

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you sell or have sold or otherwise transferred all of your Ordinary Shares in NWF Group plc you should deliver this document together with the attached Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Directors, whose names are set out on page 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the importance of such information.

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# **NWF GROUP PLC**

*(Incorporated and registered in England and Wales with No: 2264971)*

## **Bonus Issue of 37,512,844 New Ordinary Shares of 25 pence each Notice of Extraordinary General Meeting**

### **Share Capital immediately following the Bonus Issue**

Number	Authorised £	Number	Issued and fully paid up £
80,000,000	20,000,000	46,891,055	11,722,764

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Your attention is drawn to the letter from the Chairman of the Company on pages 4 to 6 of this document recommending that you vote in favour of the Bonus Issue.

This document does not constitute a prospectus for the purpose of the Prospectus Rules neither does it constitute an admission document drawn up in accordance with the AIM Rules.

Application will be made to the London Stock Exchange for the New Ordinary Shares, to be issued pursuant to the Bonus Issue, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will take place and that trading will commence on 5 October 2007.

The Notice of an Extraordinary General Meeting of NWF Group plc to be held at the Swan Hotel, 50 High Street, Tarporley, Cheshire CW6 0AG on 4 October 2007 at 11.00 a.m. or immediately after the Annual General Meeting convened for the same day is set out at the end of this document. Whether or not you intend to be present at the EGM you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event not later than 11.00 a.m. on 2 October 2007.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

*2007*

Record date for the Bonus Issue	Close of business on 4 October
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 2 October
Extraordinary General Meeting	11.00 a.m. on 4 October
Admission and dealings in the New Ordinary Shares expected to commence on AIM	8.00 a.m. on 5 October

## BONUS ISSUE STATISTICS

Number of Ordinary Shares in issue at the date of this document	9,378,211
Number of New Ordinary Shares issued pursuant to the Bonus Issue	37,512,844
Number of Ordinary Shares in issue immediately following Admission	46,891,055

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Admission”	the admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules governing the admission to, and operation of AIM contained in the document entitled the “AIM Rules” published by the London Stock Exchange
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at 10.30 a.m. on 4 October 2007, notice of which is set out in the published Annual Report and Accounts
“Bonus Issue”	the proposed issue of fully paid-up new Ordinary Shares to Shareholders on the register of the Company on the Bonus Issue Record Date on the basis of four new Ordinary shares for every one Ordinary Share then held as described in this document
“Bonus Issue Record Date”	4 October 2007
“Company” or “NWF”	NWF Group plc
“Directors” or the “Board”	the directors of NWF, whose names appear on page 4 of this document
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company convened for 11.00 a.m. on 4 October 2007 or immediately following the AGM by the Notice of EGM and any adjournment thereof
“Form of Proxy”	the form of proxy enclosed with this document for use at the EGM
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	37,512,844 new Ordinary Shares to be issued pursuant to the Bonus Issue
“Notice of EGM”	The notice of EGM set out at the end of this document
“Ordinary Shares”	ordinary shares of 25 pence each in the share capital of the Company
“Resolutions”	the resolutions set out in the Notice of EGM
“Shareholders”	holders of Ordinary Shares

## PART I

### LETTER FROM THE CHAIRMAN

# NWF GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with No: 2264971)*

*Directors:*

Mark Hudson (*Chairman*)  
Graham Scott (*Chief Executive*)  
Paul Grundy (*Finance Director*)  
David Southworth (*Non-executive Director*)  
John Acornley (*Non-executive Director*)

*Registered Office:*

Wardle  
Nantwich  
Cheshire  
CW5 6BP

*Company Secretary:*

Rob Andrew

24 August 2007

Dear Shareholder,

#### **Introduction**

The Board announced today that it has agreed that the issued share capital of the Company should be increased, by way of a Bonus Issue, thereby increasing the number of Ordinary Shares available for trading through the AIM market of the London Stock Exchange with a view to increasing the liquidity and marketability of the Ordinary Shares.

Twelve months ago the Company's middle market closing share price was £9.55. Since that date the middle market closing share price has risen to a peak of £10.875 and an average of £9.70. At the close of business on 22 August 2007, at a middle market closing share price of £9.55 per Ordinary Share, the Company had a market capitalisation of approximately £89.56 million.

An EGM has been convened for 11.00 a.m. or immediately following the AGM on 4 October 2007 where a resolution will be proposed seeking Shareholders consent to the Bonus Issue. A Notice of EGM is set out at the end of this document.

The purpose of this document is to provide you with information on and to outline the reasons for the Bonus Issue and to explain why the Bonus Issue is in the best interests of the Company and Shareholders as a whole and why it recommends that you vote in favour of the Resolutions.

