7
Inter-segment revenue	(5.8)	(0.4)	-	(6.2)
Revenue	470.2	48.3	169.0	687.5

Result

Headline operating profit	11.0	1.4	1.9	14.3
Segment exceptional item (note 5)	(0.5)	-	-	(0.5)
Amortisation of acquired intangibles	(0.3)	-	-	(0.3)
Operating profit as reported				13.5
Finance costs (note 6)				(1.5)
Profit before taxation				12.0
Income tax expense (note 7)				(3.1)
Profit for the year				8.9

Other information

Depreciation and amortisation	3.4	4.2	2.9	10.5
Fixed asset additions	0.8	3.1	1.8	5.7

2020 (Restated^[3])**Balance sheet****Assets**

	Fuels	Food	Feeds	Group
	£m	£m	£m	£m
Segment assets	66.2	48.2	54.3	168.7
Cash at bank and in hand				5.3
Consolidated total assets				174.0

Liabilities

Segment liabilities	(45.4)	(19.3)	(18.6)	(83.3)
Current income tax liabilities				(0.9)
Deferred income tax liabilities				(0.5)
Borrowings (note 12)				(17.2)
Retirement benefit obligations (note 13)				(21.0)
Consolidated total liabilities				(122.9)

5. Profit before taxation - exceptional items

A net exceptional cost of £0.5 million (2020: £0.5 million) is included in administrative expenses. Exceptional items by type are as follows:

	2021	2020
	£m	£m
Acquisition-related costs	0.2	0.5
Cyber-related costs	0.7	-
Insurance reclaim credit	(0.4)	-
Net exceptional cost	0.5	0.5

Acquisition-related costs - The acquisition-related costs comprise professional fees and other costs in relation to

the integration and hive-up of prior year acquisitions, and aborted deal fees incurred during the year ended 31 May 2021.

Cyber-related costs - The cyber costs comprise certain insurance excesses on the Group's cyber insurance policy, and other rebuild, business interruption and professional service costs, which have been incurred as a result of the cyber incident announced on 2 November 2020.

Insurance reclaim credit - The insurance reclaim comprises amounts reimbursed through the Group's insurer, in respect of costs incurred as a result of the cyber incident. Of the total credit recognised, £0.2 million had been cash settled as at 31 May 2021 with a further £0.2 million settled post year end and recognised within receivables. Further reimbursements are expected in respect of cyber costs incurred but are not virtually certain and therefore have not been recognised at the year end.

Certain legal and professional costs totalling £0.6 million relating to the cyber incident have been reimbursed directly by the Group's insurer to the relevant service providers, and as such are not included in the gross cyber-related costs or insurance reclaims recognised by the Group.

6. Finance costs

	2021	2020
	£m	£m
Interest on bank loans and overdrafts	0.5	0.7
Finance costs on lease liabilities relating to IFRS 16	0.5	0.4
Total interest expense	1.0	1.1
Net finance cost in respect of defined benefit pension schemes (note 13)	0.3	0.4
Total finance costs	1.3	1.5

7. Income tax expense

	2021	2020
	£m	£m
Current tax		
UK corporation tax on profits for the year	2.2	2.6
Adjustments in respect of prior years	(0.2)	-
Current tax expense	2.0	2.6
Deferred tax		
Origination and reversal of temporary differences	(0.1)	-
Adjustments in respect of prior years	(0.2)	-
Effect of increased tax rate on opening balances	1.3	0.5
Deferred tax expense	1.0	0.5
Total income tax expense	3.0	3.1

During the year ended 31 May 2021, corporation tax has been calculated at 19% of estimated assessable profits for the year (2020: 19%).

An increase in the UK corporation tax rate to 19% with effect from 1 April 2020 was substantively enacted on 17 March 2020. In the opinion of the Directors, the relevant timing differences at 31 May 2020 were expected to reverse after 1 April 2020 and therefore deferred tax was provided at a rate of 19% in the statutory accounts for that period.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the Group, such items include remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments.

