NWF GROUP PLC

# NWF Group plc
## Annual report and accounts 2008

Distribution


Feeds


Fuels

## 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 the Alternative Investment Market of the London Stock Exchange. Today its three continuing businesses in ambient grocery distribution, the manufacture and distribution of animal feeds and the distribution of fuels have been successfully developed from their common roots.

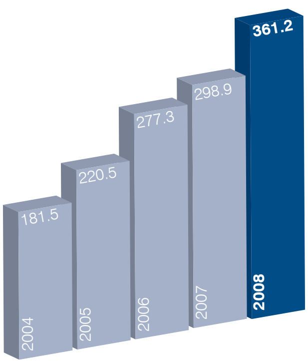
Our strategy is to deliver value to our shareholders by continued growth and development of profitable businesses in each of these three continuing trading divisions through a combination of organic growth, capital investment and acquisition.

# Our highlights*1

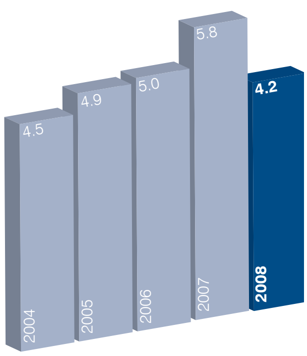
- Turnover increased by 20.8% to £361.2 million (2007: £298.9 million)
- Operating profit £5.8 million (2007: £6.5 million)
- Profit before taxation £4.2 million (2007: £5.8 million)
- Basic earnings per share 6.0p (2007: 8.8p*2)
- Full year dividend per share unchanged at 3.9p (2007: 3.9p*2)
- Completion of £19 million new warehouse development



