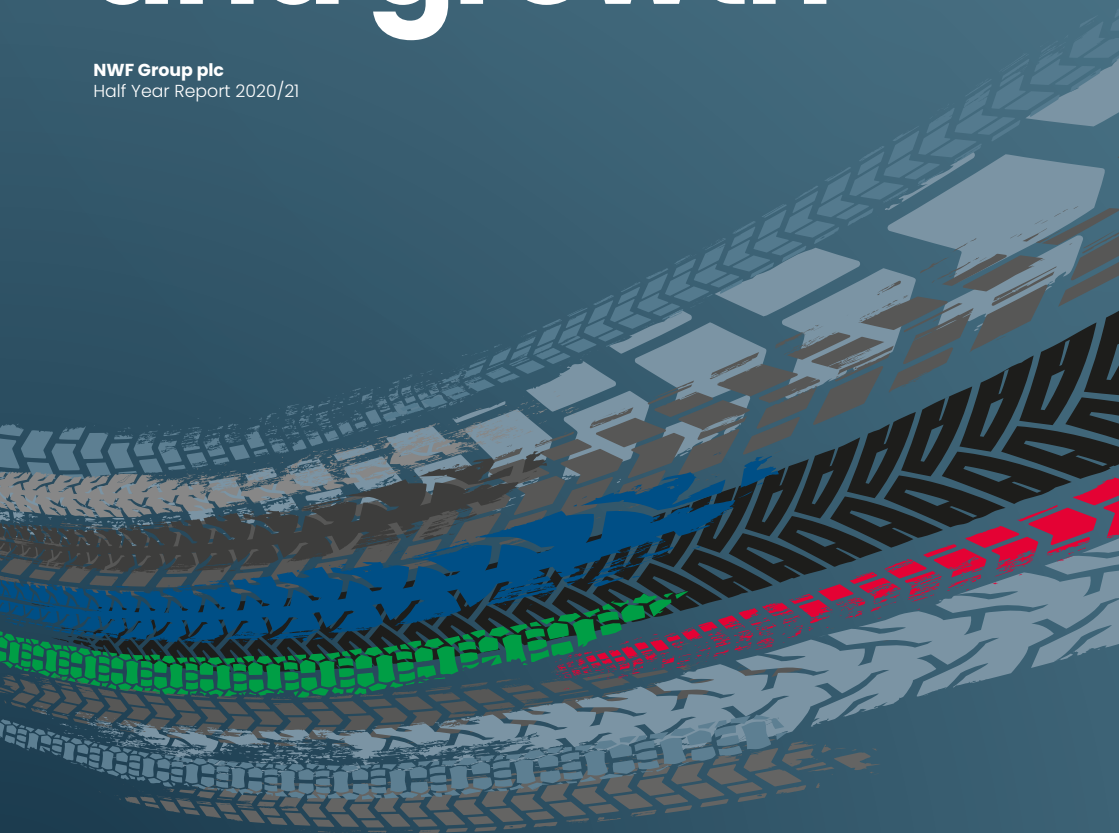


# Resilience and growth

**NWF Group plc**  
Half Year Report 2020/21



# NWF Group is a specialist distributor of fuel, food and feed across the UK

## Fuels

**Positive H1 trading**

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 665 million litres across the UK to 116,000 customers.

## Food

**Growth with volatile demand patterns**

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over one million ft<sup>2</sup> of warehousing and significant distribution assets.

## Feeds

**Trading as planned**

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,750 customers in the UK, feeding one in six dairy cows in Britain.



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## Financial highlights

### Group highlights

- Overall trading performance in the first half in line with the Board's expectations and expectations for the full year unchanged.
- Results behind prior year, as anticipated, with the resilience of the Group demonstrated by consistent trading despite Brexit uncertainty and the ongoing challenge of Covid-19.
- The Group's financial position remains very strong, with leverage at <1.0x which provides capacity for continued investment in support of strategic initiatives, the pursuit of further acquisition opportunities in the Fuels division and a maintained interim dividend.
- The Group is pleased to confirm that the cyber incident at the end of October has been successfully contained and has not materially impacted the trading or commercial performance of the business.
- All divisions fully operational in current lockdown, employees designated as key workers and no significant change in demand levels.

