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NWF Group plc

NWF Group plc: Final results for the year ended 31 May 2023

"A very strong set of results, significantly ahead of market expectations at the start of the financial year, with all divisions performing strongly, successful acquisitions in line with our growth strategy and refinancing to support continued development."

NWF Group plc ('NWF' or 'the Group'), the specialist distributor of fuel, food and feed across the UK, today announces its audited final results for the year ended 31 May 2023.

	2023	2022	%
Financial highlights			
Revenue	**£1,053.9m**	£878.6m	+20.0%
Headline operating profit[1]	**£21.0m**	£21.8m	-3.7%
Headline profit before taxation[1]	**£19.6m**	£20.9m	-6.2%
Diluted headline earnings per share[1]	**31.3p**	34.8p	-9.8%
Total dividend per share	**7.8p**	7.5p	+4.0%
Headline EBITDA[1]	**£25.8m**	£26.6m	-3.0%
Net cash (excluding IFRS 16 lease liabilities)	**£16.3m**	£9.0m	+81.1%
Statutory results			
Operating profit	**£20.6m**	£13.2m	+56.1%
Profit before taxation	**£18.9m**	£12.0m	+57.5%
Diluted earnings per share	**30.1p**	17.0p	+77.6%
Net debt (including IFRS 16 lease liabilities)	**£13.5m**	£19.2m	-27.6%

1 Headline operating profit and EBITDA excludes exceptional items and amortisation of acquired intangibles. Headline profit before taxation excludes exceptional items, amortisation of acquired intangibles and the net finance cost in respect of the Group's defined benefit pension scheme. Diluted headline earnings per share also takes into account the taxation effect thereon.

Highlights:

- Very strong results for the Group in spite of inflationary and cost-of-living challenges.
- Record revenues, with robust levels of profitability, against tough comparatives which benefitted from significant one-off gains.
- Resilient performance from Fuels as a result of providing excellent service to customers amidst supply constraints and volatile oil prices.
- Two fuel acquisitions completed in line with the strategy to consolidate the market, adding 39 million litres per annum.
- Strong performance improvement in Food with increased outbound activity and backloads along with warehouses at an effective operating capacity throughout the year, whilst continuing to win new business.
- Outstanding performance in Feeds, supporting ruminant farming customers who benefited from record high milk prices.
- The balance sheet remains strong with a healthy cash balance at the year-end providing significant flexibility to support investment driven growth.
- Continued increase in shareholder returns; proposed increase in the total dividend of 4.0% to 7.8p per share, reflecting the strong performance and the Board's confidence in the prospects of the business.
- Performance to date in the current financial year has been in line with the Board's expectations.

Divisional highlights:

Fuels - headline operating profit of £12.9 million (2022: £17.2 million). Resilient performance across the year in spite of the cost-of-living crisis and a mild winter impacting demand for heating oil. Localised supply shortages were overcome by national supply agreements and trunking fuel across the country to meet the needs of our customers across the depot network. Two acquisitions completed in the last twelve months.

Food - headline operating profit of £4.2 million (2022: £2.8 million). Continued successful development with an increase in outloads and backloads supported by a fully utilised warehouse operation with improved operating efficiencies. New business wins have continued in the year.

Feeds - headline operating profit of £3.9 million (2022: £1.8 million). Outstanding performance as a result of a resilient farming customer base, a record milk price and a desire to optimise yields through nutritional advice. The performance also benefited from significant commodity price gains in the summer months of 2022.

Richard Whiting, Chief Executive, NWF Group plc, commented:
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"NWF has delivered another great result, significantly ahead of the market expectations at the start of our financial year. The three divisions have performed ahead of expectations in the year in spite of inflationary and cost-of-living challenges. Strategic growth has been delivered with the completion of two fuel acquisitions. With a strong positive cash position at year end and long-term banking facilities in place, the Group is well positioned to continue its successful development."

It has been my privilege to lead NWF for the last 15 years and in retiring from the role next year I am delighted that Chris Belsham will be my successor."

A virtual meeting will be held for analysts today at 09.30a.m. Please contact MHP for further details at 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	Reg Hoare/Catherine Chapman	Mike Bell/Ed Allsopp
NWF Group plc	**MHP Group**	**Peel Hunt LLP** (Nominated Advisor and Broker)
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Chair's statement

Overview
I am pleased to report another year of significant progress for the Group, exceeding the market expectations that were established at the start of the financial year. In a year with significant challenges from inflationary pressures and the cost-of-living crisis, it has been particularly positive to deliver strong performances from all three divisions.

As a consequence of the continued progress achieved, the Group's strong cash generation and the growing confidence in the Group's future prospects, the Board is recommending a final dividend of 6.8p per share, to be paid to shareholders on 8 December 2023 (2022: 6.5p), giving a total dividend of 7.8p per share (2022: 7.5p), which represents a 4.0% increase on the prior year. This is the twelfth year that the Group has increased the dividend, highlighting continual sustained improvements in performance.

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

Fuels	NWF Fuels (including a number of local sub-brands)
Food	Boughey
Feeds	NWF Agriculture, SC Feeds, New Breed and Jim Peet

Key areas of focus for the Board in 2023 were:

Responding proactively to market conditions
The Group has responded well to challenging market conditions throughout the year. Inflation has been one of the most significant challenges and as a specialist distributor it is critical that we operate efficiently, provide a high level of service and effectively pass through inflationary costs, which all divisions have achieved. The UK experienced localised shortages for fuel supplies, particularly in the autumn and winter months. We have been able to mitigate this through our national supply agreements and the ability to move fuel around the country, demonstrating the value of our depot network, to ensure we maintained service to our customers. The cost-of-living crisis impacted consumers and we expect some of the volume decline in heating oil was a result of consumers trying to use less energy, albeit the majority of the volume reduction was a consequence of the mild winter. Volume in Food and Feeds was not impacted by the market conditions as the demand for ambient groceries was robust as was the case for milk and dairy products, which are basic necessities.

Delivering on strategy
The Group has a clearly articulated strategy which has a focus on expanding the Fuels depot network through acquisitions, consolidating a fragmented market. Two acquisitions have been completed in the last twelve months and there is a strong and active pipeline of opportunities. In Food, following the successful expansion with the Crewe warehouse, we continue to evaluate the opportunities to further expand our business with additional warehousing space backed by customer contracts. In Feeds we are focused on developing nutritionists through the NWF Academy who can increase volumes and utilise our national operations platform.

