RNS Number : 3167O
NWF Group PLC
31 January 2023

For release 7.00am Tuesday 31 January 2023

NWF Group plc

NWF Group plc: Half Year results for the period ended 30 November 2022

NWF Group plc ('NWF' or the 'Group'), the specialist distributor of fuel, food and feed across the UK, today announces its half year results for the period ended 30 November 2022.

	H1 2022	H1 2021	%
Financial highlights			
Revenue	**£541.8m**	£402.6m	34.6
Headline operating profit[1]	**£6.8m**	£4.7m	44.7
Headline profit before taxation[1]	**£6.2m**	£4.3m	44.2
Diluted headline earnings per share[1]	**9.9p**	7.1p	39.4
Interim dividend per share	**1.0p**	1.0p	
Net cash/(debt) [2]	**£1.2m**	(£7.4m)	
Statutory results			
Operating profit/(loss)	**£6.7m**	(£3.8m)	
Profit/(loss) before taxation	**£5.9m**	(£4.4m)	
Diluted earnings per share	**9.3p**	(10.6p)	
Net debt (including IFRS 16 lease liabilities)	**£30.0m**	£36.4m	(17.6)

1 Headline operating profit excludes exceptional items (see note 4) 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.
2 Net cash/(debt) excluding IFRS 16 lease liabilities.

Group highlights

- Record first half results, with Group revenues and headline operating profit significantly ahead of the prior year and the Board's expectations.
- All divisions traded ahead of the Board's expectations at the end of the first half, continuing to demonstrate the resilience of the Group.
- Strong financial position, with a positive cash position at the end of the half year supporting the £10.0 million acquisition of Sweetfuels Limited ('Sweetfuels') in December 2022 and a maintained dividend.
- The Group has traded well since the period end and carries encouraging momentum into the seasonally busier second half, with the Board confident in delivering its full year expectations.

Divisional highlights

Fuels - headline operating profit of £2.6 million (H1 2021: £3.6 million). Good performance in the period with strong margins offsetting lower year-on-year volumes. Prior year included a short-term benefit from increased demand during the autumn fuel shortage.

Food - headline operating profit of £2.1 million (H1 2021: £1.5 million). Strong performance with increased distribution activity and continued improvements in operating efficiency.

Feeds - headline operating profit of £2.1 million (H1 2021: £0.4 million loss). Performance ahead of expectations with volume a little lower than prior year, as a result of good grazing conditions. This was more than offset by a strong margin as farmers optimised feed rations to benefit from a significantly higher milk price.

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

"We have delivered a record first half with a good performance from all three divisions in spite of an uncertain economic outlook and inflationary pressures. NWF has continued to demonstrate its resilience as a business and has significant further growth opportunities. The acquisition of Sweetfuels in December highlights delivery of our growth strategy to consolidate the fragmented fuels distribution market. We have started the important winter period well and continue to focus on the long-term growth of the Group, with a clear investment strategy, which is supported by a strong financial position."

A hybrid meeting is being held today for analysts starting at 9.30am. For login details please contact NWF@mhpgroup.com or call MHP on 020 3128 8013.

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 Director

Reg Hoare /
Catherine Chapman /
Christian Harte
MHP Communications
Tel: 020 3128 8339

Mike Bell /

Ed Allsopp

Peel Hunt LLP (Nominated adviser and

NWF Group plc
Tel: 01829 260 260

broker)
Tel: 020 7418 8900

Chair's statement

NWF delivered a very strong performance in the first half with all three divisions ahead of the Board's expectations and, overall, significantly ahead of the prior year. The Group has also continued to make progress towards its longer-term objectives, including the acquisition of Sweetfuels in December 2022, which is in line with the strategy to further consolidate the fragmented fuels distribution market. Fuels' performance in the first half was robust in spite of reduced demand for heating oil following a mild autumn and inflationary pressures on businesses and consumers. In Food, distribution activity increased compared to the prior year and operating efficiency continued to improve. Feeds' performance was ahead of expectations with a high milk price supporting farmers in optimising feed rations, which improved our margins. This more than offset slightly lower volumes resulting from good autumn grazing conditions.

