RNS Number : 4330B
NWF Group PLC
31 January 2024

For release 7.00am Wednesday 31 January 2024

NWF Group plc

NWF Group plc: half year results for the six months ended 30 November 2023

NWF Group plc ('NWF' or 'the Group'), the specialist distributor, today announces its half year results for the six months ended 30 November 2023.

	H1 2023	H1 2022	%
Financial highlights			
Revenue	**£472.9m**	£541.8m	(12.7)
Headline operating profit[1]	**£4.0m**	£6.8m	(41.2)
Headline profit before taxation[1]	**£3.4m**	£6.2m	(45.2)
Diluted headline earnings per share[1]	**5.1p**	9.9p	(48.5)
Interim dividend per share	**1.0p**	1.0p	-
Net cash [2]	**£13.3m**	£1.2m	>100.0
Statutory results			
Operating profit	**£4.6m**	£6.7m	(31.3)
Profit before taxation	**£3.8m**	£5.9m	(35.6)
Diluted earnings per share	**5.5p**	9.3p	(40.9)
Net debt (including IFRS 16 lease liabilities)	**£14.3m**	£30.0m	52.3

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 excluding IFRS 16 lease liabilities.

Group highlights

- Normalising market conditions in Fuels and Feeds resulted in lower margins and therefore lower profitability as expected.
- The Food business delivered a strong performance supporting the recently announced investment in the new Lymedale warehouse.
- Strong financial position, with a £13.3 million cash position at the end of the half year, supporting the £8.5 million investment in the fit out of the Lymedale warehouse as well as a pipeline of potential acquisition opportunities in Fuels.
- The Board's full year trading expectations remain unchanged ahead of the seasonally more significant second half.

Business highlights

Fuels - headline operating profit of £0.7 million (H1 2022: £2.6 million). Volumes were ahead of the prior year driven by commercial demand, offset by the expected normalising of margins from the abnormally elevated level experienced in the prior year, alongside lower demand for domestic heating oil.

Food - headline operating profit of £2.9 million (H1 2022: £2.1 million). Strong performance with increased storage volumes and distribution activity from the continued high level of customer demand.

Feeds - headline operating profit of £0.4 million (H1 2022: £2.1 million). Volumes lower than prior year, reflecting the reduction in the overall market. A lower milk price and reduced volatility in raw material prices compared to the prior year resulted in the expected normalising of margins.

Chris Belsham, Chief Executive Designate, NWF Group plc, commented:

"We have experienced a more challenging first half than in recent years, but our underlying expectations for the full year remain unchanged. Our performance in Food has been particularly positive and has in part offset the less supportive market conditions in Fuels and Feeds. Our recently announced investment in the new Lymedale warehouse highlights the growing customer demand in the Food business, increasing our capacity by 39%.

We continue to focus on our long-term growth strategy of development by both organic investment and through targeted acquisitions, supported by our strong financial position and confidence in NWF's potential and future prospects."

A virtual meeting is being held today for analysts starting at 9.30am. For login details please contact NWF@mhpgroup.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, Chief Executive Designate
Katie Shortland, Chief Financial Officer
NWF Group plc
Tel: 01829 260 260

Reg Hoare/
Catherine Chapman/
Christian Harte
MHP Communications
Tel: 07711191518

Mike Bell/
Ed Allsopp
Peel Hunt LLP (Nominated advisor and broker)
Tel: 020 7418 8900

Chair's statement

The first half of the year delivered lower overall profitability than the prior year, which was anticipated with normalising market conditions for Fuels and Feeds. In Fuels, although volumes increased, margins reduced due to stable supply conditions combined with lower demand for domestic heating oil, which reflected the mild autumn weather. In Food, there was a strong performance driven by the continued high levels of demand from customers with the business utilising overflow storage facilities as planned. In line with its stated strategy, the Group has expanded the capacity of the Food business with the signing of the lease for the new Lymedale warehouse which will add an additional 52,000 pallet spaces, representing a 39% increase in capacity. Feeds performance was in line with expectations as reduced volatility in raw material prices led to the expected normalising of margins. Feeds market volumes were lower, reflecting the lower milk price and the high level of forage available to farmers.