Cash generation
Cash generation remains a focus for the Group and it is good to report a strong year-end net cash balance of £16.3 million (excluding lease liabilities), which highlights both the cash generative nature of our business and the capability and flexibility to finance growth investment opportunities.

Rewarding good service
The consistent focus on excellence in customer service has been critical across the Group to win new business and ensure we can pass on inflationary cost increases as a specialist distributor.

ESG framework
The Board recognises the importance and value of ESG. We have established a target of net zero by 2040 and continued the focus on our four sustainability pillars across the Group. An executive steering committee meets regularly, reviewing detailed performance measures. A key development in the year has been the completion of our first TCFD disclosures, in compliance with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, Sections 414C, 414CA and 414CB of the Companies Act 2006, to place requirements on certain publicly quoted companies and large private companies to incorporate TCFD-aligned climate disclosures in their annual reports.

We continue to adopt the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') which we believe has been constructed in a simple, practical and effective style and that meaningful compliance with its ten main principles should provide shareholders with confidence in how the Group operates.

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Employees
The Group continues to employ more than 1,300 people across our three divisions and Head Office. I would like to offer my personal thanks to all our employees for their outstanding efforts and commitment to the Group over the last year.

Board changes
Richard Whiting, CEO, has informed the Board of his plan to retire from NWF in March 2024 after leading the Group successfully for the last 15 years. We are pleased to announce Chris Belsham, will succeed Richard as CEO from March 2024 as part of a managed succession plan and will, from today, become Chief Executive Designate. Katie Shortland, currently Finance & Transformation Director at Midland Expressway Ltd, will join the Board as Chief Financial Officer in October 2023. I will continue to lead the Group as Chair through this important transitionary period until the AGM of 2024.

I look forward to updating shareholders on the Group's continuing progress at the time of the Annual General Meeting on 28 September 2023.

Philip Acton
Chair
1 August 2023

Business and financial review

NWF has delivered another great result, significantly ahead of the market expectations at the start of our financial year. The three divisions have performed ahead of expectations in the year in spite of inflationary and cost-of-living challenges. Strategic growth has been delivered with the completion of two fuel acquisitions.

The continued focus on cash and very strong profit performance has increased the year end net cash position (excluding lease liabilities), which both demonstrates the ongoing cash-generative nature of our business and the ability to fund acquisitions and development. In line with our established progressive dividend policy, we are proposing an increased dividend as part of our continuing focus on driving shareholder returns.

Fuels delivered a significant performance in the year in spite of lower demand for heating oil as a consequence of a mild winter and consumers looking to minimise expenditure on energy, given higher prices. During the autumn and winter there were localised supply issues which were to our benefit as we have national supply agreements and are able to move fuel effectively across the country, demonstrating the value of our depot network, to meet our customers' needs. This delivered higher than normal returns in the financial year and reflects the flexibility and strong operating model of the business.

The Food division delivered another year of strong performance improvement, ahead of our expectations. The result was delivered through an increased number of outloads of our customers' products and ancillary backloads, along with fully utilising the warehouse infrastructure with improved operating efficiencies. New business has been won and we are currently utilising overflow warehousing to manage this higher level of storage demand.

Feeds has delivered an outstanding year as a result of a number of positive factors. The record high milk price for our dairy farmers has driven an increased focus on nutritional advice to deliver additional volumes for our customers. This has required the use of higher value and added value products which supported performance. In addition, in the summer months of 2022, gains were made on higher feed prices, having purchased commodities earlier in the year at lower prices before the Ukraine conflict started.

The Group delivered headline operating profit of £21.0 million (2022: £21.8 million) and headline profit before tax of £19.6 million (2022: £20.9 million). Operating profit was £20.6 million (2022: £13.2 million). Diluted headline earnings per share was 31.4p (2022: 34.8p).

Cash management remains strong with net cash of £16.3 million (2022: net cash of £9.0 million) excluding lease liabilities, after £2.1 million of net capital expenditure (2022: £3.2 million).

Fuels
Fuels' resilient performance was delivered by meeting customers' needs through a period of continued significant price volatility and some localised shortages of fuels, particularly during the autumn and winter period as the UK moved away from using oil from Russia. We were able to maintain a good service level across all 27 fuel depots as a result of national agreements across a number of refineries and fuels terminals and the ability to move fuel across the country to areas of shortages which drove higher returns. The relatively mild winter reduced demand for heating oil along with the cost-of-living crisis leading consumers to try and use less to offset higher prices. Heating oil remained a lower cost source of home heating in comparison to natural gas, the price of which was capped during the period.

Volumes declined by 4.1% to 636 million litres (2022: 663 million litres). Revenue increased by 21.9% to £757.2 million (2022: £621.1 million) as a consequence of higher oil prices, an increased diesel mix of fuel as a result of the mild winter and duty changes to gas oil implemented in April 2022. The average Brent Crude oil price in the year was $90 per barrel compared to $87 per barrel in the prior year. The volatility during the year was significant with a high of $124 per barrel in June 2022 and a low of $74 per barrel in May 2023.

Headline operating profit was £12.9 million (2022: £17.2 million) as a consequence of higher returns arising from supply concerns and pricing volatility which results in a net profit of 2.0 pence per litre, higher than expected. The prior year had one-off gains as a result of shortages and volatility from the start of the Ukraine conflict which was reported on last year.

Two acquisitions have been completed in the last twelve months. Sweetfuels (Oxfordshire) was acquired in December 2022 for £10.0 million (on a cash free/debt free basis with a normal level of working capital) and Geoff Boorman Fuels (Kent) for £2.6 million in July 2023. These accretive acquisitions add 39 million litres of fuel to our business in a full year. The acquisition pipeline of opportunities is healthy and this remains a focus for our development activity. We have a proven post-acquisition integration plan, retaining the local brand and customer facing parts of the business and centralising finance, IT, procurement and credit control.

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

With over 100,000 customers (2022: 109,000) being supplied across 27 fuel depots in the year (2022: 25), Fuels operates in large and robust markets and, as a business, it has consistently proved it can effectively manage the impact of volatility in oil prices. The industry remains highly fragmented, with many small operators, which provides NWF with further opportunities to consolidate the market and increase its market share.