Results

Revenue for the half year ended 30 November 2022 was 34.6% higher at £541.8 million (H1 2021: £402.6 million), primarily as a result of higher commodity prices in Fuels and Feeds. Headline operating profit[1] was higher at £6.8 million (H1 2021: £4.7 million), with a strong performance in all three divisions. Headline profit before taxation[1] was up 44.2% to £6.2 million (H1 2021: £4.3 million).

Basic headline earnings per share[1] was 9.9p (H1 2021: 7.1p) and diluted headline earnings per share[1] was 9.9p (H1 2021: 7.1p).

Net cash absorbed from operations for the period amounted to £0.5 million (H1 2021: £5.1 million generated). Cash generation was lower as a result of the investment in additional working capital to manage increased commodity costs and supply constraints in the fuel market. Net capital expenditure in the period was £1.3 million (H1 2021: £1.4 million).

Net cash at the period end, excluding the impact of IFRS 16, was materially higher at £1.2 million (H1 2021: £7.4 million net debt), reflecting the Group's strong cash generation. This excludes the net cash consideration of £10.0 million for the acquisition of Sweetfuels completed post period end.

The Group's banking facilities of £65.0 million are committed to October 2023 and NWF continues to operate with substantial headroom. Net debt including the impact of IFRS 16 was £30.0 million (H1 2021: £36.4 million). Refinancing of this facility is in progress as planned.

Net assets at 30 November 2022 increased to £70.2 million (30 November 2021: £53.8 million). The IAS 19R defined benefits pension scheme valuation deficit has increased from £9.3 million as at 31 May 2022 to £10.5 million at the half year, as a result of increases in discount and inflation rate assumptions only partially offsetting lower asset values.

Dividend

The Board has approved an unchanged interim dividend per share of 1.0p (H1 2021: 1.0p), in line with its policy. This will be paid on 2 May 2023 to shareholders on the register as at 17 March 2023. The shares will trade ex-dividend on 16 March 2023. The Group has increased the annual dividend by approximately 5% in each of the last ten years reflecting the Group's strong underlying financial performance and position.

Operations

Fuels

Revenue increased by 40.2% to £401.8 million (H1 2021: £286.5 million) as a result of significantly higher oil prices and a greater proportion of commercial volume. Headline operating profit was £2.6 million (H1 2021: £3.6 million), ahead of expectations, but behind the prior year which benefitted from additional demand from the short-term retail supply challenges in autumn 2021.

Volumes decreased by 13.5%, to 300 million litres (H1 2021: 347 million litres) with the largest reduction being in domestic heating oil which was over 20.0% lower than prior year. This was a consequence of a warm autumn and consumer concerns over cost of living and the higher price of oil. Diesel volumes increased given the changes to gas oil duty in April 2022, but this did not fully offset the decline in gas oil sales. In the first half Brent Crude averaged $99.08 per barrel (H1 2021: $76.22 per barrel) and ended the reporting period at $85.43 per barrel.

Across the period and particularly in November and December, the oil distribution market suffered from supply issues which have resulted in some constraints on supplying customers and additional haulage costs as product is moved around the country. Against this, NWF benefited from national supply agreements and a UK-wide depot network which has continued to service our domestic and commercial customers.

The acquisition of Sweetfuels in December has added a 20 million litre fuel distributor based in Faringdon, Oxfordshire, supplying fuel to predominantly domestic customers across the Cotswolds. It further expands and infills NWF's geographic coverage of its Fuels business within the UK. The acquisition is expected to be immediately earnings enhancing to the Group.

The Group will implement its proven post-acquisition integration plan, retaining the local brand and customer facing parts of the business whilst centralising support services. In the 12 months to 31 August 2021, Sweetfuels generated EBITDA of £1.3 million, profit before tax of £1.2 million and had net assets of £2.8 million.

The UK fuels distribution market is highly fragmented, and the Board believes the opportunity for NWF to expand its depot network, broadening the customer base and leveraging scale efficiencies, remains significant. The Group has a strong and established acquisition and integration track record and is actively exploring several opportunities.

Food

Revenue increased by 15.0% to £36.0 million (H1 2021: £31.3 million). Headline operating profit was £2.1 million (H1 2021: £1.5 million).

