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NWF Group plc

NWF Group plc: Final results for the year ended 31 May 2022

"A record set of results, significantly ahead of market expectations at the start of the financial year, demonstrating the capability of the business to optimise performance and the resilient nature of our markets."

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 2022.

	2022	2021	%
Financial highlights			
Revenue	£878.6m	£675.6m	+30.0%
Headline operating profit ¹	£21.8m	£12.9m	+69.0%
Headline profit before taxation ¹	£20.9m	£11.9m	+75.6%
Diluted headline earnings per share ¹	34.8p	20.4p	+70.6%
Total dividend per share	7.5p	7.2p	+4.2%
Headline EBITDA ¹	£26.6m	£17.8m	+49.4%
Net cash/(debt) (excluding IFRS 16 lease liabilities)	£9.0m	£(5.7)m	
Statutory results			
Operating profit	£13.2m	£12.1m	+9.1%
Profit before taxation	£12.0m	£10.8m	+11.1%
Diluted earnings per share	17.0p	15.9p	+6.9%
Net debt (including IFRS 16 lease liabilities)	£19.2m	£31.3m	-38.7%

¹ Headline operating profit excludes exceptional items 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. Diluted headline earnings per share also takes into account the taxation effect thereon.

Highlights:

- Record results for the Group, reflecting very strong operational and commercial execution in a challenging environment.
- Significant outperformance in Fuels as a result of volatility in oil prices in our final quarter, together with short-term benefits arising from periods when the UK market was supply constrained.
- Solid performance in Food across the year with warehouses at an effective operating capacity, high service levels and an improvement in operating efficiency as planned.
- Strong second half performance in Feeds, implementing price increases in response to unprecedented inflation in feed commodities and other key inputs more than offsetting lower volumes.
- The balance sheet remains in a robust position with the Group cash positive at the year-end for the first time, highlighting the resilience of the Group and providing significant capacity to support investment driven growth.
- Continued increase in shareholder returns; proposed increase in the total dividend of 4.2% to 7.5p per share, reflecting the strong performance and the Board's confidence in the 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 £17.2 million (2021: £9.3 million). Strong performance across the year with improved returns from a focus on customer service across our 25 depots, with significant one-off gains from providing service to customers when market pricing and availability was challenging in our final quarter.

Food - headline operating profit of £2.8 million (2021: £1.9 million). Consistent improvement in performance across the year. Warehouses were at an effective operating capacity and delivering high levels of customer service, with anticipated improvements in operating efficiency delivered ahead of plan.

Feeds - headline operating profit of £1.8 million (2021: £1.7 million). A strong recovery in the second half, following a disappointing first half, successfully navigating unprecedented volatility and increases in feed commodities supported by an increasing milk price across the country.

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

"NWF has delivered a record set of results, significantly ahead of the market expectations at the start of our financial year. It has been delivered by focusing on service to our customers across the country and our teams responding effectively to unprecedented volatility in cost inputs and issues of supply availability. Oil and feed commodities were particularly impacted in our final quarter, as a consequence of the conflict in Ukraine. The

Group has established a strong track record of resilience and performance and we are excited by the opportunities across the Group to continue our development."

A meeting will be held for analysts at 9.30 a.m. on the day of the results announcement at MHP Communications, [60 Great Portland Street, London W1W 7RT](#). Please contact MHP for further details at nwf@mhpc.com.

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

Richard Whiting, Chief Executive
Chris Belsham, Group Finance
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Chair's statement

Overview

I am pleased to report another year of significant outperformance for the Group, exceeding the market expectations that were established at the start of the financial year. There have been significant challenges in our markets with periods of supply shortage, unprecedented volatility of key commodities and inflationary pressures. I am pleased to report our teams across the Group have managed these challenges very effectively and have delivered outperformance as a result of their response in difficult times.

As a consequence of the good progress achieved, the Group's strong cash generation and the growing confidence in the Group's future prospects, the Board is recommending a final dividend of 6.5p per share, to be paid to shareholders on 9 December 2022 (2021: 6.2p) giving a total dividend of 7.5p per share (2021: 7.2p), a 4.2% increase on the prior year. This is the eleventh 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 2022 were:

Responding proactively to market conditions

The Group has responded well to challenging market conditions throughout the year. In the autumn, fuel shortages at retail sites across the country led to concerns for Fuels' commercial and domestic customers. We were able to maintain full supply and had no supply shortages. In our final quarter, as a result of the Ukraine conflict, the price of oil rose sharply and with the move away from Russian oil, supply shortages were experienced across the country. Through a combination of supply agreements in place across the UK and our local depot network focused on maintaining supplies to regular customers, we were able to maintain service even when this has involved trunking fuel across the country. In Food, customer demand has been more stable, however labour shortages experienced by customers resulted in lower than anticipated stock levels in the run up to Christmas. In Feeds, commodity prices increased to unprecedented levels in our final quarter and we have been able to pass these through to our customers who in turn have been supported by increasing milk prices.

Delivering on strategy

The Group has a clearly articulated strategy which has a focus on expanding the Fuel depot network through acquisitions and consolidating a fragmented market. There is a strong pipeline of opportunities and this remains a focus for the Group. In Food following the successful expansion with the Crewe warehouse we continue to discuss additional contracts with customers which will support further expansion of the warehousing and distribution business. In Feeds we are focused on developing nutritionists through the NWF Academy who can increase volumes and utilise our national operations platform.

Cash generation

Cash generation remains a focus for the Group and it is pleasing to report a positive year-end net cash balance for the first time, of £9.0 million (excluding lease liabilities), which highlights both the cash generative nature of our business and the capability and funding for development opportunities.

Rewarding good service

The consistent focus on excellence in customer service has been critical to managing unprecedented market conditions and supporting our continued development.

ESG framework

The Board recognises the importance of ESG and the Group has made significant progress on its ESG framework in 2022. We have established a target of net zero by 2040 and increased the focus of our four pillars across the Group. An executive steering committee has been established, detailed measures developed and we are establishing targets and goals for the short, medium and long-term. We will report in more detail on our ESG framework 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 1,300 people across our 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.