### Divisional highlights

#### Fuels

#### Headline operating profit

**£1.9m**

(H1 2019: £1.4 million)

#### Food

#### Headline operating profit

**£0.5m**

(H1 2019: £1.4 million)

#### Feeds

#### Headline operating profit

**£0.6m**

(H1 2019: £0.7 million)

Positive trading across the network, with increased underlying sales of gas oil offsetting lower underlying demand for heating oil and diesel, alongside a positive contribution from acquisitions.

Increased activity with the new Crewe warehouse fully operational and performing as planned. Significant demand volatility due to the Covid-19 lockdowns and Brexit created inefficient working in the short term and a changed business mix with a lower proportion of high value foodservice volumes.

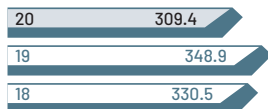
Stable performance with lower feed volumes offset by a focus on cost control and commodity purchasing in highly volatile commodity markets.

### Financial highlights

#### Revenue

**£309.4m**

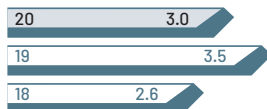
-11.3%



#### Headline operating profit<sup>1</sup>

**£3.0m**

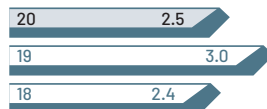
-14.3%



#### Headline profit before tax<sup>1</sup>

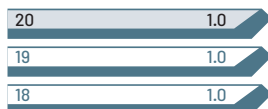
**£2.5m**

-16.7%



#### Interim dividend per share

**1.0p**



#### Fully diluted headline EPS<sup>1</sup>

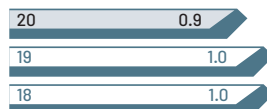
**4.3p**

-15.7%



#### Net debt to headline EBITDA (excl. IFRS 16 lease liabilities)<sup>2</sup>

**0.9x**



Statutory results	H1 2020	H1 2019	%
Net debt	<b>£16.5m</b>	£14.9m	+10.7%
Operating profit	<b>£2.7m</b>	£3.1m	-16.7%
Profit before taxation	<b>£2.0m</b>	£2.4m	-16.7%
Fully diluted EPS	<b>3.3p</b>	4.0p	-17.5%

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



Find out more about NWF and watch our latest video at [www.nwf.co.uk](http://www.nwf.co.uk)

# Solid performance in line with expectations



NWF has delivered a solid performance in the first half with overall results in line with the Board's expectations. The Group has now recommenced development activity, particularly targeting further acquisitions in the highly fragmented Fuels market. Fuels delivered ahead of expectations with improved gas oil sales and a positive contribution from the businesses acquired last year. In Food, the new Crewe warehouse is performing as planned and sets a benchmark in operating efficiency. The business has been negatively impacted by the unprecedented volatility in demand patterns, largely as a result of Covid-19 uncertainty for consumers and retailers, as well as a weaker business mix with less higher value food service work undertaken. Feeds has delivered in line with expectations with volumes lower most significantly as a result of less demand from other UK compounders in the first half.

With the ongoing challenge of Covid-19 we continue to prioritise the safety of our employees with safe methods of working across the Group and home working where practical. I am also pleased to confirm that NWF has not utilised any form of Government support, furloughed any employees or delayed payments.

## Results

Revenue for the half year ended 30 November 2020 was 11.3% lower at £309.4 million (H1 2019: £348.9 million) as a result of the lower price of oil and lower volumes in Feeds. Headline operating profit<sup>1</sup> was lower at £3.0 million (H1 2019: £3.5 million),

with Fuels' outperformance not sufficient to offset the reduction in Food in the half year. Headline profit before taxation<sup>1</sup> was down 16.7% to £2.5 million (H1 2019: £3.0 million).

Headline basic earnings per share<sup>1</sup> was 4.3p (H1 2019: 5.1p) and headline diluted earnings per share<sup>1</sup> was 4.3p (H1 2019: 5.1p).

Net cash generated by operations for the period amounted to £4.0 million (H1 2019: £8.6 million). Cash generation was lower as a result of working capital outflows driven by the changing mix in Fuels and the increase in commodity prices in Fuels and Feeds during the half year.

Net capital expenditure in the period was £1.8 million (H1 2019: £2.3 million), lower than planned as we retained a cautious approach to investment against an uncertain backdrop. During the period, the final balance of £1.1 million was paid for the acquisition of Ron Darch & Sons Co Limited, following finalisation of completion accounts. Net consideration on acquisitions in the prior period was £3.2 million.