Food

Food delivered a strong performance improvement as a result of increased outloads and associated backhaul work, fully utilised warehouses throughout the year and improved efficiency levels. Delivering a high level of service and operating efficiently has supported the division in both passing through inflationary cost increases and winning additional business from existing and new customers in the year. Labour turnover has reduced and we are fully resourced for both drivers and warehouse staff. A focus of the team has been on non-financial initiatives including healthcare and wellbeing to improve retention levels.

Revenue increased by 13.3% to £70.9 million (2022: £62.6 million). Storage overall was at an average of 122,000 pallets (2022: 118,000 pallets), with warehouses effectively utilised across the year. Demand for our customers' products increased in spite of the cost-of-living crisis. Retailers have reported stable demand for ambient grocery and demand has particularly increased from the discounters winning business from the higher priced retailers. Outloads were 7% higher than prior year whilst storage levels were up 3%, highlighting a positive overall increase in the stock turn of our customers' products.

New business has been gained from existing and new accounts to the extent that overflow warehousing is being utilised over the summer peak period. We continue to evaluate opportunities to further expand the warehouse base backed by customer contracts.

Headline operating profit was £4.2 million (2022: £2.8 million). Whilst the packing room increased activity strongly in the year and e-fulfilment was stable, it was not sufficient to offset a reduction in Palletline contribution which suffered as hauliers used their own vehicles more as a result of lower overall economic activity and reduced network throughput.

Demand for our customers' products continues to be stable and the outlook for most product categories handled by the business is resilient. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it provides to food manufacturers and importers. We have a leading position in consolidating ambient grocery products in the North West, with high service levels, industry leading systems and a consistent operating performance being the key components of its customer proposition.

Feeds

Feeds is focused on providing nutritional advice and on-time deliveries of animal feed to farmers across the country. Total feed volume decreased by 2.7% to 514,000 tonnes (2022: 528,000 tonnes). This reduction was marginally lower than the overall market and resulted from a mild autumn and a later transition to indoor housing for dairy herds.

Commodity prices were extremely volatile during the year. In comparison to prior year, a basket of commodities was 5% higher overall, but from the start of the year to the end in May 2023 they fell 27%. This volatility has in part been driven by uncertainty around the Ukraine conflict and its material impact on agricultural commodity markets.

Revenue was higher at £225.8 million (2022: £194.9 million) reflecting the higher feed prices more than offsetting lower volumes in the year. Headline operating profit was £3.9 million (2022: £1.8 million). The outstanding performance improvement has been driven by farmers utilising nutritional advice to optimise diets and added value products to benefit from a record high milk price. In addition, the division benefitted from commodities purchased prior to the Ukraine conflict being utilised over the summer period when feed prices had increased.

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

Milk prices in the UK increased to a record of 51.6 pence per litre in December 2022, supporting farming customers' higher feed, energy and labour costs. The average price for the year of 46.5p per litre compared to an average in the prior year of 34.4p per litre. At the end of the financial year the milk price had fallen to below 40p per litre. Milk production was 0.8% higher at 12.4 billion litres (2022: 12.3 billion litres).

Feeds has a very broad customer base, working with over 4,000 farmers across the UK. This base, and the underlying robust demand for milk and dairy products, results in a reasonably stable overall demand for our feed in most market conditions.

Outlook

In Fuels, we have a proven depot-based operating model and a clear growth strategy to consolidate a fragmented fuels distribution market. With a strong pipeline, acquisitions are being actively pursued and the opportunity for growth remains significant.

In Food, we are targeting additional business to support our ambition to expand our warehouse and transport operations and leverage our team's capability.

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

The Group has again demonstrated its capability to deliver a very strong performance and has great resilience. With a positive cash position, long term funding in place and the cash-generative capability of the Group we will continue to consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses, as well as investment in organic development.

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

Group results

For the year ended 31 May 2023

	2023 £m	2022 £m
Revenue	**1,053.9**	878.6

Cost of sales and administrative expenses	**(1,032.9)**	(865.4)
Headline operating profit[1]	**21.0**	21.8
Exceptional items	**-**	(8.3)
Amortisation of acquired intangibles	**(0.4)**	(0.3)
Operating profit	**20.6**	13.2
Financing costs	**(1.7)**	(1.2)
Headline profit before tax[1]	**19.6**	20.9
Exceptional items	**-**	(8.3)
Amortisation of acquired intangibles	**(0.4)**	(0.3)
Net finance cost in respect of defined benefit pension scheme	**(0.3)**	(0.3)
Profit before taxation	**18.9**	12.0
Income tax expense	**(4.0)**	(3.6)
Profit for the year	**14.9**	8.4
Headline EPS[1]	**31.4**	35.0p
Diluted headline EPS[1]	**31.3**	34.8p
Dividend per share	**7.8**	7.5p
Headline dividend cover[1]	**4.0**	4.6
Headline interest cover	**26.3**	54.5

1 Headline operating profit is statutory operating profit of £20.6 million (2022: £13.2 million) before exceptional items of £Nil (2022: £8.3 million) and amortisation of acquired intangibles of £0.4 million (2022: £0.3 million). Headline profit before taxation is statutory profit before taxation of £18.9 million (2022: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2022: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline EPS also takes into account the taxation effect thereon. Headline dividend cover is calculated using diluted headline EPS.

Group revenue increased by 20.0% to £1,053.9 million (2022: £878.6 million) with revenue growth from higher commodity prices in Fuels and Feeds and an increase in activity levels in Food. Headline operating profit was £21.0 million, a decrease of 3.7% (2022: £21.8 million). Operating profit increased 56.1% to £20.6 million (2022: £13.2 million).

Financing costs increased by £0.5 million to £1.7 million reflecting the increase in interest rates. This included the interest on bank debt of £0.8 million (2022: £0.4 million) and headline interest cover was 26.3x (excluding IAS 19 net pension finance costs and IFRS 16 lease interest) (2022: 54.5x).

Headline profit before taxation decreased by 6.2% to £19.6 million (2022: £20.9 million). Profit before taxation increased by £6.9 million to £18.9 million (2022: £12.0 million). There were no exceptional items in the year (2022: £8.3 million).

The tax charge for the year was £4.0 million (2022: £3.6 million). The effective tax rate for the year was 21.2% (2022: 30.0%). The post-tax profit for the year was £14.9 million (2022: £8.4 million).

