NWF GROUP PLC

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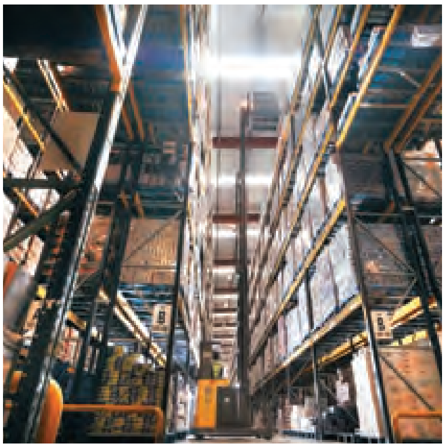
ANNUAL REPORT AND ACCOUNTS 2010



SPECIALIST DISTRIBUTOR OF FOOD, FEED AND FUEL

Who are NWF?

The NWF Group was originally established in 1871 to supply farmers' needs. Today NWF has grown to be a specialist distributor and a PLC on AIM, part of the London Stock Exchange.

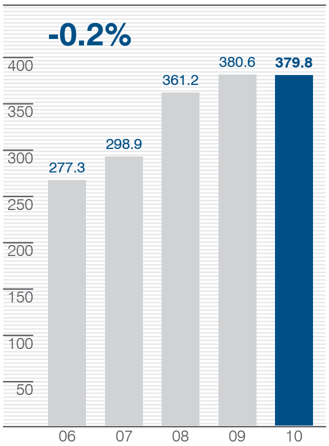
Its three trading divisions in ambient grocery distribution, the manufacture and distribution of animal feeds and the distribution of fuels have been successfully developed from their common roots.

You can keep up to date with all the latest news and figures from NWF via our website **www.nwf.co.uk**

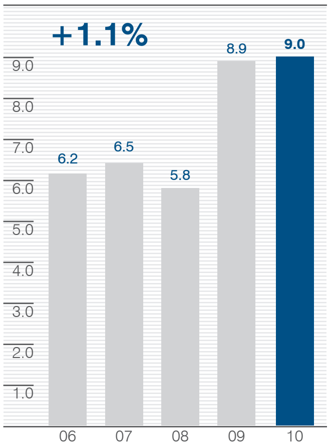
Our highlights

- Record performance for NWF
- Revenue[1] £379.8 million (2009: £380.6 million)
- Operating profit[1] up 1.1% to £9.0 million (2009: £8.9 million)
- Profit before taxation[1] up 14.5% to £7.1 million (2009: £6.2 million)
- Headline basic earnings per share[1, 2] of 10.4p (2009: 10.4p)
- Full year dividend increased by 4.9% to 4.3p per share (2009: 4.1p)
- Reduction in net debt of 28.0% to £13.9 million (31 May 2009: £19.3 million)
- Debt to EBITDA at 1.1 times (31 May 2009: 1.6 times)
- New £51.0 million banking facilities in place to October 2013

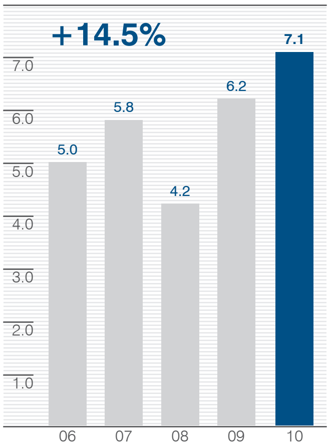
Revenue[1] (£m)



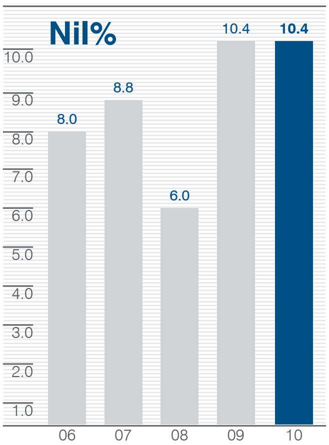
Operating profit[1] (£m)



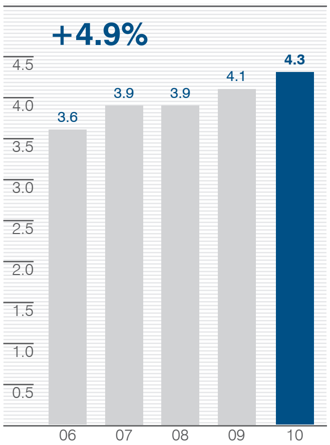
Profit before taxation[1] (£m)



Headline basic earnings per share[1,2,3] (pence)



Dividends per share[3] (pence)



[1] From continuing operations only, excluding Garden Centres disposed of in October 2008; 2007 and prior year figures restated.

[2] Excluding £Nil (2009: £3.5 million) exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances.

[3] Earnings per share and dividends per share in 2007 and prior years have been restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007.

What we do at a glance

The NWF Group dates from 1871 when it was formed to supply farmers' needs. Since then, it has grown to become a PLC with a wide shareholding listed on AIM, part of the London Stock Exchange.

Its three divisions have successfully developed from their common roots, to become specialist distributors of food, feed and fuel.

FOOD

Boughey Distribution

- 115,000 pallet spaces
- 900,000 ft² of warehousing in Wardle and Deeside (North West)
- Market leader in the North West
- 616 employees
- 135 trucks, 267 trailers
- 99.6% service level (cases delivered on time)
- 200 customers including Princes, Pataks/Blue Dragon and Typhoo
- Packing room for added value work

FEEDS

NWF Agriculture

- National player – 14% market share
- 449,000 tonnes sold in 2009/10
- 4,000 customers
- 160 employees
- 28 trucks, 11 trailers
- Compound mills in Cheshire and Devon
- Blend plants in Ayrshire, Cumbria, Cheshire and Devon

FUELS

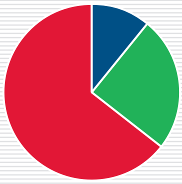
NWF Fuels

- Fourth largest distributor in the UK
- Sold 350 million litres in 2009/10
- Supply to 30,000 domestic and commercial customers, including 80 retail petrol stations
- 13 fuel depots across the UK
- 147 employees
- 55 tankers
- Fast growing fuel card marketing business

Revenue

£379.8m

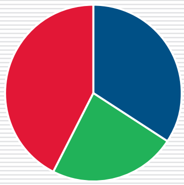
- Food 11.1%
- Feeds 24.7%
- Fuels 64.2%



Operating profit

£9.0m

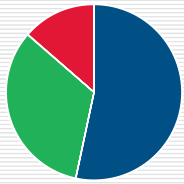
- Food 34.4%
- Feeds 23.3%
- Fuels 42.3%



Operating net assets[1]

£53.7m

- Food 53.6%
- Feeds 33.0%
- Fuels 13.4%



[1] Excludes unallocated corporate assets and liabilities. For further information on segment net assets, see note 4 of the Group financial statements.

Markets

↗ Consolidation of ambient grocery products to UK supermarkets

For more on Boughey Distribution log on to www.boughey.co.uk

For more information about Boughey Distribution see pages 8 and 9

Markets

↗ Supply of feed to ruminants in the UK – principally dairy

For more on NWF Agriculture log on to www.nwfagriculture.co.uk

For more information about NWF Agriculture see pages 10 and 11

Markets

↗ Supply of fuels and fuel cards to commercial, domestic and retail customers across the UK

For more on NWF Fuels log on to www.nwffuels.co.uk

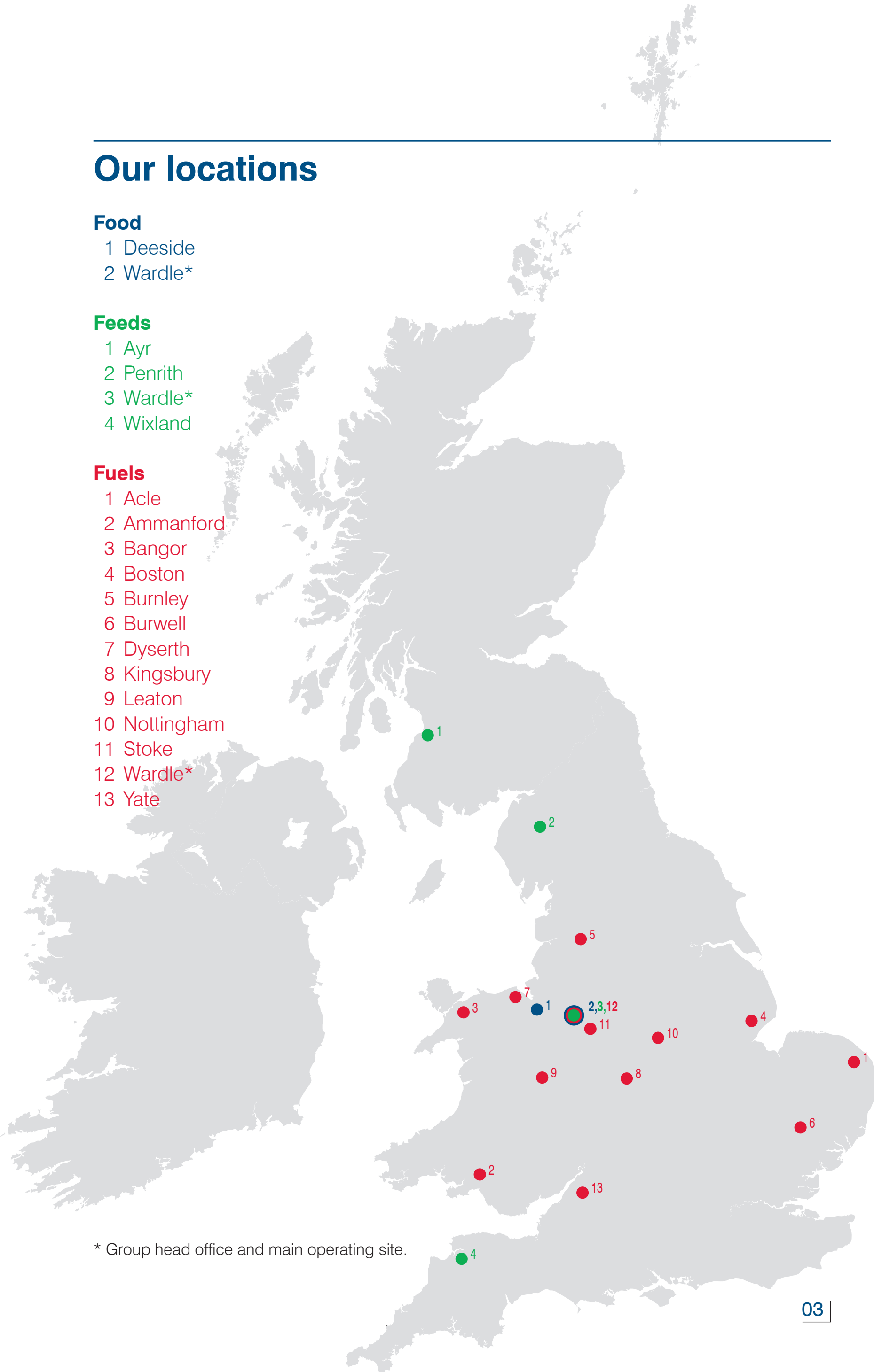
For more information about NWF Fuels see pages 12 and 13

Our locations

Food
1 Deeside
2 Wardle*

Feeds
1 Ayr
2 Penrith
3 Wardle*
4 Wixland

Fuels
1 Acle
2 Ammanford
3 Bangor
4 Boston
5 Burnley
6 Burwell
7 Dyserth
8 Kingsbury
9 Leaton
10 Nottingham
11 Stoke
12 Wardle*
13 Yate



* Group head office and main operating site.

Chairman's statement

Mark Hudson Chairman

Summary of Chairman's statement

- Record performance for NWF
- Revenue[1] £379.8 million (2009: £380.6 million)
- Operating profit[1] up 1.1% to £9.0 million (2009: £8.9 million)
- Profit before taxation[1] up 14.5% to £7.1 million (2009: £6.2 million)
- Headline basic earnings per share[1, 2] of 10.4p (2009: 10.4p)
- Full year dividend increased by 4.9% to 4.3p per share (2009: 4.1p)
- Reduction in net debt of 28.0% to £13.9 million (31 May 2009: £19.3 million)
- Debt to EBITDA at 1.1 times (31 May 2009: 1.6 times)
- New £51.0 million banking facilities in place to October 2013

I am pleased to report a record year in the continuing development of the Group. We have delivered an excellent result demonstrating the resilience of the Group in a difficult economic environment. Our strategy to be a specialist distributor of food, feed and fuel, coupled with an increased focus on improving operations has helped each division achieve full year expectations.

Results

Revenue[1] in the year was £379.8 million (2009: £380.6 million) and operating profit[1] was up 1.1% to £9.0 million (2009: £8.9 million).

The record performance in Food is of particular note, demonstrating a return on the significant investment made by the Group in doubling the warehousing and distribution capacity in 2008. Fuels exceeded our expectations as a result of outstanding customer service during an exceptionally cold winter period and Feeds recovered from a disappointing first half year, to deliver on full year expectations.

Profit before taxation[1] was a record for the Group, up 14.5% to £7.1 million (2009: £6.2 million) and profit after taxation[1, 2] was £4.9 million (2009: £4.9 million). The Group profit for the year attributable to equity shareholders was £4.9 million. This compares to a loss of £2.3 million in 2009 which was after an exceptional deferred tax charge of £3.5 million and a loss on disposal of the Garden Centre division of £3.7 million.

Basic and diluted earnings per share[1] were 10.4p (2009: 3.0p). Headline basic earnings per share[1, 2] were 10.4p, in line with prior year.

Cash flows and funding

The Group generated £10.9 million (2009: £14.5 million) net cash from operating activities. This included a net cash inflow of £2.0 million (2009: £5.6 million) from reduced working capital, as a result of continued management focus. Cash used to fund capital expenditure, net of receipts from disposals, was £3.6 million (2009: £1.8 million) as the Group continued to invest in necessary replacement of equipment, fleet and IT systems. As a result of this net debt is 28% lower at £13.9 million (2009: £19.3 million).

Debt to EBITDA at 31 May 2010 was 1.1 times (2009: 1.6 times). Interest cover (excluding IAS 19 net pension finance cost) for the year was 6.4 times (2009: 3.3 times).

With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities

[1] From continuing operations only, excluding Garden Centres disposed of in October 2008.

[2] Excluding £Nil (2009: £3.5 million) exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances.

One of 218 trucks in the NWF Group fleet.

totalling £51.0 million. With the exception of the bank overdraft facility of £1.0 million, which is renewed annually, these facilities are committed through to October 2013.

Dividend

We are proposing an increased final dividend for the year of 3.3p (2009: 3.1p) per share which, if approved at the Annual General Meeting, will be payable on 1 November 2010 to shareholders on the register at 20 August 2010 and shares will be ex div from 18 August 2010. Together with the interim dividend paid during the year of 1.0p (2009: 1.0p) per share, this will result in a total dividend for the year of 4.3p per share (2009: 4.1p), a 4.9% increase amounting to a total cost of £2.0 million (2009: £1.9 million).

Outlook for the current year

Progress in the new financial year has been satisfactory with all divisions starting as planned. It is encouraging that the markets for the Group's products and services remain resilient and robust. Our spread of activities with a large and diverse customer base delivers consistent performance in challenging economic times. We continue to review all our markets and development opportunities, and have a very stable operational and financial platform for the future development of the Group.

My thanks go to all who have supported NWF through the year both inside and outside the Group. I look forward to updating shareholders on the Group's progress at the time of the Annual General Meeting on 23 September.

Mark Hudson
Chairman
10 August 2010

"We have delivered an excellent result demonstrating the resilience of the Group in a difficult economic environment"

Business and financial review

Richard Whiting Chief Executive

Johnathan Ford Finance Director

Summary of business and financial review

- Focused specialist distributor of food, feed and fuel
- Another record year for NWF
- Profit before taxation[1] up 14.5% to £7.1 million (2009: £6.2 million)
- Reduction in net debt of 28.0% to £13.9 million (31 May 2009: £19.3 million)
- New £51.0 million banking facilities in place to October 2013
- Our markets are resilient and stable
- Food delivers on the investment made in doubling capacity in 2008
- Satisfactory year for Feeds with a strong performance in the second half
- Outstanding result for Fuels following a record year in 2009
- Development opportunities in all three divisions

[1] From continuing operations only, excluding Garden Centres disposed of in October 2008.

The NWF Group fleet comprising NWF Fuels, Boughey Distribution and NWF Agriculture.