Demand for ambient grocery products was stable during the period, which was reflected in consistent storage volumes at an average of 122,000 spaces (H1 2021: 122,000), with total capacity now at 135,000 pallet spaces. This utilisation at an average of just over 90% is in line with our plans and highlights the business has the customer base to fully utilise our facilities. In terms of throughput, pallets dispatched were 6% higher than the prior year reflecting a greater stock turn of our customers' products and generating additional revenue and contribution.

The improvement in profitability has been driven through improved distribution contribution on the back of additional activity and an associated increase in backload opportunities. There were no significant demand spikes as were experienced in prior years and customers' peak demand was planned for and managed effectively, delivering consistently high levels of service. We have continued to have both the appropriate skills and labour capacity for our warehouse activities, as well as a stable population of drivers in the business.

The packing room operation was well ahead of prior year, working on added value services for a number of our storage customers. Whilst e-fulfilment was similar to prior year, Palletline revenue was significantly lower than prior year, in line with reported lower levels of network activity.

Feeds

Revenue increased by 22.6% to £104.0 million (H1 2021: £84.8 million) as higher commodity and selling prices more than offset slightly lower volumes in the period. Headline operating profit was £2.1 million (H1 2021: £0.4 million loss) as the business passed on inflationary cost increases in commodities, other cost inputs and farmers fed to optimise performance and benefitted from a record high milk price.

Volumes were 1.7% lower at 238,000 tonnes (H1 2021: 242,000 tonnes) as a result of good grazing conditions through the mild autumn period. DEFRA data suggests the ruminant feed market was 2.2% lower.

The market experienced continued volatility of commodity prices linked to the news flow from the Ukraine conflict, harvest data and global economic outlook. In the period, whilst a basket of commodities on the spot market was generally lower, proteins increased in price and grains fell significantly. Average milk prices increased by over 10p per litre over the period which more than offset the impact of higher feed prices and other cost inputs on a dairy farm. Average milk prices at the end of November were 51.1p per litre (November 2021: 33.8p per litre). Milk production was 0.6% higher year-on-year.

Our operational platform, with key mills close to customers in the North, Central and Southern regions, delivered the expected efficiencies and provides an effective base for future development. Investment has continued into NWF's Feeds training academy to develop our future nutritionists.

ESG framework

The leadership team of NWF continues to develop its work on ESG with measures and targets now embedded in monthly reporting to the Board and a focus on continuous improvement activity. We are in line with our plan to deliver appropriate UK-CFD (United Kingdom - Climate-related Financial Disclosures) reports and disclosures in our 2023 Annual Report.

Board update

As announced in August, I have agreed to remain as Chair until such a time that a successor is appointed. With effect from 1 September 2022, Dawn Moore was appointed as a Non-Executive Director, bringing significant HR experience in public, private and third sectors.

Outlook and future prospects

Following a very strong first half, the Group has continued to trade well since the period end. In Fuels, demand for heating oil increased as cold weather was experienced in December, although we are unclear what the cost of living crisis will mean for domestic demand across the key winter months. Acquisition development activity continues, and the integration of Sweetfuels is following our proven post-acquisition process. In Food, demand was a little greater than anticipated leading into Christmas as retailers increased stocks of core commodity product lines. In Feeds, volumes and margin remain robust; however, there continues to be volatility and uncertainty around commodity prices. Across all three divisions there are inflationary cost pressures in labour and energy which are being managed.

Our financial position is strong and we continue to focus on development opportunities, both organic and through targeted acquisitions, which underpin our continued confidence in NWF's growth potential and future prospects.

We have made a positive start to the year and consequently the Board remains very confident in its expectations for the full year as we move through the significant winter period for the Group. I look forward to updating shareholders later this year.