The headline earnings per share of 31.4p represented a decrease of 10.3% (2022: 35.0p); diluted headline earnings per share decreased by 9.8% to 31.4p (2022: 34.8p). The proposed full-year dividend per share increased by 4.0% to 7.8p which reflects the strong performance and the Board's confidence in the prospects of the business. The proposed dividend equates to a dividend cover ratio of 4.0x.

The finance costs in respect of the defined benefit pension scheme were £0.3 million (2022: £0.3 million).

Balance sheet summary
As at 31 May 2023

	2023 £m	2022 £m
Tangible and intangible fixed assets	**75.5**	68.1
Right of use assets	**29.1**	27.5
Net working capital	**2.3**	5.4
Reimbursement assets	**1.7**	2.8
Derivative financial instruments	**0.1**	0.2
Net cash (excluding IFRS 16 lease liabilities)	**16.3**	9.0
Lease liabilities	**(29.8)**	(28.2)
Provision for liabilities	**(2.7)**	(3.8)
Current income tax liabilities	**(0.8)**	(0.4)
Deferred income tax liabilities	**(4.2)**	(3.2)
Retirement benefit obligations	**(9.6)**	(9.3)
Net assets	**77.9**	68.1

The Group increased net assets by £9.8 million to £77.9 million (2022: £68.1 million) reflecting a profit for the year of £14.9 million (2022: £8.4 million), strong cash conversion and a positive movement in working capital.

Tangible and intangible fixed assets increased by £7.4 million to £75.5 million as at 31 May 2023 (2022: £68.1 million) as a result of the acquisition of Sweetfuels Limited in Fuels. The depreciation (excluding IFRS 16 depreciation on right of use assets) and amortisation charges for the year to 31 May 2023 were £4.8 million and £0.6 million respectively (2022: £4.6 million and £0.5 million respectively).

Group level ROCE (based on headline operating profit) was 28.6% as at 31 May 2023 (2022: 30.3%).

Net working capital decreased by £3.1 million in the year with all three divisions experiencing a reduction. The Group's inventories decreased by £2.4 million to £7.4 million (2022: £9.8 million) with trade and other receivables decreasing to £87.4 million (2022: £96.2 million) and a decrease in trade and other payables to £92.5 million (2022: £100.6 million) as oil and commodity prices reduced.

Net cash (excluding lease liabilities) increased by £7.3 million to £16.3 million (2022: net cash £9.0 million), as a result of ongoing disciplined cash management, a strong trading performance and some short-term working capital benefits due to the timing of the year end.

The deficit of the Group's defined benefit pension scheme increased by £0.3 million to £9.6 million (2022: £9.3 million). The value of pension scheme assets decreased by £10.1 million to £29.6 million (2022: £39.7 million) as a result of lower asset values. The value of the scheme liabilities decreased by £9.8 million to £39.2 million (2022: £49.0 million) driven by a significant increase in the discount rate used to calculate the present value of the future obligations (2023: 5.35%; 2022: 3.45%). The discount rate is based on the yield available on AA rated corporate bonds, which have increased during the year.

Cash flow and banking facilities

For the year ended 31 May 2023

	2023 £m	2022 £m
Operating cash flows before movements in working capital and provisions	**32.9**	34.4
Working capital movements	**4.1**	(0.7)
Interest paid	**(1.4)**	(0.9)
Tax paid	**(3.1)**	(2.7)
Net cash generated from operating activities	**32.5**	30.1
Capital expenditure (net of receipts from disposals)	**(2.2)**	(3.2)
Acquisition of subsidiaries - cash paid (net of cash acquired)	**(9.5)**	-
Net cash used in investing activities	**(11.7)**	(3.2)
Net decrease in bank borrowings	**-**	(9.5)
Repayment of capital element of leases	**(9.9)**	(8.8)
Dividends paid	**(3.7)**	(3.5)
Net cash used in financing activities	**(13.6)**	(21.8)
Net increase in cash and cash equivalents	**7.2**	5.1
Cash and cash equivalents at beginning of year	**9.1**	4.0
Cash and cash equivalents at end of year	**16.3**	9.1

The closing net cash (excluding IFRS 16 lease liabilities) was £16.3 million (2022: net cash £9.1 million).

The cash impact of working capital movements was a cash inflow of £4.1 million. Net cash generated from operating activities and after IFRS 16 lease payments was £22.6 million (2022: £21.3 million) representing a cash conversion ratio of 107.6% of headline operating profit (2022: 97.7%).

Net capital expenditure in the year at £2.1 million (2022: £3.2 million) was lower than the annual depreciation charge, excluding IFRS 16 depreciation, of £4.8 million (2022: £4.6 million).

The Group's banking facilities, totalling £61.0 million, were renewed in May 2023 and are committed through to 31 May 2026 with the exception of the bank overdraft facility of £1.0 million which is renewed annually. There remains substantial facility headroom available to support the development of the Group. Within the total facility of £61.0 million, the Group has an invoice discounting facility, the availability of which depends on the level of trade receivables available for refinancing and which is subject to a maximum drawdown of £50.0 million. In addition, the Group has agreed an accordion of £10.0 million on each of the invoice discounting facility and the revolving credit facility. The banking facilities are provided subject to ongoing compliance with conventional banking covenants against which the Group has substantial levels of headroom.

Principal risks and uncertainties
As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The principal risks and uncertainties which could have a material adverse impact on the Group are:

- Commodity prices and volatility in raw material prices - The Group's Feeds and Fuels divisions operate in sectors which are vulnerable to volatile commodity prices both for fuel and for raw materials.
- Transitional risks of climate change - The long-term profitability of our current businesses is more likely to be impacted by Government strategy and policy in relation to the decarbonisation of the economy, rather than as a direct impact of climate change. The view of the Board is that the main risk to the Group is a transitional risk as the Government introduces policies which could negatively impact the Group. There are also potential additional costs to the Group, arising from the need to redesign and replace infrastructure as the UK economy seeks to decarbonise.
- Pension scheme volatility - Increases in the ongoing deficit associated with the Group's defined benefit pension scheme would adversely impact on the strength of the Group's balance sheet and could lead to an increase in cash contributions payable by the Group.
- Recruitment, retention and development of key people - Recruiting and retaining the right people is crucial for the success of the Group and its development. Furthermore, the Group is entering a stage of transition at the Board and Senior Executive level as a consequence of planned retirements. There is a risk around a limited number of key Executives across the Group.
- Infrastructure and IT systems - IT system failures or business interruption events (such as cyber incidents) could have a material impact on the Group's ability to operate effectively.
- Non-compliance with legislation and regulations - The Group operates in diverse markets and each sector has its own regulatory and compliance frameworks which require ongoing monitoring to ensure that the Group maintains full compliance with all legislative and regulatory requirements. Any incident of major injury or fatality or which results in significant environmental damage could result in reputational or financial damage to the Group.
- Impact of weather on earnings volatility - The demand for both the Fuels and Feeds divisions is impacted by weather conditions and the severity of winter conditions, which directly affect the short-term demand for heating oil and animal feeds. The inherent uncertainty regarding weather conditions represents a risk of volatility in the profitability of the Fuels and Feeds divisions.
- Strategic growth and change management - Significant development of the Group is only achievable via a significant acquisition or several smaller transactions. The current strategic plan is focused on Fuel acquisitions, which tend to be smaller and therefore do not represent a significant risk on an individual basis.