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

2021 2020

	£m	£m
Profit before taxation	10.8	12.0
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	2.0	2.2
Effects of:		
- expenses not deductible for tax purposes	0.1	0.4
- impact of increased tax rate on opening balances	1.3	0.5
- adjustments in respect of prior years	(0.4)	-
Total income tax expense	3.0	3.1

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, which are largely acquisition-related costs.

8. Earnings per share

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

	2021	2020
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	7.8	8.9
Number of shares ('000)		
Weighted average number of shares for the purposes of basic earnings per share	48,940	48,750
Weighted average dilutive effect of conditional share awards	194	478
Weighted average number of shares for the purposes of diluted earnings per share	49,134	49,228
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	15.9	18.2
Diluted earnings per ordinary share	15.9	18.1
Headline earnings per ordinary share (pence)^[4]		
Basic headline earnings per ordinary share	20.4	21.5
Diluted headline earnings per ordinary share	20.4	21.3

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

	2021	2020
	£m	£m
Profit for the year attributable to equity shareholders	7.8	8.9
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	0.3	0.4
Exceptional items	0.5	0.5
Exceptional impact of remeasuring deferred tax balances	1.3	0.5
Amortisation of acquired intangibles	0.3	0.3
Tax effect of the above	(0.2)	(0.1)
Headline earnings	10.0	10.5

Following the announcement of the corporation tax rate increase from 19% to 25% from 1 April 2023, which was substantively enacted into law on 24 May 2021, deferred tax balances have been remeasured to either 19% or 25% depending on when the Directors expect these timing differences to reverse. This results in an additional deferred tax charge in the year of £1.3 million (2020: £0.5 million). To maintain consistency of reporting headline EPS metrics, the headline earnings calculation has been adjusted to exclude the exceptional impact of this remeasurement, with the prior

year balance re-presented on a like-for-like basis.

The impact of this adjustment to headline earnings and headline EPS is as follows:

	2021	2020
Headline earnings (£m) (as previously reported)	8.7	10.0
Exceptional impact of remeasuring deferred tax balances (£m)	1.3	0.5
Headline earnings (£m) (like-for-like basis)	10.0	10.5
Headline earnings per ordinary share (pence) (as previously reported)		
Basic earnings per ordinary share	17.7	20.5
Diluted earnings per ordinary share	17.7	20.3
Headline earnings per ordinary share (pence) (impact of re-presentation)		
Basic earnings per ordinary share	2.7	1.0
Diluted earnings per ordinary share	2.7	1.0
Headline earnings per ordinary share (pence) (like-for-like basis)		
Basic headline earnings per ordinary share	20.4	21.5
Diluted headline earnings per ordinary share	20.4	21.3

9. Dividends paid

	2021	2020
	£m	£m
Final dividend for the year ended 31 May 2020 of 5.9p (2019: 5.6p) per share	2.9	2.7
Interim dividend for the year ended 31 May 2021 of 1.0p (2020: 1.0p) per share	0.5	0.5
Amounts recognised as distributions to equity shareholders in the year	3.4	3.2
Proposed final dividend for the year ended 31 May 2021 of 6.2p (2020: 5.9p) per share	3.0	2.9

The proposed final dividend is subject to approval at the AGM on 30 September 2021 and has not been included as a liability in these Group financial statements.

10. Share capital

	Number of shares	Total
	'000	£m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2019	48,750	12.2
Issue of shares (see below)	-	-
Balance at 31 May 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	49,004	12.3

During the year ended 31 May 2021, 253,524 shares (2020: no shares) with an aggregate nominal value of £63,381 (2020: £Nil) 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 2021, amounted to 1,400,421 (31 May 2020: 1,441,604). These shares will only be issued subject to satisfying certain performance criteria.

11. Business combinations

On 2 December 2019, the Group acquired 100% of the share capital of Ron Darch & Sons Co Limited, a 35 million litre fuel and coal distributor based in Somerset.