Board Changes

In line with NWF's governance policy, and as previously reported, I will be stepping down from the Board at the time of the 2022 AGM in September, having completed nine years' service with NWF. David Downie, currently Senior Independent Non-Executive Director, will be appointed as Chair at that time and Richard Armitage, currently a Non-Executive Director, will be appointed as Senior Independent Non-Executive Director. We are pleased to welcome Dawn Moore, who will be joining the board as a Non-Executive Director and Chair of the Remuneration Committee.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 29 September 2022.

Philip Acton
Chair

2 August 2022

Business and financial review

NWF has delivered a record set of results, significantly ahead of the expectations we had at the start of our financial year. It has been delivered by focusing on service to our customers across the country and our teams responding effectively to unprecedented volatility in cost inputs and issues of supply availability. Oil and feed commodities were particularly impacted in our final quarter, as a consequence of the conflict in Ukraine. The Group has established a strong track record of resilience and performance and we are excited by the opportunities across the Group to continue our development.

The continued focus on cash and record level of profit has moved the Group into a net cash positive position (excluding lease liabilities) for the first time, which both demonstrates the ongoing cash generative nature of our business and gives us significant capability to fund continued growth and development. In addition, and in line with our established practice, we are proposing an increased dividend as part of our continuing focus on driving shareholder returns.

Fuels delivered significant outperformance in the year with a backdrop of supply issues across the country and oil price volatility which our local depot teams were able to optimise by providing continued high level of service to regular customers. This delivered significantly higher than normal returns in the financial year but reflects the flexibility and strong operating model of the business.

The Food division delivered a significant improvement in performance, ahead of our expectations. The result was delivered as a consequence of our warehouses being at an effective level of utilisation, drivers and staff being retained, good service levels being achieved and a significant improvement in operational efficiency.

Feeds had a challenging first half with lower volumes and increasing commodity costs. This was turned around in the second half, when commodity prices hit unprecedented highs, with a focus on margin management supported by a continued increasing milk price for our core UK customer base.

The Group delivered headline operating profit of £21.8 million (2021: £12.9 million) and record headline profit before tax of £20.9 million (2021: £11.9 million). Operating profit was £13.2 million (2021: £12.1 million). Diluted headline earnings per share were 70.6% higher at 34.8p (2021: 20.4p).

Cash management remains strong with net cash of £9.0 million (2021: net debt of £5.7 million) excluding lease liabilities, after £3.2 million of net capital expenditure (2021: £3.0 million).

Fuels

Fuels' significant outperformance was delivered by a consistent improvement across the year and the dramatic impact of shortages in oil and price volatility which followed the start of the conflict in Ukraine and the desire to cease importation of Russian oil by all major suppliers. This led to shortages and higher value placed on service and availability of fuel. Our depots focused supplies on regular customers and volumes declined in our final quarter as availability issues impacted all distributors. The relatively mild winter reduced demand for heating oil and NWF, along with the majority of distributors, reduced sales via online brokers to concentrate on core direct customers.

Volumes declined by 4.6% to 663 million litres (2021: 695 million litres). Revenue increased by 38.7% to £621.1 million (2021: £447.8 million) as a consequence of a higher oil price and the majority of the volume reduction being from lower value heating oil. This was as a result of a relatively mild winter and higher prices in our final quarter when domestic customers were able to defer buying decisions. The average Brent Crude oil price in the year was \$87 per barrel compared to \$52 per barrel in the prior year. Critically, the oil price peaked at \$137 per barrel in March 2022 which coincided with shortages at many terminals and refineries.

Headline operating profit was £17.2 million (2021: £9.3 million) as a consequence of higher returns arising from supply concerns, pricing volatility and the reduction in lower margin spot business. Net profits of 2.6 pence per litre are significantly higher than the 1.4 pence per litre in the prior year highlighting the significant one-off gains.

Acquisition activity has continued through the year and whilst none have completed in the year, the pipeline of opportunities is healthy and this remains a focus for our development activity. We have a proven post-acquisition integration plan, retaining the local brand and customer facing parts of the business and centralising finance, IT, procurement and credit control.

The Fuels division operates on a de-centralised model with depot management teams focused on optimising performance for the specific conditions of their local markets. 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 109,000 customers (2021: 127,000) being supplied across 25 fuel depots in the year (2021: 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 its market share.

Food

Food reported a solid and significant improvement in performance, delivering on the investment in, and growth of the business when we opened the Crewe warehouse. This has been underpinned by effective warehouse utilisation across the year, the retention of staff and drivers, the ability to pass on inflationary cost increases swiftly and an improvement in operating efficiency across both sites.

Revenue increased by 14.2% to £62.6 million (2021: £54.8 million). Storage overall was at an average of 118,000 pallets (2021: 120,000 pallets), with warehouses effectively utilised across the year. Stock levels dipped in the run up to Christmas as customers suffering labour shortages were unable to replenish stocks in line with retailer demand. The mix of business improved from prior year as food service and cash and carry volumes recovered resulting in more complex added value work. Pallets dispatched were in line with the prior year, reflecting the more stable business environment.

Headline operating profit was £2.8 million (2021: £1.9 million). E-fulfilment, Palletline and the packing room all increased returns in the year, with the most significant growth in Palletline as customers utilised pallet networks to offset concerns around driver shortages in the market.

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 consistent operating performance being the key components of its customer proposition.

Feeds

Feeds is focused on providing nutritional advice and on time deliveries of animal feed to farmers across the country. Total feed volume decreased by 8.2% to 528,000 tonnes (2021: 575,000 tonnes). This reduction was due to the following reasons; total ruminant feed market volumes were 3.5% lower than prior year with the largest deficit in dairy blends as good forage from the previous summer was utilised by farmers; and NWF's own volumes were lower as a result of lower retail sales in the North and the loss of a merchant in the South due to its acquisition.