Net debt at the period end, excluding the impact of IFRS 16, was £16.5 million (H1 2019: £14.9 million) with net debt to headline EBITDA slightly lower at 0.9x (H1 2019: 1.0x). 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 £42.2 million (H1 2019: £33.5 million) with the increase largely as a result of the Crewe development in Food.

Net assets at 30 November 2020 increased to £52.9 million (30 November 2019: £48.8 million). The IAS 19R defined benefits pension scheme valuation deficit has reduced from £21.0 million as at 31 May 2020 to £18.7 million at the half year, driven by increased asset value and changes in mortality assumptions.

## Dividend

The Board has approved an interim dividend per share of 1.0p (H1 2019: 1.0p). This will be paid on 5 May 2021 to shareholders on the register as at 19 March 2021. The shares will trade ex-dividend on 18 March 2021. The Group has a progressive dividend policy and has increased the annual dividend by approximately 5% in each of the last five years.

## Operations

### Fuels

Revenue decreased by 16.3% to £205.7 million (H1 2019: £245.9 million) as a result of lower oil prices more than offsetting the increase in volumes sold in the period. Headline operating profit was £1.9 million (H1 2019: £1.4 million) benefitting from higher volumes, improved product mix and prior period acquisitions.

Volumes increased by 4.8% to 329 million litres (H1 2019: 314 million litres) with underlying volumes stable, but with an increase in gas oil offsetting lower sales of heating oil and diesel. Brent Crude, whilst significantly lower than the same period in the prior year, broadly increased during the first half to an average of \$42.71 per barrel (H1 2019: \$61.87 per barrel) and ended the reporting period at \$47.59 per barrel.

<sup>1</sup> 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.

Whilst there was a pause in acquisition activity following the emergence of Covid-19, the Group has now recommenced acquisition plans for the division. 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 is significant. The Group has a strong and established acquisition and integration track record and is actively exploring several opportunities.

### Food

Revenue increased by 12.7% to £27.5 million (H1 2019: £24.4 million). Headline operating profit was £0.5 million (H1 2019: £1.4 million).

Storage volumes increased to an average of 121,000 pallet spaces (H1 2019: 106,000), with total capacity now standing at 135,000. The significant increase has been as a result of the new Crewe 35,000 pallet space warehouse coming on stream and the exit from third party overflow storage which was utilised in the prior year. The growth has been supported by new long-term contracts with customers and an effective measure of throughput is pallets shipped, which were 19% higher than prior year.

The reduction in operating profit was largely as a result of significant unplanned demand volatility across the period, bringing the new Crewe warehouse on stream and building customer stock levels. With concerns around Covid-19 and Brexit there have been periods of significant demand ahead of capacity and then periods when demand has dropped as excess stock is utilised by both consumers and retailers. In addition, with restrictions on hospitality in place for much of the period demand from higher value cash and carry and food service customers has been depressed, albeit offset in activity terms by increased supermarket demand.

Palletline and the packing operation have performed as planned and there continues to be rapid expansion of e-fulfilment although contribution from this business stream has been reinvested to support the growth.

### Feeds

Revenue decreased by 3.1% to £76.2 million (H1 2019: £78.6 million) as a result of lower volumes more than offsetting the increase in feed prices. Headline operating profit was £0.6 million (H1 2019: £0.7 million).

Volumes were 11.8% lower at 262,000 tonnes (H1 2019: 297,000 tonnes) as a consequence of the planned reduction in sales volumes to lower value customers including compounders in the UK. There has been a continued focus on retail business direct to farm which incorporates nutritional advice. DEFRA data suggests the ruminant feed market increased by 6.9% in comparison to the prior year.

The market experienced inflationary pressures during the first half, with a basket of tracked commodities 21% higher than the same period in the prior year and these commodity prices were largely passed through to farmers. Average milk prices increased by over 3p per litre over the period which offset the impact of higher feed prices. Average milk prices at the end of November were 30.5p per litre (November 2019: 29.9p per litre).

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 training academy to train our future nutritionists.

### Cyber incident

As set out in the announcement of 2 November 2020, upon becoming aware of unauthorised access to its IT systems, the Group acted promptly to instigate its cyber response plan, backed by a bespoke cyber insurance policy, which provided specialist support to contain and manage the incident.

Following extensive investigations, supported by cyber security experts, the Group is satisfied that the incident has been contained and additional security measures have been applied to all the Group's IT systems to provide further resilience moving forward. The Group confirmed that no information material to the running of the business was irretrievably lost as a result of the incident.