#### **Details of the Bonus Issue**

The Board is proposing that for each Ordinary Share held by a Shareholder on the Bonus Issue Record Date four new Ordinary Shares will be issued. In order to effect the Bonus Issue, £9,378,211 will be capitalised from reserves, as to which £6,612,895 will be capitalised from the Share Premium Account, £1,394,964 will be capitalised from the Revaluation Reserve, £301,888 will be capitalised from Other Reserves and £1,068,464 from the Profit and Loss Account which at 31 May 2007 was £9,882,762.

The Bonus Issue will result in the issue of 37,512,844 Ordinary Shares and the Company will have an aggregate of 46,891,055 Ordinary Shares in issue at the date that the New Ordinary Shares are admitted to AIM.

Holders of Ordinary Shares, whose names appear on the register at the Bonus Issue Record Date will receive four new Ordinary Shares, credited as fully paid, for each Ordinary Share held by them on the Bonus Issue Record Date.

### **Rights of the New Ordinary Shares and effect of the Bonus Issue**

As a result of the Bonus Issue each Shareholder will hold five Ordinary Shares in place of every one Ordinary Share held at the Bonus Issue Record Date. The New Ordinary Shares to be issued pursuant to the Bonus Issue, will be issued, credited as fully paid, to Shareholders on the register of members at the close of business on the Bonus Issue Record Date. The number of New Ordinary Shares to be issued and allotted will be 37,512,844. The market price of the Company's Ordinary Shares is expected to adjust correspondingly to reflect the Bonus Issue.

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid from the ordinary share capital of the Company, except for the final dividend declared by the Company on 14 August 2007, which is payable to Shareholders on 1 November 2007.

### **Dealings and Settlement**

The Bonus Issue will be effected by reference to Shareholders and their holdings of Ordinary Shares on the register as at the close of business on 4 October 2007, the Bonus Issue Record Date. Subject to the resolutions contained in the Notice of EGM being passed and becoming unconditional:

- trading on AIM in the New Ordinary Shares will commence on 5 October 2007;
- share certificates in respect of New Ordinary Shares are expected to be despatched to certified Shareholders by no later than 12 October 2007. Pending receipt of such certificates, transfers will be certified against the register if required; and
- the CREST accounts of uncertificated Shareholders will be credited with New Ordinary Shares as soon as practicable after the admission of the New Ordinary Shares on 5 October 2007.

### **Share Option Schemes**

Following the Bonus Issue, and subject always to the approval of HM Revenue and Customs, the number of share options subject to each share option granted under the Company's Share Option Schemes will be adjusted in such manner as the Company's auditors confirm to be fair and reasonable. Share option holders will be notified in due course.

### **Extraordinary General Meeting**

A notice convening the Extraordinary General Meeting to consider and, if thought fit, pass the Resolutions is set out on page 7 and 8 of this document. A summary of the Resolutions is set out below:

#### ***Bonus Issue***

By the first Resolution, your Directors are seeking authority to capitalise £9,378,211 from reserves by way of a Bonus Issue of four new Ordinary Shares of 25 pence each for every one such existing Ordinary Share held. The New Ordinary Shares will be issued, credited as fully paid, to Shareholders on the register of members at the close of business on the Bonus Issue Record Date. The total number of New Ordinary Shares to be issued and allotted will be 37,512,844.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM and it is anticipated that trading will commence on 5 October 2007. The Bonus Issue is conditional on the passing of Resolutions numbered 2 and 3 and on the London Stock Exchange admitting the New Ordinary Shares to trading on AIM.

#### ***Increase of authorised share capital***

The second Resolution will increase the Company's authorised share capital from £5,000,000 divided into 20,000,000 Ordinary Shares of 25 pence each to £20,000,000 divided into 80,000,000 Ordinary Shares of 25 pence each to enable the Company to make the Bonus Issue and also to provide a certain amount of headroom in relation to any future issues of shares.

### ***Authority to allot shares***

The third Resolution will give the Directors authority to issue and allot further authorised but unissued Ordinary Shares (including those in relation to the Bonus Issue). Following the Bonus Issue, the Directors will have this authority in respect of a further 15,630,351 unissued Ordinary Shares, representing one third of the enlarged issued share capital of the Company. However, no issue will be made without Shareholders' approval if the effect would be to change the voting control of your Company. This authority will expire at the conclusion of the Annual General meeting of the Company to be held in 2008.