Results

Revenue for the half year ended 30 November 2023 was 12.7% lower at £472.9 million (H1 2022: £541.8 million), primarily as a result of lower commodity prices in Fuels and Feeds. Headline operating profit[1] was lower at £4.0 million (H1 2022: £6.8 million), with the prior year having benefitted from significant outperformance resulting from volatility in commodity prices in both Fuels and Feeds. Headline profit before taxation[1] was down 45.2% to £3.4 million (H1 2022: £6.2 million).

Basic headline earnings per share[1] was 5.1p (H1 2022: 9.9p) and diluted headline earnings per share[1] was 5.1p (H1 2022: 9.9p).

Net cash generated from operations for the period amounted to £9.0 million (H1 2022: £0.5 million absorbed). Cash generation was higher as a result of the unwind of £4.0 million short-term timing differences relating to supply constraints in the fuels market at November 2022 and £1.3 million legal settlement monies received. Net capital expenditure in the period was £1.6 million (H1 2022: £1.3 million).

Net cash at the period end, excluding the impact of IFRS 16, was materially higher at £13.3 million (H1 2022: £1.2 million net cash), reflecting the Group's strong cash generation.

The Group's banking facilities of £61.0 million are committed to May 2026 and NWF continues to operate with substantial headroom. Net debt including the impact of IFRS 16 was £14.3 million (H1 2022: £30.0 million).

Net assets at 30 November 2023 increased to £79.6 million (30 November 2022: £70.2 million). The IAS 19R defined benefits pension scheme valuation deficit has decreased from £9.6 million as at 31 May 2023 to £8.8 million at the half year, as a result of higher asset values offsetting the slight decrease in the discount rate assumption.

The Board has approved an unchanged interim dividend per share of 1.0p (H1 2022: 1.0p), in line with its policy. This will be paid on 1 May 2024 to shareholders on the register as at 22 March 2024. The shares will trade ex-dividend on 21 March 2024. 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 decreased by 14.2% to £344.8 million (H1 2022: £401.8 million) as a result of lower oil prices offsetting an increase in volume. Headline operating profit was £0.7 million (H1 2022: £2.6 million).

Volumes increased by 9.3% to 328 million litres (H1 2022: 300 million litres) with growth in commercial diesel and gas oil volumes, together with the contribution from Sweetfuels and Geoff Boorman Fuels (acquired in December 2022 and July 2023 respectively). Domestic heating oil volumes (excluding acquisitions) were flat, reflecting the warm autumn. In the first half Brent Crude averaged $82.49 per barrel (H1 2022: $99.08 per barrel) and ended the reporting period at $82.83 per barrel.

In the previous year, the oil distribution market suffered from supply issues which created uncertainty for customers and supported elevated margins as NWF benefitted from national supply agreements and a UK-wide depot network to continue to service its domestic and commercial customers. In the current financial year, supply conditions have been stable and, as expected, margins are normalising as a result.

The UK fuels distribution market remains 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. The two most recent acquisitions (Sweetfuels and Geoff Boorman Fuels) have been successfully integrated and contributed as expected during the period.

Food

Revenue increased by 9.7% to £39.5 million (H1 2022: £36.0 million), reflecting increased activity. Headline operating profit was £2.9 million (H1 2022: £2.1 million).

Demand from our ambient grocery customers remained high during the period, which was reflected in storage volumes averaging 135,000 spaces (H1 2022: 122,000) and peaking at just over 141,000 pallet spaces. Capacity at the Wardle and Crewe sites totals 135,000 pallet spaces, meaning the business made efficient use of overflow storage facilities as planned. The increase in storage volume led to throughput being 8.8% higher than the prior year thereby driving increased revenue and profitability.