The one-off costs associated with the response to the incident, net of recoveries under the Group's existing cyber insurance, are not expected to be material.

### Outlook and future prospects

Following the solid first half, the Group has continued to perform as planned since the period end. In Fuels, demand for heating oil increased as expected as we move into the critical winter trading period, with acquisition activity now back underway. In Food, volatility has continued with activity levels reflective of the unusual Christmas trading period this year and Brexit stock taken on to support customer requirements which will be utilised in the coming months. In Feeds, volumes have increased as we move into the key winter months and there have been further increases in commodity prices since the period end.

Our financial position is strong and we continue to focus on development opportunities, both organic and through targeted acquisitions.

Overall, we remain confident about the Group's growth potential and future prospects and continue to trade in line with the Board's expectations for the full financial year. I look forward to updating shareholders later this year.



**Philip Acton**  
Chair

2 February 2021

## Financial statements

### Condensed consolidated income statement for the half year ended 30 November 2020 (unaudited)

	Note	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
<b>Revenue</b>	3	<b>309.4</b>	348.9	687.5
Cost of sales and administrative expenses		<b>(306.7)</b>	(345.8)	(674.0)
Headline operating profit <sup>1</sup>		<b>3.0</b>	3.5	14.3
Exceptional items	4	<b>(0.2)</b>	(0.3)	(0.5)
Amortisation of acquired intangibles		<b>(0.1)</b>	(0.1)	(0.3)
<b>Operating profit</b>	3	<b>2.7</b>	3.1	13.5
Finance costs	5	<b>(0.7)</b>	(0.7)	(1.5)
Headline profit before taxation <sup>1</sup>		<b>2.5</b>	3.0	13.2
Exceptional items	4	<b>(0.2)</b>	(0.3)	(0.5)
Amortisation of acquired intangibles		<b>(0.1)</b>	(0.1)	(0.3)
Net finance cost in respect of the defined benefit pension scheme		<b>(0.2)</b>	(0.2)	(0.4)
<b>Profit before taxation</b>		<b>2.0</b>	2.4	12.0
Income tax expense <sup>2</sup>	6	<b>(0.4)</b>	(0.5)	(3.1)
<b>Profit for the period attributable to equity shareholders</b>		<b>1.6</b>	1.9	8.9
<b>Earnings per share (pence)</b>				
Basic	7	<b>3.3</b>	4.0	18.2
Diluted	7	<b>3.3</b>	4.0	18.1
<b>Headline earnings per share (pence)<sup>1</sup></b>				
Basic	7	<b>4.3</b>	5.1	20.5
Diluted	7	<b>4.3</b>	5.1	20.3

1 Headline operating profit is statutory operating profit of £2.7 million (H1 2019: £3.1 million) before exceptional items of £0.2 million (H1 2019: £0.3 million) and amortisation of acquired intangibles of £0.1 million (H1 2019: £0.1 million). Headline profit before taxation is statutory profit before taxation of £2.0 million (H1 2019: £2.4 million), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.2 million (H1 2019: £0.2 million), the exceptional items and the amortisation of acquired intangibles. Headline earnings per share also takes into account the taxation effect thereon.

2 Taxation on exceptional items in the current period has reduced the charge by £Nil (H1 2019: £Nil).

# Condensed consolidated statement of comprehensive income

for the half year ended 30 November 2020 (unaudited)

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
Profit for the period attributable to equity shareholders	1.6	1.9	8.9
Items that will never be reclassified to profit or loss:			
Re-measurement gain/(loss) on the defined benefit pension scheme	1.0	(0.3)	(4.0)
Tax on items that will never be reclassified to profit or loss	(0.3)	0.1	1.1
<b>Total comprehensive income for the period</b>	<b>2.3</b>	<b>1.7</b>	<b>6.0</b>

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

## Financial statements

### Condensed consolidated balance sheet

as at 30 November 2020 (unaudited)