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

Going concern
The Group's banking facilities, provided by NatWest Group, were renewed on 31 May 2023 and are committed until 31 May 2026, which provides a credit facility of £61.0m and includes a £1.0m overdraft that is renewed annually. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its lender. As at 31 May 2023 the Group had available funds of £77.3 million (based on cash balances, invoice discounting availability, RCF and overdraft facilities), against which the Group was not utilised.

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 that the Board would be able to take to reduce costs. Under this scenario, the Group would still expect to have sufficient headroom in its financing facilities.

Accordingly, the Directors, having made suitable enquiries, and based on financial performance to date and forecasts along with the available banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Share price
The market price per share of the Company's shares at 31 May 2023 was 259.5p (31 May 2022: 220.0p) and the range of market prices during the year was between 220.0p and 286.0p.

Richard Whiting	**Chris Belsham**
Chief Executive	***Chief Executive Designate***

Consolidated income statement

for the year ended 31 May 2023

	Note	**2023 £m**	2022 £m
Revenue	4	**1,053.9**	878.6
Cost of sales		**(999.8)**	(823.3)
Gross profit		**54.1**	55.3
Administrative expenses		**(33.5)**	(42.1)
Headline operating profit[1]		**21.0**	21.8
Exceptional items	5	**-**	(8.3)
Amortisation of acquired intangibles		**(0.4)**	(0.3)
Operating profit	4	**20.6**	13.2
Finance costs	6	**(1.7)**	(1.2)
Headline profit before taxation[1]		**19.6**	20.9
Net finance cost in respect of the defined benefit pension scheme		**(0.3)**	(0.3)
Exceptional items	5	**-**	(8.3)
Amortisation of acquired intangibles		**(0.4)**	(0.3)
Profit before taxation		**18.9**	12.0
Income tax expense	7	**(4.0)**	(3.6)
Profit for the year attributable to equity shareholders		**14.9**	8.4
Earnings per share (pence)			
Basic	8	**30.2**	17.1
Diluted	8	**30.1**	17.0
Headline earnings per share (pence)[1]			
Basic	8	**31.4**	35.0
Diluted	8	**31.3**	34.8

1 Headline operating profit is statutory operating profit of £21.0 million (2022: £13.2 million) before exceptional items of £Nil (2022: £8.3 million) and amortisation of acquired intangibles of £0.4 million (2022: £0.3 million). Headline profit before taxation is statutory profit before taxation of £18.9 million (2022: £12.0 million) after adding back the net finance cost in respect of the Group's defined benefit pension scheme of £0.3 million (2022: £0.3 million), the exceptional items and amortisation of acquired intangibles. Headline earnings per share also takes into account the taxation effect thereon.

The results relate to continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 May 2023

	2023 £m	2022 £m
Profit for the year attributable to equity shareholders	**14.9**	8.4
Items that will never be reclassified to income statement:		
Remeasurement (loss)/gain on defined benefit pension scheme	**(2.3)**	4.0
Tax on items that will never be reclassified to income statement	**1.0**	(1.0)
Total other comprehensive (expense)/income	**(1.3)**	3.0
Total comprehensive income for the year	**13.6**	11.4

Consolidated balance sheet

as at 31 May 2023

	Note	**2023 £m**	2022 £m
Non-current assets			
Property, plant and equipment		**43.7**	45.4
Right of use assets		**29.1**	27.5
Intangible assets		**31.8**	22.7
		104.6	95.6
Current assets			
Inventories		**7.4**	9.8

Trade and other receivables		**87.4**	96.2
Reimbursement assets		**1.7**	2.8
Cash and cash equivalents	12	**16.3**	9.1
Derivative financial instruments		**0.2**	0.4
		113.0	118.3
Total assets		**217.6**	213.9
Current liabilities			
Trade and other payables		**(92.5)**	(100.6)
Current income tax liabilities		**(0.8)**	(0.4)
Lease liabilities		**(9.8)**	(8.6)
Provisions for liabilities		**(1.9)**	(3.1)
Derivative financial instruments		**(0.1)**	(0.2)
		(105.1)	(112.9)
Non-current liabilities			
Lease liabilities		**(20.0)**	(19.7)
Provisions for liabilities		**(0.8)**	(0.7)
Deferred income tax liabilities		**(4.2)**	(3.2)
Retirement benefit obligations	13	**(9.6)**	(9.3)
		(34.6)	(32.9)
Total liabilities		**(139.7)**	(145.8)
Net assets		**77.9**	68.1
Equity			
Share capital	10	**12.4**	12.3
Share premium		**0.9**	0.9
Retained earnings		**64.6**	54.9
Total equity		**77.9**	68.1