### ***Disapplication of statutory pre-emption rights***

The effect of this Resolution (which is conditional upon the passing of the second and third resolutions referred to above) will be to allow your Directors to allot shares for cash otherwise than in proportion to existing holdings of Ordinary Shares. This authority will be limited to the allotment of Ordinary Shares up to an aggregate nominal amount of £586,138 (i.e. 2,344,552 Ordinary Shares), being 5 per cent. of the enlarged issued ordinary share capital following the Bonus Issue in compliance with guidelines issued by the institutional investment committees. This authority will expire at the conclusion of the Annual General meeting of the Company to be held in 2008.

### **Taxation**

#### ***(a) Taxation of chargeable gains***

For the purpose of United Kingdom taxation of chargeable gains a Shareholder's existing holding of Ordinary Shares and his holding of New Ordinary Shares (received pursuant to the Bonus Issue) will be treated as the same asset, deemed acquired at the time he acquired his existing Ordinary Shares. There will be no addition to the base cost of his aggregate holding. If, following the Bonus Issue, he sells all or any of the Ordinary Shares he may, depending on his circumstances, incur a liability to taxation on any chargeable gain realised.

#### ***(b) Stamp Duty and Stamp Duty Reserve Tax***

Generally, no stamp duty or stamp duty reserve tax will be payable on the issue of the New Ordinary Shares pursuant to the Bonus Issue.

**The above comments are intended as a general guide to the position under current law and practice in the UK and may not apply to certain classes of Shareholders. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK, should consult his own professional adviser.**

### **Action to be taken**

Shareholders will find a Form of Proxy enclosed for use at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZB not later than 11.00 a.m. on 2 October 2007, being 48 hours before the time appointed for holding the EGM. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish.

### **Recommendation**

Your Board believes that the Bonus Issue and the approval of all the Resolutions set out in the notice of EGM to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions.

Yours faithfully

Mark Hudson  
*Chairman*

# NWF GROUP PLC

*(Incorporated and registered in England and Wales with No: 2264971)*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of NWF Group plc (“Company”) will be held at The Swan Hotel, 50 High Street, Tarporley, Cheshire CW6 0AG on 4 October 2007 at 11.00 a.m. or immediately after the Annual General Meeting convened for the same day for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1, 2 and 3 will be proposed as Ordinary Resolutions and Resolution 4 will be proposed as a Special Resolution:

### ORDINARY RESOLUTIONS

1. “THAT, subject to the passing of Resolutions numbered 2 and 3 below, the sum of £9,378,211 being as to £6,612,895 Share Premium Reserve, as to £1,394,964 Revaluation Reserve, £301,888 Other Reserves and £1,068,464 from the Profit and Loss Account be capitalised and that the Directors be and are hereby authorised and directed to appropriate such a sum for distribution as capital to the members of the Company whose names appear in the register of members at the close of business on 4 October 2007 and to apply the same on behalf of such members in the proportion of four New Ordinary Shares of 25 pence each for every existing Ordinary Share of 25 pence then held by them in satisfaction of their shares and interests in such capitalised sum and that such shares so distributed shall be treated for all purposes as an increase of the nominal amount of capital of the Company held by each such shareholder and not as income”.
2. “THAT the Company’s authorised share capital be increased from £5,000,000 to £20,000,000 by the creation of 60,000,000 new Ordinary Shares of 25 pence each to rank pari passu as from issue with the existing Ordinary Shares in the Company”.
3. “THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (‘the Act’) to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £13,285,799, such authority to expire at the conclusion of the Company’s annual general meeting to be held in 2008 save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of any such offer or agreement as if the said authority had not expired. This authority replaces any earlier authority given to the directors under Section 80 of the Act”.

### SPECIAL RESOLUTION

4. “THAT subject to the passing of the Resolutions numbered 2 and 3 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (“the Act”) to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the previous resolution as if subsection 89(1) did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
  - (A) In connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange and
  - (B) Otherwise than pursuant to sub-paragraph (A) above, up to an aggregate nominal amount not exceeding £586,138

and shall expire at the conclusion of the Company's Annual General Meeting to be held in 2008 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities in pursuant of such an offer or agreement using the power conferred hereby had not expired.

Dated: 24 August 2007

*By order of the Board*  
S.R. Andrew  
Company Secretary

*Registered Office:*  
NWF Group plc  
Wardle  
Nantwich  
Cheshire  
CW5 6BP

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and on a poll, vote instead of him. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
2. To be effective, the relevant Form of Proxy must be completed and lodged with the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road Beckenham, Kent BR3 4ZB no later than 48 hours before the meeting.
3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold shares in uncertificated form must be entered on the Company's register of members at 6.00 p.m. on 3 October 2007 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.