The high level of demand from both existing and new customers supports the signing of the lease for the 332,000 ft^2 Lymedale warehouse and the £8.5 million investment in its fit out, which was signed on 9 January 2024. The work on the fit out of Lymedale has already commenced and the site is expected to be fully operational by early autumn of this year. This is in line with our stated strategy for the Food business of targeting warehouse expansion, where it is backed by customer and retailer demand and follows on from the successful investment in the Group's Crewe warehouse, which opened in 2020.

In its first full financial year of operational activity, the year ending 31 May 2026, Lymedale is expected to deliver additional annualised operating profits of approximately £2.8 million. As a result of IFRS 16 interest in respect of the warehouse lease and associated additional leased vehicles, this will result in incremental annualised headline PBT of approximately £1.2 million in the financial year ending 31 May 2026, increasing to £2.5 million in the financial year ending 31 May 2035 as the IFRS 16 lease liability reduces.

Feeds

Revenue decreased by 14.8% to £88.6 million (H1 2022: £104.0 million) mainly reflecting lower commodity and therefore selling prices in the period. Headline operating profit was £0.4 million (H1 2022: £2.1 million) with the business having benefitted from highly volatile commodity prices and a record high milk price in the prior year.

Volumes were 5.5% lower at 225,000 tonnes (H1 2022: 238,000 tonnes) as a result of good grazing conditions and a high level of forage availability following mild weather in the period, with the Group also choosing to forego some low margin merchant blend volume. DEFRA data suggests the ruminant feed market was 1.4% lower.

In contrast with the prior year, commodity prices were stable over the period with no supply concerns. Average milk price over the period was 22% lower than the comparative period and was 38.2p per litre at the end of November (H1 2022: 51.1p per litre). Milk production was 1% lower for the period year-on-year. Whilst average milk price was lower than the comparative period, this was matched by a 20% decrease in average feed costs thereby maintaining farmers' margins and supporting continued confidence in the dairy sector.

Our operational platform, with key mills close to customers in the northern, central and southern regions, continues to provide an effective base for future development. Investment has continued into NWF's Feeds training academy to develop our future nutritionists.

Outlook and future prospects

As the Board expected, profitability in the first half was lower than in recent prior years, as pricing is normalising in Fuels and Feeds. In addition, the mild autumn weather impacted demand for both domestic heating oil and ruminant animal feed. In Fuels, demand for heating oil has increased as we moved into winter, albeit the weather has been comparatively mild to date. In Food, high demand has continued to be efficiently managed and we will continue to require overflow storage facilities until Lymedale capacity starts to become available in early autumn. In Feeds, margins and costs are being effectively managed as market volumes remain subdued and commodity prices stable.

With the winter months to come, which are typically more material to the Group's performance, the Board's expectations for the full year are unchanged, with a more significant second half weighting than last year. However, as stated in the announcement of the Lymedale investment, the initial ramp-up costs are expected to impact headline PBT in the current financial year ending 31 May 2024 by approximately £1.7 million. The net impact in the financial year ending 31 May 2025 is expected to be zero, as ramp-up costs are offset by revenue, with a full run rate of profitability achieved during the financial year ending 31 May 2026. 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.

I look forward to updating shareholders later this year.

Philip Acton

Chair
31 January 2024

Condensed consolidated income statement
for the half year ended 30 November 2023 (unaudited)

	Note	**Half year ended 30 November 2023 £m**	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Revenue	3	**472.9**	541.8	1,053.9
Cost of sales and administrative expenses		**(469.6)**	(535.1)	(1,033.3)
Other income	4	**1.3**	-	-
Headline operating profit[1]		**4.0**	6.8	21.0
Exceptional items	4	**0.9**	-	-
Amortisation of acquired intangibles		**(0.3)**	(0.1)	(0.4)
Operating profit	3	**4.6**	6.7	20.6
Finance costs	5	**(0.8)**	(0.8)	(1.7)
Headline profit before taxation[1]		**3.4**	6.2	19.6
Exceptional items	4	**0.9**	-	-
Amortisation of acquired intangibles		**(0.3)**	(0.1)	(0.4)
Net finance cost in respect of the defined benefit pension scheme		**(0.2)**	(0.2)	(0.3)
Profit before taxation		**3.8**	5.9	18.9
Income tax expense	6	**(1.1)**	(1.3)	(4.0)
Profit for the period attributable to equity shareholders		**2.7**	4.6	14.9
Earnings per share (pence)				
Basic	7	**5.5**	9.3	30.2
Diluted	7	**5.5**	9.3	30.1
Headline earnings per share (pence)[1]				
Basic	7	**5.1**	9.9	31.4
Diluted	7	**5.1**	9.9	31.3