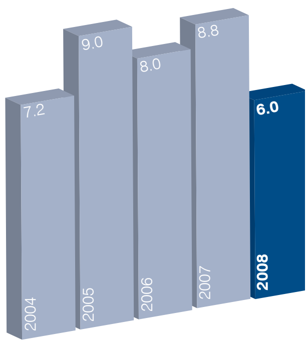
**Turnover*1 (£m)**



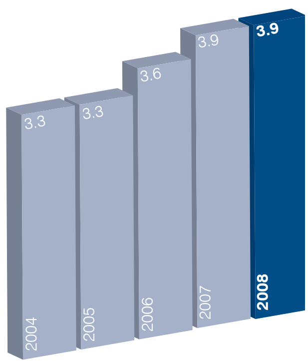

**Profit before taxation*1 (£m)**




**Basic earnings per share*1 *2 (pence)**




**Dividends per share*2 (pence)**

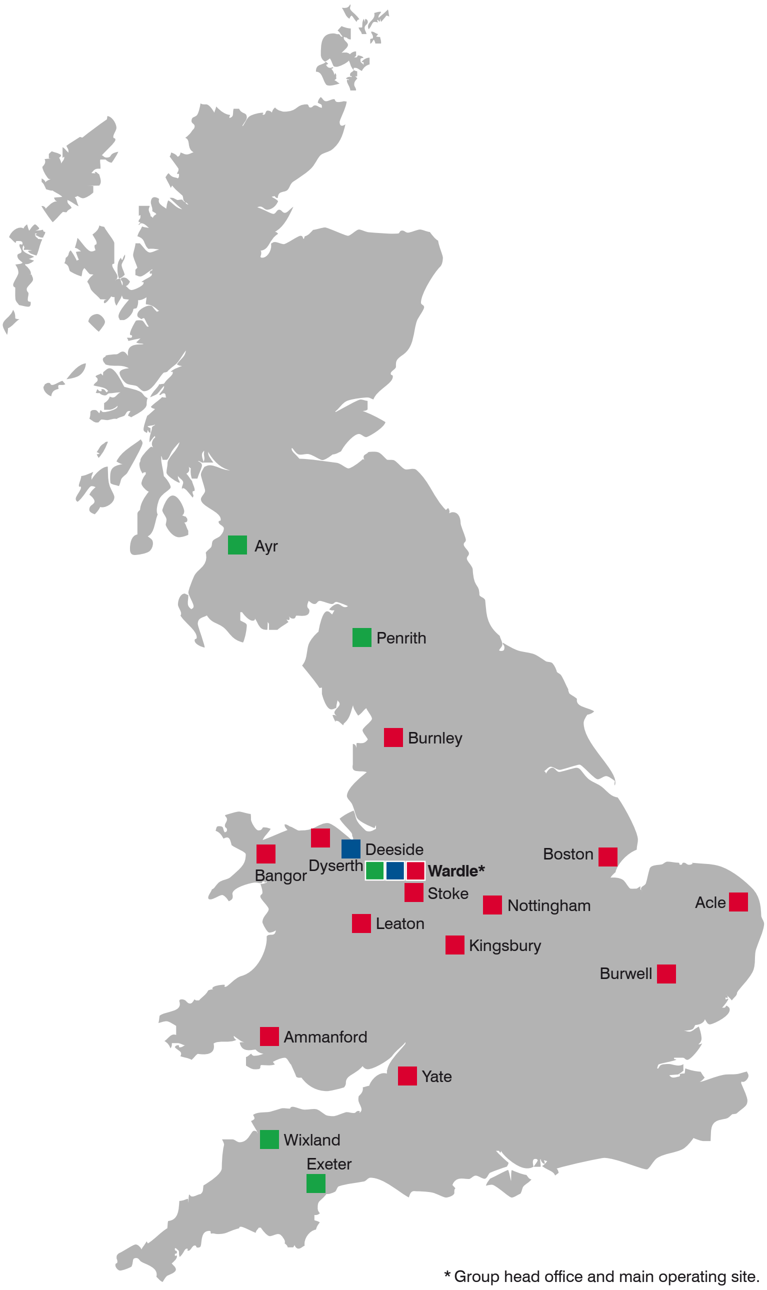



*1 Continuing operations only, excluding Garden Centres; prior year figures restated.

*2 Basic earnings per share and dividends per share in the years prior to 2008 have been restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007.

# What we do at a glance

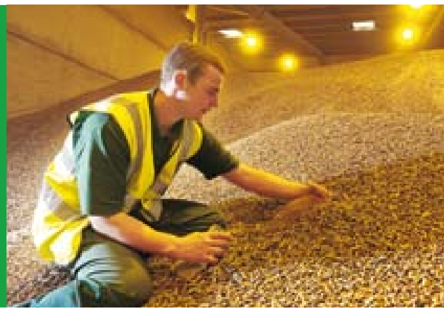
The NWF Group dates from 1871 when it was formed to supply farmers' needs. Since then, it has grown to become a PLC with a wide shareholding listed on the Alternative Investment Market of the London Stock Exchange. Its three continuing divisions have successfully developed from their common roots.



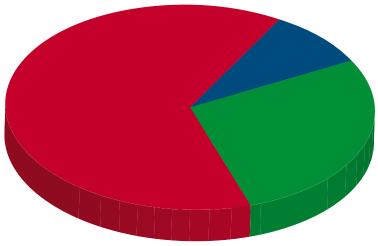

* Group head office and main operating site.

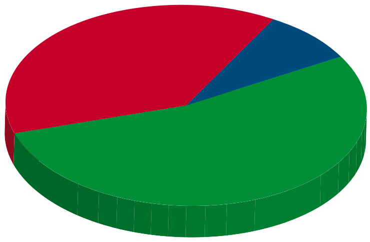
Distribution

Feeds



Fuels





**Turnover**
- Distribution 9.1%
- Feeds 27.7%
- Fuels 63.2%

**Operating profit**
- Distribution 8.6%
- Feeds 53.5%
- Fuels 37.9%

(continuing operations only)

Boughey Distribution's market consists primarily of ambient grocery products which require storage and shared delivery to the regional distribution centres of the major supermarket groups and to other retail destinations. Growth in consumer choice implies increasing need for the services offered by Distribution whereby even the smallest products in sales terms can enjoy the benefits of efficient full-load logistics.

Operational highlights
- Completion of new Wardle warehouse development; 58,000 additional pallet spaces
- Won 25,000 pallet spaces of business from new customers
- Division now moving to full capacity and focusing on efficiency

NWF Agriculture operates in a market consisting primarily of the 14,000 U.K. dairy farmers who have invested in continuing to supply a large part of the nation's need for milk and milk products. Despite decades of restructuring among milk producers, the demand for manufactured dairy feeds, compounds and blends remains largely constant at around 3 million tonnes per annum.