"This has been a year of strong operational performance for NWF"

Group results

	2010 £m	2009 £m
Revenue[1]		
Food	**42.2**	39.2
Feeds	**93.7**	104.7
Fuels	**243.9**	236.7
	379.8	380.6
Operating profit[1]		
Food	**3.1**	2.0
Feeds	**2.1**	2.8
Fuels	**3.8**	4.1
	9.0	8.9
Finance costs	**(1.9)**	(2.7)
Profit before taxation[1]	**7.1**	6.2
Income tax expense excluding exceptional deferred tax charge[1,2]	**(2.2)**	(1.3)
Headline profit for the year[1,2]	**4.9**	4.9
Group shareholders' equity	**23.6**	23.9
Group net debt	**13.9**	19.3

[1] From continuing operations only, excluding Garden Centres disposed of in October 2008.

[2] Excluding £Nil (2009: £3.5 million) exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances.

This has been a year of strong operational performance for NWF. The strategy to focus the Group as a specialist distributor of food, feed and fuel has delivered record results with very strong performances from Food and Fuels in particular. The Group delivered operating profits[1] of £9.0 million (2009: £8.9 million) and a record profit before taxation[1], up 14.5% to £7.1 million (2009: £6.2 million).

The record performance in Food delivers on the £19.0 million investment programme in doubling the warehousing and distribution capacity in 2008. The outstanding performance in Fuels was as a result of delivering exceptional customer service, particularly during the harsh winter period. Although it is difficult to quantify exactly, we estimate that the one-off benefit of the cold winter to Fuel's operating profits was approximately £0.8 million. Our continued focus on cash generation and retention resulted in a reduction in net debt of 28.0% to £13.9 million (2009: £19.3 million). This has been achieved through improved profitability and reductions in working capital, albeit we have been careful to maintain an appropriate level of capital expenditure to ensure continued organic development within the Group.

NWF is a focused specialist distributor of food, feed and fuel. We operate in large resilient markets which we understand well. Our trading divisions have scale, good market positions, are profitable and cash generative.

In Food the objective remains the continued delivery of excellent service to customers and a drive to generate increased operating efficiencies, whilst fully utilising the warehousing and distribution assets. We are also investing in additional systems and process controls to place the business at the forefront of future supply chain developments. In Feeds we will continue to develop our direct business with farmers and will utilise our market leading sales team to capture additional volume in markets which are both large and stable. In Fuels we plan to continue to develop the successful depot network and are focusing on both start-up opportunities and bolt-on acquisitions across the UK.

"Strategy to focus the Group as a specialist distributor of food, feed and fuel has delivered record results"

Group revenue[1]

£379.8m

-0.2%

2009: **£380.6m**

Group operating profit[1]

£9.0m

+1.1%

2009: **£8.9m**

Business and financial review
continued

FOOD

Boughey Distribution is a specialist warehousing and distribution business of ambient groceries. The core of the business is the consolidation of a number of food manufacturers’ and importers' products and distribution to the regional distribution centres of the major supermarket groups and to other retail destinations.

Pallet spaces

115,000

Warehousing in Wardle and Deeside (North West)

900,000 ft^2

Trucks in fleet

135

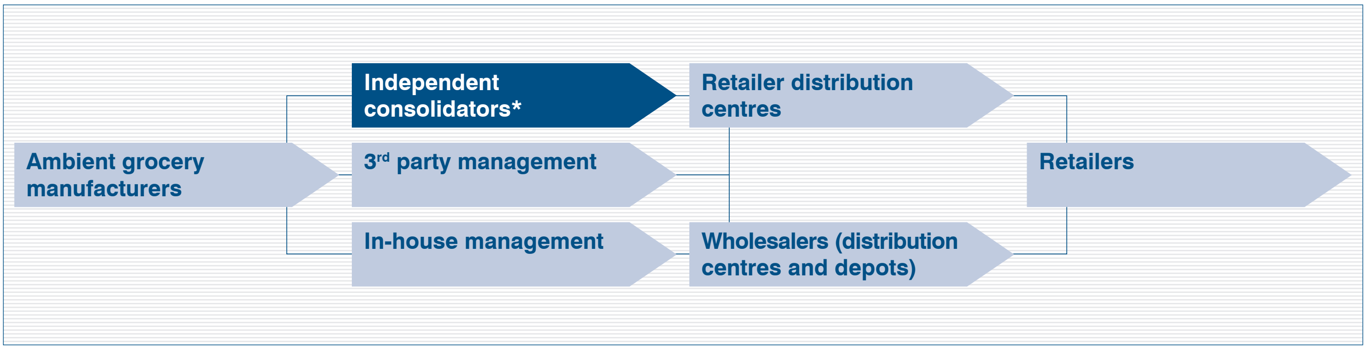
Development outlook

- Robust demand for ambient groceries
- Boughey has a leading position in North West
- Close relationship with major food retailers
- Implemented 24/7 working: reducing lead-times for Tesco and Sainsbury’s
- Service key to continued development
- Opportunities for improved efficiencies and customer development
- Investing in improved systems and processes to support development

A Boughey Distribution truck being loaded. Sophisticated stock control systems ensure full traceability from point of receipt to delivery.

“Record performance delivers on the investment in doubling capacity in 2008”

Ambient grocery supply chain



* Boughey's current position in the supply chain.

This was the second full year of operations since the significant capacity expansion at Wardle. Revenue increased 7.7% to £42.2 million (2009: £39.2 million) as additional sales were generated from greater outbound activity levels and increased backloads. Storage fill overall was at an average of 100,000 pallets (2009: 103,000 pallets), 87% of total capacity (2009: 90%). This lower overall storage volume resulted from customers focusing on working capital and reducing stock holdings. Demand, measured in outbound loads, was 8% higher and therefore resulted in greater stock-turns.

Operating profits of £3.1 million (2009: £2.0 million) represent a record for the division and starts to deliver a return on the significant investment made in the business in 2008. This performance is the result of a number of factors: the increase in outbound activity; a 41% increase in backloads which more than offset the lower average storage volumes; more efficient warehouse operations; and an improvement in load consolidation.

Significantly, service levels (cases delivered on time) were at an average of 99.6% through the year (2009: 99.5%) and enabled the business to earn service level bonuses from some key customers.

During the period we won additional business from, and renewed significant contracts with, existing customers. The division continues to look for new business to both continue its development and to constantly improve the returns on the significant assets deployed in the business.

Demand for our customers' products continues to remain stable and the outlook for most product categories handled is resilient with some small levels of growth anticipated. 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. The business now has a leading position in consolidating ambient grocery products in the North West, with high service levels and a strong operating performance being key components in continuing to develop this business.

Revenue

£42.2m
+7.7%

2009: **£39.2m**

Operating profit

£3.1m
+55.0%

2009: **£2.0m**

Average pallet spaces stored

100,000
-2.9%

2009: **103,000**

Business and financial review
continued

FEEDS

NWF Agriculture represents the original business of the Group and has grown to become a leading national manufacturer of animal feeds, mainly for dairy cattle throughout the livestock farming areas of Western Britain from Argyll to Cornwall. The market for this division consists primarily of the 14,000 UK dairy farmers who have invested in continuing to supply a large part of the nation's need for milk and milk products.

Total tonnes sold

449,000

Market share

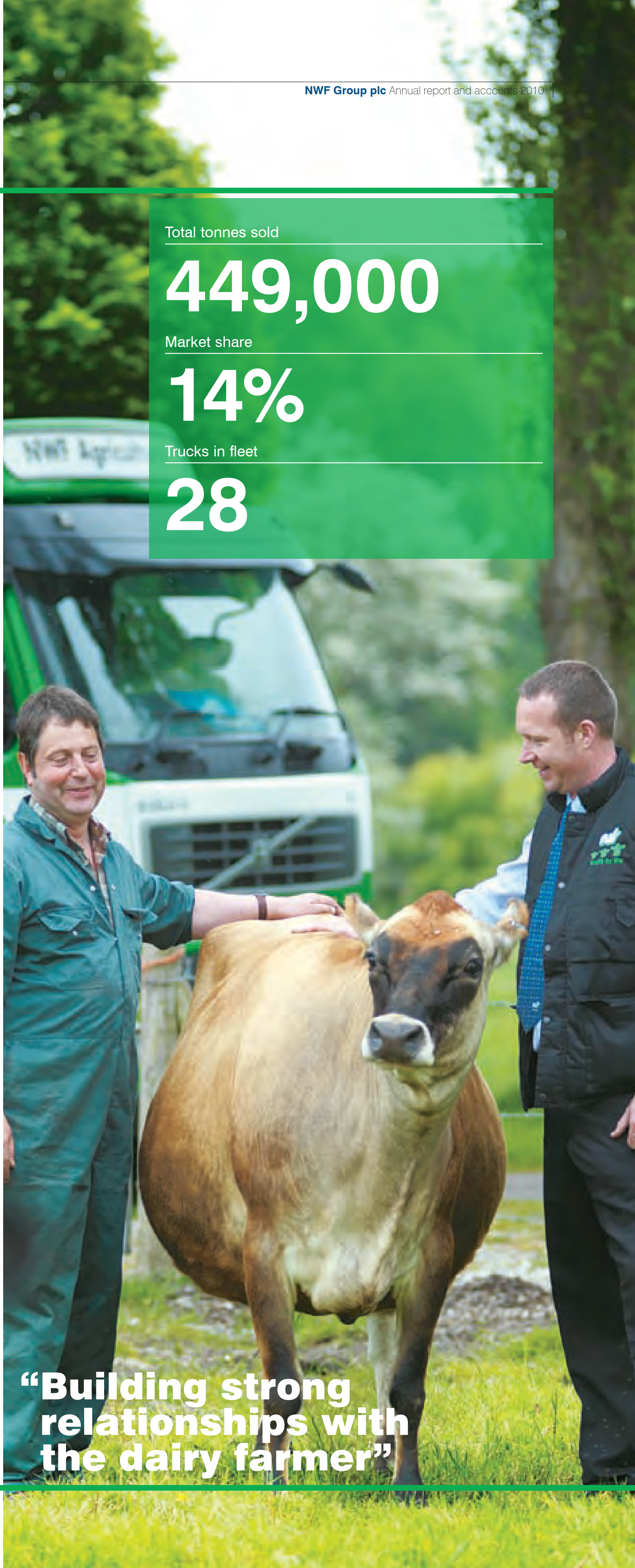
14%

Trucks in fleet

28

Development outlook

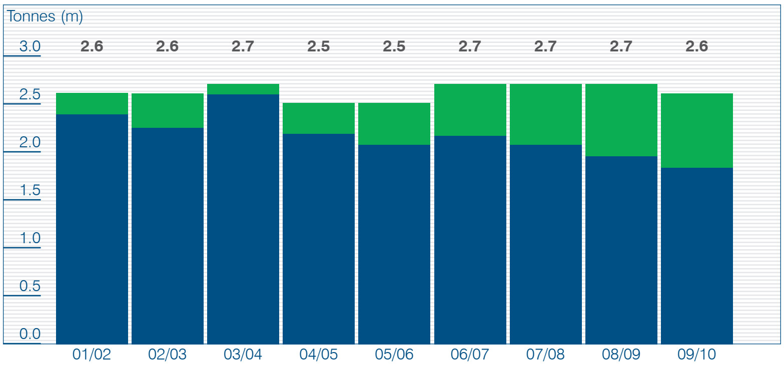
- Strong national sales team, the dairy experts
- Long-term stable demand
- Continued consolidation of small farmers
- Volatile raw materials increase risk
- Continue to invest in added value products and services
- Ongoing focus on cost reduction and asset utilisation
- Maintaining excellent customer service
- Strategy to build direct business with farmers and grow share of the dairy market



An NWF Agriculture sales representative advising a customer. The Feeds business prides itself on continually developing its strong relationships with British dairy farmers.

"Building strong relationships with the dairy farmer"

Dairy feed market (Great Britain) 2001 – 2010



Source: DEFRA, Kite, DairyCo.

This was a satisfactory year for Feeds, which faced challenging market conditions in the autumn with lower customer demand as a result of good grazing conditions and falling raw material prices. Revenue decreased by 10.5% to £93.7 million (2009: £104.7 million) as a result of lower volumes but more significantly the lower raw material input prices. Operating profits fell to £2.1 million (2009: £2.8 million) with total volume down 1.8% to 449,000 tonnes (2009: 457,000 tonnes). However, direct sales to farmers of compounds were up 5.6% on prior year, which is a key objective of the business in building strong relationships with farmers.

Milk prices were stable during the year with an average price of 23.4p per litre in May 2010 (2009: 23.3p per litre). Milk production increased slightly to 11.1 billion litres (2009: 11.0 billion litres). Overall ruminant feed volumes were higher at 4.7%; most of the gain was in sheep feed due to high sheep prices. The key compound market for dairy was 0.2% down on volume for the year.

Raw materials fell by an average 9% over the period which was the key factor in reduced revenue for the year, although volatility remains and recently increases have been seen in most key raw materials.

The business has focused on building its relationships with dairy farmers and continues to increase sales coverage in the South where it has some significant development opportunities.

The work on protected feeds continued with the launch of Ultra Starch-W (protected wheat) to complement the protected rape and soya products in the offering. The protected feeds allow them to pass through the cows rumen largely undigested into the abomasum which supports a healthy rumen and increased milk yield.

The Feeds division has a very broad customer base with over 4,000 farmers working with NWF. This broad base and the underlying robust demand for milk and dairy products results in a reasonably stable overall demand for feed.

Revenue	Operating profit	Total tonnes sold
£93.7m	£2.1m	449,000
-10.5%	-25.0%	-1.8%
2009: **£104.7m**	2009: **£2.8m**	2009: **457,000**

Business and financial review
continued

FUELS

NWF Fuels is one of the leading distributors of fuel oil in England and Wales delivering to around 30,000 customers annually. It sources its products from various major oil refineries depending on the area of operation. Subsequently it has become one of the largest authorised distributors of Texaco products in Europe and is also a major customer of other major fuel suppliers, including Conoco and Total.

Total million litres sold

350

Fuel depots

13

Tankers

55

Development outlook

- Demand for fuel stable
- Proven performance in volatile oil price markets
- Proven track record – successful depot based operating model
- Developing management team to support development opportunities
- Clear opportunity for bolt on acquisitions and start ups
- Acquisition criteria established; active programme in place

An NWF Fuels tanker filling up at one of 13 strategically located fuel depots.

“Focus on high levels of customer service delivers improved margins”

Oil Prices – Brent Crude $/barrel – Oil Market Journal

This has been an outstanding year for the division which demonstrated that the continuing focus on high levels of customer service delivers improved margins. This was particularly true during the cold winter conditions experienced this year. It was the coldest winter for over 30 years, with an average winter temperature of 1.6°C, which created challenging conditions across the depot network and we are delighted with the outcome.

Revenue increased 3.0% to £243.9 million (2009: £236.7 million) as a result of product mix changes. Overall sales volumes were stable at 350 million litres (2009: 355 million litres), with a reduction of just over 5 million litres of unleaded fuel being offset by an increase in diesel.

The average Brent Crude oil price in the year was $76 per barrel, consistent with the average in the prior year but with much reduced volatility. In the past year the range has been from $60 – $90 per barrel, compared to the unprecedented volatility of $36 – $144 per barrel in the previous year.

Operating profits were £3.8 million (2009: £4.1 million), which was significantly ahead of expectations. The business benefited from the exceptional cold winter conditions which allowed our commitment to customer service and the depot based operating model to deliver a one-off additional margin of approximately £0.8 million. In the prior year it was highlighted that the exceptional volatility in oil prices and a cold winter delivered a one-off gain of approximately £1.0 million at the operating profit level.

This outstanding performance was experienced across the whole depot network with performances of particular note at Wardle, Stoke, Dyserth, Nottingham and Browns of Burwell. The strength of the depot teams was demonstrated by numerous examples of exceptional customer service, keeping customers' businesses and homes warm through the cold conditions. Over 90% of all customers or potential customers contacting our depots with a run-out were serviced the same day. Card marketing continued its successful development.

With nearly 30,000 customers being supplied across 13 fuel depots, Fuels operates in markets which are large, robust and reasonably stable.

Revenue	Operating profit	Total million litres sold
£243.9m	£3.8m	350
+3.0%	-7.3%	-1.4%
2009: **£236.7m**	2009: **£4.1m**	2009: **355**

Business and financial review
continued

Group results
Year ended 31 May

	2010 £m	2009 £m
Continuing operations		
Revenue	**379.8**	380.6
Operating profit	**9.0**	8.9
Net finance cost in respect of defined benefit pension scheme	**(0.5)**	—
Other finance costs	**(1.4)**	(2.7)
Total finance costs	**(1.9)**	(2.7)
Profit before taxation	**7.1**	6.2
Income tax expense including exceptional deferred tax charge	**(2.2)**	(4.8)
Profit for the year before exceptional deferred tax charge	**4.9**	4.9
Exceptional deferred tax charge	**—**	(3.5)
Profit for the year from continuing operations	**4.9**	1.4
Discontinued operations		
Loss for the year from discontinued operations	**—**	(3.7)
Profit/(loss) for the year	**4.9**	(2.3)

Group results
Group revenue[1] decreased by 0.2% to £379.8 million (2009: £380.6 million). Operating profit[1] was £9.0 million (2009: £8.9 million), a 1.1% increase.