Philip Acton

Chair

31 January 2023

Condensed consolidated income statement

for the half year ended 30 November 2022 (unaudited)

	Note	**Half year ended 30 November 2022 £m**	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Revenue	3	**541.8**	402.6	878.6
Cost of sales and administrative expenses		**(535.1)**	(406.4)	865.4
Headline operating profit[1]		**6.8**	4.7	21.8
Exceptional items	4	**-**	(8.4)	(8.3)
Amortisation of acquired intangibles		**(0.1)**	(0.1)	(0.3)
Operating profit/(loss)	3	**6.7**	(3.8)	13.2
Finance costs	5	**(0.8)**	(0.6)	(1.2)
Headline profit before taxation[1]		**6.2**	4.3	20.9
Exceptional items	4	**-**	(8.4)	(8.3)
Amortisation of acquired intangibles		**(0.1)**	(0.1)	(0.3)
Net finance cost in respect of the defined benefit pension scheme		**(0.2)**	(0.2)	(0.3)
Profit/(loss) before taxation		**5.9**	(4.4)	12.0
Income tax expense	6	**(1.3)**	(0.8)	(3.6)
Profit/(loss) for the period attributable to equity shareholders		**4.6**	(5.2)	8.4
Earnings per share (pence)				
Basic	7	**9.3**	(10.6)	17.1
Diluted	7	**9.3**	(10.6)	17.0
Headline earnings per share (pence)[1]				
Basic	7	**9.9**	7.1	35.0
Diluted	7	**9.9**	7.1	34.8

The notes form an integral part of this condensed consolidated Half Year Report.

1 Headline operating profit is statutory operating profit of £6.7 million (H1 2021: £3.8 million loss) before exceptional items of £Nil (H1 2021: £8.4 million) and amortisation of acquired intangibles of £0.1 million (H1 2021: £0.1 million). Headline profit before taxation is statutory profit before taxation of £5.9 million (H1 2021: £4.4 million loss), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.2 million (H1 2021: £0.2 million), the exceptional items and the amortisation of acquired intangibles. Headline earnings per share also takes into account the taxation effect thereon.

Condensed consolidated statement of comprehensive income
for the half year ended 30 November 2022 (unaudited)

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Profit/(loss) for the period attributable to equity shareholders	**4.6**	(5.2)	8.4
Items that will never be reclassified to profit or loss:			
Re-measurement (loss)/gain on the defined benefit pension scheme	**(2.2)**	(0.3)	4.0
Tax on items that will never be reclassified to profit or loss	**0.3**	(0.1)	(1.0)
Total comprehensive income/(expense) for the period	**2.7**	(5.6)	11.4

The notes form an integral part of this condensed consolidated Half Year Report.

Condensed consolidated balance sheet
as at 30 November 2022 (unaudited)

	Note	**30 November 2022 £m**	30 November 2021 (restated[1]) £m	31 May 2022 £m
Non-current assets				
Property, plant and equipment		**44.1**	45.9	45.4
Right of use assets		**30.5**	28.7	27.5
Intangible assets		**22.5**	22.9	22.7
		97.1	97.5	95.6
Current assets				
Inventories		**10.3**	8.7	9.8
Trade and other receivables	8	**115.9**	90.3	96.2
Reimbursement assets	9	**2.7**	3.9	2.8
Current income tax asset		**-**	0.2	-
Cash and cash equivalents	8	**1.2**	0.5	9.1
Derivative financial instruments	8	**0.4**	0.2	0.4
		130.5	103.8	118.3
Total assets		**227.6**	201.3	213.9
Current liabilities				
Trade and other payables	8	**(108.5)**	(89.7)	(100.6)
Current income tax liabilities		**(0.4)**	-	(0.4)
Borrowings	8	**-**	(4.7)	-
Lease liabilities	8	**(9.6)**	(8.4)	(8.6)
Provision for liabilities	10	**(2.9)**	(3.9)	(3.1)
Derivative financial instruments	8	**(0.2)**	(0.1)	(0.2)
		(121.6)	(106.8)	(112.9)
Non-current liabilities				
Borrowings	8	**-**	(3.0)	-
Lease liabilities	8	**(21.6)**	(20.8)	(19.7)
Provision for liabilities	10	**(0.6)**	(0.4)	(0.7)
Deferred income tax liabilities		**(3.1)**	(2.0)	(3.2)
Retirement benefit obligations		**(10.5)**	(14.5)	(9.3)
		(35.8)	(40.7)	(32.9)
Total liabilities		**(157.4)**	(147.5)	(145.8)
Net assets		**70.2**	53.8	68.1
Equity				
Share capital	11	**12.4**	12.3	12.3
Share premium		**0.9**	0.9	0.9
Retained earnings		**56.9**	40.6	54.9
Total equity		**70.2**	53.8	68.1

The notes form an integral part of this condensed consolidated Half Year Report.