Operational highlights
- Record year in significantly volatile raw material markets
- Successfully passed on necessary price increases
- Benefit of favourable raw material forward purchasing in the year

NWF Fuels is one of the leading distributors of fuel oil in England and Wales delivering to around 20,000 customers annually. It sources its products from various major oil refineries depending on the area of operation. One of the largest authorised distributors of Texaco products in Europe, it is also a major customer of other major fuel suppliers, including Conoco and Total.

Operational highlights
- Record high oil prices and significant volatility
- Lower operating margins responding to price pressure
- Significant new domestic customer wins

# Chairman's statement

Mark Hudson **Chairman**

"I am pleased to report that in spite of a number of challenges in a year of transition, NWF has made good progress in the second half of the financial year, after a disappointing first half, in delivering revised market expectations."

## Summary of Chairman's statement

- Turnover increased by 20.8% to £361.2 million (2007: £298.9 million)
- Operating profit £5.8 million (2007: £6.5 million)
- Profit before taxation £4.2 million (2007: £5.8 million)
- Basic earnings per share 6.0p (2007: 8.8p*)
- Full year dividend per share unchanged at 3.9p (2007: 3.9p*)
- Completion of £19 million new warehouse development

* restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007

I am pleased to report that in spite of a number of challenges in a year of transition, NWF has made good progress in the second half of the financial year, after a disappointing first half, in delivering revised market expectations. We also made the decision during the year to focus the Group as a specialist distributor and sell our Garden Centres division, whose results are therefore presented as a discontinued operation and whose assets and liabilities at the year end are classified as being held for sale.

## Results from continuing operations

Turnover increased by 20.8% to £361.2 million from £298.9 million last year. Operating profit was down £0.7 million at £5.8 million (2007: £6.5 million). A record year in Feeds was offset by reductions in both Distribution and Fuels. Profit before taxation was £4.2 million (2007: £5.8 million) and profit after taxation was £2.8 million (2007: £4.0 million). The Group completed a bonus issue of shares in the year (4 for 1) with the restated weighted average number of shares in issue being 46.9 million shares (2007: 45.7 million shares). Basic earnings per share were 6.0p, down from 8.8p in 2007.

## Cash flows and funding

The Group absorbed £0.8 million (2007: generated £8.5 million) net cash from operating activities. £6.7 million of working capital was absorbed (2007: £1.3 million generated) due to the impact of significant price increases in Feeds and Fuels' raw materials. Cash used to fund net capital expenditure reduced to £6.7 million (2007: £20.0 million) as the major investment in Distribution warehousing was completed. The Group also arranged new funding facilities, amounting to £59.7 million, with the Royal Bank of Scotland Group. As a result of the above, there was a net decrease in cash and cash equivalents of £10.5 million (2007: £10.4 million). Interest cover for the year was 3.2 times (2007: 9.3 times) and at 31 May 2008 gearing was 171% (2007: 133%).

### Dividend

We are proposing an unchanged final dividend for the year of 2.9p per share (2007: 2.9p*) which, if approved at the Annual General Meeting ('AGM'), will be payable on 3 November 2008 to shareholders on the register at 22 August 2008 and shares will be ex div from 20 August 2008. Together with the interim dividend paid during the year of 1.0p per share (2007: 1.0p*), this will result in a total dividend for the year of 3.9p per share (2007: 3.9p*) amounting to a total cost of £1.8 million (2007: £1.7 million).

*restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007.

### Divisional overview

The main activity for Distribution was the completion and commissioning of the three new warehouses at Wardle and the build up of new customers to fill the additional 58,000 pallet storage and distribution capacity of the business. In Feeds, a record result was achieved as the business was able to pass on the cost of higher raw material prices. Fuels also delivered a strong performance in the adverse environment of volatile and record oil prices.

During the year the Board made the decision to sell the Garden Centres division of the Group to focus on its specialist distribution activities and strengthen the balance sheet.

### Board changes

Shareholders will join me in reiterating our thanks to Graham Scott who retired at the end of 2007 following 13 years of outstanding service to the Group. I was pleased to welcome Richard Whiting who joined the Group on 1 October 2007 and succeeded Graham as Chief Executive on 1 November 2007.