The Group completed the sale of its Garden Centre operations in October 2008. Consequently, this division has been classified as a discontinued operation in 2009.

Total finance costs[1] decreased from £2.7 million in 2009 to £1.9 million in 2010. The IAS 19 net finance cost in respect of the defined benefit pension scheme increased by £0.5 million due mainly to the expected return on pension scheme assets falling to £1.3 million in 2010 (2009: £1.9 million).

The decrease in other finance costs to £1.4 million (2009: £2.7 million) is primarily due to lower levels of net debt and reduced base rates during 2010. Included in other finance costs is £0.6 million (2009: £0.8 million) of costs in respect of interest rate hedging instruments.

Interest cover (excluding IAS 19 net pension finance costs) increased to 6.4 times (2009: 3.3 times).

The tax charge[1], including full provision for deferred tax, was £2.2 million in 2010 (2009: £4.8 million). The 2009 tax charge included an exceptional deferred tax charge of £3.5 million which arose due to the phasing out of industrial buildings allowances which came into effect in July 2008. The 2010 tax charge represents an effective tax rate of 31.0%. The 2009 effective tax rate, excluding the impact of the exceptional deferred tax charge and adjustments in respect of prior years, was 31.0%. The Group's future underlying rate of tax is expected to remain above the standard rate due to its ongoing level of disallowable expenditure.

Basic and diluted earnings per share[1] were each 10.4p (2009: 3.0p). Headline basic earnings per share[1, 2] was 10.4p (2009: 10.4p).

Balance sheet
Despite the Group's strong profit performance, Group net assets fell slightly to £23.6 million at 31 May 2010 (2009: £23.9 million). This decrease was mainly due to an increase in the Group's defined benefit pension scheme liability.

Tangible and intangible assets increased as capital additions were slightly higher than depreciation charged in the year.

Net working capital reduced to £11.0 million at 31 May 2010 (2009: £12.3 million). Within net working capital, trade and other receivables increased to £45.8 million (2009: £43.5 million); however, trade and other payables also increased to £37.8 million (2009: £33.6 million) due mainly to the impact of lower working capital in Fuel.

The gross liability on the Group's defined benefit pension scheme increased to £12.3 million at 31 May 2010 (2009: £6.7 million). Whilst the value of pension scheme assets grew to £23.4 million (2009: £20.0 million), the gross liability increased due mainly to a lower discount rate used to value future pension scheme obligations, as corporate bond rates declined. Consequently, the value of future pension obligations at 31 May 2010 was £35.7 million (2009: £26.7 million). Net of a related deferred tax asset, the net pension scheme liability was £8.9 million at 31 May 2010 (2009: £4.8 million).

Total Group net debt fell to £13.9 million at 31 May 2010 (2009: £19.3 million) as the Group continued to focus on cash management.

Cash flow and banking facilities
Cash management continues to be a major priority for the Group.

Net cash generated from operating activities was £10.9 million (2009: £14.5 million). Operating cash flow before working capital movements was £12.1 million (2009: £12.1 million).

In addition, there was a favourable overall movement in net working capital of £2.0 million (2009: £5.6 million) mainly as a result of lower working capital within Fuels.

Cash used to fund capital expenditure (net of disposal proceeds) increased to £3.6 million (2009: £1.8 million) as the Group invested £0.5 million in new Food IT systems and £1.2 million in fuel tankers. In addition to the £1.8 million net capital expenditure in 2009, the Group also acquired new fuel tankers with a value of £1.0 million which were funded via new hire purchase agreements. No assets were purchased via new hire purchase agreements in 2010.

There were no acquisitions or disposals of businesses during 2010. In October 2008, the Group completed the disposal of its Garden Centre operations for a net consideration, after disposal costs, of £13.2 million.

There were no payments in respect of acquisitions completed in prior years in 2010 (2009: £0.6 million).

There was an overall net increase in cash and cash equivalents of £1.2 million in the year (2009: £1.9 million).

At 31 May 2010, the Group had total committed bank facilities of up to £40.7 million (2009: £41.7 million). Headroom under these facilities at 31 May 2010 was £30.1 million (2009: £26.9 million).

With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million. With the exception of the bank overdraft facility of £1.0 million, which is renewed annually, these facilities are committed through to October 2013. Included in the total facility of £51.0 million, the Group has an invoice discounting facility, the availability of which is dependent on the level of trade receivables available for refinancing, and is subject to a maximum drawdown of £40.0 million.

Balance sheet
As at 31 May

	2010 £m	2009 £m
Tangible and intangible fixed assets	**42.3**	42.1
Net working capital	**11.0**	12.3
Short-term borrowings	**(11.9)**	(2.8)
Medium-term borrowings	**(2.0)**	(16.5)
Current tax liabilities	**(1.4)**	(1.2)
Deferred tax liabilities (net)	**(2.1)**	(3.3)
Retirement benefit obligations	**(12.3)**	(6.7)
Net assets	**23.6**	23.9

Cash flow
Year ended 31 May

	2010 £m	2009 £m
Operating cash flow before working capital	**12.1**	12.1
Working capital movements	**2.0**	5.6
Interest paid	**(1.3)**	(3.0)
Tax paid	**(1.9)**	(0.2)
Net cash generated from operating activities	**10.9**	14.5
Capital expenditure (net of receipts from disposals)	**(3.6)**	(1.8)
Disposal of subsidiaries (net of cash disposed of)	**—**	13.2
Deferred acquisition payments	**—**	(0.6)
Net cash generated before financing activities	**7.3**	25.3
Net decrease in bank borrowings	**(3.0)**	(20.6)
Dividends paid	**(1.9)**	(1.8)
Other financing cash flows	**(1.2)**	(1.0)
Net increase in cash and cash equivalents	**1.2**	1.9

[1] From continuing operations only, excluding Garden Centres disposed of in October 2008.
[2] Excluding £Nil (2009: £3.5 million) exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances.

These new bank facilities are provided subject to conventional banking covenants.

Financial risk management
The Group's operations expose it to a variety of financial risks: price risk; interest rate risk; credit risk; and liquidity risk. There is no significant foreign exchange risk in respect of the Group's operations.

The Group's policy in respect of managing financial risk has not changed significantly in the year ended 31 May 2010.

Price risk
The Group is exposed to commodity price risk principally in respect of certain raw materials in its Feeds business and oil-related products in the Fuels business.

The Feeds business enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £0.1 million (2009: £Nil).

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £0.1 million have been credited (2009: £0.2 million charged) to the income statement in the year.

The Fuels division's oil-related products are subject to changes in the world commodity price for crude oil. However, the relatively low stockholding maintained and daily price monitoring systems used to determine selling prices enable the business to effectively manage the risk of gross margin erosion. Forward supply contracts are not utilised by this business.

Interest rate risk
The Group uses interest rate derivatives to manage its exposure to interest rate increases on its borrowings. At 31 May 2008, the Group had one interest rate cap and held three interest rate swaps.

The disposal of the Garden Centre division in October 2008 and subsequent reduction in net debt resulted in the decision to terminate two of the above swaps in the year ended 31 May 2009. As a result, the Group retained one swap at 31 May 2010 and 31 May 2009, with a notional principal amount of £15.0 million and a fixed annual interest charge of 5.045% for an 18 month period ending on 31 December 2010. This instrument has been designated and is effective as a cash flow hedge for the entire period from its inception date.

The fair value of the retained swap at 31 May 2010 is estimated at £0.4 million in the bank's favour (2009: £0.9 million in the bank's favour).

Changes in the fair value of non-hedging interest rate swaps amounting to £Nil have been charged to the income statement in the year (2009: £0.7 million).

Changes in the fair value of the hedging interest rate swap amounting to £Nil have been deferred in equity in the year (2009: £1.0 million). The fair value loss transferred from equity to the income statement in the year ended 31 May 2010 was £0.6 million (2009: £0.1 million).

Credit risk
Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the Executive Directors.

In addition, the Fuels business maintains credit insurance for certain higher value accounts in order to manage the potential financial loss incurred on certain bad debts.

Liquidity risk
The Group actively maintains a mixture of medium-term and short-term debt finance, which is designed to ensure that it has access to sufficient available funds for ongoing working capital needs, as well as planned capital investment and expansion generally. The amount of debt finance required is reviewed at least annually by the Directors.

Going concern
As described above, the Group has signed a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue 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 2010 was 85p (2009: 99p) and the range of market prices during the year was between 76p and 117p.

Richard Whiting
Chief Executive
10 August 2010

Johnathan Ford
Finance Director

Board of directors

From left to right: Johnathan Ford, John Acornley, Mark Hudson, Rob Andrew, Richard Whiting and David Southworth.

Mark Hudson 63
Non-Executive Chairman of the Board
Joined the Board in 1985, became Chairman in 2006. An agricultural business adviser and dairy farmer. Past president of the CLA, past chairman of the Game and Wildlife Conservation Trust and member of council, Duchy of Lancaster.

Richard Whiting 46
Chief Executive
Joined in October 2007. Previously group finance director of Heywood Williams Group plc, after joining as business development director from Brand-Rex Ltd, where he was managing director of the datacom division.

Johnathan Ford 40
Finance Director
Joined as Finance Director in March 2009. Previously divisional finance director of the Emergency Services Division of listed support services company, Homeserve Plc and head of corporate finance at Kidde Plc.

John Acornley 56
Senior Non-Executive Director
Chairman of Audit Committee
Joined the Board in 2001. Extensive public and private company experience at board level. Currently non-executive chairman of two privately owned companies.

David Southworth 61
Non-Executive Director
Chairman of Remuneration Committee
Joined the Board in 2006. Previously chief executive and chairman of Skillsgroup plc. Currently non-executive chairman of three businesses in diverse market sectors.

Company Secretary
Rob Andrew 47
Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc.

The Audit Committee and Remuneration Committee comprise the Non-Executive Directors only.

Senior management

Keith Forster

Managing Director, Food
Appointed Managing Director of the Food division in November 2004, having joined the Group in 2001. Previously held senior positions in a number of distribution businesses.

David Warrington

Managing Director, Feeds
Appointed Managing Director of the Feeds division in June 1995, having joined the Group in 1993. Previously ran his own feed merchant business.

Kevin Kennerley

Managing Director, Fuels
Appointed Managing Director of the Fuels division in November 1992, having joined the Group in 1978.

Advisers

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers
The Royal Bank of Scotland
Corporate Banking
6th Floor
1 Spinningfields Square
Manchester
M3 3AP

Nominated adviser and broker
Charles Stanley & Co. Limited
25 Luke Street
London
EC2A 4AR

Solicitors
Brabners Chaffe Street LLP
Horton House
Exchange Flags
Liverpool
L2 3YL

Financial PR
Tavistock Communications Ltd
131 Finsbury Pavement
London
EC2A 1NT

Registered office
NWF Group plc
Wardle
Nantwich
Cheshire
CW5 6BP

Registered number
2264971

Directors' report
for the year ended 31 May 2010

The Directors present their report together with the audited financial statements of the Parent Company ('the Company') and the Group for the year ended 31 May 2010.

Principal activities
The principal activities of the Group are the warehousing and distribution of ambient groceries, the manufacture and sale of animal feeds and the sale and distribution of fuel oils.

Business review and future developments
A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments are given in the Business and Financial Review on pages 6 to 15.

On 2 October 2008, the Group completed the disposal of its entire interest in the ordinary share capital of NWF Retail Holdings Limited, the parent company of a number of subsidiaries which carried out all of the Garden Centre operations. Further details on discontinued operations can be found in note 10 of the Group financial statements.

New bank facilities and going concern assumption
With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million. Further details can be found in note 19 of the Group financial statements and the Business and Financial Review.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends
The Group profit before taxation for the year ended 31 May 2010 amounted to £7.1 million (2009: £6.2 million). Profit for the year from continuing operations was £4.9 million (2009: £1.4 million). The loss for the year from discontinued operations was £Nil (2009: £3.7 million). The profit for the year attributable to equity shareholders was £4.9 million (2009: loss of £2.3 million).

The Directors recommend a final dividend for the year of 3.3p per share (2009: 3.1p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 1 November 2010. Together with the interim dividend paid during the year of 1.0p per share (2009: 1.0p), this will result in a total dividend of 4.3p per share (2009: 4.1p) amounting to £2.0 million (2009: £1.9 million).

Financial risk management
Full details of the Group's financial risk management policies and financial instruments are set out in note 20 of the Group financial statements.

Directors and their interests
The Directors holding office during the year and up to the date of signing the financial statements and their interests in the ordinary share capital of the Company at 31 May 2010 and 31 May 2009 were as follows:

	31 May 2010 Number	31 May 2009 Number
J K Acornley	**10,000**	10,000
J R Ford	**20,000**	20,000
M H Hudson	**602,600**	577,600
D R Southworth	**100,000**	100,000
R A Whiting	**10,000**	10,000

In addition to the interests in ordinary shares shown above, the Group operates a performance share plan ('the Plan') for senior executives, under which certain Directors have been granted conditional share awards. Subject to achieving performance targets, the maximum number of ordinary shares which could be issued to Directors in the future under such awards is shown below:

	31 May 2010 Number	31 May 2009 Number
J R Ford	**114,796**	—
R A Whiting	**534,190**	288,272
	648,986	288,272

Further details on the Plan and conditional share awards can be found in note 7 of the Group financial statements.

The market price of the Company's shares at the end of the financial year was 85p and the range of market prices during the year was between 76p and 117p.

Richard Whiting retires by rotation at the forthcoming AGM and, being eligible, will submit himself for re-election.

Further details of related party transactions with Directors are given in note 28 of the Group financial statements.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of the Directors, which were made during the year and remain in force at the date of this report.

Substantial shareholdings
As at 30 July 2010, the Company has been notified of declarable interests in its issued ordinary share capital by Atorka Group, an Icelandic investment group, amounting to 25.2%.

Employees
The Group has established communication procedures for keeping its employees informed about the Group itself and the individual business operations in which they work.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Creditor payment policy
Whilst no formal code or standard of payment practice is followed, the Group policy is to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the agreed terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. The Group has complied with this policy during the year. The Company has no trade creditors (2009: £Nil).

The Group's average credit payment period in respect of continuing operations at 31 May 2010 was 36 days (2009: 31 days).

Charitable donations
During the year, the Group made charitable donations of £3,117 (2009: £2,000) principally to local charities serving the communities in which the Group operates.

Takeovers directive
The Company has one class of equity share, namely 25p ordinary shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons.

Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Company's website (www.nwf.co.uk).

Notice of Annual General Meeting
A Notice of AGM, with explanatory notes, is contained on pages 60 to 63.

Disclosure of information to auditors
The Directors of the Company at the date of the approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

By order of the Board

S R Andrew
Company Secretary

Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

10 August 2010

Corporate governance statement

The Board is committed to achieving high standards of corporate governance, integrity and business ethics for all of the activities of the Group. Under the rules of AIM, the Group is not required to comply with the 2008 Combined Code on Corporate Governance ('the Code'). Nevertheless, the Board has taken steps to comply with the Code in so far as it can be applied practically and appropriately, given the size of the Group and the nature of its operations. The main ways in which it does this are described below.

Board composition and operation

The Board currently comprises two Executive and three Non-Executive Directors. The roles of Chairman and Chief Executive are separated and clearly understood. The Chief Executive is responsible for the operating performance of the Group. A formal schedule of matters requiring Group Board approval is maintained, covering such areas as Group strategy, approval of budgets, financial results, Board appointments and dividend policy. The Board normally meets once a month and additional meetings are called when required. Comprehensive briefing papers are sent to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

Due to the infrequency of senior appointments, the Board does not maintain a standing Nomination Committee but will form one as appropriate when required. The current Chief Executive's and Group Finance Director's appointments were approved by the Board, after receiving a recommendation from a committee of the Board consisting of the Non-Executive Directors that was formed specifically for that purpose. The committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants.

The Board regularly conducts an appraisal of its own performance and that of each Director, consisting of individual assessments using prescribed questionnaires that are completed by all Directors. The results are reviewed and individual feedback given, by the Senior Non-Executive Director in respect of assessments of the Chairman and by the Chairman in respect of assessments of each of the other Directors and of the Board as a whole.

All Directors are subject to retirement by rotation in accordance with the Articles of Association.

The service contracts of Executive Directors require one year's notice or less.

Audit Committee

The Audit Committee consists of all three Non-Executive Directors. It meets formally three times a year, with additional meetings as required.

The Audit Committee has terms of reference in place which have been formally approved by the Board and will be made available at the AGM and on the Company's website. Its primary responsibilities include reviewing the effectiveness of the Group's internal control systems and monitoring the integrity of the Group's financial statements and external announcements of the Group's results.