	Note	30 November 2020 £m	30 November 2019 £m	31 May 2020 £m
<b>Non-current assets</b>				
Property, plant and equipment		48.1	45.9	48.5
Right of use assets		26.2	19.5	27.3
Intangible assets		31.2	28.3	31.4
Deferred income tax assets		4.1	2.9	4.4
		109.6	96.6	111.6
<b>Current assets</b>				
Inventories		6.5	5.7	4.7
Trade and other receivables		73.7	79.4	56.7
Current income tax asset		0.1	0.2	—
Cash and cash equivalents		3.8	1.8	5.3
Derivative financial instruments	8	0.1	0.2	0.1
		84.2	87.3	66.8
<b>Total assets</b>		<b>193.8</b>	<b>183.9</b>	<b>178.4</b>
<b>Current liabilities</b>				
Trade and other payables		(71.3)	(79.2)	(56.6)
Current income tax liabilities		—	—	(0.9)
Borrowings	8	(10.0)	—	(7.2)
Lease liabilities	8	(7.0)	(3.0)	(6.4)
		(88.3)	(82.2)	(71.1)
<b>Non-current liabilities</b>				
Borrowings	8	(10.0)	(16.2)	(10.0)
Lease liabilities	8	(19.0)	(16.1)	(20.3)
Deferred income tax liabilities		(4.9)	(3.6)	(4.9)
Retirement benefit obligations		(18.7)	(17.0)	(21.0)
		(52.6)	(52.9)	(56.2)
<b>Total liabilities</b>		<b>(140.9)</b>	<b>(135.1)</b>	<b>(127.3)</b>
<b>Net assets</b>		<b>52.9</b>	<b>48.8</b>	<b>51.1</b>
<b>Equity</b>				
<b>Share capital</b>	9	<b>12.3</b>	12.2	12.2
Share premium		0.9	0.9	0.9
Retained earnings		39.7	35.7	38.0
<b>Total equity</b>		<b>52.9</b>	<b>48.8</b>	<b>51.1</b>

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



## Condensed consolidated statement of changes in equity for the half year ended 30 November 2020 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>Balance at 1 June 2019</b>	12.2	0.9	34.0	47.1
Profit for the period	—	—	1.9	1.9
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 income for the period	—	—	1.7	1.7
<b>Balance at 30 November 2019</b>	12.2	0.9	35.7	48.8
Profit for the period	—	—	7.0	7.0
Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	—	—	(3.7)	(3.7)
Tax on items that will never be reclassified to profit or loss	—	—	1.0	1.0
Total comprehensive income for the period	—	—	4.3	4.3
Transactions with owners:				
Dividend paid	—	—	(3.2)	(3.2)
Issue of shares	—	—	—	—
Credit to equity for equity-settled share-based payments	—	—	1.2	1.2
	—	—	(2.0)	(2.0)
<b>Balance at 31 May 2020</b>	12.2	0.9	38.0	51.1
Profit for the period	—	—	<b>1.6</b>	<b>1.6</b>
Items that will never be reclassified to profit or loss:				
Re-measurement gain on the defined benefit pension scheme	—	—	<b>1.0</b>	<b>1.0</b>
Tax on items that will never be reclassified to profit or loss	—	—	<b>(0.3)</b>	<b>(0.3)</b>
Total comprehensive income for the period	—	—	<b>2.3</b>	<b>2.3</b>
Transactions with owners:				
Issue of shares	<b>0.1</b>	—	<b>(0.1)</b>	—
Value of employee services	—	—	<b>(0.5)</b>	<b>(0.5)</b>
	<b>0.1</b>	—	<b>(0.6)</b>	<b>(0.5)</b>
<b>Balance at 30 November 2020</b>	<b>12.3</b>	<b>0.9</b>	<b>39.7</b>	<b>52.9</b>

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

## Financial statements

### Condensed consolidated cash flow statement for the half year ended 30 November 2020 (unaudited)

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
<b>Cash flows from operating activities</b>			
Operating profit	2.7	3.1	13.5
Adjustments for:			
Depreciation and amortisation	6.4	4.6	10.5
Contributions to pension scheme not recognised in income statement	(1.5)	(0.8)	(1.3)
Share-based payment expense	—	—	1.2
Other	(0.5)	—	(0.1)
Operating cash flows before movements in working capital	7.1	6.9	23.8
Movements in working capital:			
(Increase)/decrease in inventories	(1.8)	0.3	1.9
(Increase)/decrease in receivables	(17.0)	(4.8)	20.2
Increase/(decrease) in payables	15.7	6.2	(20.4)
<b>Net cash generated from operations</b>	<b>4.0</b>	<b>8.6</b>	<b>25.5</b>
Interest paid	(0.5)	(0.5)	(1.1)
Income tax paid	(1.4)	(1.7)	(2.7)
<b>Net cash generated from operating activities</b>	<b>2.1</b>	<b>6.4</b>	<b>21.7</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(0.1)	(0.2)	(0.4)
Purchase of property, plant and equipment	(1.8)	(2.3)	(5.7)
Acquisition of subsidiaries – cash paid (net of cash acquired)	(1.1)	(3.2)	(6.0)
Capitalised legal costs associated with acquired leases	—	—	(0.3)
Proceeds on sale of property, plant and equipment	0.1	0.2	0.4
<b>Net cash absorbed by investing activities</b>	<b>(2.9)</b>	<b>(5.5)</b>	<b>(12.0)</b>
<b>Cash flows from financing activities</b>			
Increase in bank borrowings	2.7	0.6	1.6
Capital element of leases	(3.4)	(2.5)	(5.6)
Dividends paid	—	—	(3.2)
<b>Net cash absorbed by financing activities</b>	<b>(0.7)</b>	<b>(1.9)</b>	<b>(7.2)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>2.5</b>
Cash and cash equivalents at beginning of period	5.3	2.8	2.8
<b>Cash and cash equivalents at end of period</b>	<b>3.8</b>	<b>1.8</b>	<b>5.3</b>