Commodity prices increased through the year with an average 8% increase in a basket of commodities to the end of February 2022. As a consequence of the conflict in Ukraine there has been significant concern around the availability of key commodities and prices spiked, increasing by an unprecedented 35%, to a peak in early April. As required price increases were implemented to cover additional commodity and energy costs, the business recovered strongly in the second half of the year.

Revenue was higher at £194.9 million (2021: £173.0 million) reflecting the higher feed prices more than offsetting lower volumes in the year. Headline operating profit was £1.8 million (2021: £1.7 million).

We have continued investment in the NWF Academy in which new trainees engage on an 18-month structured training programme to become future NWF nutritionists. The Academy has recruited a third group to the programme, which has been well received across the industry. Graduates of the programme are now developing as successful nutritionists in our national sales team.

Average milk prices in the UK have increased to unprecedented levels, supporting farming customers higher feed, energy and labour costs. The average price for the year of 34.3p per litre compared to an average in the prior year of 29.3p per litre. The price in May 2022 of 40.4p per litre compares to 30.1p per litre in May 2021. Milk production was 2.4% lower to 12.3 billion litres (2021: 12.6 billion litres).

Feeds has a very broad customer base, working with over 4,325 farmers across the UK. 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. With a strong pipeline, these are being actively pursued and the opportunity for growth remains significant.

In Food, we continue to seek further improvements in operational efficiency, whilst targeting additional business to support our current operations and generate opportunities for further development.

In Feeds, with commodity prices remaining volatile but farmers supported by a good milk price, demand is anticipated to remain solid and we are seeking volume growth on the back of our Academy, additions to the sales team and utilising an effective national operations platform.

The Group has again clearly demonstrated its capability to deliver performance and has great resilience. There are significant growth opportunities, backed by strong cash flows, funding availability and a solid 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. Fuels trading has returned to more normal levels following the one-off gains achieved in the year ended 31 May 2022. Overall, the Board continues to remain confident about the Group's future prospects.

Group results

For the year ended 31 May 2022

	2022 £m	2021 £m
Revenue	878.6	675.6
Cost of sales and administrative expenses	(865.4)	(663.5)
Headline operating profit ¹	21.8	12.9
Exceptional items	(8.3)	(0.5)
Amortisation of acquired intangibles	(0.3)	(0.3)
Operating profit	13.2	12.1

Financing costs	(1.2)	(1.3)
Headline profit before tax ¹	20.9	11.9
Exceptional items	(8.3)	(0.5)
Amortisation of acquired intangibles	(0.3)	(0.3)
Net finance cost in respect of defined benefit pension scheme	(0.3)	(0.3)
Profit before taxation	12.0	10.8
Income tax expense ²	(3.6)	(3.0)
Profit for the year	8.4	7.8
Headline EPS¹	35.0p	20.4p
Diluted headline EPS¹	34.8p	20.4p
Dividend per share	7.5p	7.2p
Headline dividend cover¹	4.6	2.8
Headline interest cover	54.5	25.8

1 Headline operating profit is statutory operating profit of £13.2 million (2021: £12.1 million) before exceptional items of £8.3 million (2021: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2021: £0.3 million). Headline profit before taxation is statutory profit before taxation of £12.0 million (2021: £10.8 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2021: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

Group revenue increased by 30.0% to £878.6 million (2021: £675.6 million) with revenue growth from significantly higher commodity prices in Fuels and Feeds. Headline operating profit was £21.8 million, an increase of 69.0% (2021: £12.9 million). Operating profit increased 9.1% to £13.2 million (2021: £12.1 million).

Financing costs decreased by £0.1 million to £1.2 million. The interest on bank debt was £0.4 million (2021: £0.5 million) and headline interest cover was 54.5x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2021: 25.8x).

Headline profit before taxation increased by 75.6% to a record result of £20.9 million (2021: £11.9 million). Profit before taxation increased by £1.2 million to £12.0 million (2021: £10.8 million). There were net exceptional (non-cash) items in the year of £8.3 million relating to the impairment of Feeds goodwill and fixed assets announced in our half year results (2021: £0.5 million).

The tax charge for the year was £3.6 million (2021: £3.0 million). The effective tax rate for the year was 30.0% (or 19.4% excluding impairment), (2021: 19.4%). The post-tax profit for the year was £8.4 million (2021: £7.8 million).

The headline earnings per share of 35.0p represented an increase of 71.6% (2021: 20.4p); diluted headline earnings per share increased by 70.6% to 34.8p (2021: 20.4p). The proposed full year dividend per share increased by 4.2% to 7.5p which reflects the strong performance and the Board's confidence in the prospects of the business. The proposed dividend equates to a dividend cover ratio of 4.6x.

The finance costs in respect of the defined benefit pension scheme were £0.3 million (2021: £0.3 million).

Balance sheet summary As at 31 May 2022

	2022	2021 (restated ¹)
	£m	£m
Tangible and intangible fixed assets	68.1	78.2
Right of use assets	27.5	25.4
Net working capital	5.4	3.9
Reimbursement assets	2.8	3.0
Derivative financial instruments	0.2	0.1
Net cash/(debt) (excluding IFRS 16 lease liabilities)	9.0	(5.7)
Lease liabilities	(28.2)	(25.6)
Provision for liabilities	(3.8)	(3.4)
Current income tax (liabilities)/assets	(0.4)	0.4
Deferred income tax liabilities	(3.2)	(1.9)
Retirement benefit obligations	(9.3)	(14.9)
Net assets	68.1	59.5

The Group increased net assets by £8.6 million to £68.1 million (31 May 2021: £59.5 million) reflecting a profit for the year of £8.4 million (2021: £7.8 million), strong cash conversion and the reduction in the IAS 19 deficit on the defined benefit pension scheme which together more than offset the impairment of goodwill and fixed assets.