Consolidated statement of changes in equity

for the year ended 31 May 2023

	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
Profit for the year	-	-	8.4	8.4
Items that will never be reclassified to income statement:				
Actuarial gain on defined benefit pension scheme (note 13)	-	-	4.0	4.0
Tax on items that will never be reclassified to income statement	-	-	(1.0)	(1.0)
Total other comprehensive income	-	-	3.0	3.0
Total comprehensive income for the year	-	-	11.4	11.4
Transactions with owners:				
Issue of shares	-	-	-	-
Dividends paid (note 9)	-	-	(3.5)	(3.5)
Value of employee services	-	-	(0.1)	(0.1)
Credit to equity for equity-settled share-based payments	-	-	0.8	0.8
Total transactions with owners	-	-	(2.8)	(2.8)
Balance at 31 May 2022	12.3	0.9	54.9	68.1
Profit for the year	**-**	**-**	**14.9**	**14.9**
Items that will never be reclassified to income statement:				
Actuarial loss on defined benefit pension scheme (note 13)	**-**	**-**	**(2.3)**	**(2.3)**
Tax on items that will never be reclassified to income statement	**-**	**-**	**1.0**	**1.0**
Total other comprehensive expense	**-**	**-**	**(1.3)**	**(1.3)**
Total comprehensive income for the year	**-**	**-**	**13.6**	**13.2**
Transactions with owners:				
Issue of shares	**0.1**	**-**	**(0.1)**	**-**
Dividends paid (note 9)	**-**	**-**	**(3.7)**	**(3.7)**
Value of employee services	**-**	**-**	**(0.6)**	**(0.6)**
Credit to equity for equity-settled share-based payments	**-**	**-**	**0.5**	**0.5**
Total transactions with owners	**0.1**	**-**	**(3.9)**	**(3.8)**
Balance at 31 May 2023	**12.4**	**0.9**	**64.6**	**77.9**

Consolidated cash flow statement

for the year ended 31 May 2023

	2023 £m	2022 £m
Cash flows from operating activities		
Profit before tax	**18.9**	12.0
Adjustments for:		
Depreciation and amortisation	**15.3**	14.0
(Profit)/loss on disposal of property, plant and equipment	**(0.5)**	-
Impairment of assets	**-**	8.4
Finance costs	**1.7**	1.2
Share-based payment expense	**0.5**	0.8
Value of employee services	**(0.7)**	(0.1)
Fair value loss/(profit) on financial derivatives	**0.1**	(0.1)
Contribution to pension scheme not recognised in income statement	**(2.2)**	(1.8)
Operating cash flows before movements in working capital and provisions	**33.1**	34.4
Movements in working capital:		
Decrease/(increase) in inventories	**2.4**	(3.2)
Decrease/(increase) in trade and other receivables	**8.7**	(23.9)

(Decrease)/increase in trade and other payables	**(7.0)**	26.4
Net cash generated from operations	**37.0**	33.7
Interest paid	**(1.4)**	(0.9)
Income tax paid	**(3.1)**	(2.7)
Net cash generated from operating activities	**32.5**	30.1
Cash flows used in investing activities		
Purchase of intangible assets	**(0.1)**	(0.2)
Purchase of property, plant and equipment	**(3.1)**	(3.4)
Acquisition of subsidiaries - cash paid (net of cash acquired)	**(9.5)**	-
Proceeds on sale of property, plant and equipment	**1.0**	0.4
Net cash used in investing activities	**(11.7)**	(3.2)
Cash flows used in financing activities		
Decrease in bank borrowings	**-**	(9.5)
Capital element of finance leases	**(9.9)**	(8.8)
Dividends paid	**(3.7)**	(3.5)
Net cash used in financing activities	**(13.6)**	(21.8)
Net increase in cash and cash equivalents	**7.2**	5.1
Cash and cash equivalents at beginning of year	**9.1**	4.0
Cash and cash equivalents at end of year	**16.3**	9.1

Notes to the Group financial statements

for the year ended 31 May 2023

1. General information

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

The address of the Company's registered office is NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP. The Company has its primary listing on AIM, part of the London Stock Exchange.

2. Significant accounting policies

The Group's principal accounting policies are set out below.

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in the Group financial statements on 1 June 2021. This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards. The Group financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are outlined in note 14 below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies have been applied consistently throughout the period, other than where new policies have been adopted.

Going concern

Based on financial performance to date and forecasts along with the available banking facilities, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The Board has prepared cash flow forecasts for the period to 31 May 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.

The Group's banking facilities, provided by NatWest Group, were renewed on 31 May 2023 and are committed until 31 May 2026, which provides a credit facility of £61.0m and includes a £1.0m overdraft that is renewed annually. The Group is profitable, cash generative, has a strong balance sheet position and a good relationship with its lender. As at 31 May 2023 the Group had available funds of £77.3 million (based on cash balances, invoice discounting availability, RCF and overdraft facilities), against which the Group was not utilised.

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

Alternative performance measures ('APMs')

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

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

Headline profit before taxation is reported profit before taxation after adding back the net finance cost in respect of the Group's defined benefit pension scheme, exceptional items and amortisation of acquired intangibles, to show the underlying performance of the Group.

Headline EBITDA refers to reported operating profit after adding back exceptional items and amortisation of acquired

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

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

The calculation of headline earnings includes any exceptional impact of remeasuring deferred tax balances. The calculations of basic and diluted headline earnings per share are shown in note 8.

Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that, in the Directors' judgement, are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, restructuring costs, acquisition-related costs, costs of implementing new systems, cyber-related costs, impairment of assets and income from legal or insurance settlements. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

Forward-looking statements

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

Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 June 2022.

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

Standard or interpretation	Content	Applicable for financial year beginning on
IFRS 4	Insurance Contracts	1 June 2022

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

Standard or interpretation	Content	Applicable for financial year beginning on
Amendments to IAS 1	Presentation of Financial Statements	1 June 2023
Amendments to IAS 8	Accounting Policies	1 June 2023
Amendments to IAS 12	Income Taxes	1 June 2023
Amendments to IFRS 17	Insurance Contracts	1 June 2023
IFRS Practice Statement 2	Making Materiality Judgements	1 June 2023
Amendments to IFRS 16	Leases on sale and leaseback	1 June 2024

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

3. Group Annual Report and statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 May 2023 or 31 May 2022, but is derived from those accounts.

Statutory accounts for 2022 have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, have reported on the 2022 accounts; the report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for 2023 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors, PricewaterhouseCoopers LLP, have reported on these accounts and their report is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under either Section 498(2) or (3) of the Companies Act 2006.

The Annual Report and full financial statements will be posted to shareholders during the week commencing 14 August 2023. Further copies will be available to the public, free of charge, from the Company's Registered Office at NWF Group plc, Wardle, Cheshire CW5 6BP, or can be viewed on the Company's website: www.nwf.co.uk.

4. Segment information

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

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

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

Fuels - sale and distribution of domestic heating, industrial and road fuels

Food - warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres

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

Segment information about the above businesses is presented below.