### Outlook for the current year

The overall economic outlook for the Group remains uncertain due primarily to the unpredictability of feed commodity prices and demand for fuels in the light of recent record oil prices. The key development for the Group will be the full efficient utilisation of the additional warehouse capacity in the Distribution division. Progress to date has been satisfactory and our recent decision to exit from the leased facility at Winsford and consolidate volume at the Wardle and Deeside locations will create valuable savings.

Feeds and Fuels have started the year positively but are influenced by significant changes in their raw material markets. We are making good progress with the sale of the Garden Centres division and plan to utilise the proceeds to strengthen the balance sheet.

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 AGM in October.

**Mark Hudson**
Chairman
13 August 2008

Group head office and main operating site at Wardle, Cheshire.

# Chief executive's review

Richard Whiting **Chief Executive**

"With renewed banking facilities and the period of general economic uncertainty we are witnessing, the Group will look to reduce gearing and strengthen its balance sheet as a result of the expected sale of the Garden Centres division. The remaining specialist distribution businesses are well placed to weather a challenging economic environment and have several platforms for development which the Group will continue to work on."

## Summary of Chief Executive's review

- A year of significant transition
- Profit before tax from continuing operations £4.2 million (2007: £5.8 million)
- Performance in the second half of the year significantly ahead of the first half – profit before tax from continuing operations £2.6 million (H1: £1.6 million)
- A year of significant development for Distribution – completion of the £19 million Wardle warehouse project
- An excellent year for Feeds
- A volatile year for Fuels in difficult market conditions
- Decision to sell Garden Centres and focus on the three specialist distribution divisions

This has been a year of significant transition for the Group. Profit before tax from continuing operations of £4.2 million declined by 27.6% (2007: £5.8 million). This result excludes the discontinued Garden Centres division. As expected the performance in the second half of the year was significantly ahead of the first half with profit before taxation from continuing operations of £2.6 million (H1: £1.6 million). During the year we completed the construction and commissioning of three new warehouses at our Wardle site, adding 58,000 additional pallet spaces and nearly doubling the capacity of our Distribution business. In addition we made the decision to sell the Garden Centres division and are making good progress towards completing a sale later in the year. Key raw material costs in both Feeds and Fuels increased at unprecedented rates and with greater volatility than previously observed.

However, the Group has performed well against this backdrop and the performance for the year was slightly ahead of revised market expectations.

Investment continued in the year as the warehouse development was completed and improvements made to infrastructure in our Feeds and Fuels divisions. This significant programme is now completed and capital expenditure should return to more normal levels for the Group.

We have renewed our banking facilities with the Royal Bank of Scotland in the year and are now well positioned for the future development of the Group.

# Chief executive's review continued
## Distribution

### Our key statistics

**Our market**

- Storage and shared delivery of ambient grocery products to distribution centres of supermarket groups and to other retail destinations

**Our results**

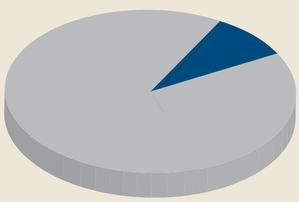
- £19 million Wardle development completed adding 58,000 pallet spaces
- 100,000 pallet spaces utilised at 31 May 2008 (2007: 72,000)
- Turnover increased to £32.9 million (2007: £27.0 million) but operating profit fell to £0.5 million (2007: £1.3 million) due to higher costs in the year

This was a year of significant development for the Distribution business and saw the completion of the Group's largest capital investment project to date. Turnover increased to £32.9 million (2007: £27.0 million) as revenue was generated from the additional volumes gained in the year. At the end of May 2008 100,000 pallet spaces were utilised, which compares to a starting position of 72,000 pallet spaces. Operating profit fell to £0.5 million (2007: £1.3 million) as the new higher cost base of the business was in place from November and, as indicated in our interim statement, higher than expected additional costs were incurred from new customer start ups and the one off costs incurred in re-organising stock across warehouses to optimise locations.

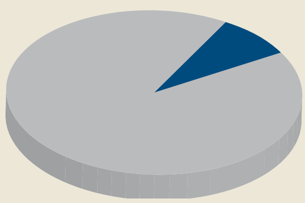
The £19 million Wardle development project was completed in November adding 58,000 pallet spaces of storage capacity and integrated transport and administration offices into a single facility. This was complemented by the addition of 60 new MAN tractor units to the fleet with on-line telemetry systems. During the year an additional 121 people joined the business to support the increase in warehouse size and future anticipated growth.