The Audit Committee also approves the appointment and remuneration of the Group's external auditors and satisfies itself that they maintain their independence regardless of any non-audit work performed by them.

The respective responsibilities of the Directors and external auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 22 and the auditors' reports on pages 23 and 53. Details of services provided by and fees payable to the auditors are shown in note 5 of the Group financial statements.

PricewaterhouseCoopers LLP have been the Company's external auditors for many years. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. The auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner was first appointed in respect of the financial year ended 31 May 2010. There are no contractual obligations restricting the Company's choice of auditor.

Remuneration Committee

The Remuneration Committee consists of all three Non-Executive Directors. Its remit is to determine, on behalf of the Board, appropriate short and long-term total reward packages for the Executive Directors of the Group and its subsidiaries. The Remuneration Committee will also satisfy itself that good practices apply to all Group employees through the relevant management structures. Its terms of reference will be made available at the AGM and on the Company's website.

Non-Executive Directors

The Non-Executive Directors have received appointment letters setting out their terms of reappointment. Appointment of new Non-Executive Directors is initially for one year with renewal for two-year terms if performance is satisfactory. The Chairman has served for more than ten years on the Board and, whilst this does not comply with the Code's definition of independence, the Board considers that his experience is invaluable to the Group. The Board considers that the other two Non-Executive Directors meet the tests of independence.

The appointment of new Non-Executive Directors to the Board is considered by the whole Board.

Internal control
The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide it with reasonable assurance regarding the reliability of financial information that is used within the business and for publication and the safeguarding of assets. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. Some examples of internal controls operated by the Group are given below and elsewhere in this statement.

The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to operational management.

There is a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results to the budgets approved by the Group Board. Management accounts are prepared for each subsidiary company and for the Group on a monthly basis. Significant variances from budget are thoroughly investigated. In addition, updated profitability forecasts are prepared to reflect actual performance and revised outlook as the year progresses.

Cash flow forecasts are prepared regularly, to ensure that the Group has adequate funds for the foreseeable future.

Investment policy, acquisition proposals and major capital expenditure projects are authorised and monitored by the Group Board.

The Group's risk management programme, which assesses key risks and the required internal controls that are delegated to Directors and managers at all levels in the Group, is reviewed regularly in order to ensure that it continues to meet the Board's requirements.

Shareholders
The Chairman and the Non-Executive Directors will always make themselves available to meet with shareholders. Each AGM is a particular opportunity for this. Normal relationships with shareholders are maintained by the Executive Directors who brief the Board on shareholder issues and who relate the views of the Group's advisers to the Board.

Share capital structures
Details of the Company's share capital can be found in the 'Takeovers directive' section of the Directors' Report and in note 22 of the Group financial statements.

Going concern basis
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Business and Financial Review. In addition, note 20 of the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities; and its exposure to price, interest rate, credit and liquidity risk.

With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million. Further details can be found in note 19 of the Group financial statements and the Business and Financial Review.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, and the Parent Company financial statements which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Parent Company; and
- the Business and Financial Review includes a fair review of the development and performance of the business and the position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

S R Andrew
Company Secretary

Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

10 August 2010

Independent auditors' report
to the members of NWF Group plc

We have audited the Group financial statements of NWF Group plc for the year ended 31 May 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 May 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of NWF Group plc for the year ended 31 May 2010.

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

10 August 2010

Consolidated income statement
for the year ended 31 May 2010

	Note	**2010 £m**	2009 £m
Continuing operations			
Revenue	3,4	**379.8**	380.6
Cost of sales		**(358.0)**	(357.7)
Gross profit		**21.8**	22.9
Administrative expenses		**(12.8)**	(14.0)
Operating profit	4	**9.0**	8.9
Finance costs	8	**(1.9)**	(2.7)
Profit before taxation	5	**7.1**	6.2
Income tax expense including exceptional deferred tax charge	9	**(2.2)**	(4.8)
Profit for the year before exceptional deferred tax charge*		**4.9**	4.9
Exceptional deferred tax charge	9	**—**	(3.5)
Profit for the year from continuing operations		**4.9**	1.4
Discontinued operations			
Loss for the year from discontinued operations	10	**—**	(3.7)
Profit/(loss) for the year attributable to equity shareholders		**4.9**	(2.3)
Earnings/(loss) per share (pence)			
From continuing operations			
Basic	12	**10.4**	3.0
Diluted	12	**10.4**	3.0
From continuing and discontinued operations			
Basic	12	**10.4**	(4.9)
Diluted	12	**10.4**	(4.9)
Headline earnings per share from continuing operations*			
Basic	12	**10.4**	10.4
Diluted	12	**10.4**	10.4

* Headline earnings represents profit for the year from continuing operations before exceptional deferred tax charge (see note 12).

The notes on pages 29 to 52 form part of these Group financial statements.

Consolidated statement of comprehensive income
for the year ended 31 May 2010

	Note	2010 £m	2009 £m
Profit/(loss) for the year attributable to equity shareholders		**4.9**	(2.3)
Actuarial loss on defined benefit pension scheme	23	**(5.7)**	(2.7)
Decrease in fair value of interest rate hedging instrument	20	**—**	(1.0)
Fair value loss on interest rate hedging instrument transferred to income	20	**0.6**	0.1
Tax on items taken directly to equity	21	**1.4**	0.9
Total comprehensive income/(expense) for the year		**1.2**	(5.0)

The notes on pages 29 to 52 form part of these Group financial statements.

Consolidated balance sheet
as at 31 May 2010

	Note	**2010 £m**	2009 £m
Non-current assets			
Property, plant and equipment	13	**36.6**	36.7
Intangible assets	14	**5.7**	5.4
Deferred income tax assets	21	**3.5**	2.2
		45.8	44.3
Current assets			
Inventories	15	**3.3**	3.3
Trade and other receivables	16	**45.8**	43.5
Derivative financial instruments	20	**0.2**	0.2
		49.3	47.0
Total assets		**95.1**	91.3
Current liabilities			
Trade and other payables	18	**(37.8)**	(33.6)
Current income tax liabilities		**(1.4)**	(1.2)
Borrowings	19	**(11.9)**	(2.8)
Derivative financial instruments	20	**(0.5)**	(1.1)
		(51.6)	(38.7)
Non-current liabilities			
Borrowings	19	**(2.0)**	(16.5)
Deferred income tax liabilities	21	**(5.6)**	(5.5)
Retirement benefit obligations	23	**(12.3)**	(6.7)
		(19.9)	(28.7)
Total liabilities		**(71.5)**	(67.4)
Net assets		**23.6**	23.9
Equity			
Share capital	22	**11.7**	11.7
Other reserves		**(0.2)**	(0.7)
Retained earnings		**12.1**	12.9
Total shareholders' equity		**23.6**	23.9

The Group financial statements on pages 24 to 52 were approved by the Board of Directors on 10 August 2010 and were signed on its behalf by:

R A Whiting
Director

J R Ford
Director

The notes on pages 29 to 52 form part of these Group financial statements.

Consolidated statement of changes in equity
as at 31 May 2010

	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 June 2008	11.7	—	18.8	30.5
Loss for the year	—	—	(2.3)	(2.3)
Other comprehensive income/(expense):				
Decrease in fair value of interest rate hedging instrument (note 20)	—	(1.0)	—	(1.0)
Fair value loss on interest rate hedging instrument transferred to income (note 20)	—	0.1	—	0.1
Actuarial loss on defined benefit pension scheme (note 23)	—	—	(2.7)	(2.7)
Tax on items taken directly to equity (note 21)	—	0.2	0.7	0.9
Total comprehensive expense for the year	—	(0.7)	(4.3)	(5.0)
Transactions with owners:				
Dividends paid (note 11)	—	—	(1.8)	(1.8)
Credit to equity for equity-settled share-based payments (note 24)	—	—	0.2	0.2
	—	—	(1.6)	(1.6)
Balance at 31 May 2009	11.7	(0.7)	12.9	23.9
Profit for the year	—	—	4.9	4.9
Other comprehensive income/(expense):				
Fair value loss on interest rate hedging instrument transferred to income (note 20)	—	0.6	—	0.6
Actuarial loss on defined benefit pension scheme (note 23)	—	—	(5.7)	(5.7)
Tax on items taken directly to equity (note 21)	—	(0.1)	1.5	1.4
Total comprehensive income for the year	—	0.5	0.7	1.2
Transactions with owners:				
Dividends paid (note 11)	—	—	(1.9)	(1.9)
Credit to equity for equity-settled share-based payments (note 24)	—	—	0.4	0.4
	—	—	(1.5)	(1.5)
Balance at 31 May 2010	**11.7**	**(0.2)**	**12.1**	**23.6**

The notes on pages 29 to 52 form part of these Group financial statements.

Consolidated cash flow statement
for the year ended 31 May 2010

	Note	2010 £m	2009 £m
Net cash generated from operating activities	25	**10.9**	14.5
Cash flows from investing activities			
Purchase of intangible assets		**(0.4)**	(0.1)
Purchase of property, plant and equipment		**(3.3)**	(2.0)
Proceeds on sale of property, plant and equipment		**0.1**	0.3
Disposal of subsidiaries, net of cash disposed of	10	**—**	13.2
Deferred acquisition payments		**—**	(0.6)
Net cash (absorbed by)/generated from investing activities		**(3.6)**	10.8
Cash flows from financing activities			
Repayment of bank borrowings		**(3.0)**	(20.6)
Capital element of finance lease and hire purchase payments		**(1.2)**	(1.0)
Dividends paid		**(1.9)**	(1.8)
Net cash absorbed by financing activities		**(6.1)**	(23.4)
Net increase in cash and cash equivalents	26	**1.2**	1.9

The notes on pages 29 to 52 form part of these Group financial statements.

Notes to the group financial statements
for the year ended 31 May 2010

1. General information
NWF Group plc ('the Company') is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The principal activities of NWF Group plc and its subsidiaries (together 'the Group') are the warehousing and distribution of ambient groceries, the manufacture and sale of animal feeds and the sale and distribution of fuel oils. Further details of the nature of the Group's operations and principal activities are set out in note 4.

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.

The Group financial statements were authorised for issue by the Board of Directors on 10 August 2010.

2. Accounting policies
The Group's principal accounting policies, all of which have been applied consistently to all the years presented, are set out below.

Basis of preparation
The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), International Financial Reporting Interpretation Committee ('IFRIC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared 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 the critical accounting estimates and judgements section of these accounting policies. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Adoption of new and revised International Financial Reporting Standards
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 June 2009:

IAS 1 (revised) 'Presentation of Financial Statements'
The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The Group financial statements have been prepared under the revised disclosure requirements.

IFRS 8 'Operating Segments'
IFRS 8 replaces IAS 14 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors, which makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level.

The adoption of IFRS 8 has not resulted in any major change to the Group's identification of operating segments, the definition and measurement of segment information and in any additional goodwill impairment.

IFRS 7 (amendment) 'Improving Disclosures about Financial Instruments'
This amendment expands the disclosures required in respect of financial instruments, measured at fair value in the balance sheet, and liquidity risk. The Group financial statements have been prepared under the amended disclosure requirements.

IAS 23 (revised) 'Borrowing Costs'
The revised standard eliminates the option available under the previous version of the standard to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, the revised standard requires that they are capitalised as part of the cost of that asset. All other borrowing costs should be expensed. Retrospective application is not required. This revised standard has had no impact on these Group financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 June 2009, but are not currently relevant for the Group:

IFRIC 13	'Customer Loyalty Programmes'
IFRIC 15	'Agreements for the Construction of Real Estate'
IFRIC 16	'Hedges of a Net Investment in a Foreign Operation'
IFRS 2 (amendment)	'Share-based Payments: Vesting Conditions and Cancellations'
IAS 32 and IAS 1 (amendments)	'Financial Instruments: Puttable Financial Instruments'
IAS 39 (amendment)	'Reclassification of Financial Assets'
IFRIC 9 and IAS 39 (amendments)	'Embedded Derivatives'
Improvements to IFRSs (2008)	

Notes to the group financial statements continued
for the year ended 31 May 2010

2. Accounting policies continued

Adoption of new and revised International Financial Reporting Standards continued

At the date of authorisation of these Group financial statements, the following standards and interpretations were in issue, but not yet effective:

IAS 39 (amendment)	'Financial Instruments: Eligible Hedged Items'
IFRS 3 (revised)	'Business Combinations'
IAS 27 (revised)	'Consolidated and Separate Financial Statements'
IAS 28 (revised)	'Investments in Associates'
IFRIC 17	'Distributions of Non-cash Assets to Owners'
IFRIC 18	'Transfer of Assets from Customers'
IAS 32 (amendment)	'Classification of Rights Issues'

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the results and net assets of the Group, except for the treatment of acquisitions of subsidiaries and associates, when IFRS 3 (revised), IAS 27 (revised) and IAS 28 (revised) come into effect for business combinations where the acquisition date is on or after 1 June 2010.

Consolidation

The Group consolidated financial statements incorporate the financial statements of NWF Group plc ('the Company') and entities controlled by NWF Group plc (its 'subsidiaries') made up to 31 May each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments. Segment reporting information is shown in note 4 of the Group financial statements.

Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminating sales within the Group. Specific types of revenue are recognised as follows:

Food

Revenue from storage, distribution, handling and re-packaging of clients' products is recognised when the relevant service has been performed.

Feeds and Fuels

Revenue from the sale of goods in each of these segments is recognised when they are delivered to the customer and title has passed.

Revenue from sale of fuels includes fuel duty.

Interest income

Interest income on short-term deposits is recognised as it accrues.

Taxation

The income tax expense represents the sum of the current income tax and deferred income tax.

Current income tax is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies continued

Taxation continued

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Borrowing costs

Borrowing costs that are directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which it is approved by the Company's shareholders.

Property, plant and equipment

Certain revalued freehold land and buildings are stated at deemed cost in accordance with the exemption on transition to IFRS permitted by IFRS 1. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to reduce their cost to their residual values over their useful economic lives, as follows:

Freehold and long leasehold buildings	10 – 50 years
Plant, machinery and equipment	3 – 10 years
Commercial vehicles	4 – 8 years
Motor vehicles	4 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying value and are recognised in the income statement.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included within 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the income statement and are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill, which is recognised as an asset, is reviewed for impairment at least annually.

Goodwill is allocated to each of the Group's cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which they arose.

Goodwill arising on acquisitions before the transition date to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the group financial statements continued
for the year ended 31 May 2010

2. Accounting policies continued

Intangible assets continued

Trademarks and licences

Acquired trademarks and licences are stated at historical cost less accumulated amortisation. Historical cost comprises the purchase price and any directly attributable costs. Amortisation is calculated, using the straight-line method, to allocate the cost of trademarks and licences over their estimated useful lives (10 years).

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 – 5 years).

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and its value in use. Non-financial assets, other than goodwill, that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out ('FIFO') method. The cost of raw materials, consumables, finished goods and goods for resale comprises purchase cost and, in the case of finished goods, the cost of transporting the goods to their stock location.

Net realisable value comprises the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for obsolete, slow moving or defective items where appropriate.

Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. Subsequent to initial recognition, receivables are measured at amortised cost, using the effective interest method.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to the income statement within administrative expenses.

Derivative financial instruments and hedging activities

A derivative is initially recognised at fair value on the date that the associated contract is entered into and then is re-measured at fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item effects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

2. Accounting policies continued

Retirement benefit obligations

The Group operates various pension schemes, including defined contribution and defined benefit schemes.

For defined contribution schemes, the Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense in the income statement when they are due.

The liability recognised in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The interest cost and expected return on the assets are shown as a net amount within either finance costs or finance income in the income statement. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Net defined benefit pension scheme deficits before tax relief are presented separately on the balance sheet within non-current liabilities. The attributable deferred income tax asset is included within deferred income tax asset and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

Share-based payments

The Group has applied the requirements of IFRS 2 ‘Share-based Payments’.

The Group operates two equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of share awards is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by the use of a Black Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Leases and hire purchase agreements

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Other leases are classified as finance leases.

Assets and liabilities under finance leases and hire purchase agreements are recognised in the balance sheet at the inception of the agreement at amounts equal to their fair value or, if lower, the net present value of the minimum payments under the agreement. Depreciation on hire purchase and leased assets is provided at rates consistent with that for similar assets that are owned by the Group.

Subsequent to initial recognition, payments made are apportioned between the finance charge element and the reduction in the capital value of the outstanding liability. The finance charge is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

Estimated impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates, both in arriving at expected future cash flows and a suitable discount rate in order to calculate the present value of these flows.

Estimated impairment of trade receivables

The Group regularly reviews the recoverability of trade receivables. A provision for impairment is made where the Group believes that it will not be able to collect amounts due according to the original terms of sale. Provisions for impairment are estimates of future events and as such are therefore uncertain.