Tangible and intangible fixed assets decreased by £10.1 million to £68.1 million as at 31 May 2022 (31 May 2021: £78.2 million) as a result of the impairment of goodwill and fixed assets in Feeds. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2022 were £4.6 million and £0.5 million respectively (2021: £4.5 million and £0.7 million respectively).

Group level ROCE (based on headline operating profit) is 30.3% as at 31 May 2022 (31 May 2021: 15.8%).

Net working capital increased by £1.5 million in the year as higher commodity costs required additional working capital in Feeds. The Group's inventories increased by £3.2 million to £9.8 million (31 May 2021: £6.6 million) with trade and other receivables increasing to £96.2 million (31 May 2021: £72.1 million) and an increase in trade and other payables to £100.6 million (31 May 2021: £74.8 million).

Net debt (excluding lease liabilities) decreased by £14.7 million to a net cash position of £9.0 million (31 May 2021: net debt £5.7 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 (2021: 0.3x).

The deficit of the Group's defined benefit pension scheme decreased by £5.6 million to £9.3 million (31 May 2021: £14.9 million). The value of pension scheme assets decreased by £5.4 million to £39.7 million (31 May 2021: £45.1 million) as a result of actuarial losses on plan assets offset to an extent by employer contributions. The value of the scheme liabilities decreased by £11.0 million to £49.0 million (31 May 2021: £60.0 million) driven by a significant increase in the discount rate used to calculate the present value of the future obligations (31 May 2022: 3.45%; 31 May 2021: 2.00%). The discount rate is based on the yield available on AA

rated corporate bonds, which have increased during the year.

1 A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third-party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities. The impact on the brought forward balance sheet at 1 June 2020 would be the inclusion of a provision for insurance claims of £2.9 million and a corresponding re-imbursement asset of £2.9 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

Cash flow and banking facilities For the year ended 31 May 2022

	2022 £m	2021 £m
Operating cash flows before movements in working capital and provisions	34.4	22.4
Working capital movements	(0.7)	2.4
Interest paid	(0.9)	(1.0)
Tax paid	(2.7)	(2.8)
Net cash generated from operating activities	30.1	21.0
Capital expenditure (net of receipts from disposals)	(3.2)	(3.0)
Acquisition of subsidiaries - cash paid (net of cash acquired)	-	(1.1)
Net cash used in investing activities	(3.2)	(4.1)
Net decrease in bank borrowings	(9.5)	(7.7)
Repayment of capital element of leases	(8.8)	(7.1)
Dividends paid	(3.5)	(3.4)
Net cash used in financing activities	(21.8)	(18.2)
Net increase/(decrease) in cash and cash equivalents	5.1	(1.3)
Cash and cash equivalents at beginning of year	4.0	5.3
Cash and cash equivalents at end of year	9.1	4.0

The closing net cash (excluding IFRS 16 lease liabilities) was £9.0 million (2021: net debt £5.7 million).

The cash impact of working capital movements was a cash outflow of £0.7 million. Net cash generated from operating activities and after IFRS 16 lease payments was £21.3 million (2021: £13.9 million) representing a cash conversion ratio of 97.7% of headline operating profit (2021: 107.8%).

Net capital expenditure in the year at £3.2 million (2021: £3.0 million) was lower than the annual depreciation charge, excluding IFRS 16 depreciation, of £4.6 million (2021: £4.5 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:

- Impact of inflation and underlying cost growth - The Group is exposed to the impact of higher inflation and increases in underlying overhead costs. For the first time in a generation, the economy is entering a higher inflationary environment. Furthermore, the Group is exposed to cost accretion arising from increasing responsibilities around compliance, ESG and IT. These increases in central overheads are in addition to those arising from labour and general cost inflation across the businesses and put further pressure on overall Group profitability.
- Employee availability - In the aftermath of the Covid-19 pandemic there is a shortage of employees generally in the UK market. This could lead to significant wage inflation which the Group will need to respond to, and it may not be possible to pass these additional costs on to customers.
- 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.
- Transitional risks of climate change - The long-term profitability of our current businesses is more likely to be impacted by Government strategy and policy in relation to the decarbonisation of the economy, rather than as a direct impact of climate change. The view of the Board is that the main risk to the Group is a transitional risk as the Government introduces policies which could negatively impact the Group. There are also potential additional costs to the Group, arising from the need to redesign and replace infrastructure as a result of ambitions towards decarbonisation.
- 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. Furthermore, the Group is entering a stage of transition at the Board and Senior Executive level as a consequence of planned retirements. There is a risk around a limited number of key Executives across the Group.
- Infrastructure and IT systems - IT system failures or business interruption events (such as cyber incidents) 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.
- Impact of weather 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 short-term 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.

- Strategic growth and change management - Significant development of the Group is only achievable via a significant acquisition or several smaller transactions. The current strategic plan is focused on Fuel acquisitions, which tend to be smaller and therefore do not represent a significant risk on an individual basis.

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. The Group's banking facilities, provided by NatWest Group, were renewed on 29 June 2018 and are committed until 31 October 2023. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its lender. As such, there are no concerns regarding the refinancing of the Group's facilities which is expected to complete in 2023. As at 31 May 2022 the Group had available funds of £70.1 million (based on cash balances, invoice discounting availability, RCF and overdraft facilities), against which the Group was utilising £Nil.

The Board has prepared cash flow forecasts for the period to 31 May 2024. 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 2022 was 220.0p (31 May 2021: 212.0p) and the range of market prices during the year was between 187.0p and 230.0p.