1 Headline operating profit is statutory operating profit of £4.0 million (H1 2022: £6.7 million profit) before exceptional items of £0.9 million (H1 2022: £Nil) and amortisation of acquired intangibles of £0.3 million (H1 2022: £0.1 million). Headline profit before taxation is statutory profit before taxation of £3.8 million (H1 2022: £5.9 million profit), after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.2 million (H1 2022: £0.2 million), the exceptional items and the amortisation of acquired intangibles. Headline earnings per share also takes into account the taxation effect thereon.

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

Condensed consolidated statement of comprehensive income
for the half year ended 30 November 2023 (unaudited)

	Half year ended 30 November 2023 £m	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Profit for the period attributable to equity shareholders	**2.7**	4.6	14.9
Items that will never be reclassified to profit or loss:			
Re-measurement loss on the defined benefit pension scheme	**(0.2)**	(2.2)	(2.3)
Tax on items that will never be reclassified to profit or loss	**(0.8)**	0.3	1.0
Total comprehensive income for the period	**1.7**	2.7	13.6

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

Condensed consolidated balance sheet

as at 30 November 2023 (unaudited)

	Note	**30 November 2023 £m**	30 November 2022 £m	31 May 2023 £m
Non-current assets				
Property, plant and equipment		**43.3**	44.1	43.7
Right of use assets		**26.7**	30.5	29.1
Intangible assets		**33.6**	22.5	31.8
		103.6	97.1	104.6
Current assets				
Inventories		**7.8**	10.3	7.4
Trade and other receivables	9	**101.2**	115.9	87.4
Reimbursement assets		**1.4**	2.7	1.7
Current income tax asset		**0.4**	-	-
Cash and cash equivalents	9	**13.3**	1.2	16.3
Derivative financial instruments	9	**0.2**	0.4	0.2
		124.3	130.5	113.0
Total assets		**227.9**	227.6	217.6
Current liabilities				
Trade and other payables	9	**(104.6)**	(108.5)	(92.5)
Current income tax liabilities		**-**	(0.4)	(0.8)
Lease liabilities	9	**(9.5)**	(9.6)	(9.8)
Provision for liabilities		**(1.7)**	(2.9)	(1.9)
Derivative financial instruments	9	**(0.1)**	(0.2)	(0.1)
		(115.9)	(121.6)	(105.1)
Non-current liabilities				
Lease liabilities	9	**(18.1)**	(21.6)	(20.0)
Provision for liabilities		**(0.2)**	(0.6)	(0.8)
Deferred income tax liabilities		**(5.3)**	(3.1)	(4.2)
Retirement benefit obligations		**(8.8)**	(10.5)	(9.6)
		(32.4)	(35.8)	(34.6)
Total liabilities		**(148.3)**	(157.4)	(139.7)
Net assets		**79.6**	70.2	77.9
Equity				
Share capital	10	**12.4**	12.4	12.4
Share premium		**0.9**	0.9	0.9
Retained earnings		**66.3**	56.9	64.6
Total equity		**79.6**	70.2	77.9

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 2023 (unaudited)