1 A £3.9 million provision for liabilities has been recognised as at 30 November 2021 in respect of third-party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £3.9 million has been recognised as at 30 November 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 December 2020 would be the inclusion of a provision for insurance claims of £2.5 million and a corresponding re-imbursement asset of £2.5 million in respect of third party claims made against the Group, but which were indemnified under the terms of its insurance policy.

Condensed consolidated statement of changes in equity
for the half year ended 30 November 2022 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 2021	12.3	0.9	46.3	59.5
Loss for the period	-	-	(5.2)	(5.2)
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	-	-	(0.3)	(0.3)
Tax on items that will never be reclassified to profit or loss	-	-	(0.1)	(0.1)
Total comprehensive expense for the period	-	-	(5.6)	(5.6)
Transactions with owners:				
Value of employee services	-	-	(0.1)	(0.1)
	-	-	(0.1)	(0.1)
Balance at 30 November 2021	12.3	0.9	40.6	53.8
Profit for the period	**-**	**-**	13.6	13.6

Items that will never be reclassified to profit or loss:				
Re-measurement gain on the defined benefit pension scheme	-	-	4.3	4.3
Tax on items that will never be reclassified to profit or loss	-	-	(0.9)	(0.9)
Total comprehensive income for the period	-	-	17.0	17.0
Transactions with owners:				
Dividend paid	-	-	(3.5)	(3.5)
Credit to equity for equity-settled share-based payments	-	-	0.8	0.8
	-	-	(2.7)	(2.7)
Balance at 31 May 2022	12.3	0.9	54.9	68.1
Profit for the period	-	-	**4.6**	**4.6**
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	-	-	**(2.2)**	**(2.2)**
Tax on items that will never be reclassified to profit or loss	-	-	**0.3**	**0.3**
Total comprehensive income for the period	-	-	**2.7**	**2.7**
Transactions with owners:				
Issue of shares	**0.1**	-	**(0.1)**	-
Value of employee services	-	-	**(0.6)**	**(0.6)**
	0.1	-	**(0.7)**	**(0.6)**
Balance at 30 November 2022	**12.4**	**0.9**	**56.9**	**70.2**

The notes form an integral part of this condensed consolidated Half Year Report.

Condensed consolidated cash flow statement

for the half year ended 30 November 2022 (unaudited)

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Cash flows from operating activities			
Operating profit/(loss)	**6.7**	(3.8)	13.2
Adjustments for:			
Depreciation and amortisation	**7.5**	6.9	14.0
Impairment of intangible assets	-	7.9	7.9
Impairment of property, plant and equipment	-	0.5	0.5
Profit on disposal of fixed assets	**(0.4)**	(0.1)	-
Fair value profit on financial derivative	-	-	(0.1)
Share-based payment expense	-	-	0.8
Value of employee services	**(0.6)**	(0.1)	(0.1)
Contributions to pension scheme not recognised in income statement	**(1.1)**	(0.8)	(1.8)
Operating cash flows before movements in working capital	**12.1**	10.5	34.4
Movements in working capital:			
Increase in inventories	**(0.5)**	(2.1)	(3.2)
Increase in receivables	**(19.5)**	(18.2)	(23.9)
Increase in payables	**7.4**	14.9	26.4
Net cash (absorbed)/generated from operations	**(0.5)**	5.1	33.7
Interest paid	**(0.6)**	(0.4)	(0.9)
Income tax paid	**(1.2)**	(0.7)	(2.7)
Net cash (absorbed)/generated from operating activities	**(2.3)**	4.0	30.1
Cash flows from investing activities			
Purchase of intangible assets	-	(0.1)	(0.2)
Purchase of property, plant and equipment	**(1.3)**	(1.4)	(3.4)
Acquisition of subsidiaries - cash paid (net of cash acquired)	-	-	-
Proceeds on sale of property, plant and equipment	**0.6**	0.1	0.4
Net cash absorbed by investing activities	**(0.7)**	(1.4)	(3.2)
Cash flows from financing activities			
Decrease in bank borrowings	-	(1.8)	(9.5)
Capital element of leases	**(4.9)**	(4.3)	(8.8)
Dividends paid	-	-	(3.5)
Net cash absorbed by financing activities	**(4.9)**	(6.1)	(21.8)
Net movement in cash and cash equivalents	**(7.9)**	(3.5)	5.1
Cash and cash equivalents at beginning of period	**9.1**	4.0	4.0
Cash and cash equivalents at end of period	**1.2**	0.5	9.1

The notes form an integral part of this condensed consolidated Half Year Report.