Early in the year we completed the integration of new client Typhoo into the Deeside facility and service levels in excess of 99.5% were maintained during this process. Additional business in excess of 25,000 pallets storage was won from new customers, principally G Costa (12,000) and Kinnertons (4,000). Princes Foods, the divisions' largest customer, was successfully re-organised into a single zone and a new three year contract was agreed with additional volumes. The division re-engaged with Tesco for outbound haulage and more return business with improved rates and protection against fuel cost increases. The Somerfield pre-consolidation centre was also extended with the introduction of 15 smaller customers.

The Group has decided to exit the leased facility at Winsford, in line with a break option in the lease, and to consolidate the 12,500 pallets at Wardle and Deeside. This action, which will incur some one off costs in the current year, takes a more prudent view of the future and ensures that with our current customers we are largely at capacity and are therefore able to focus on improving operating efficiencies without being reliant on new customers to deliver the planned level of profitability in the future.



**Turnover 9.1%**



**Operating profit 8.6%**

# Chief executive's review continued
## Feeds


### Our key statistics

**Our market**

- Primarily 14,000 U.K. dairy farmers who supply milk and milk products

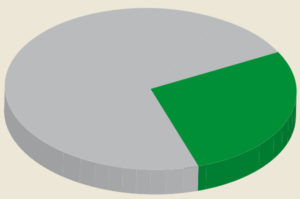
**Our results**

- Turnover increased to £100.1 million (2007: £81.5 million)
- Volumes sold ahead by 1% at over 500,000 tonnes
- Operating profit of £3.1 million, up 55.0% on prior year

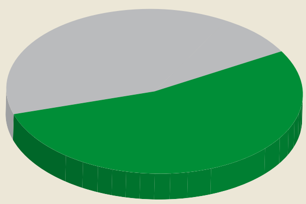
This was an excellent year for Feeds in a market place which has seen record increases and volatility in raw material prices. Turnover increased by 22.8% to £100.1 million (2007: £81.5 million), with volume ahead by 1% at over 500,000 tonnes. Operating profit of £3.1 million is up 55.0% on the prior year (2007: £2.0 million).

The increases in milk prices received by our customers have allowed the higher raw materials costs we have faced to be passed on through necessary price increases. Profit has also improved as a result of the forward purchases of raw materials for production, which were at lower than spot prices as the year progressed. The Trading Desk, which supplies farmers with products including molasses, minerals, milk powders and grain, performed very strongly managing margins and the positions on inputs required by feed customers.

The sales team has been enhanced with experienced team members in both the Northern and Southern regions and the raw material management team has been expanded. Capacity in blended products has been improved with extended facilities at Wardle. We have also secured a small protected protein manufacturing plant which will be installed in Wardle this year for the production of rumen by-pass protein which will be used by both our compound and blend facilities across the U.K.

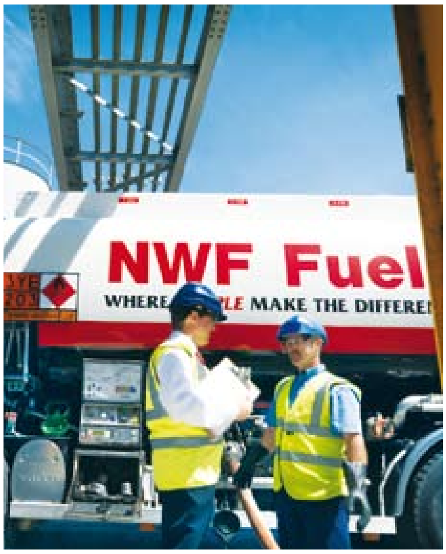


Turnover 27.7%



Operating profit 53.5%

# Chief executive's review continued
## Fuels


### Our key statistics

**Our market**
- Distribution of fuel oil to around 20,000 customers annually

**Our results**
- Turnover grew by 19.9% to £228.2 million
- Sales volumes increased by 3.7% to 347 million litres – petrol sales were down by 3.5%, diesel sales were up by 5.8%
- Operating profit fell to £2.2 million (2007: £3.2 million) as a mild winter and rises in oil prices placed pressure on margins

This has been a volatile year for the division with the price of crude oil significantly increasing and this is reflected in the turnover growth of 19.9% to £228.2 million (2007: £190.4 million).