Following finalisation of the acquisition accounting, adjustments have been made to the value attributable to deferred tax liabilities:

	Initial fair value of assets acquired £m	Adjustments £m	Fair value of assets acquired £m
Intangible assets - goodwill	2.2	0.1	2.3
Intangible assets - brand	0.2	-	0.2
Intangible assets - customer relationships	0.8	-	0.8
Property, plant and equipment	1.4	-	1.4
Stock	0.6	-	0.6
Trade and other receivables	1.5	-	1.5
Cash	4.5	-	4.5
Trade and other payables	(2.6)	-	(2.6)
Corporation tax liability	(0.1)	-	(0.1)
Deferred tax liability	(0.1)	(0.1)	(0.2)
	8.4	-	8.4

During the year ended 31 May 2021, following finalisation of the completion accounts, a final balance of £1.1 million was paid in respect of the acquisition.

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

	1 June 2020	Cash flow	Other non-cash move ments	31 May 2021
	£m	£m	£m	£m
Cash and cash equivalents	5.3	(1.3)	-	4.0
Borrowings	(17.2)	7.7	-	(9.5)
Hire purchase obligations ¹	(0.4)	0.2	-	(0.2)
Total Group (excluding lease liabilities)	(12.3)	6.6	-	(5.7)
Lease liabilities (excluding hire purchase obligations transferred)	(26.3)	7.4	(6.7)	(25.6)
Total Group (including lease liabilities)	(38.6)	14.0	(6.7)	(31.3)

1 Following the adoption of IFRS 16 'Leases', hire purchase obligations are now recognised within lease liabilities, shown here for comparative purposes only.

13. Retirement benefit obligations

The Group operates a defined benefit pension scheme providing benefits based on final pensionable earnings, which is closed to future accrual.

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 triennial actuarial valuation of this scheme was completed in the year ended 31 May 2021, with a deficit of £16.8 million at the valuation date of 31 December 2019. 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 2021. The next full triennial valuation will be completed in the year ending 31 May 2024.

The triennial valuation resulted in Group contributions of £2.1 million per annum, including recovery plan payments of £1.8 million for financial years ending 31 May 2021 and 31 May 2022. From 1 June 2022 to 31 December 2027 recovery plan payments of £2.1 million per annum will be paid. In addition, from 1 January 2022 a percentage increase based on total dividend growth over £3.1 million will be paid.

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

	2021	2020
	£m	£m
Present value of defined benefit obligations	(60.0)	(61.1)
Fair value of scheme assets	45.1	40.1
Deficit in the scheme recognised as a liability in the balance sheet	(14.9)	(21.0)
Related deferred tax asset	3.7	4.0
Net pension liability	(11.2)	(17.0)

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

	2021	2020
	£m	£m
At 1 June	61.1	55.3
Interest cost	1.0	1.3
Remeasurement losses:		
- actuarial losses arising from changes in financial assumptions	2.6	4.9
- actuarial (gains)/losses arising from changes in demographic assumptions	(4.0)	0.6
- actuarial losses on experience adjustment	1.2	-
Benefits paid	(1.9)	(2.1)
Past service cost	-	1.1
At 31 May	60.0	61.1

Changes in the fair value of scheme assets are as follows:

	2021	2020
	£m	£m
At 1 June	40.1	38.0
Interest income	0.7	0.9
Remeasurement gains:		
- actuarial gains on plan assets	3.8	1.5
Contributions by employer	2.7	2.1
Expenses	(0.3)	(0.3)
Benefits paid	(1.9)	(2.1)
At 31 May	45.1	40.1

Within the Group's Half Year Report for 2020/21, disclosures were made in respect of the actuarial pension valuation as at 30 November 2020. On subsequent review of the supporting information provided for the purposes of the disclosure, an error was identified. The error was driven by an incorrect application of the postcode weighting methodology applied by the Scheme Actuary in the IAS 19 valuation as at 30 November 2020 which impacted the mortality rate assumptions. The impact of the error was an understatement of the present value of the scheme obligations, as at 30 November 2020, by £1.0 million. As a result, the post-employment benefit obligations at 30 November 2020 should have been a £19.7 million liability compared to the reported £18.7 million liability. As a result, both retained earnings and net assets should have been £1.0 million lower. The error had no impact on the Condensed Consolidated Income Statement or the Condensed Consolidated Cash Flow Statement.