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 June 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)
Total transactions with owners	0.1	-	(0.7)	(0.6)
Balance at 30 November 2022	12.4	0.9	56.9	70.2
Profit for the period	-	-	10.3	10.3
Items that will never be reclassified to profit or loss:				
Re-measurement gain on the defined benefit pension scheme	-	-	(0.1)	(0.1)
Tax on items that will never be reclassified to profit or loss	-	-	0.7	0.7
Total comprehensive income for the period	-	-	10.9	10.9
Transactions with owners:				
Dividend paid	-	-	(3.7)	(3.7)
Credit to equity for equity-settled share-based payments	-	-	0.5	0.5
Total transactions with owners	-	-	(3.2)	(3.2)
Balance at 31 May 2023	**12.4**	**0.9**	**64.6**	**77.9**
Profit for the period	**-**	**-**	**2.7**	**2.7**

Items that will never be reclassified to profit or loss:				
Re-measurement loss on the defined benefit pension scheme	**-**	**-**	**(0.2)**	**(0.2)**
Tax on items that will never be reclassified to profit or loss	**-**	**-**	**(0.8)**	**(0.8)**
Total comprehensive income for the period	**-**	**-**	**1.7**	**1.7**
Balance at 30 November 2023	**12.4**	**0.9**	**66.3**	**79.6**

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

Condensed consolidated cash flow statement

for the half year ended 30 November 2023 (unaudited)

	Half year ended 30 November 2023 £m	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Cash flows from operating activities			
Operating profit	**4.6**	6.7	20.6
Adjustments for:			
Depreciation and amortisation	**8.1**	7.5	15.3
Profit on disposal of fixed assets	**(0.1)**	(0.4)	(0.5)
Fair value profit on financial derivative	**-**	-	(0.1)
Share-based payment expense	**-**	-	0.5
Value of employee services	**-**	(0.6)	(0.7)
Contributions to pension scheme not recognised in income statement	**(1.2)**	(1.1)	(2.2)
Operating cash flows before movements in working capital	**11.4**	12.1	32.9
Movements in working capital:			
(Increase)/decrease in inventories	**(0.4)**	(0.5)	2.4
(Increase)/decrease in receivables	**(12.2)**	(19.5)	8.7
Increase/(decrease) in payables	**10.2**	7.4	(7.0)
Net cash generated/(absorbed) from operations	**9.0**	(0.5)	37.0
Interest paid	**(0.6)**	(0.6)	(1.4)
Income tax paid	**(2.0)**	(1.2)	(3.1)
Net cash generated/(absorbed) from operating activities	**6.4**	(2.3)	32.5
Cash flows from investing activities			
Purchase of intangible assets	**-**	-	(0.1)
Purchase of property, plant and equipment	**(2.0)**	(1.3)	(3.1)
Acquisition of subsidiaries - cash paid (net of cash acquired)	**(2.6)**	-	(9.5)
Proceeds on sale of property, plant and equipment	**0.4**	0.6	1.0
Net cash absorbed by investing activities	**(4.2)**	(0.7)	(11.7)
Cash flows from financing activities			
Capital element of leases	**(5.2)**	(4.9)	(9.9)
Dividends paid	**-**	-	(3.7)
Net cash absorbed by financing activities	**(5.2)**	(4.9)	(13.6)
Net movement in cash and cash equivalents	**(3.0)**	(7.9)	7.2
Cash and cash equivalents at beginning of period	**16.3**	9.1	9.1
Cash and cash equivalents at end of period	**13.3**	1.2	16.3

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 2023 (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 2024.

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 2023 and 30 November 2022 are neither audited nor reviewed by the Company's auditors. Statutory accounts for the year ended 31 May 2023 were approved by the Board of Directors on 1 August 2023 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 2023. 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 ('IFRS').