Richard Whiting
Chief Executive

Chris Belsham
Finance Director

Consolidated income statement

for the year ended 31 May 2022

	Note	2022 £m	2021 £m
Revenue	4	878.6	675.6
Cost of sales		(823.3)	(637.7)
Gross profit		55.3	37.9
Administrative expenses		(42.1)	(25.8)
Headline operating profit ¹		21.8	12.9
Exceptional items	5	(8.3)	(0.5)
Amortisation of acquired intangibles		(0.3)	(0.3)
Operating profit	4	13.2	12.1
Finance costs	6	(1.2)	(1.3)
Headline profit before taxation ¹		20.9	11.9
Net finance cost in respect of the defined benefit pension scheme		(0.3)	(0.3)
Exceptional items	5	(8.3)	(0.5)
Amortisation of acquired intangibles		(0.3)	(0.3)
Profit before taxation		12.0	10.8
Income tax expense	7	(3.6)	(3.0)
Profit for the year attributable to equity shareholders		8.4	7.8
Earnings per share (pence)			
Basic	8	17.1	15.9
Diluted	8	17.0	15.9
Headline earnings per share (pence)¹			
Basic	8	35.0	20.4
Diluted	8	34.8	20.4

1 Headline operating profit is statutory operating profit of £13.2 million (2021: £12.1 million) before exceptional items of £8.3 million (2021: £0.5 million) and amortisation of acquired intangibles of £0.3 million (2021: £0.3 million). Headline profit before taxation is statutory profit before taxation of £12.0 million (2021: £10.8 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2021: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline earnings per share also take into account the taxation effect thereon.

The results relate to continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 May 2022

	£m	£m
Profit for the year attributable to equity shareholders	8.4	7.8
Items that will never be reclassified to income statement:		
Remeasurement gain on defined benefit pension scheme	4.0	4.0
Tax on items that will never be reclassified to income statement	(1.0)	0.1
Total other comprehensive income	3.0	4.1
Total comprehensive income for the year	11.4	11.9

Consolidated balance sheet

as at 31 May 2022

	Note	2022 (restated ¹) £m	2021 £m
Non-current assets			
Property, plant and equipment	11	45.4	47.3
Right of use assets		27.5	25.4
Intangible assets	12	22.7	30.9
		95.6	103.6
Current assets			
Inventories		9.8	6.6
Trade and other receivables		96.2	72.1
Reimbursement assets		2.8	3.0
Current income tax assets		-	0.4
Cash and cash equivalents	13	9.1	4.0
Derivative financial instruments		0.4	0.2
		118.3	86.3
Total assets		213.9	189.9
Current liabilities			
Trade and other payables		(100.6)	(74.8)
Current income tax liabilities		(0.4)	-
Borrowings	13	-	(6.5)
Lease liabilities		(8.6)	(7.4)
Provisions for liabilities		(3.1)	(3.0)
Derivative financial instruments		(0.2)	(0.1)
		(112.9)	(91.8)
Non-current liabilities			
Borrowings	13	-	(3.0)
Lease liabilities		(19.7)	(18.4)
Provisions for liabilities		(0.7)	(0.4)
Deferred income tax liabilities		(3.2)	(1.9)
Retirement benefit obligations	14	(9.3)	(14.9)
		(32.9)	(38.6)
Total liabilities		(145.8)	(130.4)
Net assets		68.1	59.5
Equity			
Share capital	10	12.3	12.3
Share premium		0.9	0.9
Retained earnings		54.9	46.3
Total equity		68.1	59.5

¹ A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third-party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities. The impact on the brought forward balance sheet at 1 June 2020 would be the inclusion of a provision for insurance claims of £2.9 million and a corresponding re-imbursement asset of £2.9 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

Consolidated statement of changes in equity

for the year ended 31 May 2022

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2020	12.2	0.9	38.0	51.1
Profit for the year	-	-	7.8	7.8
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme (note 14)	-	-	4.0	4.0
Tax on items that will never be reclassified to income statement	-	-	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	19.3	0.9	(2.6)	(3.5)
Balance at 31 May 2021	12.3	0.9	48.3	69.5
Profit for the year	-	-	8.4	8.4
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme (note 14)	-	-	4.0	4.0
Tax on items that will never be reclassified to income statement	-	-	(1.0)	(1.0)
Total other comprehensive income	-	-	3.0	3.0
Total comprehensive income for the year	-	-	11.4	11.4
Transactions with owners:				
Issue of shares	-	-	-	-
Dividends paid (note 9)	-	-	(3.5)	(3.5)
Value of employee services	-	-	(0.1)	(0.1)
Credit to equity for equity-settled share-based payments	-	-	0.8	0.8
Total transactions with owners	-	-	(2.8)	(2.8)
Balance at 31 May 2022	12.3	0.9	54.9	68.1

Consolidated cash flow statement

for the year ended 31 May 2022

	2022 £m	2021 £m
Cash flows from operating activities		
Profit before tax	12.0	10.8
Adjustments for:		
Depreciation and amortisation	14.0	12.9
Impairment of assets	8.4	-
Finance costs	1.2	1.3
Share-based payment expense	0.8	0.4
Value of employee services	(0.1)	(0.5)
Fair value loss/(profit) on financial derivatives	(0.1)	(0.1)
Contribution to pension scheme not recognised in income statement	(1.8)	(2.4)
Operating cash flows before movements in working capital and provisions	34.4	22.4
Movements in working capital:		
Increase in inventories	(3.2)	(1.9)
Increase in trade and other receivables	(23.9)	(15.3)
Increase in trade and other payables	26.4	19.6
Net cash generated from operations	33.7	24.8
Interest paid	(0.9)	(1.0)
Income tax paid	(2.7)	(2.8)
Net cash generated from operating activities	30.1	21.0
Cash flows used in investing activities		
Purchase of intangible assets	(0.2)	(0.1)
Purchase of property, plant and equipment	(3.4)	(2.9)
Acquisition of subsidiaries - cash paid (net of cash acquired)	-	(1.1)
Proceeds on sale of property, plant and equipment	0.4	-
Net cash used in investing activities	(3.2)	(4.1)
Cash flows used in financing activities		
Decrease in bank borrowings	(9.5)	(7.7)
Capital element of finance leases	(8.8)	(7.1)
Dividends paid	(3.5)	(3.4)
Net cash used in financing activities	(21.8)	(18.2)
Net increase/(decrease) in cash and cash equivalents	5.1	(1.3)
Cash and cash equivalents at beginning of year	4.0	5.3
Cash and cash equivalents at end of year	9.1	4.0

Notes to the Group financial statements

for the year ended 31 May 2022

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

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in

the Group financial statements on 1 June 2021. This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards. 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 15 below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies have been applied consistently throughout the period, other than where new policies have been adopted.