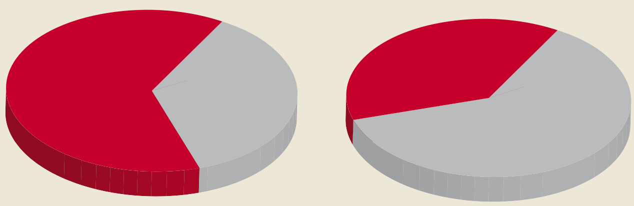
Overall sales volumes increased by 3.7% to 347 million litres, with the balance between automotive and heating fuels being maintained. While petrol sales were down by 3.5%, diesel sales were up by 5.8%, reflecting a nationwide move from petrol to diesel vehicles.

A milder than normal winter had an adverse effect on demand for heating oil and, with the rise in refined oil prices, placed pressure on trading margins. This resulted in operating profit decreasing by 31.3% to £2.2 million (2007: £3.2 million). However, as we gained a significant number of new customers from our competitors, domestic heating oil sales showed an increase of 8.2%.

As ever we continue to review acquisition opportunities as they present themselves against clearly defined criteria.

We are continuing our programme of capital expenditure to upgrade our oil storage depots in order to meet modern industry standards. A significant investment has been made at Yate depot (Bristol) this year. We have also received industry recognition, with all our depots achieving high pass marks in the oil industry depot audit scheme. Our depot at Burwell (Newmarket) also won the O.F.T.E.C. regional depot of the year award.

Following a management review, two senior depot managers have been promoted into new roles as General Managers, North and South. This will enable the further controlled expansion of our Fuels business in the years ahead with a more centralised reporting structure.



Turnover 63.2%

Operating profit 37.9%

# Chief executive's review continued


## Garden Centres (discontinued operation)

Following a review of the Garden Centres business the Board took the decision in the year to actively market the division to potential buyers. A full sale process is underway working alongside KPMG's experienced corporate finance team in Manchester. We expect to complete a sale later this year.

There are four key reasons for the sale:

- the opportunity to rationalise and focus NWF on its three specialist distribution divisions and exit the retail market;
- historical low returns from across the Garden Centres division;
- the high levels of capital required to invest in additional centres; and
- the opportunity to reduce the current high level of Group debt.

The loss after tax for the division of £0.3 million compares to a profit after tax of £0.2 million in the prior year.

## Outlook

We are looking for further developments in the Group in 2008/9, most significantly the improved performance that will result from increased volumes in our expanded Distribution business. Our capable, experienced management teams are expected to continue to perform well, albeit in volatile and uncertain markets.

With renewed banking facilities and the period of general economic uncertainty we are witnessing, the Group will look to reduce gearing and strengthen its balance sheet as a result of the expected sale of the Garden Centres division. The remaining specialist distribution businesses are well placed to weather a challenging economic environment and have several platforms for development which the Group will continue to work on.

I would also like to add my thanks and appreciation to Graham Scott who handed over to me in November 2007, after 13 years of excellent performance in leading the Group.

**Richard Whiting**
Chief Executive
13 August 2008

# Finance director's review

Paul Grundy **Finance Director**

## Group results

| | 2008 £m | 2007 £m |
|---|---|---|
| Continuing operations<br>Revenue | 361.2 | 298.9 |
| Operating profit | 5.8 | 6.5 |
| Finance costs (net) | (1.6) | (0.7) |
| Profit before tax from continuing operations | 4.2 | 5.8 |
| Income tax expense | (1.4) | (1.8) |
| Profit for the year from continuing operations | 2.8 | 4.0 |
| (Loss)/profit from discontinued operations | (0.3) | 0.2 |
| Profit for the year | 2.5 | 4.2 |

### Summary of Finance Director's review

- Revenue from continuing operations £361.2 million (2007: £298.9 million)
- Operating profit from continuing operations £5.8 million (2007: £6.5 million)
- Profit before tax from continuing operations £4.2 million (2007: £5.8 million)
- Loss after tax from the Garden Centres division (discontinued operation) £0.3 million (2007: profit of £0.2 million)
- Group net assets £30.5 million (2007: £30.1 million), of which £15.3 million relates to the Garden Centres division, which is held for sale
- Total available banking facilities at 31 May 2008 £56.5 million (2007: £51.0 million), with headroom of £19.3 million (2007: £22.7 million)

### Group results

Group revenue from continuing operations increased by 20.8% to £361.2 million (2007: £298.9 million). Operating profit from continuing operations was £5.8 million (2007: £6.5 million), a 10.8% decrease.