The Board assesses the performance of the operating segments based on a measure of operating profit ('headline operating profit'). Finance income and costs are not included in the segment result that is assessed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets exclude deferred income tax assets and cash at bank and in hand. Segment liabilities exclude taxation, borrowings and retirement benefit obligations. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

2023	Fuels £m	Food £m	Feeds £m	Group £m
Revenue				
Total revenue	**765.0**	**70.9**	**225.8**	**1061.7**
Inter-segment revenue	**(7.8)**	**-**	**-**	**(7.8)**
Revenue	**757.2**	**70.9**	**225.8**	**1053.9**
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 (note 7)				**(1.7)**
Profit before taxation				**18.9**
Income tax expense (note 8)				**(4.0)**
Profit for the year				**14.9**
Other information				
Depreciation and amortisation	**6.0**	**6.3**	**3.0**	**15.3**
Property, plant and equipment additions (note 12)	**0.7**	**1.1**	**1.3**	**3.1**

2023	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	**101.9**	**50.0**	**49.4**	**201.3**
Cash and cash equivalents (note 18)				**16.3**
Consolidated total assets				**217.6**
Liabilities				
Segment liabilities	**(78.0)**	**(23.2)**	**(24.9)**	**(125.1)**
Deferred income tax liabilities (note 24)				**(4.2)**
Current income tax liabilities				**(0.8)**
Retirement benefit obligations (note 26)				**(9.6)**
Consolidated total liabilities				**(139.7)**

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

2022	Fuels £m	Food £m	Feeds £m	Group £m
Balance sheet				
Assets				
Segment assets	106.5	48.3	50.0	204.8
Cash and cash equivalents				9.1
Consolidated total assets				213.9
Liabilities				
Segment liabilities	(88.7)	(20.1)	(24.1)	(132.9)
Deferred income tax liabilities				(3.2)
Current income tax liabilities				(0.4)
Retirement benefit obligations (note 13)				(9.3)
Consolidated total liabilities				(145.8)

5. Profit before taxation - exceptional items

A net exceptional cost of £Nil (2022: £8.3 million) is included in administrative expenses. Exceptional items by type are as follows:

	2023 £m	2022 £m
Impairment of goodwill and other intangible assets	**-**	7.9
Impairment of property, plant and equipment	**-**	0.5

Insurance reclaim credit	-	(0.1)
Net exceptional cost	-	8.3

6. Finance costs

	2023 £m	2022 £m
Interest on bank loans and overdrafts	**0.8**	0.4
Finance costs on lease liabilities relating to IFRS 16	**0.6**	0.5
Total interest expense	**1.4**	0.9
Net finance cost in respect of defined benefit pension schemes (note 13)	**0.3**	0.3
Total finance costs	**1.7**	1.2

7. Income tax expense

	2023 £m	2022 £m
Current tax		
UK corporation tax on profits for the year	**3.8**	3.8
Adjustments in respect of prior years	**-**	(0.1)
Current tax expense	**3.8**	3.7
Deferred tax		
Origination and reversal of temporary differences	**0.4**	(0.1)
Adjustments in respect of prior years	**(0.3)**	-
Effect of increased tax rate on opening balances	**0.1**	-
Deferred tax expense	**0.2**	(0.1)
Total income tax expense	**4.0**	3.6

During the year ended 31 May 2023, corporation tax has been calculated at 20% of estimated assessable profits for the year (2022: 19%).

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

	2023 £m	2022 £m
Profit before taxation	**18.9**	12.0
Profit before taxation multiplied by the standard rate of UK corporation tax of 20% (2022: 19%)	**3.8**	2.3
Effects of:		
- expenses not deductible for tax purposes	**0.4**	1.7
- super-deduction allowance	**(0.1)**	(0.1)
- impact of share-based payments	**0.1**	(0.2)
- impact of increased tax rate on opening balances	**0.1**	-
- adjustments in respect of prior years	**(0.3)**	(0.1)
Total income tax expense	**4.0**	3.6

A net £0.5 million has been recognised in Other Comprehensive Income, relating to a £0.1 million debit to equity arising on the movement within the deferred tax provision (2022: £1.4 million) offset with a movement in current tax of a credit of £0.4 million (2022: £0.4 million).

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

8. Earnings per share

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

	2023	2022
Earnings (£m)		
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	**14.9**	8.4
Number of shares ('000)		
Weighted average number of shares for the purposes of basic earnings per share	**49,355**	49,109
Weighted average dilutive effect of conditional share awards	**196**	299
Weighted average number of shares for the purposes of diluted earnings per share	**49,551**	49,408
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**30.2**	17.1
Diluted earnings per ordinary share	**30.1**	17.0
Headline earnings per ordinary share (pence)		
Basic headline earnings per ordinary share	**31.4**	35.0
Diluted headline earnings per ordinary share	**31.3**	34.8

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

	2023 £m	2022 £m
Profit for the year attributable to equity shareholders	**14.9**	8.4
Add back/(deduct):		
Net finance cost in respect of defined benefit pension scheme	**0.3**	0.3
Exceptional items	**-**	8.3
Amortisation of acquired intangibles	**0.4**	0.3
Tax effect of the above	**(0.1)**	(0.1)
Headline earnings	**15.5**	17.2

9. Dividends paid

	2023 £m	2022 £m
Final dividend for the year ended 31 May 2022 of 6.5p (2021: 6.2p) per share	**3.2**	3.0

Final dividend for the year ended 31 May 2022 of 6.5p (2021: 6.2p) per share	**3.2**	3.0
Interim dividend for the year ended 31 May 2023 of 1.0p (2022: 1.0p) per share	**0.5**	0.5
Amounts recognised as distributions to equity shareholders in the year	**3.7**	3.5
Proposed final dividend for the year ended 31 May 2023 of 6.8p (2022: 6.5p) per share	**3.4**	3.2

The proposed final dividend is subject to approval at the AGM on 28 September 2023 and has not been included as a liability in these Group financial statements.

10. Share capital

	Number of shares '000	Total £m
Allotted and fully paid: ordinary shares of 25p each		
Balance at 1 June 2021	49,004	12.3
Issue of shares (see below)	130	-
Balance at 31 May 2022	49,134	12.3
Issue of shares (see below)	274	0.1
Balance at 31 May 2023	**49,408**	**12.4**

During the year ended 31 May 2023, 273,800 shares (2022: 130,198 shares) with an aggregate nominal value of £68,450 (2022: £32,550) were issued under the Group's conditional Performance Share Plan.