Notes to the group financial statements continued
for the year ended 31 May 2010

2. Accounting policies continued
Critical accounting estimates and judgements continued
Defined benefit pension scheme valuation assumptions
The balance sheet carrying values of the defined benefit pension scheme surplus or deficit 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.

Estimated fair value of derivatives and other financial instruments
The Group has certain financial instruments (forward supply contracts) that are not in an active market and cannot be valued by reference to unadjusted quoted prices for identical instruments. The Group, therefore, uses its judgement to select valuation techniques and makes assumptions that are mainly based on observable market data in respect of equivalent instruments at the balance sheet date. Further details can be found in note 20 of the Group financial statements.

3. Revenue
An analysis of the Group's revenue is as follows:

	2010 £m	2009 £m
Continuing operations		
Sale of goods	**337.6**	341.4
Rendering of services	**42.2**	39.2
Total revenue from continuing operations	**379.8**	380.6
Discontinued operations		
Sale of goods (see note 10)	**—**	6.4
	379.8	387.0

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 Food, Feeds and Fuels.

As described in note 10, the Group completed the disposal of the Garden Centres business on 2 October 2008.

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

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

Continuing operations
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

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

Segment information about the above businesses is presented overleaf.

Discontinued operations
Garden Centres – operation of large retail garden centres

The Board assesses the performance of the operating segments based on a measure of 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.

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

4. Segment information continued

Segment assets exclude deferred income tax assets. Segment liabilities exclude taxation, borrowings, retirement benefit obligations and certain derivative financial instruments. Excluded items are part of the reconciliation to consolidated total assets and liabilities.

2010	Food £m	Feeds £m	Fuels £m	Group £m
Revenue				
Total revenue	**42.6**	**93.7**	**250.6**	**386.9**
Inter-segment revenue	**(0.4)**	**—**	**(6.7)**	**(7.1)**
Revenue	**42.2**	**93.7**	**243.9**	**379.8**
Result				
Operating profit	**3.1**	**2.1**	**3.8**	**9.0**
Finance costs				**(1.9)**
Profit before taxation				**7.1**
Income tax expense (note 9)				**(2.2)**
Profit for the year				**4.9**
Other information				
Depreciation and amortisation	**1.6**	**0.8**	**0.9**	**3.3**

2010	Food £m	Feeds £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	**34.3**	**24.2**	**33.1**	**91.6**
Deferred income tax assets (note 21)				**3.5**
Consolidated total assets				**95.1**
Liabilities				
Segment liabilities	**(5.5)**	**(6.5)**	**(25.9)**	**(37.9)**
Current income tax liabilities				**(1.4)**
Deferred income tax liabilities (note 21)				**(5.6)**
Borrowings (note 19)				**(13.9)**
Retirement benefit obligations (note 23)				**(12.3)**
Derivative financial instruments (note 20)				**(0.4)**
Consolidated total liabilities				**(71.5)**

2009	Food £m	Feeds £m	Fuels £m	Group £m
Revenue				
Total revenue	39.6	104.7	242.9	387.2
Inter-segment revenue	(0.4)	—	(6.2)	(6.6)
Revenue	39.2	104.7	236.7	380.6
Result				
Operating profit	2.0	2.8	4.1	8.9
Finance costs				(2.7)
Profit before taxation				6.2
Income tax expense including exceptional deferred tax charge (note 9)				(4.8)
Loss for the period from discontinued operations (note 10)				(3.7)
Loss for the year				(2.3)
Other information				
Depreciation and amortisation – continuing operations	1.8	0.9	0.8	3.5

Notes to the group financial statements continued
for the year ended 31 May 2010

4. Segment information continued

2009	Food £m	Feeds £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	32.7	24.7	31.7	89.1
Deferred income tax assets (note 21)				2.2
Consolidated total assets				91.3
Liabilities				
Segment liabilities	(3.9)	(7.6)	(22.2)	(33.7)
Current income tax liabilities				(1.2)
Deferred income tax liabilities (note 21)				(5.5)
Borrowings (note 19)				(19.3)
Retirement benefit obligations (note 23)				(6.7)
Derivative financial instruments (note 20)				(1.0)
Consolidated total liabilities				(67.4)

5. Profit before taxation

Profit before taxation is stated after charging:

	2010 £m	2009 £m
Cost of inventories recognised as an expense (included in cost of sales)	**315.6**	319.7
Depreciation of property, plant and equipment	**3.2**	3.3
Amortisation of other intangible assets	**0.1**	0.2
Operating lease charges – land and buildings	**0.5**	0.9
Operating lease charges – other	**3.4**	3.3
Staff costs (note 6)	**28.0**	28.2

Services provided by the Company's auditors

During the year, the Group obtained the following services from the Company's auditors and its associates:

	2010 £'000	2009 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual accounts	**25**	25
Fees payable to the Company's auditors and its associates for other services:		
– audit of the accounts of the Company's subsidiaries pursuant to legislation	**58**	60
– taxation services	**48**	78
– other services	**28**	60
Total auditors' remuneration	**159**	223

6. Staff costs

The average number of persons (including Directors) employed in the continuing operations of the Group during the year was:

	2010 Number	2009 Number
Food	**577**	583
Feeds	**163**	172
Fuels	**148**	145
Head Office	**14**	15
Continuing operations	**902**	915

The average number of persons (including Directors) employed in the discontinued operations of the Group during the period to the date of disposal was Nil (2009: 518).

6. Staff costs continued

Staff costs for the above persons were:

	2010 Continuing operations £m	2010 Discontinued operations £m	2010 Group £m	2009 Continuing operations £m	2009 Discontinued operations £m	2009 Group £m
Wages and salaries	**24.5**	**—**	**24.5**	24.7	1.5	26.2
Social security costs	**2.3**	**—**	**2.3**	2.3	0.1	2.4
Share-based payments (note 24)	**0.4**	**—**	**0.4**	0.2	—	0.2
Other pension costs (note 23)	**0.8**	**—**	**0.8**	1.0	—	1.0
	28.0	**—**	**28.0**	28.2	1.6	29.8

In addition to the above staff costs, the Group incurred £2.9 million (2009: £2.5 million) in respect of costs of agency workers in its continuing operations.

Other pension costs above are amounts charged to operating profit in respect of defined contribution and defined benefit pension schemes. They do not include amounts in respect of defined benefit pension schemes included in finance costs and actuarial gains and losses included in the statement of comprehensive income.

7. Remuneration of Directors

Aggregate Directors' remuneration

	2010 £'000	2009 £'000
Emoluments	**917**	792
Compensation for loss of office	**—**	235
Contributions to defined contribution pension schemes	**95**	84
	1,012	1,111

In addition to the above, the Group recognised total expenses of £194,000 in respect of equity-settled share-based payment transactions with Directors in the year ended 31 May 2010 (2009: £51,000).

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

Directors' emoluments and compensation for loss of office (excluding pensions)

Name of Director	Fees/Basic salary £'000	Benefits in kind £'000	Annual bonuses £'000	2010 total £'000	2009 total £'000
Executive					
J R Ford (appointed 16 March 2009)	**150**	**17**	**113**	**280**	57
P Grundy (resigned 30 April 2009)	**—**	**—**	**—**	**—**	125
R A Whiting	**241**	**26**	**241**	**508**	493
Non-Executive					
J K Acornley	**33**	**—**	**—**	**33**	35
M H Hudson	**63**	**—**	**—**	**63**	53
D R Southworth	**33**	**—**	**—**	**33**	29
Aggregate emoluments	**520**	**43**	**354**	**917**	792

In addition to the above, compensation for loss of office of £235,000 was paid to P Grundy in the year ended 31 May 2009.

Also excluded from the above, in the year ended 31 May 2010, the Group recognised total expenses of £164,000 (2009: £51,000) and £30,000 (2009: £Nil) in respect of equity-settled share-based payment transactions with R A Whiting and J R Ford respectively. These transactions relate to conditional share awards made under the performance share plan (see below).

Performance share plan ('the Plan')

The Group operates a performance share plan ('the Plan') for senior executives, which has been developed in line with ABI guidelines, having taken appropriate professional advice on best practice. The Plan is a discretionary scheme which has been established for the purpose of incentivising and retaining the Group's eligible executive management. Ordinary shares awarded under the Plan are subject to performance criteria that require the Group to meet a minimum earnings per share over a three-year period. The Remuneration Committee has responsibility for determining the award of ordinary shares under the Plan.

It is anticipated that the award of shares under the Plan will be satisfied from ordinary shares acquired by the NWF Group plc Employee Benefit Trust.

Details of conditional share awards under the Plan to Directors who served during the year are shown below. No shares have vested under the Plan in the year ended 31 May 2010 (2009: Nil).

The market price of the Company's shares at the end of the financial year was 85p and the range of market prices during the year was between 76p and 117p.

Notes to the group financial statements continued
for the year ended 31 May 2010

7. Remuneration of Directors continued

Performance share plan ('the Plan') continued

R A Whiting

Two conditional share awards have been made to R A Whiting under the Plan.

On 5 February 2009, R A Whiting was awarded a conditional right over a maximum of 288,272 ordinary shares at a price of 81p per ordinary share, subject to satisfying certain performance targets as outlined below.

If earnings per share in the three financial years ending 31 May 2011 is 18.97p per ordinary share 86,482 ordinary shares will be issued under the Plan and the maximum of 288,272 ordinary shares will be issued if earnings per share are equal to or greater than 31.62p per ordinary share in the three years ending 31 May 2011.

On 11 August 2009, R A Whiting was awarded a conditional right over a maximum of 245,918 ordinary shares at a price of 98p per ordinary share, subject to satisfying certain performance targets as outlined below.

If earnings per share in the three financial years ending 31 May 2012 is 22.43p per ordinary share 73,776 ordinary shares will be issued under the Plan and the maximum of 245,918 ordinary shares will be issued if earnings per share are equal to or greater than 37.38p per ordinary share in the three years ending 31 May 2012.

J R Ford

One conditional share award has been made to J R Ford under the Plan.

On 11 August 2009, J R Ford was awarded a conditional right over a maximum of 114,796 ordinary shares at a price of 98p per ordinary share, subject to satisfying certain performance targets as outlined below.

If earnings per share in the three financial years ending 31 May 2012 is 22.43p per ordinary share 34,439 ordinary shares will be issued under the Plan and the maximum of 114,796 ordinary shares will be issued if earnings per share are equal to or greater than 37.38p per ordinary share in the three years ending 31 May 2012.

Directors' pension entitlements

	2010 Number	2009 Number
The number of Directors who were:		
– members of a defined contribution pension scheme	2	3
– members of a defined benefit pension scheme	—	—

Contributions paid by the Group to defined contribution pension schemes in respect of such Directors were:

Name of Director	2010 £'000	2009 £'000
J R Ford (appointed 16 March 2009)	23	5
P Grundy (resigned 30 April 2009)	—	9
R A Whiting	72	70
	95	84

8. Finance costs

	2010 £m	2009 £m
Interest on bank loans and overdrafts	0.6	2.3
Fair value loss on interest rate hedging instrument transferred from equity (note 20)	0.6	0.1
Interest payable under hire purchase agreements	0.2	0.3
Net finance cost in respect of defined benefit pension scheme (note 23)	0.5	—
	1.9	2.7

9. Income tax expense

	2010 £m	2009 £m
Current tax		
UK corporation tax on profits for the year	**2.0**	2.1
Adjustment in respect of prior years	**—**	(0.5)
Current tax expense	**2.0**	1.6
Deferred tax		
Origination and reversal of temporary differences	**0.2**	(0.2)
Adjustment in respect of prior years	**—**	(0.1)
Deferred tax expense/(credit) before exceptional deferred tax charge	**0.2**	(0.3)
Exceptional deferred tax charge arising from phased withdrawal of industrial buildings allowances	**—**	3.5
Deferred tax expense (note 21)	**0.2**	3.2
Total income tax expense	**2.2**	4.8

Corporation tax for the year ended 31 May 2010 has been calculated at 28.0% (2009: 28.0%) of estimated assessable profit for the year.

In July 2008, the phasing out of industrial buildings allowances was substantively enacted into law. This has resulted in an exceptional increase in deferred tax liabilities and a related income statement charge of £Nil in the year ended 31 May 2010 (2009: £3.5 million).

In the Budget on 22 June 2010, the UK Government announced its intention to reduce the UK corporation tax rate from 28.0% to 24.0% by 1.0% per annum over a four year period. At 31 May 2010, no change in the tax rate had been substantively enacted into law, but a 1.0% decrease in the rate to 27.0% is expected to be enacted by 31 May 2011. Had this 1.0% reduction in the rate been enacted at 31 May 2010, the estimated impact on the balance sheet would have been a reduction in the deferred tax asset of £0.1 million from £3.5 million to £3.4 million and a reduction in the deferred tax liability of £0.2 million from £5.6 million to £5.4 million.

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

	2010 £m	2009 £m
Profit before taxation	**7.1**	6.2
Profit before taxation multiplied by the standard rate of UK corporation tax of 28.0% (2009: 28.0%)	**2.0**	1.7
Effects of:		
– phased withdrawal of industrial buildings allowances	**—**	3.5
– adjustments in respect of prior years	**—**	(0.6)
– expenses not deductible for tax purposes	**0.2**	0.2
Total income tax expense	**2.2**	4.8

The Directors expect that the Group's higher than standard tax charge will continue as a result of the level of the Group's disallowable expenses.

10. Discontinued operations

On 2 October 2008, the Group completed the disposal of its entire interest in the ordinary share capital of NWF Retail Holdings Limited, the parent company of a number of subsidiaries which carried out all of the Garden Centre operations.

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	2010 £m	2009 £m
Revenue	**—**	6.4
Expenses	**—**	(7.0)
Loss after taxation from discontinued operations	**—**	(0.6)
Loss on disposal of discontinued operations	**—**	(3.1)
Loss for the year from discontinued operations	**—**	(3.7)

The effect of discontinued operations on segment results is shown in note 4.

The net cash flows attributable to the discontinued operation were as follows:

	2010 £m	2009 £m
Operating and net cash flows	**—**	(0.2)

The above table excludes the cash consideration received on disposal.

Notes to the group financial statements continued
for the year ended 31 May 2010

10. Discontinued operations continued

The net assets of the discontinued operation at 2 October 2008 (date of disposal), the net proceeds and the loss on disposal of discontinued operations were:

	2 October 2008 £m
Assets held for sale	
Goodwill	4.6
Computer software	0.1
Property, plant and equipment	19.9
Inventories	4.5
Trade and other receivables	0.8
Cash at bank and in hand	0.2
	30.1
Liabilities directly associated with assets held for sale	
Trade and other payables	(3.1)
Borrowings: obligations under finance leases	(10.5)
	(13.6)
Net assets	16.5
Loss on disposal	(3.1)
Costs associated with the disposal	1.1
Total cash consideration	14.5

Net cash flow arising on disposal:

	£m
Cash consideration (net of disposal costs)	13.4
Cash and cash equivalents disposed of	(0.2)
	13.2

11. Equity dividends

	2010 £m	2009 £m
Final 2009, 3.1p per share (2008: 2.9p)	**1.4**	1.3
Interim 2010, 1.0p per share (2009: 1.0p)	**0.5**	0.5
	1.9	1.8

The Directors propose a final dividend of 3.3p per share for the year ended 31 May 2010 (2009: 3.1p), amounting to £1.5 million (2009: £1.4 million). The dividend will be recommended for formal approval at the AGM on 23 September 2010. These Group financial statements do not reflect the dividend payable, which will be accounted for as an appropriation of retained earnings in the year ending 31 May 2011.