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 2024. 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.

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

Alternative performance measures ('APMs')

The Directors consider that headline operating profit, headline profit before taxation, headline EBITDA, headline ROCE 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.

Headline ROCE refers to the return on capital employed calculated as headline operating profit as a proportion of net assets.

The calculation of headline earnings includes any exceptional impact of remeasuring deferred tax balances. 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, acquisition-related costs, costs of implementing new systems, cyber-related costs, impairment of assets and income from legal or insurance 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 2021.

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

Standard or interpretation	Content	Applicable for financial year beginning on
Amendment to IFRS 3	Business Combinations	1 June 2021
Amendment to IFRS 9	Financial Instruments	1 June 2021
Amendment to IFRS 16	Leases	1 June 2021
Amendments to IAS 16	Property, Plant and Equipment	1 June 2021
	Provisions, Contingent Liabilities and	
Amendments to IAS 37	Contingent Assets	1 June 2021

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

Standard or interpretation	Content	Applicable for financial year
IFRS 4	Insurance Contracts	beginning 2022
Amendments to IAS 1	Presentation of financial statements	1 June 2023
Amendments to IAS 8	Accounting policies	1 June 2023
Amendments to IAS 12	Income Taxes	1 June 2023
Amendments IFRS 17	Insurance Contracts	1 June 2023
IFRS Practice Statement 2	Making Materiality Judgements	1 June 2023

These standards are not expected to have a material impact on the company 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 2022 or 31 May 2021, but is derived from those accounts.

Statutory accounts for 2021 have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, have reported on the 2021 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 2022 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 15 August 2022. 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.

2022	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	628.9	62.7	194.9	886.5
Inter-segment revenue	(7.8)	(0.1)	-	(7.9)
Revenue	621.1	62.6	194.9	878.6
Result				
Headline operating profit	17.2	2.8	1.8	21.8
Segment exceptional item (note 5)	-	-	(8.4)	(8.4)
Group exceptional item (note 5)				0.1
Amortisation of acquired intangibles	(0.3)	-	-	(0.3)
Operating profit as reported				13.2
Finance costs (note 6)				(1.2)
Profit before taxation				12.0
Income tax expense (note 7)				(3.6)
Profit for the year				8.4
Other information				
Depreciation and amortisation	5.2	5.9	2.9	14.0
Property, plant and equipment additions	0.9	1.1	1.4	3.4

2022	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	106.5	48.3	50.0	204.8
Cash and cash equivalents				9.1
Consolidated total assets				213.9
Liabilities				
Segment liabilities	(88.7)	(20.1)	(24.1)	(132.9)

Deferred income tax liabilities	(3.2)
Current income tax liabilities	(0.4)
Retirement benefit obligations (note 14)	(9.3)
Consolidated total liabilities	(145.8)

2021	Fuels £m	Food £m	Feeds £m	Group £m
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
Property, plant and equipment additions	1.0	1.1	0.8	2.9

2021 (restated ¹)	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	82.3	46.3	56.9	185.5
Current income tax asset				0.4
Cash and cash equivalents				4.0
Consolidated total assets				189.9
Liabilities				
Segment liabilities	(65.2)	(18.0)	(20.9)	(104.1)
Deferred income tax liabilities				(1.9)
Borrowings (note 13)				(9.5)
Retirement benefit obligations (note 14)				(14.9)
Consolidated total liabilities				(130.4)

¹ A £3.0 million provision for liabilities has been recognised as at 31 May 2021 in respect third-party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.0 million has been recognised as at 31 May 2021. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities. The impact on the brought forward balance sheet at 1 June 2020 would be the inclusion of a provision for insurance claims of £2.9 million and a corresponding re-imbursement asset of £2.9 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

5. Profit before taxation - exceptional items

A net exceptional cost of £8.3 million (2021: £0.5 million) is included in administrative expenses. Exceptional items by type are as follows:

	2022 £m	2021 £m
Impairment of goodwill and other intangible assets	7.9	-
Impairment of property, plant and equipment	0.5	-
Acquisition-related costs	-	0.2
Cyber-related costs	-	0.7
Insurance reclaim credit	(0.1)	(0.4)
Net exceptional cost	8.3	0.5

Impairment of goodwill and other intangible assets - Recent performance in Feeds has been below planned levels, driven predominantly by lower volumes, and consequently a detailed impairment review was performed at the half-year reporting period end.

The key assumptions used in the base case value in use calculations were updated to reflect a slower speed of recovery, and future growth, of volume.

As a result, a total impairment loss of £7.9 million has been recognised for the Feeds reporting segment, reducing the carrying amount of the goodwill and other intangible assets to £4.4 million; see note 12.

Impairment of property, plant and equipment - The impairment of various items of plant and machinery in the Feeds segment which are no longer in use and deemed obsolete; see note 11.

Acquisition-related costs - Prior year acquisition-related costs comprise professional fees and other costs in relation to the integration and hive-up of acquisitions made during the year ended 31 May 2021.

Cyber-related costs - Prior year cyber-related costs comprise certain insurance excesses on the Group's cyber insurance policy, and other rebuild, business interruption and professional service costs, which were incurred during the year ended 31 May 2021 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. A final reimbursement of £0.1 million has been received during the year ended 31 May 2022 in respect of cyber costs incurred in the prior year.