Notes to the condensed consolidated half year report

for the half year ended 30 November 2022 (unaudited)

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 address of its registered office is NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP.

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

These condensed consolidated interim financial statements ('interim financial statements') were approved by the Board for issue on 31 January 2023.

These interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements for the half years ended 30 November 2022 and 30 November 2021 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2022 were approved by the Board of Directors on 2 August 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation and accounting policies

Except as described below, these interim financial statements have been prepared in accordance with the principal accounting policies used in the Group's consolidated financial statements for the year ended 31 May 2022. These interim financial statements should be read in conjunction with those consolidated financial statements, which have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 and the UK-adopted International Accounting Standards.

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

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

The triennial actuarial valuation of the Group's defined benefit pension scheme was completed during the half year ended 30 November 2020, with a deficit of £16.2 million at the valuation date of 31 December 2019. In these interim financial statements, this liability has been updated in order to derive the IAS 19R valuation as of 30 November 2022. The triennial valuation resulted in Group contributions of £2.1 million per annum, including recovery plan payments of £1.8 million per annum 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 Directors consider that headline operating profit, headline profit before taxation, headline earnings per share and headline EBITDA measures, referred to in these interim 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, amortisation of acquired intangibles, exceptional items and the taxation effect thereon where relevant. 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 includes any exceptional impact of remeasuring deferred tax balances. The calculations of basic and diluted headline earnings per share are shown in note 7 of these interim financial statements.

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, asset impairment and income from legal settlements. In determining whether an item should be disclosed as an exceptional item, the Directors consider qualitative as well as quantitative 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.

The Group tests annually for impairment, or at the end of each reporting date if there is any indication that an asset may be impaired. This involves using key judgements including estimates of future business performance and cash generation, discount rates and long-term growth rates.

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

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.

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.

3. Segment information

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

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

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

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 headline operating profit. Finance income and costs are not included in the segment results which are 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 current income tax assets and cash and cash equivalents. Segment liabilities exclude deferred income tax liabilities, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

Half year ended 30 November 2022	Note	**Fuels £m**	**Food £m**	**Feeds £m**	**Group £m**
Revenue					
Total revenue		**406.1**	**36.1**	**104.0**	**546.2**
Inter-segment revenue		**(4.3)**	**(0.1)**	**-**	**(4.4)**
Revenue		**401.8**	**36.0**	**104.0**	**541.8**
Result					
Headline operating profit		**2.6**	**2.1**	**2.1**	**6.8**
Amortisation of acquired intangibles		**(0.1)**	**-**	**-**	**(0.1)**
Operating profit as reported					**6.7**
Finance costs	5				**(0.8)**

Profit before taxation					**5.9**
Income tax expense	6				**(1.3)**
Profit for the period					**4.6**
Other information					
Depreciation and amortisation		**2.9**	**3.0**	**1.5**	**7.4**
Fixed asset additions		**0.2**	**0.6**	**0.5**	**1.3**

As at 30 November 2022	**Fuels £m**	**Food £m**	**Feeds £m**	**Group £m**
Balance sheet				
Assets				
Segment assets	**119.4**	**52.4**	**54.6**	**226.4**
Cash and cash equivalents				**1.2**
Consolidated total assets				**227.6**
Liabilities				
Segment liabilities	**(96.9)**	**(23.6)**	**(22.9)**	**(143.4)**
Current income tax liabilities				**(0.4)**
Deferred income tax liabilities				**(3.1)**
Retirement benefit obligations				**(10.5)**
Consolidated total liabilities				**(157.4)**