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 2020 (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 2 February 2021.

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 2020 and 30 November 2019 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2020 were approved by the Board of Directors on 4 August 2020 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 2020. These interim financial statements should be read in conjunction with those consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

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

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

The triennial actuarial valuation of the Group's defined benefit pension scheme was completed 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 2020. 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 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 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.

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 2022. Under this base case scenario, the Group is expected to continue to have very significant headroom relative to the funding available to it and to comply with its banking covenants.

# Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2020 (unaudited)

## 2. Basis of preparation and accounting policies continued

The Board has also considered various other severe downside scenarios, including the possibility of further lockdowns as a result of Covid-19. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, 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 deferred income tax assets and cash and cash equivalents. Segment liabilities exclude taxation, contingent deferred consideration, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

Half year ended 30 November 2020	Note	Fuels £m	Food £m	Feeds £m	Group £m
<b>Revenue</b>					
Total revenue		<b>208.3</b>	<b>27.6</b>	<b>76.2</b>	<b>312.1</b>
Inter-segment revenue		<b>(2.6)</b>	<b>(0.1)</b>	<b>–</b>	<b>(2.7)</b>
Revenue		<b>205.7</b>	<b>27.5</b>	<b>76.2</b>	<b>309.4</b>
<b>Result</b>					
Headline operating profit		<b>1.9</b>	<b>0.5</b>	<b>0.6</b>	<b>3.0</b>
Segment exceptional item	4	<b>(0.1)</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>
Group exceptional item	4				<b>(0.1)</b>
Amortisation of acquired intangibles		<b>(0.1)</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>
Operating profit as reported					<b>2.7</b>
Finance costs	5				<b>(0.7)</b>
Profit before taxation					<b>2.0</b>
Income tax expense	6				<b>(0.4)</b>
Profit for the period					<b>1.6</b>
<b>Other information</b>					
Depreciation and amortisation		<b>2.0</b>	<b>2.9</b>	<b>1.5</b>	<b>6.4</b>
Fixed asset additions		<b>0.7</b>	<b>0.8</b>	<b>0.3</b>	<b>1.8</b>

## 3. Segment information continued

As at 30 November 2020		Fuels £m	Food £m	Feeds £m	Group £m
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets		79.7	48.3	57.8	185.8
Deferred income tax assets					4.1
Current income tax assets					0.1
Cash and cash equivalents					3.8
Consolidated total assets					193.8
<b>Liabilities</b>					
Segment liabilities		(58.6)	(20.5)	(18.2)	(97.3)
Deferred income tax liabilities					(4.9)
Borrowings					(20.0)
Retirement benefit obligations					(18.7)
Consolidated total liabilities					(140.9)
Half year ended 30 November 2019	Note	Fuels £m	Food £m	Feeds £m	Group £m
<b>Revenue</b>					
Total revenue		248.8	24.6	82.2	355.6
Inter-segment revenue		(2.9)	(0.2)	(3.6)	(6.7)
Revenue		245.9	24.4	78.6	348.9
<b>Result</b>					
Headline operating profit		1.4	1.4	0.7	3.5
Segment exceptional item	4	(0.3)	—	—	(0.3)
Amortisation of acquired intangibles		(0.1)	—	—	(0.1)
Operating profit as reported					3.1
Finance costs	5				(0.7)
Profit before taxation					2.4
Income tax expense	6				(0.5)
Profit for the period					1.9
<b>Other information</b>					
Depreciation and amortisation		1.3	1.9	1.4	4.6
Fixed asset additions		0.4	0.9	1.0	2.3