6. Finance costs

	2022 £m	2021 £m
Interest on bank loans and overdrafts	0.4	0.5

Finance costs on lease liabilities relating to IFRS 16	0.5	0.5
Total interest expense	0.9	1.0
Net finance cost in respect of defined benefit pension schemes (note 14)	0.3	0.3
Total finance costs	1.2	1.3

7. Income tax expense

	2022 £m	2021 £m
Current tax		
UK corporation tax on profits for the year	3.8	2.2
Adjustments in respect of prior years	(0.1)	(0.2)
Current tax expense	3.7	2.0
Deferred tax		
Origination and reversal of temporary differences	(0.1)	(0.1)
Adjustments in respect of prior years	-	(0.2)
Effect of increased tax rate on opening balances	-	1.3
Deferred tax expense	(0.1)	1.0
Total income tax expense	3.6	3.0

During the year ended 31 May 2022, corporation tax has been calculated at 19% of estimated assessable profits for the year (2021: 19%).

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. At the prior year reporting date, deferred tax balances were 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 was recognised in tax expense in the income statement, except to the extent that it related to items previously recognised outside the income statement. For the Group, such items included 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:

	2022 £m	2021 £m
Profit before taxation	12.0	10.8
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	2.3	2.0
Effects of:		
- expenses not deductible for tax purposes	1.7	0.1
- super-deduction allowance	(0.1)	-
- impact of share-based payments	(0.2)	-
- impact of increased tax rate on opening balances	-	1.3
- adjustments in respect of prior years	(0.1)	(0.4)
Total income tax expense	3.6	3.0

A net £1.0 million has been recognised in Other Comprehensive Income, relating to a £1.4 million debit to equity arising on the movement within the deferred tax provision (2021: £0.3 million) offset with a movement in current tax of a credit of £0.4 million (2021: £0.4 million).

The tax charge in the current year is higher than the standard tax charge as a result of the level of the Group's disallowable expenses, which are largely related to goodwill impairment.

8. Earnings per share

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

	2022	2021
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	8.4	7.8
Number of shares ('000)		
Weighted average number of shares for the purposes of basic earnings per share	49,109	48,940
Weighted average dilutive effect of conditional share awards	299	194
Weighted average number of shares for the purposes of diluted earnings per share	49,408	49,134
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	17.1	15.9
Diluted earnings per ordinary share	17.0	15.9
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	35.0	20.4
Diluted headline earnings per ordinary share	34.8	20.4

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

	2022 £m	2021 £m
Profit for the year attributable to equity shareholders	8.4	7.8
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	0.3	0.3
Exceptional items	8.3	0.5
Exceptional impact of remeasuring deferred tax balances	-	1.3
Amortisation of acquired intangibles	0.3	0.3
Tax effect of the above	(0.1)	(0.2)
Headline earnings	17.2	10.0

9. Dividends paid

	2022 £m	2021 £m
Final dividend for the year ended 31 May 2021 of 6.2p (2020: 5.9p) per share	3.0	2.9

Interim dividend for the year ended 31 May 2022 of 1.0p (2021: 1.0p) per share	9.5	9.5
Amounts recognised as distributions to equity shareholders in the year		
Proposed final dividend for the year ended 31 May 2022 of 6.5p (2021: 6.2p) per share	3.2	3.0

The proposed final dividend is subject to approval at the AGM on 29 September 2022 and has not been included as a liability in these Group financial statements.

10. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2020	48,750	12.2
Issue of shares (see below)	254	0.1
Balance at 31 May 2021	49,004	12.3
Issue of shares (see below)	130	-
Balance at 31 May 2022	49,134	12.3

During the year ended 31 May 2022, 130,198 shares (2021: 253,524 shares) with an aggregate nominal value of £32,550 (2021: £63,381) 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 2022, amounted to 1,386,289 (31 May 2021: 1,400,421). These shares will only be issued subject to satisfying certain performance criteria.

11. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Plant and machinery £m	Cars and commercial vehicles £m	Total £m
Cost					
At 1 June 2020	37.9	2.7	31.0	6.6	78.2
Additions	-	0.4	2.5	-	2.9
Transfers in from right of use asset	-	-	-	0.6	0.6
Disposals	-	-	(0.9)	(0.9)	(1.8)
At 1 June 2021	37.9	3.1	32.6	6.3	79.9
Additions	0.4	-	2.9	0.1	3.4
Transfers in from right of use asset	-	-	-	0.3	0.3
Disposals	-	-	(0.9)	(2.3)	(3.2)
At 31 May 2022	38.3	3.1	34.6	4.4	80.4
Accumulated depreciation and impairment					
At 1 June 2020	11.8	0.3	14.8	2.8	29.7
Charge for the year	0.8	0.1	2.4	1.2	4.5
Transfers in from right of use asset	-	-	-	0.2	0.2
Disposals	-	-	(0.9)	(0.9)	(1.8)
At 1 June 2021	12.6	0.4	16.3	3.3	32.6
Charge for the year	0.9	0.1	2.6	1.0	4.6
Transfers in from right of use asset	-	-	-	0.1	0.1
Impairment charge	-	-	0.5	-	0.5
Disposals	-	-	(0.7)	(2.1)	(2.8)
At 31 May 2022	13.5	0.5	18.7	2.3	35.0
Carrying amount					
At 31 May 2022	24.8	2.6	15.9	2.1	45.4
At 31 May 2021	25.3	2.7	16.3	3.0	47.3

The Group has pledged certain freehold land and buildings with a carrying value of £20.9 million (31 May 2021: £21.3 million) to secure banking facilities granted to the Group.

Depreciation charges are recognised in administrative expenses in the consolidated income statement.

12. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Brands £m	Total £m
Cost					
At 1 June 2020	28.1	6.7	2.2	1.4	38.4
Additions	0.1	0.1	-	-	0.2
At 1 June 2021	28.2	6.8	2.2	1.4	38.6
Additions	-	0.2	-	-	0.2
At 31 May 2022	28.2	7.0	2.2	1.4	38.8
Accumulated amortisation and impairment					
At 1 June 2020	0.6	5.6	0.2	0.6	7.0
Charge for the year	-	0.4	0.2	0.1	0.7
At 1 June 2021	0.6	6.0	0.4	0.7	7.7
Charge for the year	-	0.2	0.3	-	0.5
Impairment charge	7.5	0.2	-	0.2	7.9
At 31 May 2022	8.1	6.4	0.7	0.9	16.1
Carrying amount					
At 31 May 2022	20.1	0.6	1.5	0.5	22.7
At 31 May 2021	27.6	0.8	1.8	0.7	30.9

Amortisation or impairment charges have been charged to administrative expenses in the consolidated income statement.