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 has been largely completed during the half year ended 30 November 2023, with a valuation date of 31 December 2022. The last triennial actuarial valuation was completed in the year ended 31 May 2021, with a deficit of £16.8 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 2023. It is expected that the triennial valuation will continue existing Group contributions of £2.1 million per annum, and a continued 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 2025. 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 2023	Note	**Fuels £m**	**Food £m**	**Feeds £m**	**Group £m**
Revenue					
Total revenue		**348.3**	**39.5**	**88.6**	**476.4**
Inter-segment revenue		**(3.5)**	**-**	**-**	**(3.5)**
Revenue		**344.8**	**39.5**	**88.6**	**472.9**
Result					
Headline operating profit		**0.7**	**2.9**	**0.4**	**4.0**
Exceptional items		**-**	**-**	**-**	**0.9**
Amortisation of acquired intangibles		**(0.3)**	**-**	**-**	**(0.3)**
Operating profit as reported					**4.6**
Finance costs	5				**(0.8)**
Profit before taxation					**3.8**
Income tax expense	6				**(1.1)**
Profit for the period					**2.7**
Other information					
Depreciation and amortisation		**3.2**	**3.3**	**1.6**	**8.1**
Fixed asset additions		**0.7**	**0.4**	**0.9**	**2.0**

As at 30 November 2023	**Fuels £m**	**Food £m**	**Feeds £m**	**Group £m**
Balance sheet				
Assets				
Segment assets	**113.4**	**51.5**	**49.3**	**214.2**
Cash and cash equivalents				**13.3**
Current income tax receivable				**0.4**
Consolidated total assets				**227.9**
Liabilities				
Segment liabilities	**(90.9)**	**(24.5)**	**(18.8)**	**(134.2)**
Deferred income tax liabilities				**(5.3)**
Retirement benefit obligations				**(8.8)**
Consolidated total liabilities				**(148.3)**

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

	Note				
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)

Year ended 31 May 2023	Note	Fuels £m	Food £m	Feeds £m	Group £m
Revenue					
Total revenue		765.0	70.9	225.8	1,061.7
Inter-segment revenue		(7.8)	-	-	(7.8)
Revenue		757.2	70.9	225.8	1,053.9
Result					
Headline operating profit		12.9	4.2	3.9	21.0
Amortisation of acquired intangibles		(0.4)	-	-	(0.4)
Operating profit as reported					20.6
Finance costs	5				(1.7)
Profit before taxation					18.9
Income tax expense	6				(4.0)
Profit for the year					14.9
Other information					
Depreciation and amortisation		6.0	6.3	3.0	15.3
Fixed asset additions		0.7	1.1	1.3	3.1

As at 31 May 2023	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	101.9	50.0	49.4	201.3
Cash at bank and in hand				16.3
Consolidated total assets				217.6
Liabilities				
Segment liabilities	(78.0)	(23.2)	(23.9)	(125.1)
Deferred income tax liabilities				(4.2)
Current income tax liabilities				(0.8)
Retirement benefit obligations				(9.6)
Consolidated total liabilities				(139.7)

4. Profit before taxation - exceptional items

	Half year ended 30 November 2023 £m	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Legal claim settlement[1]	**1.3**	-	-
ERP implementation costs	**(0.4)**	-	-
Exceptional costs	**0.9**	-	-

1 Following a decision by the European Commission sanctioning a cartel during the period 1997 to 2011, NWF participated in a group action to recover damages arising from certain supplier expenses relating to that period. The parties are no longer in dispute regarding this matter. Settlement monies of £1.3 million were received.

5. Finance costs

	Half year ended 30 November	Half year ended 30 November	Year ended 31 May 2023

	2023 £m	2022 £m	£m
Interest on bank loans and overdrafts	**0.2**	0.3	0.8
Finance costs on lease liabilities relating to IFRS 16	**0.4**	0.3	0.6
Net finance cost in respect of the defined benefit pension scheme	**0.2**	0.2	0.3
Total finance costs	**0.8**	0.8	1.7

6. Income tax expense

The income tax expense for the half year ended 30 November 2023 is based upon management's best estimate of the weighted average annual tax rate expected for the full financial year ending 31 May 2024 of 27.0% (H1 2022: 21.9%).