12. Earnings/(loss) per share

From continuing and discontinued operations

	Basic earnings/(loss) per share		Diluted earnings/(loss) per share	
	2010	2009	**2010**	2009
Earnings/(loss) attributable to equity shareholders (£m)	**4.9**	(2.3)	**4.9**	(2.3)
Weighted average number of shares in issue during the year (000s)	**46,931**	46,931	**46,931**	46,931
Weighted average dilutive effect of conditional and deferred share awards (000s)	**—**	—	**261**	64
Adjusted weighted average number of shares in issue during the year (000s)	**46,931**	46,931	**47,192**	46,995
Earnings/(loss) per ordinary share (pence)	**10.4**	(4.9)	**10.4**	(4.9)

From continuing operations

	Basic earnings per share		Diluted earnings per share	
	2010	2009	**2010**	2009
Earnings attributable to equity shareholders (£m)	**4.9**	1.4	**4.9**	1.4
Weighted average number of shares in issue during the year (000s)	**46,931**	46,931	**46,931**	46,931
Weighted average dilutive effect of conditional and deferred share awards (000s)	**—**	—	**261**	64
Adjusted weighted average number of shares in issue during the year (000s)	**46,931**	46,931	**47,192**	46,995
Earnings per ordinary share (pence)	**10.4**	3.0	**10.4**	3.0

12. Earnings/(loss) per share continued

From discontinued operations

	Basic loss per share 2010	Basic loss per share 2009	Diluted loss per share 2010	Diluted loss per share 2009
Loss per ordinary share (pence)	—	(7.9)	—	(7.9)

Headline from continuing operations

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

Headline earnings	2010 £m	2009 £m
Profit for the year from continuing operations	**4.9**	1.4
Add back: exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances	**—**	3.5
Headline earnings from continuing operations	**4.9**	4.9

The denominators used to calculate both basic and diluted headline earnings per share from continuing operations are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Plant and machinery £m	Cars and commercial vehicles £m	Total £m
Cost					
At 1 June 2008	29.1	0.9	18.0	7.3	55.3
Additions	0.8	—	0.8	1.1	2.7
Disposals	—	—	(0.7)	(0.6)	(1.3)
At 1 June 2009	29.9	0.9	18.1	7.8	56.7
Additions	0.7	—	1.2	1.3	3.2
Disposals	—	—	(0.6)	(0.5)	(1.1)
At 31 May 2010	**30.6**	**0.9**	**18.7**	**8.6**	**58.8**
Depreciation					
At 1 June 2008	2.6	0.1	11.2	3.8	17.7
Charge for the year	0.6	—	1.9	0.8	3.3
Disposals	—	—	(0.7)	(0.3)	(1.0)
At 1 June 2009	3.2	0.1	12.4	4.3	20.0
Charge for the year	0.7	—	1.5	1.0	3.2
Disposals	—	—	(0.5)	(0.5)	(1.0)
At 31 May 2010	**3.9**	**0.1**	**13.4**	**4.8**	**22.2**
Carrying amount					
At 31 May 2010	**26.7**	**0.8**	**5.3**	**3.8**	**36.6**
At 31 May 2009	26.7	0.8	5.7	3.5	36.7

The Group has pledged certain freehold land and buildings having a carrying amount of £25.3 million (2009: £25.3 million) to secure banking facilities granted to the Group.

Included in plant and machinery and cars and commercial vehicles above are assets acquired under hire purchase agreements with a carrying value at 31 May 2010 of £1.3 million and £2.0 million (2009: £1.8 million and £2.6 million) respectively. The depreciation charges for the year ended 31 May 2010 relating to these assets were £0.5 million and £0.6 million (2009: £0.5 million and £0.5 million) respectively.

Notes to the group financial statements continued
for the year ended 31 May 2010

14. Intangible assets

	Goodwill £m	Computer software £m	Trademarks and licences £m	Total £m
Cost				
At 1 June 2008	5.7	1.1	0.1	6.9
Additions	—	0.1	—	0.1
At 1 June 2009	5.7	1.2	0.1	7.0
Additions	—	0.4	—	0.4
At 31 May 2010	**5.7**	**1.6**	**0.1**	**7.4**
Impairment charge				
At 1 June 2008	0.6	0.8	—	1.4
Charge for the year	—	0.1	0.1	0.2
At 1 June 2009	0.6	0.9	0.1	1.6
Charge for the year	—	0.1	—	0.1
At 31 May 2010	**0.6**	**1.0**	**0.1**	**1.7**
Carrying amount				
At 31 May 2010	**5.1**	**0.6**	**—**	**5.7**
At 31 May 2009	5.1	0.3	—	5.4

Included in computer software above are assets in the course of construction, on which depreciation has not been charged, with a carrying value of £0.4 million (2009: £Nil).

Goodwill

Goodwill acquired is allocated, at acquisition, to cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying value of goodwill is allocated as follows:

	2010 £m	2009 £m
Feeds	**2.7**	2.7
Fuels	**2.4**	2.4
	5.1	5.1

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use pre-tax cash flow projections based on management forecasts for the three years ending 31 May 2013. Subsequent cash flows are extrapolated using an estimated growth rate of 2.25%.

The rate used to discount the projected cash flows, being a pre-tax risk-adjusted discount rate, is 10.0% for all business segments.

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, have not given rise to indications of impairment.

15. Inventories

	2010 £m	2009 £m
Raw materials and consumables	**1.2**	1.2
Finished goods and goods for resale	**2.1**	2.1
	3.3	3.3

16. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**44.5**	42.7
Less: provision for impairment	**(0.9)**	(1.1)
Trade receivables – net	**43.6**	41.6
VAT recoverable	**0.4**	0.2
Other debtors	**0.1**	0.1
Prepayments and accrued income	**1.7**	1.6
	45.8	43.5

16. Trade and other receivables continued

The fair value of trade and other receivables is equivalent to their carrying amount. Trade and other receivables are non-interest bearing and are substantially denominated in Sterling.

At 31 May 2010, trade receivables of £13.2 million (2009: £14.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 £m	2009 £m
Up to 3 months	**11.1**	11.2
Over 3 months	**2.1**	3.6
	13.2	14.8

Movements on the Group provision for impairment of trade receivables are as follows:

	2010 £m	2009 £m
At 1 June	**1.1**	0.6
Provision for receivables impairment	**0.5**	1.2
Receivables written off in the year	**(0.7)**	(0.7)
At 31 May	**0.9**	1.1

The creation and release of provisions for impaired receivables has been included in administrative expenses in the income statement.

The other classes of receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable.

17. Cash and cash equivalents for the purposes of the cash flow statement

	2010 £m	2009 £m
Bank overdrafts (note 19)	**(0.3)**	(1.5)

The fair value of cash and cash equivalents is equivalent to their carrying amount.

18. Trade and other payables

	2010 £m	2009 £m
Current		
Trade payables	**33.1**	28.5
Social security and other taxes	**0.7**	0.7
Accruals and deferred income	**4.0**	4.4
	37.8	33.6

The fair value of trade and other payables is equivalent to their carrying amount.

19. Borrowings

	2010 £m	2009 £m
Current		
Bank overdrafts	**0.3**	1.5
Invoice discounting advances	**10.2**	—
Bank loans	**0.1**	0.1
Obligations under hire purchase agreements	**1.3**	1.2
	11.9	2.8
Non-current		
Invoice discounting advances	**—**	13.1
Bank loans	**—**	0.1
Obligations under hire purchase agreements	**2.0**	3.3
	2.0	16.5
Total borrowings	**13.9**	19.3

Invoice discounting advances

The invoice discounting advances above are drawn under a three-year committed facility with an expiry date of 31 May 2011, which permits the refinancing of the current debt. The facility is provided under an arrangement with The Royal Bank of Scotland Group and is secured by way of a fixed and floating charge against the Group's trade receivables. Interest is charged at a variable rate of 1.25% (2009: 1.25%) per annum above the bank's base rate.

The advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, £10.2 million (2009: £Nil) is presented within current liabilities and £Nil (2009: £13.1 million) is presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities at 31 May 2009.

Notes to the group financial statements continued
for the year ended 31 May 2010

19. Borrowings continued

Bank overdrafts and loans

The Group net bank overdraft of £0.3 million (2009: £1.5 million) is repayable on demand and interest is charged at a variable rate of 2.5 – 3.0% (2009: 2.5 – 3.0%) per annum above the bank's base rate.

At 31 May 2010, there is one bank loan of £0.1 million (2009: £0.2 million), which is non-interest bearing.

Bank borrowings amounting to £10.6 million (2009: £14.8 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

The Group uses interest rate derivatives to manage its exposure to interest rate increases on its bank borrowings. See note 20 for further details.

All bank borrowings are denominated in Sterling and are repayable as follows:

	2010 £m	2009 £m
Within 1 year	**10.6**	1.6
Between 1 – 2 years	**—**	13.2
	10.6	14.8

Committed bank borrowing facilities by expiry date

The Group has a number of committed bank borrowing facilities which were partly drawn down at 31 May 2010, in respect of which all conditions precedent had been met at that date:

	2010		2009	
Facilities expiring:	**Facility £m**	**Amount drawn £m**	Facility £m	Amount drawn £m
Within 1 year	**40.7**	**10.6**	1.1	1.6
Between 1 – 2 years	**—**	**—**	40.6	13.2
	40.7	**10.6**	41.7	14.8

The amount drawn above in 2010, under facilities expiring within one year, of £10.6 million (2009: 1.6 million) is the balance shown in the Group's accounting records, which includes £Nil (2009: £0.5 million) that has yet to clear the Group's bank accounts.

The availability of invoice discounting facilities included above, amounting to £31.9 million (2009: £32.8 million), is dependent on the level of current debt available for refinancing and on compliance with standard bank covenants: net debt/EBITDA and interest cover.

New bank facilities

With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million, as described below.

Invoice discounting advances

Invoice discounting advances from 1 July 2010 are drawn under a committed facility with an expiry date of 31 October 2013. The availability of invoice discounting facilities is dependent on the level of current trade receivables available for refinancing and is subject to a maximum drawdown of £40.0 million.

The facility is secured by way of a fixed and floating charge against the Group trade receivables. Interest is charged at 1.75% per annum above the bank's base rate.

Revolving credit facility

The Group also has a revolving credit facility of £6.0 million with an expiry date of 31 October 2013. Interest is charged on amounts drawdown at 2.0% per annum above LIBOR.

Bank overdraft

The Group's net bank overdraft from 1 July 2010 is repayable on demand and is subject to a maximum limit of £1.0 million. Interest is charged at 2.0% per annum over the bank's base rate.

The Group incurs non-utilisation fees on the Group's committed invoice discounting and revolving credit facilities.

Bank guarantee

With effect from 1 June 2010, the Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million. Commission is charged on the maximum total facility value of £4.0 million at 2.0 – 2.5% per annum.

The new bank facilities above are provided subject to compliance with standard bank covenants, including net debt/EBITDA and interest cover ratios.

19. Borrowings continued

Obligations under hire purchase agreements

Obligations under hire purchase agreements are repayable as follows:

	Minimum payments		Present value of payments	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Within 1 year	**1.4**	1.4	**1.3**	1.2
Between 1 – 2 years	**1.1**	1.4	**1.0**	1.2
Between 2 – 5 years	**1.0**	2.2	**1.0**	2.1
	3.5	5.0	**3.3**	4.5
Less: future finance charges	**(0.2)**	(0.5)	**—**	—
Present value of obligations	**3.3**	4.5	**3.3**	4.5
Analysed as:				
Amounts due for settlement within 12 months (shown as current liabilities)			**1.3**	1.2
Amounts due for settlement after 12 months			**2.0**	3.3
			3.3	4.5

All hire purchase obligations are denominated in Sterling.

20. Financial instruments and risk management

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, bank loans, obligations under hire purchase agreements, derivatives and various items, such as debtors and creditors, that arise from its operations. All financial instruments in 2010 and 2009 were denominated in Sterling. There is no significant foreign exchange risk in respect of these instruments.

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

IFRS 7 (amended) 'Financial Instruments: Disclosures' requires disclosure of financial instruments measured at fair value, grouped into Levels 1 to 3 below, based on the degree to which fair value is observable:

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

All of the Group's derivative financial instruments as described overleaf (forward supply contracts and interest rate swaps) were classified as Level 2 in the current and prior year. There were no transfers between levels in both the current and prior year.

Financial liabilities

The book value, fair value and interest rate profile of the Group's financial liabilities, other than non-interest bearing short-term trade and other payables, for which book value equates to fair value, were as follows:

At 31 May 2010	**Total book value £m**	**Total fair value £m**	**Fixed interest rate %**
Financial liabilities carried at amortised cost:			
Floating rate bank overdraft	**0.3**	**0.3**	**—**
Floating rate invoice discounting advances	**10.2**	**10.2**	**—**
Hire purchase obligations repayable:			
Within 1 year	**1.3**	**1.3**	**2.78 – 7.25**
Between 1 – 2 years	**1.0**	**1.0**	**2.78 – 7.25**
Between 2 – 5 years	**1.0**	**1.0**	**6.00 – 7.25**
	13.8	**13.8**	
Financial liabilities carried at fair value: derivatives	**0.5**	**0.5**	**—**
	14.3	**14.3**	

Notes to the group financial statements continued
for the year ended 31 May 2010

20. Financial instruments and risk management continued
Financial liabilities continued

At 31 May 2009	Total book value £m	Total fair value £m	Fixed interest rate %
Financial liabilities carried at amortised cost:			
Floating rate bank overdraft	1.5	1.5	—
Floating rate invoice discounting advances	13.1	13.1	—
Hire purchase obligations repayable:			
Within 1 year	1.2	1.4	2.78 – 7.25
Between 1 – 2 years	1.2	1.3	2.78 – 7.25
Between 2 – 5 years	2.1	1.9	2.78 – 7.25
	19.1	19.2	
Financial liabilities carried at fair value: derivatives	1.1	1.1	—
	20.2	20.3	

Fair values of hire purchase obligations and bank loans have been calculated by discounting at prevailing market rates.

Financial assets
The book value, fair value and interest rate profile of the Group's financial assets, other than non-interest bearing short-term trade and other receivables, for which book value equates to fair value, were as follows:

At 31 May 2010	**Total book and fair value £m**	**Fixed interest rate %**
Financial assets carried at fair value: derivatives	**0.2**	**—**

At 31 May 2009	Total book and fair value £m	Fixed interest rate %
Financial assets carried at fair value: derivatives	0.2	—

Financial risk management
The Group's operations expose it to a variety of financial risks: price risk; interest rate risk; credit risk; and liquidity risk. Given the size of the Group, the Directors have not established a sub-committee of the Board to monitor financial risk management, but have established policies that are implemented and monitored by the Executive Directors.

Price risk
The Group is exposed to commodity price risk principally in respect of certain raw materials in its Feeds business and oil-related products in the Fuels business.

The Feeds business enters into forward supply contracts in order to manage the impact of price movements on its gross margin. At 31 May 2010, the Group had open forward supply contracts with a principal value of £22.5 million (2009: £18.8 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £0.1 million (2009: £Nil).

The fair value of forward supply contracts is based on generally accepted valuation techniques using inputs from observable market data on equivalent instruments at the balance sheet date. The contracts are settled on a gross cash basis and are classified as current assets or liabilities, as all contractual cash flows fall due to be settled in less than one year.

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £0.1 million have been credited (2009: £0.2 million charged) to the income statement in the year.

The Fuels business' oil-related products are subject to changes in the world commodity price for crude oil. However, the relatively low stockholding maintained and daily price monitoring systems used to determine selling prices enable the business to effectively manage the risk of gross margin erosion. Forward supply contracts are not utilised by this business.

The extent of these risks is regularly reviewed and assessed by the Executive Directors and reported back to the Board. This process is considered to be effective given the size and nature of the risks involved, but will be reviewed in the future should circumstances change.

20. Financial instruments and risk management continued

Financial risk management continued

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from floating rate borrowings.

The Group uses interest rate derivatives to manage its exposure to interest rate increases on its borrowings. The disposal of the Group's Garden Centre operations (see note 10) and the subsequent reduction in net debt has resulted in the Group being fully hedged at 31 May 2010 and 31 May 2009, having retained a forward swap with a notional principal amount of £15.0 million (see below). The Directors review the hedging policy on at least an annual basis.

At 31 May 2008, the Group had one interest rate cap in place, with a start date of 3 July 2006 and an end date of 29 May 2009. The effect of this instrument in the prior year ended 31 May 2009 was to cap the interest payable on £10.8 million of the Group's debt at 5.5% per annum.

At 31 May 2008, the Group also held three interest rate swaps, all of which had floating rate interest receipts linked to base rate and a contract start date of 31 December 2007 and a contract end date of 31 December 2010. During the year ended 31 May 2009, two of the swaps were terminated. Further details on each swap are shown below:

- a swap with a notional principal amount of £5.0 million and a fixed annual interest rate of 5.045% over the three years ending 31 December 2010. This instrument was designated and effective as a cash flow hedge for the period from inception to 31 March 2008. Since 31 March 2008, the swap has not been designated and effective as a cash flow hedge. The Group terminated this swap during the year ended 31 May 2009;
- a swap with a notional principal amount of £5.0 million. Fixed annual interest rate terms were 4.7% for the year ending 31 December 2008 and 5.045% for the remaining two years ending 31 December 2010. This instrument was cancellable at the bank's option each quarter-end after 31 December 2008. The swap was not designated and effective as a cash flow hedge in the period since inception. The Group terminated this swap during the year ended 31 May 2009; and
- a swap with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% for the 18 months ending 31 December 2010. This instrument has been designated and effective as a cash flow hedge for the entire period from inception to 31 May 2010. The Group has retained this swap at 31 May 2010.

The fair value of the remaining swap held at 31 May 2010 is estimated at £0.4 million in the bank's favour (2009: £0.9 million in the bank's favour). The fair value is based on the market value of an equivalent instrument at the balance sheet date, being the present value of future cash flows discounted based on the applicable yield curve derived from quoted interest rates. The Group settles the difference between the fixed and variable interest rates on a net basis, every month. All of the contractual cash flows fall due to be settled by the contract end date of 31 December 2010.