Customer relationships

Customer relationships are allocated as follows:

	£m	£m
Fuels	1.5	1.8

Brands

Brands are allocated as follows:

	2022 £m	2021 £m
Feeds	-	0.2
Fuels	0.5	0.5
	0.5	0.7

Goodwill

Goodwill acquired is allocated, at acquisition, to cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying value of goodwill is allocated as follows:

	2022 £m	2021 £m
Feeds	4.4	11.9
Fuels	15.7	15.7
	20.1	27.6

The Group tests annually for impairment of goodwill, or more frequently if there are indications that goodwill may be impaired. 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 budgets and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using the growth rates detailed below.

The Group identifies its CGUs as the smallest identifiable group of assets that generate cash inflows, and which are largely independent of the cash inflows of the other assets or groups of assets. CGU specific discount rates are applied in each of the impairment tests as the principal risks and uncertainties associated with each CGU may vary as they operate in different industries and as such the Group risks identified on pages 19 to 22 of the Annual Report may impact each CGU differently.

Feeds

The Feeds goodwill impairment test is performed based on the aggregate value in use calculations for the group of CGUs making up this reporting segment. In line with IAS 36, these units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and this group of units is not larger than the operating segment before aggregation.

The performance of the Feeds segment at the half-year to 30 November 2021 was below historical levels, driven predominantly by lower volumes, and consequently a detailed impairment review was performed at the half-year reporting period end.

The value in use calculations performed at the half-year included key assumptions to reflect a slower speed of recovery, and future growth of volume. Whilst performance in the second half of the financial year has been stronger, volumes are still lower and the outlook for the segment remains in line with the Board's expectations as at 30 November 2021. As at the half-year reporting date the rate used to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses, was 10.46% (31 May 2021: 10.80%).

As a result, a goodwill and brand impairment loss of £7.7 million has been recognised for the Feeds aggregated CGUs, reducing the carrying amount of the goodwill and brands for this CGU to £4.4 million. A further £0.2 million of computer software has been separately identified as obsolete and written off during the period.

The impairment test was reperformed at 31 May 2022 against the carrying value of £4.4 million and the Group are satisfied that the value in use calculations indicate no further impairment. The rate used at 31 May 2022 to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses is noted in the table below.

Fuels

The value in use calculations described above indicate ample headroom and therefore do not give rise to impairment concerns.

Value in use assumptions and sensitivities

The rates used to discount the projected cash flows, equating to the pre-tax discount rates based on comparative businesses, are as follows:

	2022 %	2021 %
Fuels	10.43	11.22
Feeds	10.26	10.80

The headroom on the value in use calculations for Fuels and Feeds are £106.0 million and £3.9 million respectively. The following sensitivities have been performed on the CGU Board-approved forecasts, the impact of which still result in satisfactory headroom and do not give rise to further impairment:

	Value in Use Impact	
	Fuels £m	Feeds £m
Decrease EBITDA by 10%	(11.9)	(0.6)
Increase discount rate by 1%	(16.3)	(0.5)

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

	1 June 2021 £m	Cash flow movements £m	Other non-cash £m	31 May 2022 £m
Cash and cash equivalents	4.0	5.1	-	9.1
Borrowings	(9.5)	9.5	-	-
Hire purchase obligations ¹	(0.2)	0.1	-	(0.1)
Total Group (excluding lease liabilities)	(5.7)	14.7	-	9.0
Lease liabilities (excluding hire purchase obligations transferred)	(25.6)	9.2	(11.8)	(28.2)
Total Group (including lease liabilities)	(31.3)	23.9	(11.8)	(19.2)

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

14. 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 2022 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 2022. 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:

	2022 £m	2021 £m
Present value of defined benefit obligations	(49.0)	(60.0)
Fair value of scheme assets	39.7	45.1
Deficit in the scheme recognised as a liability in the balance sheet	(9.3)	(14.9)
Related deferred tax asset	2.3	3.7
Net pension liability	(7.0)	(11.2)

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

	2022 £m	2021 £m
At 1 June	60.0	61.1
Interest cost	1.2	1.0
Remeasurement (gains)/losses:		
- actuarial (gains)/losses arising from changes in financial assumptions	(10.2)	2.6
- actuarial gains arising from changes in demographic assumptions	(0.6)	(4.0)
- actuarial losses on experience assumptions	0.4	1.2
Benefits paid	(1.8)	(1.9)
At 31 May	49.0	60.0

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

	2022 £m	2021 £m
At 1 June	45.1	40.1
Interest income	0.9	0.7
Remeasurement (losses)/gains:		
- actuarial (losses)/gains on plan assets	(6.4)	3.8
Contributions by employer	2.2	2.7
Expenses	(0.3)	(0.3)
Benefits paid	(1.8)	(1.9)
At 31 May	39.7	45.1

15. 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	(1.8)	2.2
0.25% change in RPI inflation	1.3	(1.7)
One-year change in the life expectancy at age 65	2.3	(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 2023 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.

See note 12 for further details.

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.

16. 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 2022, which will be posted to shareholders on or before 16 August 2022, 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards, 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.

17. Financial calendar

Annual General Meeting	29 September 2022
Dividend:	
- Ex-dividend date	3 November 2022
- Record date	4 November 2022
- Payment date	9 December 2022
Announcement of half-year results	Early February 2023
Publication of Interim Report	Early February 2023
Interim dividend paid	May 2023
Financial year end	31 May 2023
Announcement of full-year results	Early August 2023
Publication of Annual Report and Accounts	Late August 2023

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