The maximum total number of ordinary shares, which may vest in the future in respect of conditional Performance Share Plan awards outstanding at 31 May 2023, amounted to 1,202,049 (31 May 2022: 1,386,289). These shares will only be issued subject to satisfying certain performance criteria.

11. Business combinations

On 21 December 2022, the Group acquired 100% of the share capital of Sweetfuels Limited, a 20 million litre fuel distributor based in Faringdon in Oxfordshire. The headline purchase price for the acquisition was £10.0 million on a cash and debt free basis and before excess cash and acquisition costs. The total consideration paid was £14.3 million, after adjusting the purchase price for cash acquired and the normalisation of working capital. The net consideration paid was £10.2 million after adjusting for cash acquired and acquisition expenses.

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	6.5
Intangible assets - Brand	0.8
Intangible assets - Customer relationships	2.3
Property, plant and equipment	0.5
Stock	0.2
Trade and other receivables	2.5
Cash	4.8
Trade and other payables	(1.8)
Current income tax liability	(0.6)
Deferred tax liability	(0.9)
	14.3

Provisional goodwill of £6.5 million 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:

	2023 £m
Total gross consideration	(14.3)
Excess cash acquired	4.8
Net cash flow arising on completion	(9.5)
Additional debt like items acquired at completion	(0.5)
Headline purchase price	(10.0)
Acquisition-related costs	(0.2)
Net consideration paid	**(10.2)**

Acquisition-related costs of £0.2 million have been charged to the income statement in the year ended 31 May 2023.

The following amounts have been recognised within the consolidated income statement in respect of the acquisition made in the year: revenue - £7.2 million, profit - £0.4 million.

Had the acquisition taken place at the start of the financial year, the consolidated income statement would show: revenue - £14.9 million, profit - £1.1 million.

In its last financial year to 31 July 2022 Sweetfuels Limited made an operating profit of £1.8 million.

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

	1 June 2022 £m	Cash flow £m	Other non-cash movements £m	**31 May 2023 £m**
Cash and cash equivalents	9.1	7.2	-	**16.3**
Borrowings	-	-	-	**-**
Hire purchase obligations[1]	(0.1)	0.1	-	**-**
Total Group (excluding lease liabilities)	9.0	7.3	**-**	**16.3**
Lease liabilities (excluding hire purchase obligations transferred)	(28.2)	10.5	**(12.1)**	**(29.8)**
Total Group (including lease liabilities)	(19.2)	17.8	**(12.1)**	**(13.5)**

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

13. Retirement benefit obligations

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

NWF Group Benefits Scheme

The scheme is administered by a fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to new members during the year ended 31 May 2002 and closed to future accrual with effect from April 2016.

The triennial actuarial valuation of this scheme was completed in the year ended 31 May 2021, with a deficit of £16.8 million at the valuation date of 31 December 2019. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method. In these financial statements this liability has been updated in order to derive the IAS 19R valuation as of 31 May 2022. The next full triennial valuation will be completed in the year ending 31 May 2024.

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

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

	2023 £m	2022 £m
Present value of defined benefit obligations	**(39.2)**	(49.0)
Fair value of scheme assets	**29.6**	39.7
Deficit in the scheme recognised as a liability in the balance sheet	**(9.6)**	(9.3)
Related deferred tax asset	**2.4**	2.3
Net pension liability	**(7.2)**	(7.0)

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

	2023 £m	2022 £m
At 1 June	**49.0**	60.0
Interest cost	**1.7**	1.2
Remeasurement (gains)/losses:		
- actuarial gains arising from changes in financial assumptions	**(11.5)**	(10.2)
- actuarial losses/(gains) arising from changes in demographic assumptions	**0.3**	(0.6)
- actuarial losses on experience assumptions	**1.6**	0.4
Benefits paid	**(1.9)**	(1.8)
At 31 May	**39.2**	49.0

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

	2023 £m	2022 £m
At 1 June	**39.7**	45.1
Interest income	**1.5**	0.9
Remeasurement losses:		
- actuarial losses on plan assets	**(11.9)**	(6.4)
Contributions by employer	**2.6**	2.2
Expenses	**(0.4)**	(0.3)
Benefits paid	**(1.9)**	(1.8)
At 31 May	**29.6**	39.7

14. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined benefit pension scheme - valuation assumptions

The balance sheet carrying values of defined benefit pension scheme surpluses or deficits are calculated using independently commissioned actuarial valuations. These valuations are based on a number of assumptions, including the most appropriate mortality rates to apply to the profile of scheme members and the financial assumptions regarding discount rates and inflation. All of these are estimates of future events and are therefore uncertain.

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

Impact on defined benefit obligation	Increase £m	Decrease £m
0.25% change in discount rate	(1.3)	1.3
0.25% change in RPI inflation	0.9	(0.9)
One-year change in the life expectancy at age 65	1.5	(1.5)

Assessment of impairment

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

The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use post-tax cash flow projections based on the Board-approved budget for the year ending 31 May 2024 and four years of divisional strategic plans thereafter. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

These value in use calculations are subject to a series of sensitivity analyses using reasonable assumptions concerning the future performance of the CGUs and assessing the impact of a 1% increase in the discount rate.

Carrying value of trade receivables

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

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

15. Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Company's Annual Report for the year ended 31 May 2023, which will be posted to shareholders on or before 16 August 2023, contains the following statement regarding responsibility for the Strategic Report, the Directors' Report (including the Corporate Governance Report), the Board Report on Remuneration and the financial statements included within the Annual Report:

Each of the Directors confirms that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards, comprising FRS101 and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards, give a true and fair view of the assets, liabilities, financial position and results of the Group;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

16. Post balance sheet events

On 7 July 2023, the Group acquired 100% of the trade and assets of Geoff Boorman Fuels LLP, a 19 million litre fuel distributor based in Edenbridge in Kent, supplying mainly domestic customers across the South-West to the borders of Kent, Sussex and Surrey. The net cash consideration of £2.6 million on a debt and cash free basis was settled at completion.

17. Financial calendar

Annual General Meeting	28 September 2023
Dividend:	
- Ex-dividend date	2 November 2023
- Record date	3 November 2023
- Payment date	8 December 2023
Announcement of half-year results	Early February 2024
Publication of Interim Report	Early February 2024
Interim dividend paid	May 2024
Financial year end	31 May 2024
Announcement of full-year results	Early August 2024
Publication of Annual Report and Accounts	Late August 2024

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