14. 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 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.

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.

Significant actuarial assumptions for the determination of the defined benefit liability are discount rate, price inflation and mortality. The sensitivity analyses shown below have been determined based on reasonably possible changes of the respective assumptions occurring at the balance sheet dates, while holding all other assumptions constant.

Impact on defined benefit obligation	Increase	Decrease
	£m	£m
0.25% change in discount rate	(2.2)	2.2
0.25% change in RPI inflation	1.7	(1.7)
One-year change in the life expectancy at age 65		
	2.6	(2.6)

Assessment of impairment

The Group tests annually for impairment of goodwill and fixed asset balances, which involves using key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates.

The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2022 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

These value in use calculations are subject to a series of sensitivity analyses using reasonable assumptions concerning the future performance of the CGUs and assessing the impact of a 1% increase in the discount rate. None of these reasonable downside scenarios would result in an impairment.

Carrying value of trade receivables

The Group holds material trade receivable balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. IFRS 9 requires the Group to consider forward-looking information and the probability of default when calculating expected credit losses. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

From a completeness perspective, the Directors are not aware of any other critical judgements within the Group that give rise to a significant risk of material adjustment within the next financial year.

15. 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 2021, which will be posted to shareholders on or before 19 August 2021, 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 confirms that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Group;
- 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."

16. Contingent assets

On 2 November 2020, the Group announced that it had experienced an unauthorised access to the IT systems in two of its divisions (Feeds and Fuels) and at Group level. The Group acted promptly to instigate precautionary measures and engaged specialist external support to contain and manage the incident. On 12 November 2020, the Group announced that following extensive investigations, supported by cyber security experts, the Group was satisfied that the incident had been contained and additional security measures had been applied to all of the Group's IT systems.

The Group identifies a contingent asset in respect of the reimbursement of remaining unsettled costs from its insurer. Whilst it is probable that an inflow of economic benefits will be received, at the time of this report the amount of any reimbursement is not virtually certain and therefore does not warrant recognition as a reimbursement asset.

17. Financial calendar

Annual General Meeting	30 September 2021
Dividend:	
- Ex-dividend date	4 November 2021
- Record date	5 November 2021
- Payment date	10 December 2021
Announcement of half-year results	Early February 2022
Publication of Interim Report	Early February 2022
Interim dividend paid	May 2022
Financial year end	31 May 2022
Announcement of full-year results	Early August 2022
Publication of Annual Report and Accounts	Late August 2022

[1] The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis.

[2] £4.4 million of deferred tax assets, recognised within non-current assets, have been reclassified to non-current liabilities and offset against £4.9 million of deferred tax liabilities in the year ended 31 May 2020. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The impact on the balance sheet as at 31 May 2019 would be to reclass £3.1 million of deferred tax assets, recognised within non-current assets, to non-current liabilities and offset against £3.7 million of deferred tax liabilities.

[3] £4.4 million of deferred tax assets, recognised within non-current assets, have been reclassified to non-current liabilities and offset against £4.9 million of deferred tax liabilities in the year ended 31 May 2020. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The impact on the balance sheet as at 31 May 2019 would be to reclass £3.1 million of deferred tax assets, recognised within non-current assets, to non-current liabilities and offset against £3.7 million of deferred tax liabilities.

[4] The calculation of headline earnings excludes the exceptional impact of remeasuring deferred tax balances. Headline EPS for the year ended 31 May 2020 has been re-presented on a like-for-like basis.

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