Changes in the fair value of non-hedging interest rate swaps amounting to £Nil have been charged to the income statement in the year (2009: £0.7 million).

Changes in the fair value of the hedging interest rate swap amounting to £Nil have been deferred in equity in the year (2009: £1.0 million). The fair value loss transferred from equity to the income statement in the year ended 31 May 2010 was £0.6 million (2009: £0.1 million).

The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2010 profit before taxation by approximately £0.1 million (2009: £0.3 million).

Credit risk

Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the Executive Directors. In addition, the Fuels business maintains credit insurance for certain higher value accounts in order to manage the potential financial loss incurred on certain bad debts.

Liquidity risk

The Group actively maintains a mixture of medium-term and short-term debt finance, which is designed to ensure that it has access to sufficient available funds for ongoing working capital needs as well as planned capital investment and expansion generally. The amount of debt finance required is reviewed at least annually by the Directors.

All of the Group's financial instruments, with the exception of certain borrowings (see note 19), have a contractual maturity of less than one year, based on the earliest date on which the contractual cash flows are required to be settled.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital risk on the basis of the net debt/EBITDA ratio. This ratio is calculated as net debt divided by earnings before interest, depreciation and amortisation as shown below:

	2010	2009
Net debt (£m) (note 19)	**13.9**	19.3
EBITDA from continuing operations (£m)	**12.3**	12.4
Net debt/EBITDA ratio	**1.1**	1.6

Notes to the group financial statements continued
for the year ended 31 May 2010

21. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 June 2008	2.1	(1.2)	0.1	1.0
Charge/(credit) to income statement including exceptional deferred tax charge (note 9)	3.4	—	(0.2)	3.2
Credit to equity	—	(0.7)	(0.2)	(0.9)
At 1 June 2009	5.5	(1.9)	(0.3)	3.3
Charge to income statement (note 9)	0.1	—	0.1	0.2
Credit to equity	—	(1.5)	0.1	(1.4)
At 31 May 2010	**5.6**	**(3.4)**	**(0.1)**	**2.1**

Accelerated tax depreciation above includes a deferred tax liability and a related income statement charge of £Nil in the year (2009: £3.5 million) arising from the phased withdrawal of industrial buildings allowances.

22. Share capital

	2010 Number (000s)	2009 Number (000s)	**2010 £m**	2009 £m
Authorised				
Ordinary shares of 25p each	**80,000**	80,000	**20.0**	20.0
Allotted and fully paid				
Ordinary shares of 25p each	**46,931**	46,931	**11.7**	11.7

The total number of conditional and deferred share awards outstanding at 31 May 2010 amounted to 930,788 (2009: 505,406) shares (see note 24).

23. Retirement benefit schemes

Defined contribution schemes

The Group operates several defined contribution pension schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to the income statement of £0.4 million (2009: £0.4 million) represents the contributions payable to these schemes by the Group at the rates specified in the scheme rules. At 31 May 2010, contributions of £Nil (2009: £Nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group operates a defined benefit pension scheme (the NWF Group Benefits Scheme) providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group in an independently administered fund. The scheme was closed to new members during the year ended 31 May 2002.

The latest full actuarial valuation of this scheme, completed in 2009, was carried out as at 31 December 2007 by a qualified actuary and has been updated on an approximate basis to 31 May 2010. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

As a result of the full actuarial valuation at 31 December 2007 further contributions of £0.2 million per annum have been made from 1 April 2009 in order to eliminate the deficit in the scheme by 31 March 2019. These contributions are in addition to the employer's regular contributions of 19.4% of pensionable salaries (approximately £0.8 million per annum). The Group therefore expects to make total contributions of £1.0 million to the scheme in the year ending 31 May 2011.

The principal actuarial assumptions as at the balance sheet date were:

	2010 %	2009 %
Discount rate	**5.60**	7.00
Future salary increases	**4.70**	4.90
Future pension increases	**2.35**	2.40
Past pension increases	**3.40**	3.56
Price inflation	**3.45**	3.65

The mortality assumptions adopted imply the following life expectancies:

	2010 Years	2009 Years
Current pensioners – male life expectancy at age 65	**20.9**	20.8
Future pensioners currently aged 50 – male life expectancy at age 65	**22.7**	22.6

The 2010 and 2009 mortality assumptions above are based on PA92 +2 YoB MC tables.

23. Retirement benefit schemes continued

Defined benefit schemes continued

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

	2010 £m	2009 £m
Present value of defined benefit obligations	(35.7)	(26.7)
Fair value of scheme assets	23.4	20.0
Deficit in the scheme recognised as a liability in the balance sheet	(12.3)	(6.7)
Related deferred tax asset (note 21)	3.4	1.9
Net pension liability	(8.9)	(4.8)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2010 £m	2009 £m
Amounts charged to operating profit within administrative expenses		
Current service cost	0.4	0.6
Amounts included in finance costs		
Expected return on scheme assets	(1.3)	(1.9)
Interest on scheme liabilities	1.8	1.9
Net charge to finance costs	0.5	—
Total cost recognised in the income statement	0.9	0.6

Actuarial losses of £5.7 million (2009: £2.7 million) have been reported in the statement of comprehensive income in the year.

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

	2010 £m	2009 £m
At 1 June	26.7	29.7
Current service cost	0.4	0.6
Interest of scheme liabilities	1.8	1.9
Actuarial losses/(gains)	7.7	(4.7)
Contributions by scheme members	0.3	0.3
Benefits paid	(1.2)	(1.1)
At 31 May	35.7	26.7

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

	2010 £m	2009 £m
At 1 June	20.0	25.3
Expected return on scheme assets	1.3	1.9
Actuarial gains/(losses)	2.0	(7.4)
Contributions by employer	1.0	1.0
Contributions by scheme members	0.3	0.3
Benefits paid	(1.2)	(1.1)
At 31 May	23.4	20.0

The fair value of the major categories of scheme assets and the expected long-term rate of return at the balance sheet date are as follows:

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £m	2009 £m
Equities	7.1	7.2	14.3	11.8
Bonds	5.0	6.0	3.8	2.8
Property	7.1	7.2	1.9	2.0
Cash	3.9	4.0	0.8	1.3
Hedge funds	7.1	7.2	2.6	2.1
			23.4	20.0

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property used by the Group at the balance sheet date.

The expected long-term return on cash and bonds is based on yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long-term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

The actual return on scheme assets was a gain of £3.3 million (2009: £5.5 million loss).

Notes to the group financial statements continued
for the year ended 31 May 2010

23. Retirement benefit schemes continued
Defined benefit schemes continued

A history of experience adjustments in the scheme is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006* £m
Present value of defined benefit obligations	**(35.7)**	(26.7)	(29.7)	(28.6)	(25.8)
Fair value of scheme assets	**23.4**	20.0	25.3	25.1	21.2
Deficit in the scheme	**(12.3)**	(6.7)	(4.4)	(3.5)	(4.6)
Experience adjustments on scheme liabilities	**—**	(0.4)	(0.1)	—	—
Experience adjustments on assets	**2.0**	(7.4)	(1.4)	2.1	2.6

* Experience adjustments calculated in accordance with FRS 17 'Retirement Benefits'.

24. Share-based payments
The Group operates two equity-settled share-based compensation plans as described below. The Group recognised total expenses of £0.4 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2010 (2009: £0.2 million).

The Performance Share Plan ('the Plan')

The Group operates a performance share plan for senior executives, further details of which can be found in note 7.

Under the Plan, the Group has made awards of conditional shares to certain Directors and employees on 5 February 2009 (vesting date: 31 May 2010 or 31 May 2011) and 11 August 2009 (vesting date: 31 May 2012). The vesting of these conditional share awards is subject to the Group achieving absolute earnings per share targets.

Details of the conditional share awards outstanding during the year are as follows:

	2010 Number of conditional shares	2009 Number of conditional shares
At 1 June	**441,050**	—
Granted during the year	**425,382**	441,050
At 31 May	**866,432**	441,050

The estimate of the fair value of the services received in return for the conditional share awards is measured based on a Black Scholes model. The aggregate of the estimated fair values of the awards is £0.7 million (2009: £0.4 million), before taking into account the likelihood of achieving non market-based performance conditions.

The weighted average inputs into the Black Scholes model are as follows:

	2010	2009
Share price at grant date	**£0.92**	£0.95
Exercise price	**Nil**	Nil
Expected volatility	**58.0%**	59.5%
Expected life	**2.64 years**	2.33 years
Expected dividend yield	**3.75%**	3.09%
Risk-free interest rate	**2.08%**	1.54%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 1.5 and 2.5 years (awards granted on 5 February 2009) and 3 years (awards granted on 11 August 2009). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Deferred share awards

The Group made a deferred share award to two subsidiary company directors on 29 November 2007. The vesting period is three years.

Details of the deferred share awards outstanding during the year are as follows:

	2010 Number of deferred shares	2009 Number of deferred shares
At 1 June and 31 May	**64,356**	64,356

The estimate of the fair value of the services received in return for the deferred share awards is measured based on a Black Scholes model. The aggregate of the estimated fair values of the awards is £0.1 million (2009: £0.1 million).

24. Share-based payments continued

Deferred share awards continued

The inputs into the Black Scholes model are as follows:

	2010	2009
Share price at grant date	**£2.05**	£2.05
Exercise price	**Nil**	Nil
Expected volatility	**33.10%**	33.10%
Expected life	**3 years**	3 years
Expected dividend yield	**1.90%**	1.90%
Risk-free interest rate	**4.71%**	4.71%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

25. Net cash generated from operating activities

	2010 £m	2009 £m
Operating profit from continuing and discontinued operations	**9.0**	8.8
Adjustments for:		
Depreciation of property, plant and equipment	**3.2**	3.3
Amortisation of other intangible assets	**0.1**	0.2
Share-based payment expense	**0.4**	0.2
Difference between pension charge and cash contributions	**(0.6)**	(0.4)
Operating cash flows before movements in working capital	**12.1**	12.1
Movements in working capital:		
Decrease in inventories	**—**	1.2
(Increase)/decrease in receivables	**(2.3)**	8.6
Increase/(decrease) in payables	**4.3**	(4.2)
Net cash generated from operations	**14.1**	17.7
Interest paid	**(1.3)**	(3.0)
Income tax paid	**(1.9)**	(0.2)
Net cash generated from operating activities	**10.9**	14.5

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

	1 June 2009 £m	Cash flow £m	Other non-cash movements £m	**31 May 2010 £m**
Bank overdrafts (note 17)	(1.5)	1.2	—	**(0.3)**
Debt due within 1 year	(0.1)	3.0	(13.2)	**(10.3)**
Debt due after 1 year	(13.2)	—	13.2	**—**
Hire purchase obligations due within 1 year	(1.2)	1.2	(1.3)	**(1.3)**
Hire purchase obligations due after 1 year	(3.3)	—	1.3	**(2.0)**
Total Group	(19.3)	5.4	—	**(13.9)**

27. Operating lease commitments

At the balance sheet date, the Group has commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2010 £m	Land and buildings 2009 £m	**Other 2010 £m**	Other 2009 £m
Within 1 year	**0.6**	0.4	**3.0**	3.2
Within 2 – 5 years inclusive	**1.8**	2.3	**4.7**	6.0
After 5 years	**—**	0.3	**—**	—
	2.4	3.0	**7.7**	9.2

The Group leases various land and buildings on short-term operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various cars and commercial vehicles and plant and equipment under operating leases. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

Notes to the group financial statements continued
for the year ended 31 May 2010

28. Related party transactions

Key management compensation

The remuneration of key management personnel of the Group, who are the Executive and Non-Executive Directors of the Company, the Executive Directors of its subsidiaries and certain key managers of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures':

From continuing and discontinued operations

	2010 £m	2009 £m
Short-term employee benefits	**2.4**	2.6
Post-employment benefits	**0.1**	0.1
Termination benefits	**—**	0.5
Share-based payments	**0.4**	0.2
	2.9	3.4

From continuing operations

	2010 £m	2009 £m
Short-term employee benefits	**2.4**	2.5
Post-employment benefits	**0.1**	0.1
Termination benefits	**—**	0.2
Share-based payments	**0.4**	0.2
	2.9	3.0

From discontinued operations

	2010 £m	2009 £m
Short-term employee benefits	**—**	0.1
Termination benefits	**—**	0.3
	—	0.4

Further information on remuneration of Directors can be found in note 7.

Directors' transactions

M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £14,015 (2009: £18,158) as a customer of the Group in the year ended 31 May 2010. At 31 May 2010, the amount outstanding was £Nil (2009: £1,686). During the year, the highest amount outstanding totalled £3,327 (2009: £5,576).

29. Commitments for capital expenditure

	2010 £m	2009 £m
Authorised, contracted but not provided for	**2.1**	1.1

30. Contingent liabilities

The Group's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Group has pledged security in favour of the bank over certain freehold land and buildings with a carrying amount of £25.3 million (2009: £25.3 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting at 31 May 2010 to £10.6 million (2009: £14.8 million).

With effect from 1 June 2010, the Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million. Commission is charged on the maximum total facility value of £4.0 million at 2.0 – 2.5% per annum.

On 1 June 2010, the Group requested that the bank issue a guarantee with a value of £4.0 million to a third party supplier of a subsidiary company.

The Company and certain subsidiaries have granted a fixed and floating charge in favour of the trustees of the defined benefit pension scheme (the NWF Group Benefits Scheme). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million, and a floating charge over all other assets.

The Company has also given certain guarantees to third parties in respect of operating lease commitments for property and motor vehicles due from various subsidiary companies.

Independent auditors' report
to the members of NWF Group plc

We have audited the Parent Company financial statements of NWF Group plc for the year ended 31 May 2010 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of NWF Group plc for the year ended 31 May 2010.

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

10 August 2010

Parent company balance sheet
as at 31 May 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	4	**25.9**	25.8
Investments	5	**1.2**	1.1
		27.1	26.9
Current assets			
Debtors	6	**2.9**	1.4
Cash and bank balances		**0.1**	0.1
		3.0	1.5
Creditors: amounts falling due within one year	7	**(12.9)**	(14.0)
Net current liabilities		**(9.9)**	(12.5)
Total assets less current liabilities		**17.2**	14.4
Creditors: amounts falling due after more than one year	8	**—**	(0.1)
Provisions for liabilities			
Deferred taxation	9	**(0.8)**	(0.8)
Net assets		**16.4**	13.5
Capital and reserves			
Equity share capital	10	**11.7**	11.7
Profit and loss account	11	**4.7**	1.8
Total equity shareholders' funds	12	**16.4**	13.5

The Parent Company financial statements on pages 54 to 59 were approved by the Board of Directors on 10 August 2010 and were signed on its behalf by:

R A Whiting
Director

J R Ford
Director

The notes on pages 55 to 59 form part of these Parent Company financial statements.

Notes to the parent company financial statements
for the year ended 31 May 2010

1. Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention, modified by the revaluations of certain freehold land and buildings, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

Parent Company profit and loss account

The Company has not presented it own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year was £4.5 million (2009: £2.4 million loss). There are no material differences between the profit (2009: loss) after taxation for the year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. In accordance with FRS 15, the book values of certain assets which were the subject of past revaluations have been retained. Depreciation is calculated to write off the cost or valuation of fixed assets over their useful economic life on a straight-line basis as follows:

Freehold buildings	10 – 50 years
Plant and machinery	3 – 10 years

Freehold land is not depreciated. Assets under construction are not depreciated until they are put into use.

Finance costs that are directly attributable to the construction of significant assets are capitalised.

Investment in subsidiary undertakings

Investments in Group undertakings and participating interests are stated at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the Board. No timing differences are recognised in respect of revalued tangible fixed assets or fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset. The deferred tax assets and liabilities are not discounted.

Financial instruments

The Company held one financial instrument (2009: one) which is not fair valued on the balance sheet, but is disclosed in note 14 of the Company financial statements.

Share-based payments

The Company has applied the requirements of FRS 20 'Share-based Payments'.

The Company operates two equity-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of equity-settled share-based payments issued to the Company's employees is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The fair value determined at the grant date of equity-settled share-based payments issued to employees of subsidiary undertakings is recognised as an addition to the cost of investment in subsidiary undertakings on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by the use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

Cash flow statement

The Company is included in the consolidated financial statements of NWF Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

Notes to the parent company financial statements continued
for the year ended 31 May 2010

2. Staff costs
The average number of persons (including Directors) employed by the Company during the year was 14 (2009: 15). Staff costs for these persons were:

	2010 £m	2009 £m
Wages and salaries	**1.3**	1.3
Social security costs	**0.2**	0.2
Share-based payments (note 15)	**0.3**	0.1
Other pension costs	**0.1**	0.3
	1.9	1.9

Other pension costs above are amounts charged to operating profit in respect of defined contribution and defined benefit pension schemes.