7. Earnings per share

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

	Half year ended 30 November 2023 £m	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity shareholders	**2.7**	4.6	14.9

	Half year ended 30 November 2023 '000	Half year ended 30 November 2022 '000	Year ended 31 May 2023 '000
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**49,411**	49,302	49,355
Weighted average dilutive effect of conditional share awards (note 10)	**21**	106	196
Weighted average number of shares for the purposes of diluted earnings per share	**49,432**	49,408	49,551

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

	Half year ended 30 November 2023 £m	Half year ended 30 November 2022 £m	Year ended 31 May 2023 £m
Profit for the period attributable to equity shareholders	**2.7**	4.6	14.9
Add back:			
Net finance cost in respect of the defined benefit pension scheme	**0.2**	0.2	0.3
Exceptional items	**(0.9)**	-	-
Amortisation of acquired intangibles	**0.3**	0.1	0.4
Tax effect of the above	**0.2**	-	(0.1)
Headline earnings	**2.5**	4.9	15.5

8. Business combinations

On 7 July 2023, the Group acquired the trade and specified assets of Geoff Boorman Fuels LLP, a 17 million litre fuel distributor servicing rural Kent and East Sussex. The purchase price for the acquisition was £2.6 million, and the net consideration paid was £2.7 million after acquisition costs.

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

	Fair value of assets acquired £m
Intangible assets - goodwill, brand and customer value	2.2
Property, plant and equipment	0.3
Trade and other receivables	0.3
Deferred tax liability	(0.2)
	2.6

Provisional goodwill arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

As the acquisition was made in the year, the above amounts are provisional and subject to adjustment.

Net cash outflow arising on the acquisition:

	£m
Total gross consideration	2.6
Acquisition-related costs	0.1
Net consideration paid	2.7

Acquisition-related costs of £0.1 million have been charged to the income statement in the period ended 30 November 2023.

The following amounts have been recognised within the consolidated income statement in respect of the acquisition made in the half year: revenue of £3.6 million and operating loss before tax of £0.1 million.

Had the acquisition taken place at the start of the financial year, the consolidated income statement would show revenue of £4.4 million and operating loss before tax of £0.1 million.

9. 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 2023 and 2022 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 2023 £m**	30 November 2022 £m	31 May 2023 £m
Trade and other receivables[1]	**92.6**	109.1	84.1
Financial assets carried at amortised cost: cash and cash equivalents	**13.3**	1.2	16.3
Financial assets carried at fair value: derivatives	**0.2**	0.4	0.2
Financial assets	**106.1**	110.7	100.6

1 Excludes prepayments.

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

Total book and fair value	**30 November 2023 £m**	30 November 2022 £m	31 May 2023 £m
Financial liabilities carried at amortised cost:			
Trade and other payables[1]	**103.2**	107.2	92.5
Lease liabilities repayable within one year	**9.5**	9.6	9.8
Financial liabilities carried at fair value: derivatives	**0.1**	0.2	0.1
	112.8	117.0	102.4

Lease liabilities repayable after one year	**18.1**	21.6	20.0
Financial liabilities	**130.9**	138.6	122.4

1 Excludes social security and other taxes.

10. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
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
Issue of shares	-	-
Balance at 31 May 2023	49,408	12.4
Issue of shares (see below)	24	-
Balance at 30 November 2023	**49,432**	**12.4**

During the half year ended 30 November 2023, 23,564 shares (H1 2022: 273,800) with an aggregate nominal value of £5,890 (H1 2022: £68,450) 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 2023 amounted to 1,291,025 (H1 2022: 857,210) shares. These shares will only be issued subject to satisfying certain performance criteria.

11. Post balance sheet events

On 9 January 2024 the Group entered into a 15-year lease, with a 12-year tenant only break clause for a warehouse property. The balance sheet position of the Group will increase by a right-of-use asset of £26.5 million and an associated lease liability of £25.2 million.

2023 financial calendar

Interim dividend paid	1 May 2024
Financial year end	31 May 2024
Full year results announcement	Early August 2024
Publication of Annual Report and Accounts	Late August 2024
Annual General Meeting	26 September 2024
Final dividend paid	Early December 2024

[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.