Half year ended 30 November 2021	Note	Fuels £m	Food £m	Feeds £m	Group £m
Revenue					
Total revenue		290.0	31.4	84.8	406.2
Inter-segment revenue		(3.5)	(0.1)	-	(3.6)
Revenue		286.5	31.3	84.8	402.6
Result					
Headline operating profit/(loss)		3.6	1.5	(0.4)	4.7
Segment exceptional item	4	-	-	(8.4)	(8.4)
Amortisation of acquired intangibles		(0.1)	-	-	(0.1)
Operating loss as reported					(3.8)
Finance costs	5				(0.6)
Loss before taxation					(4.4)
Income tax expense	6				(0.8)
Loss for the period					(5.2)
Other information					
Depreciation and amortisation		2.4	3.0	1.5	6.9
Fixed asset additions		0.4	0.4	0.6	1.4

As at 30 November 2021	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	95.4	50.0	51.3	196.7
Current income tax assets				0.2
Cash and cash equivalents				0.5
Consolidated total assets				197.4
Liabilities				
Segment liabilities	(78.6)	(21.4)	(19.4)	(119.4)
Deferred income tax liabilities				(2.0)
Borrowings				(7.7)
Retirement benefit obligations				(14.5)
Consolidated total liabilities				(143.6)

Year ended 31 May 2022	Note	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	4	-	-	(8.4)	(8.4)
Group exceptional item	4				0.1
Amortisation of acquired intangibles		(0.3)	-	-	(0.3)
Operating profit as reported					13.2
Finance costs	5				(1.2)
Profit before taxation					12.0
Income tax expense	6				(3.6)
Profit for the year					8.4
Other information					
Depreciation and amortisation		5.2	5.9	2.9	14.0
Fixed asset additions		0.9	1.1	1.4	3.4

As at 31 May 2022	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	106.5	48.3	50.0	204.8
Cash at bank and in hand				9.1
Consolidated total assets				213.9
Liabilities				
Segment liabilities	(88.7)	(20.1)	(24.1)	(132.9)
Deferred income tax liabilities				(3.2)
Borrowings				(0.4)
Retirement benefit obligations				(9.3)
Consolidated total liabilities				(145.8)

4. Profit before taxation - exceptional items

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Impairment of goodwill and other intangible assets	**-**	7.9	7.9
Impairment of property, plant and equipment	**-**	0.5	0.5
Insurance reclaim credit	**-**	-	(0.1)
Exceptional costs	**-**	8.4	8.3

5. Finance costs

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Interest on bank loans and overdrafts	**0.3**	0.2	0.4
Finance costs on lease liabilities relating to IFRS 16	**0.3**	0.2	0.5
Net finance cost in respect of the defined benefit pension scheme	**0.2**	0.2	0.3
Total finance costs	**0.8**	0.6	1.2

6. Income tax expense

The income tax expense for the half year ended 30 November 2022 is based upon management's best estimate of the weighted average annual tax rate (before impairment-related exceptional costs) expected for the full financial year ending 31 May 2023 of 21.9% (H1 2021: 21.0%).

7. Earnings per share

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

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	**4.6**	(5.2)	8.4

	Half year ended 30 November 2022 '000	Half year ended 30 November 2021 '000	Year ended 31 May 2022 '000
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**49,302**	49,084	49,109
Weighted average dilutive effect of conditional share awards (note 11)	**106**	51	299
Weighted average number of shares for the purposes of diluted earnings per share	**49,408**	49,135	49,408

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

	Half year ended 30 November 2022 £m	Half year ended 30 November 2021 £m	Year ended 31 May 2022 £m
Profit/(loss) for the period attributable to equity shareholders	**4.6**	(5.2)	8.4
Add back:			
Net finance cost in respect of the defined benefit pension scheme	**0.2**	0.2	0.3
Exceptional items	**-**	8.4	8.3
Exceptional impact of remeasuring deferred tax balances	**-**	-	-
Amortisation of acquired intangibles	**0.1**	0.1	0.3
Tax effect of the above	**-**	-	(0.1)
Headline earnings	**4.9**	3.5	17.2

8. Financial instruments

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, lease liabilities, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2022 and 2021 were denominated in Sterling. There is no significant foreign exchange risk in respect of these instruments.