## Financial statements

# Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2020 (unaudited)

### 3. Segment information continued

As at 30 November 2019		Fuels £m	Food £m	Feeds £m	Group £m
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets		83.4	39.6	56.0	179.0
Deferred income tax assets					2.9
Current income tax assets					0.2
Cash and cash equivalents					1.8
Consolidated total assets					183.9
<b>Liabilities</b>					
Segment liabilities		(65.9)	(13.4)	(18.5)	(97.8)
Deferred income tax liabilities					(3.6)
Borrowings					(16.7)
Retirement benefit obligations					(17.0)
Consolidated total liabilities					(135.1)
Year ended 31 May 2020	Note	Fuels £m	Food £m	Feeds £m	Group £m
<b>Revenue</b>					
Total revenue		476.0	48.7	169.0	693.7
Inter-segment revenue		(5.8)	(0.4)	—	(6.2)
Revenue		470.2	48.3	169.0	687.5
<b>Result</b>					
Headline operating profit		11.0	1.4	1.9	14.3
Segment exceptional item	4	(0.5)	—	—	(0.5)
Amortisation of acquired intangibles		(0.3)	—	—	(0.3)
Operating profit as reported					13.5
Finance costs	5				(1.5)
Profit before taxation					12.0
Income tax expense	6				(3.1)
Profit for the year					8.9
<b>Other information</b>					
Depreciation and amortisation		3.4	4.2	2.9	10.5
Fixed asset additions		0.8	3.1	1.8	5.7

### 3. Segment information continued

As at 31 May 2020	Fuels £m	Food £m	Feeds £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	66.2	48.2	54.3	168.7
Deferred income tax assets				4.4
Cash at bank and in hand				5.3
Consolidated total assets				178.4
<b>Liabilities</b>				
Segment liabilities	(45.4)	(19.3)	(18.6)	(83.3)
Current income tax liabilities				(0.9)
Deferred income tax liabilities				(4.9)
Borrowings				(17.2)
Retirement benefit obligations				(21.0)
Consolidated total liabilities				(127.3)

### 4. Profit before taxation – exceptional items

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
Acquisition-related costs	0.1	0.3	0.5
Cyber-related costs	0.1	—	—
<b>Exceptional costs</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>

**Acquisition-related costs** – The acquisition-related costs for the half year ended 30 November 2020 comprise professional fees and other costs in relation to the integration and hive-up of acquisitions made during the year ended 31 May 2020.

**Cyber-related costs** – The cyber-related costs for the half year ended 30 November 2020 comprise certain insurance excesses on the Group's cyber insurance policy which have been incurred as a result of the cyber incident announced on 2 November 2020.

### 5. Finance costs

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
Interest on bank loans and overdrafts	0.3	0.3	0.7
Finance costs on lease liabilities relating to IFRS 16	0.2	0.2	0.4
Net finance cost in respect of the defined benefit pension scheme	0.2	0.2	0.4
<b>Total finance costs</b>	<b>0.7</b>	<b>0.7</b>	<b>1.5</b>

### 6. Income tax expense

The income tax expense for the half year ended 30 November 2020 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2021 of 21.0% (H1 2019: 21.0%).

## Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2020 (unaudited)

### 7. Earnings per share

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

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
<b>Earnings</b>			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	1.6	1.9	8.9

	Half year ended 30 November 2020 000s	Half year ended 30 November 2019 000s	Year ended 31 May 2020 000s
<b>Number of shares</b>			
Weighted average number of shares for the purposes of basic earnings per share	48,914	48,750	48,750
Weighted average dilutive effect of conditional share awards (note 9)	90	—	478
Weighted average number of shares for the purposes of diluted earnings per share	49,004	48,750	49,228

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

	Half year ended 30 November 2020 £m	Half year ended 30 November 2019 £m	Year ended 31 May 2020 £m
Profit for the period attributable to equity shareholders	1.6	1.9	8.9
Add back:			
Net finance cost in respect of the defined benefit pension scheme	0.2	0.2	0.4
Exceptional items	0.2	0.3	0.5
Amortisation of acquired intangibles	0.1	0.1	0.3
Tax effect of the above	—	—	(0.1)
<b>Headline earnings</b>	<b>2.1</b>	<b>2.5</b>	<b>10.0</b>

### 8. Financial instruments

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, obligations under hire purchase agreements, commodity derivatives and various items such as receivables and payables, which arise from its operations. All financial instruments in 2020 and 2019 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).