Following the Board's decision during the year to dispose of the Group's Garden Centre operations, negotiations with several interested parties are taking place. This division, which is expected to be sold within 12 months of the financial year end, has therefore been classified as a discontinued operation at 31 May 2008.

Net finance costs increased from £0.7 million in 2007 to £1.6 million in 2008, principally due to the increase in average borrowings from £27.3 million in 2007 to £42.4 million in 2008 to finance the completion of the new Distribution warehouses, other capital investments and additional working capital. Interest cover (excluding IAS 19 finance income) fell to 3.2 times (2007: 9.3 times).

The tax charge on profit from continuing operations, including full provision for deferred tax, was £1.4 million (2007: £1.8 million), resulting in an effective rate of 33.3% (2007: 31.0%). As a result of the reduction on 1 April 2008 in the U.K. corporation tax rate from 30% to 28%, corporation tax has been calculated at an average implicit rate of 29.7% (2007: 30.0%). The Group's future underlying rate of tax is expected to remain above the standard rate due to its ongoing level of disallowable expenditure.

On 4 October 2007, the Company undertook a 4 for 1 bonus issue of shares by way of capitalisation of reserves. This resulted in the issue of 37.5 million new ordinary shares. The Company also issued 1.2 million shares* during the year in order to satisfy the exercise of savings related share options.

Basic and diluted earnings per share from continuing operations were each 6.0p per share (2007: 8.8p* and 8.6p* respectively).

* restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007.

# Finance director's review continued

## Balance sheet

| | 2008 £m | 2007 £m |
|---|---|---|
| Tangible and intangible fixed assets | 43.1 | 63.8 |
| Assets held for sale (net of liabilities) | 15.3 | — |
| Net working capital | 19.5 | 11.6 |
| Short term borrowings | (4.9) | (10.0) |
| Medium term borrowings | (37.1) | (30.0) |
| Current tax liabilities | — | (1.0) |
| Deferred tax liabilities (net) | (1.0) | (0.2) |
| Pension provision | (4.4) | (3.5) |
| Other long term liabilities | — | (0.6) |
| Net assets | 30.5 | 30.1 |

## Cash flow and banking facilities

| | 2008 £m | 2007 £m |
|---|---|---|
| Operating cash flow before working capital | 10.7 | 11.4 |
| Working capital movements | (6.7) | 1.3 |
| Interest paid | (3.5) | (2.3) |
| Tax paid | (1.3) | (1.9) |
| Net cash (absorbed by)/generated from operating activities | (0.8) | 8.5 |
| Capital expenditure (net of receipts from disposals) | (6.7) | (20.0) |
| Acquisitions of businesses (net of cash acquired) | — | (1.7) |
| Deferred acquisition payments (net of deferred sale proceeds) | (1.3) | (1.2) |
| Net cash used before financing activities | (8.8) | (14.4) |
| Net increase in bank borrowings | — | 6.0 |
| Dividends paid | (1.8) | (1.7) |
| Other financing cash flows | 0.1 | (0.3) |
| Net decrease in cash and cash equivalents | (10.5) | (10.4) |

### Balance sheet

Group net assets increased to £30.5 million (2007: £30.1 million). Included within this figure at 31 May 2008 is £15.3 million of net assets held for sale in respect of the Garden Centres division, which comprises £24.6 million tangible and intangible fixed assets, £0.8 million net working capital, cash at bank and in hand of £0.5 million and obligations under finance leases of £10.6 million.

Capital expenditure on tangible and intangible assets during the year ended 31 May 2008 amounted to £7.8 million (2007: £23.0 million), of which £4.6 million (2007: £14.9 million) related to the investment in Distribution warehousing at Wardle.

Within net working capital, trade and other receivables increased to £51.4 million at 31 May 2008 (2007: £39.9 million), due mainly to the impact of significantly increased prices for both raw materials in Feeds and oil-related products in Fuels. There was a small reduction in overall debtor days.