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

IFRS 13 (amended) 'Financial Instruments: Disclosures' requires disclosure of financial instruments measured at fair value, grouped into Levels 1 to 3 below, based on the degree to which the fair value is observable:

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

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

The book and fair values of financial assets are as follows:

Total book and fair value	30 November 2022 £m	30 November 2021 £m	31 May 2022 £m
Trade and other receivables[1]	**109.1**	83.7	93.0
Financial assets carried at amortised cost: cash and cash equivalents	**1.2**	0.5	9.1
Financial assets carried at fair value: derivatives	**0.4**	0.2	0.4
Financial assets	**110.7**	84.4	102.5

1 Excludes prepayments.

The book and fair values of financial liabilities are as follows:

Total book and fair value	30 November 2022 £m	30 November 2021 £m	31 May 2022 £m
Financial liabilities carried at amortised cost:			
Trade and other payables[2]	**107.2**	88.7	99.2
Floating rate invoice discounting advances	**-**	4.7	-
Lease liabilities repayable within one year	**9.6**	8.4	8.6
Financial liabilities carried at fair value: derivatives	**0.2**	0.1	0.2
	117.0	101.9	108.0
Revolving credit facility	**-**	3.0	-
Lease liabilities repayable after one year	**21.6**	20.8	19.7
	21.6	23.8	19.7
Financial liabilities	**138.6**	125.7	127.7

2 Excludes social security and other taxes.

9. Reimbursement assets

	30 November 2022 £m	30 November 2021 (restated[1]) £m	31 May 2022 £m
Reimbursement assets	**2.7**	3.9	2.8

1 £3.9 million of reimbursement assets have been recognised as at 30 November 2021 in respect of the reimbursement of third-party claims made against the Group, which are indemnified under the terms of its insurance policy. A corresponding provision for liabilities of £3.9 million has been recognised as at 30 November 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.

10. Provisions for liabilities

	30 November 2022 £m	30 November 2021 (restated[1]) £m	31 May 2022 £m
Current			
Provision for insurance claims	**2.7**	3.9	2.8
Provision for dilapidations	**0.2**	-	0.1
Other provisions	**-**	-	0.2
	2.9	3.9	3.1
Non-current			
Provision for dilapidations	**0.6**	0.4	0.7
Total	**3.5**	4.3	3.8

1 £3.9 million of reimbursement assets have been recognised as at 30 November 2021 in respect of the reimbursement of third-party claims made against the Group, which are indemnified under the terms of its insurance policy. A corresponding provision for liabilities of £3.9 million has been recognised as at 30 November 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 Group recognises a provision for liabilities in respect of third-party claims made against the Group. A corresponding reimbursement asset of £2.7 million (2021: £3.9 million) has been recognised as all of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy. As the Group expects insurance claims to be settled within one year, recognition of these balances is made with current assets and current liabilities.

The Group also recognises current and non-current provisions for dilapidations totalling £0.8 million (2021: £0.4 million) in respect of leased properties and commercial vehicles.

11. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 31 May 2021	49,004	12.3
Issue of shares (see below)	130	-
Balance at 30 November 2021	49,134	12.3
Issue of shares	-	-
Balance at 31 May 2022	49,134	12.3
Issue of shares (see below)	274	0.1
Balance at 30 November 2022	**49,408**	**12.4**

During the half year ended 30 November 2022, 273,800 shares (H1 2021: 130,198) with an aggregate nominal value of £68,450 (H1 2021: £32,550) were issued under the Company's conditional Performance Share Plan.

The maximum total number of ordinary shares that may vest in the future in respect of conditional Performance Share Plan awards outstanding at 30 November 2022 amounted to 857,210 (H1 2021: 1,386,289) shares. These shares will only be issued subject to satisfying certain performance criteria.

12. Post balance sheet events

On 21 December 2022, the Group acquired 100% of the share capital of Sweetfuels Limited, a 20 million litre fuel distributor based near Faringdon, Oxfordshire, supplying mainly domestic customers across the Cotswolds. The net cash consideration of £10.0 million on a debt and cash free basis was settled at completion.

2023 financial calendar

Interim dividend paid	2 May 2023
Financial year end	31 May 2023
Full year results announcement	Early August 2023
Publication of Annual Report and Accounts	Late August 2023
Annual General Meeting	28 September 2023
Final dividend paid	Early December 2023

---

[1] Headline operating profit excludes exceptional items (see note 4) 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.