## 8. Financial instruments continued

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

The book and fair values of financial assets at 30 November 2020 are as follows:

	30 November 2020 £m	30 November 2019 £m	31 May 2020 £m
<b>Total book and fair value</b>			
Trade and other receivables	73.7	79.4	56.7
Financial assets carried at amortised cost: cash and cash equivalents	3.8	1.8	5.3
Financial assets carried at fair value: derivatives	0.1	0.2	0.1
<b>Financial assets</b>	<b>77.6</b>	<b>81.4</b>	<b>62.1</b>

The book and fair values of financial liabilities at 30 November 2020 are as follows:

	30 November 2020 £m	30 November 2019 £m	31 May 2020 £m
<b>Total book and fair value</b>			
Trade and other payables	71.3	79.2	56.6
Lease liabilities repayable within one year	7.0	3.0	6.4
Financial liabilities carried at amortised cost:			
Floating rate invoice discounting advances	10.0	13.2	7.2
	<b>88.3</b>	<b>95.4</b>	<b>70.2</b>
Revolving credit facility	10.0	3.0	10.0
Lease liabilities repayable after one year	19.0	16.1	20.3
	<b>29.0</b>	<b>19.1</b>	<b>30.3</b>
<b>Financial liabilities</b>	<b>117.3</b>	<b>114.5</b>	<b>100.5</b>

## 9. Share capital

	Number of shares 000s	Total £m
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 31 May 2019	48,750	12.2
Issue of shares (see below)	—	—
Balance at 30 November 2019	48,750	12.2
Issue of shares	—	—
Balance at 31 May 2020	48,750	12.2
Issue of shares (see below)	254	0.1
<b>Balance at 30 November 2020</b>	<b>49,004</b>	<b>12.3</b>

During the half year ended 30 November 2020, 253,524 shares (H1 2019: Nil) with an aggregate nominal value of £63,381 (H1 2019: £Nil) 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 2020 amounted to 1,400,421 (H1 2019: 1,441,604) shares. These shares will only be issued subject to satisfying certain performance criteria.

# Notes to the condensed consolidated half year report continued

for the half year ended 30 November 2020 (unaudited)

## 10. Business combinations

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

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

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

## 11. Half Year Report

Copies of this Half Year Report are due to be sent to shareholders on 11 February 2021. Further copies may be obtained from the Company Secretary at NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP, or from the Company's website at [www.nwf.co.uk](http://www.nwf.co.uk).

## 12. Contingent assets and liabilities

On 2 November 2020, the Group announced that it had experienced an unauthorised access to the IT systems in two of its divisions (Feeds and Fuels) and at Group level. The Group acted promptly to instigate precautionary measures and engaged specialist external support to contain and manage the incident. On 12 November 2020, the Group announced that following extensive investigations, supported by cyber security experts, the Group was satisfied that the incident had been contained and additional security measures had been applied to all of the Group's IT systems. The Group confirmed no information material to the running of the business was irretrievably lost as a result of the incident and confirmed that the Board did not expect the incident to result in any material impact on underlying trading.

Investigations into the incident are ongoing and, as more information becomes available, the Group will continue to assess its legal obligations in connection with the incident.

The Group identifies a contingent liability in respect of the unsettled costs of reinstating IT systems and other costs associated with the cyber incident. Whilst it is probable that an outflow of resources will be required to settle these obligations, the amount of the obligation cannot be measured with sufficient reliability to warrant recognition as a provision.

The Group also identifies a contingent asset in respect of the reimbursement of these unsettled costs from its insurer. Whilst it is probable that an inflow of economic benefits will be received, at the time of this report the amount of any reimbursement is not virtually certain, nor can be measured with sufficient reliability to warrant recognition as a reimbursement asset.

The one-off costs associated with the Group's response to the incident, net of recoveries under the Group's existing cyber insurance, are not expected to be material.

# 2021 financial calendar

Interim dividend paid	5 May 2021
Financial year end	31 May 2021
Full year results announcement	Early August 2021
Publication of Annual Report and Accounts	Late August 2021
Annual General Meeting	30 September 2021
Final dividend paid	Early December 2021

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Find out more about NWF and watch our latest video at [www.nwf.co.uk](http://www.nwf.co.uk)



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