3. Remuneration of Directors
Details of remuneration of Directors are shown in note 7 of the Group financial statements.

4. Tangible fixed assets

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost or valuation			
At 1 June 2009	28.7	0.8	29.5
Additions	0.6	0.2	0.8
At 31 May 2010	**29.3**	**1.0**	**30.3**
Depreciation			
At 1 June 2009	3.1	0.6	3.7
Charge for the year	0.6	0.1	0.7
At 31 May 2010	**3.7**	**0.7**	**4.4**
Carrying amount			
At 31 May 2010	**25.6**	**0.3**	**25.9**
At 31 May 2009	25.6	0.2	25.8

The cost or valuation of freehold land and buildings includes £7.2 million (2009: £7.2 million) held at a valuation carried out in 1995.

The historical cost amounts of the Company's freehold land and buildings at 31 May 2010 are: £28.2 million (2009: £27.6 million) cost; £3.9 million (2009: £3.3 million) accumulated depreciation; and £24.3 million (2009: £24.3 million) net book value.

5. Investments in subsidiary undertakings

	£m
Cost and carrying amount	
At 1 June 2009	1.1
Additions (note 15)	0.1
At 31 May 2010	**1.2**

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings:

Company	Business activity
NWF Agriculture Holdings Limited	Holding company – Feed operations
NWF Distribution Holdings Limited	Holding company – Food operations
NWF Fuels Holdings Limited	Holding company – Fuel operations
Bassett Fuels Limited	Dormant
Dragon Petroleum Limited	Dormant
Lincolnshire Fuels Limited	Dormant
North Western Farmers Limited	Dormant
NWF Limited	Dormant
Figaro Number Two Limited (formerly Wheatcroft Garden Centre Limited)	Dormant

All of the above companies are registered and operate in England and Wales.

5. Investments in subsidiary undertakings continued

The Company also indirectly owns all of the issued ordinary shares of the following subsidiary undertakings:

Company	Business activity
Boughey Distribution Limited	Warehousing and food distribution
NWF Agriculture Limited	Supplier of animal feedstuffs and seeds
NWF Fuels Limited	Fuel distribution
Browns of Burwell Limited	Dormant
Nutrition Express Limited	Dormant
Broadland Fuels Limited	Dormant
JGW Thomas & Son Limited	Holding company
Fuel Oil Supply Co. Limited	Dormant
Knutsford Domestic Fuel Oil Company Limited	Dormant
Figaro Number One Limited (formerly Wheatcroft Nurseries Limited)	Dormant

All of the above companies are registered and operate in England and Wales.

6. Debtors

	2010 £m	2009 £m
Amounts owed by Group undertakings	**1.8**	0.3
Prepayments and accrued income	**0.3**	0.2
Corporation tax recoverable	**0.7**	0.8
VAT recoverable	**0.1**	0.1
	2.9	1.4

All of the amounts owed by Group undertakings shown above are repayable on demand.

7. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Bank loans and overdrafts	**0.8**	0.1
Amounts owed to Group undertakings	**9.7**	11.6
Accruals and deferred income	**2.4**	2.3
	12.9	14.0

All of the amounts owed to Group undertakings shown above are repayable on demand. Included in these amounts is £9.0 million (2009: £10.9 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 2.5% (2009: 8.0%) per annum. The remaining amounts are non-interest bearing trade balances.

8. Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Bank loans	**—**	0.1

At 31 May 2010, there is one bank loan of £0.1 million (2009: £0.2 million), which is non-interest bearing.

All bank overdrafts and loans are denominated in Sterling.

Bank loans and overdrafts amounting to £0.8 million (2009: £0.2 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

Bank loans and overdrafts are repayable as follows:

	2010 £m	2009 £m
Within 1 year	**0.8**	0.1
Between 1 – 2 years	**—**	0.1
	0.8	0.2

Notes to the parent company financial statements continued
for the year ended 31 May 2010

9. Deferred taxation

	2010 £m	2009 £m
Accelerated capital allowances	**0.9**	0.8
Other timing differences	**(0.1)**	—
	0.8	0.8

There were no movements on the deferred tax provision in the year.

The potential amount of deferred tax on revalued land and buildings has not been recognised since it is the intention of the Directors to retain these properties in the business.

10. Share capital

	2010 Number (000s)	2009 Number (000s)	2010 £m	2009 £m
Authorised				
Ordinary shares of 25p each	**80,000**	80,000	**20.0**	20.0
Allotted and fully paid				
Ordinary shares of 25p each	**46,931**	46,931	**11.7**	11.7

The total number of conditional and deferred share awards outstanding at 31 May 2010 amounted to 930,788 (2009: 505,406) shares (see note 15).

11. Profit and loss account

	£m
At 1 June 2009	1.8
Profit for the financial year	4.5
Dividends paid (see below)	(1.9)
Credit to equity for equity-settled share-based payments (note 15)	0.3
At 31 May 2010	**4.7**

Details of dividends paid in the year by the Company can be found in note 11 of the Group financial statements.

12. Reconciliation of movements in equity shareholders' funds

	2010 £m	2009 £m
Opening equity shareholders' funds	**13.5**	17.5
Profit/(loss) for the financial year	**4.5**	(2.4)
Dividends paid	**(1.9)**	(1.8)
Credit to equity for equity-settled share-based payments (note 15)	**0.3**	0.2
Closing equity shareholders' funds	**16.4**	13.5

13. Related party transactions

The Company has taken advantage of the exemption included in FRS 8 'Related Party Disclosures' to not disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a group whose accounts are publicly available.

Directors' transactions

M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £14,015 (2009: £18,158) as a customer of the Group in the year ended 31 May 2010. At 31 May 2010, the amount outstanding was £Nil (2009: £1,686). During the year, the highest amount outstanding totalled £3,327 (2009: £5,576).

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

14. Derivatives not included at fair value

The Company uses interest rate derivatives to manage its exposure to interest rate increases on its floating rate borrowings. At 31 May 2008, the Company had one interest rate cap in place, with a start date of 3 July 2006 and an end date of 29 May 2009. The effect of this instrument in the prior year ended 31 May 2009 was to cap the interest payable on £10.8 million of the Company's debt at 5.5% per annum.

At 31 May 2008, the Company also held three interest rate swaps, all of which had floating rate interest receipts linked to base rate and a contract start date of 31 December 2007 and a contract end date of 31 December 2010. During the year ended 31 May 2009, two of the swaps were terminated. Further details on each swap are shown below:

- a swap with a notional principal amount of £5.0 million and a fixed annual interest rate of 5.045% over the three years ending 31 December 2010. The Company terminated this swap during the year ended 31 May 2009;
- a swap with a notional principal amount of £5.0 million. Fixed annual interest rate terms were 4.7% for the year ending 31 December 2008 and 5.045% for the remaining two years ending 31 December 2010. The Company terminated this swap during the year ended 31 May 2009; and
- a swap with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% for the 18 months ending 31 December 2010. The Company has retained this swap at 31 May 2010.

At 31 May 2010, the fair value of the remaining swap held, not included in the Company's accounts, is £0.4 million in the bank's favour (2009: £0.9 million in the bank's favour). These fair values are based on market values of equivalent instruments at the balance sheet date.

15. Share-based payments

The Performance Share Plan ('the Plan')

The Company operates a performance share plan for senior executives, further details of which can be found in note 7 of the Group financial statements.

Under the Plan, the Company has made awards of conditional shares to certain Directors and employees, details of which can be found in note 24 of the Group financial statements.

The Company recognised total expenses of £0.3 million in respect of the Plan's equity-settled share-based payment transactions in the year ended 31 May 2010 (2009: £0.1 million).

Deferred share awards

The Company made a deferred share award to two subsidiary company Directors on 29 November 2007, details of which can be found in note 24 of the Group financial statements.

The aggregate cost of deferred share awards of £0.2 million at 31 May 2010 (2009: £0.1 million) has been recognised by the Company as an addition to the cost of investment in subsidiary undertakings (note 5).

16. Pensions

The Company participates in the NWF Group Benefits Scheme, a pension arrangement providing benefits based on final pensionable pay, further details of which can be found in note 23 of the Group financial statements.

The Company is in practice unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and following the adoption of FRS 17 'Retirement Benefits' is treating the scheme as a defined contribution scheme.

Contributions into the scheme and amounts charged to the profit and loss account during the year were £Nil (2009: £0.2 million). There were no outstanding or prepaid contributions at the balance sheet date (2009: £Nil).

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2009: £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (2009: £Nil).

17. Contingent liabilities

The Company's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Company has pledged security in favour of the bank over certain freehold land and buildings with a carrying amount of £25.3 million (2009: £25.3 million). An unscheduled mortgage debenture has also been provided by the Company to the bank which incorporates a floating charge over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings under this arrangement amounting at 31 May 2010 to £10.6 million (2009: £14.8 million).

With effect from 1 June 2010, the Company has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Company to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million. Commission is charged on the maximum total facility value of £4.0 million at 2.0 – 2.5% per annum.

On 1 June 2010, the Company requested that the bank issue a guarantee with a value of £4.0 million to a third party supplier of a subsidiary company.

The Company has granted a fixed and floating charge in favour of the trustees of the defined benefit pension scheme (the NWF Group Benefits Scheme). This security, which is subordinated to the bank, creates a fixed charge over certain freehold land and buildings, subject to a maximum value of £5.0 million, and a floating charge over all other assets.

The Company has also given certain guarantees to third parties in respect of operating lease commitments for property and motor vehicles due from various subsidiary companies.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting ('the Meeting') of NWF Group plc ('the Company') will be held at The Swan Hotel, Tarporley, Cheshire on Thursday 23 September 2010 at 10.30 a.m. to transact the following business:

Ordinary business

1. To receive, adopt and approve the Company's annual accounts for the financial year ended 31 May 2010 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend of 3.3p per share for the year ended 31 May 2010.
3. To re-elect R A Whiting as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company.
4. To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company at a remuneration to be determined by the Directors.

Special business

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolution 5 as an Ordinary Resolution and as to Resolutions 6, 7 and 8 as Special Resolutions.

5. That the Board of Directors of the Company ('the Board') be generally and unconditionally authorised to allot Relevant Securities (as hereinafter defined):

   5.1 up to an aggregate nominal amount of £3,914,630; and

   5.2 comprising equity securities (as defined by Section 560 of the Companies Act 2006 ('the Act')) up to an aggregate nominal amount of £7,829,260 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 5.1 above) in connection with an offer by way of a rights issue:

      (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

      (b) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

      but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

   provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date of this AGM or, if earlier, the date of the next AGM of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Board may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This Resolution 5 revokes and replaces all unexercised authorities previously granted to the Board to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

   For the purposes of this Resolution 5, "Relevant Securities" means:

   - shares in the Company other than shares allotted pursuant to:
     - an employee share scheme (as defined by Section 1166 of the Act);
     - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
     - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; or
   - any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Act). References to the allotment of Relevant Securities in this Resolution 5 include the grant of such rights.

Special business continued

6. That, subject to the passing of Resolution 5 on page 60, the Board be and it is hereby empowered, pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 5 above or by way of a sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    6.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities (but in the case of the authority granted under paragraph 5.2 of Resolution 5 on page 60, by way of a rights issue only) where the equity securities respectively attributable to the interests of all those persons at such record dates as the Board may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the Board may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depositary receipts or any other matter whatsoever; and

    6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) of equity securities up to an aggregate nominal amount of £587,194,

    and shall expire upon the expiry of the general authority conferred by Resolution 5 on page 60, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Board may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

7. That, the Company be authorised generally and unconditionally, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of £0.25 each on such terms and in such manner as the Board shall determine, provided that:

    7.1 the maximum aggregate number of ordinary shares that may be purchased is 4,697,557;

    7.2 the minimum price (excluding expenses) which may be paid for each ordinary share is 25p; and

    7.3 the maximum price (excluding expenses) which may be paid for each ordinary share is 105% of the average market value of an ordinary share in the Company for the five business days immediately preceding the day on which the share is contracted to be purchased,

    and such authority conferred by this resolution shall, unless reviewed, varied or revoked by the Company shall expire at the conclusion of the Company's next AGM save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts as if the power conferred hereby had not expired.

8. That the Articles of Association of the Company be amended by:

    8.1 deleting Article 8.6; and

    8.2 re-numbering the existing Articles 8.7, 8.8 and 8.9 as Articles 8.6, 8.7 and 8.8 respectively.

By order of the Board

S R Andrew
Company Secretary

NWF Group plc
Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

20 August 2010

Notes to the notice of annual general meeting

These notes are important and require your immediate attention.

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint another person of his/her choice as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company.
2. A form of proxy for use in connection with the Meeting is enclosed with the document of which this notice forms part. Completion and return of a form of proxy will not prevent a shareholder from attending and voting in person at the Meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
3. To appoint a proxy or proxies, shareholders must complete a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received no later than 10.30 a.m. on 21 September 2010.
4. Only those members entered on the register of members of the Company at 6.00 p.m. on 21 September 2010 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 21 September 2010 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held at 10.30 a.m. on 23 September 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank form of proxy and a form of proxy which states the number of shares to which it applies, the specific form of proxy shall be counted first, regardless of whether it was sent or received before or after the blank form of proxy, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank form of proxy. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the AGM and at the place of the AGM for 15 minutes prior to and during the Meeting:
   - copies of all service agreements or letters of appointment under which the Directors of the Company are employed by the Company; and
   - a copy of the amended Articles of Association of the Company marked to show the changes to the existing Articles of Association proposed pursuant to Resolution 8.
9. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
   - calling Capita Registrars: 0871 664 0300.

Explanatory notes to business of the annual general meeting

Ordinary business

Each resolution will be proposed as an Ordinary Resolution. This means that for each of the resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

The Ordinary Resolutions are entirely routine and deal with the approval of the Annual Report and Accounts for the financial year ended 31 May 2010, the declaration of a final dividend, the reappointment of R A Whiting as a Director of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors.

Special business

Resolution 5 will be proposed as an Ordinary Resolution and Resolutions 6, 7 and 8 will be proposed as Special Resolutions. Where resolutions are passed as Special Resolutions, in order for those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 5 – authority to allot shares (Ordinary Resolution)

The authority conferred on the Directors at last year's AGM to allot the authorised but unissued share capital of the Company expires at the conclusion of the forthcoming AGM. The Board recommends that this authority be renewed.

Paragraph 5.1 of Resolution 5 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £3,914,630 which represents an amount which is equal to one-third of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company (excluding treasury shares) as at close of business on 18 August 2010. As at close of business on 18 August 2010 the Company did not hold any treasury shares.

Paragraph 5.2 of Resolution 5 will, if passed, authorise the Directors to allot unissued shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities or as the Directors may otherwise consider necessary, up to a maximum aggregate nominal amount of £7,829,260, which represents an amount which is equal to two-thirds of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company as at close of business on 18 August 2010 (such amount to be reduced by the nominal amount of any relevant securities issued under the authority conferred by paragraph 1 of Resolution 5).

The authorities sought in Resolution 5 are in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such existing authorities. The authorities will each expire 15 months after the date of the AGM or, if earlier, at the conclusion of the next AGM of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

Resolution 6 – disapplication of pre-emption rights (Special Resolution)

Resolution 6, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's AGM to issue equity securities of the Company for cash without application of the pre-emption rights provided by Section 561 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their existing shareholdings; (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue; and (iii) for cash up to an aggregate nominal value of £587,194, which represents less than 5% of the issued ordinary share capital of the Company as at close of business on 18 August 2010. The authority being sought is in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such authorities and will expire 15 months after the date of the AGM or, if earlier, at the conclusion of the next AGM of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

The authority sought and the limits set by this resolution will also disapply the application of Section 561 of the Act from a sale of treasury shares to the extent also specified in this resolution.

In accordance with the guidelines issued by the Pre-Emption Group, the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non-pre-emptive basis during any rolling three year period.

Resolution 7 – authority to purchase own shares

This resolution seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a Special Resolution. If passed, the resolution gives authority for the Company to purchase up to 4,697,557 of its ordinary shares, representing 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 18 August 2010. The Directors believe that it is in the best interests of the Company to have this authority available so that the Board has the flexibility to take advantage of business opportunities as they arise.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the conclusion of the Company's next AGM. The Directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share.

The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

Resolution 8 – amendments to Articles of Association

This resolution amends the Articles of Association of the Company by removing the power of the Board to suspend the registration of the transfer of shares in the Company, as the exercise of such power would be contrary to newly-implemented provisions of the Act.

The resolution also makes consequential amendments to the numbering of certain articles in the Articles of Association.

Financial calendar

Annual General Meeting	23 September 2010
Final dividend paid	1 November 2010
Preliminary announcement of half-year results	Early February 2011
Publication of Interim Report	Early February 2011
Interim dividend paid	2 May 2011
Financial year end	31 May 2011
Preliminary announcement of full-year results	Mid August 2011
Publication of Annual Report and Accounts	Late August 2011

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