The deficit on the Group's defined benefit pension scheme increased from £3.5 million to £4.4 million. The associated actuarial loss of £1.1 million (2007: gain of £1.0 million) principally arose due to a further strengthening in the mortality assumption.

Total Group net debt at 31 May 2008 was £52.1 million (2007: £39.9 million) and total Group gearing was 171% (2007: 133%).

### Cash flow and banking facilities

Cash management continues to be a major focus of the Group.

Net cash absorbed by operating activities was £0.8 million (2007: £8.5 million generated). Operating cash flow before working capital movements reduced slightly from £11.4 million to £10.7 million. However, there was an adverse overall movement in working capital of £6.7 million (2007: favourable movement of £1.3 million) mainly as a result of the impact of significant increased prices in Feeds and Fuels on the Group's trade receivables, as noted above.

Cash used to fund capital expenditure (net of disposal proceeds) reduced to £6.7 million (2007: £20.0 million) as the significant capital investment programme in Distribution warehousing was completed.

Payments in respect of acquisitions completed in prior years amounted to £1.3 million (2007: £1.8 million). There are £0.6 million of similar payments outstanding at 31 May 2008 (2007: £1.9 million), all of which fall due (2007: £1.3 million) within the following twelve months.

During the year, the Group arranged new committed and uncommitted banking facilities with the Royal Bank of Scotland Group, which resulted in £15.0 million (2007: £nil) of short term facilities being replaced with medium term loan finance.

There was an overall net decrease in cash and cash equivalents of £10.5 million (2007: £10.4 million).

At 31 May 2008, the Group had total available bank facilities of £56.5 million (2007: £51.0 million). Headroom under these facilities at 31 May 2008 was £19.3 million (2007: £22.7 million).

## Treasury policy and financial risk management

The Group's policy in respect of treasury risk has not changed in the year ended 31 May 2008. There is no significant foreign exchange risk in respect of the Group's operations and the Group has not entered into any currency hedging arrangements.

### Price risk

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

The Feeds division enters into forward supply contracts in order to manage the impact of price movements on its gross margin. Further details can be found in note 21 of the Group financial statements.

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 (2007: one) interest rate cap in place and held three (2007: none) interest rate swaps, details of which can be found in note 21 of the Group financial statements.

## Accounting policies and standards

The Group financial statements for the year ended 31 May 2008 have been prepared under International Financial Reporting Standards ('IFRS') for the first time. The comparative figures in respect of 2007 have been restated from UK Generally Accepted Accounting Practice ('UK GAAP') to comply with IFRS.

There were no other changes in accounting policies or standards that had any significant impact on the Group's reported performance and financial position during the year.

## Going concern

The Board confirms that it has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

## Share price

After adjusting for the effect of the bonus issue of shares as noted above, the market price per share of the Company's shares at 31 May 2008 was 145p (2007: 196p) and the range of market prices during the year was between 106p and 238p.

**Paul Grundy**
Finance Director
13 August 2008

# Business profiles
## Distribution

Keith Forster **Managing Director**

Boughey Distribution's market consists primarily of ambient grocery products which require storage and shared delivery to the regional distribution centres of the major supermarket groups and to other retail destinations. Growth in consumer choice implies increasing need for the services offered by Distribution whereby even the smallest products in sales terms can enjoy the benefits of efficient full-load logistics.

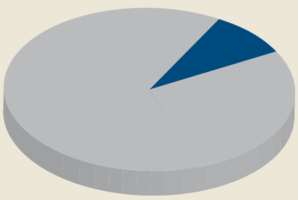
Boughey Distribution began originally by collecting milk from farms and has grown today to become a leading national distributor in the grocery industry. It has its own fleet of rigid and articulated vehicles and trailers based at the 48 acre main Group site at Wardle, Cheshire. This site can store around 98,500 pallets in ambient racked warehousing. Customers' products are stored prior to daily order-picking for delivery, usually by the Boughey fleet, in mixed consolidated loads contributing to the modern efficient grocery distribution chain. Capacity at Wardle is supplemented by leased warehousing locally at Winsford (12,500 pallets) and Deeside (18,500 pallets).

So that load consolidation can be further improved we plan to close the Winsford warehouse and transfer the customers' stock to Wardle, therefore making 117,000 pallets capacity in total. Some warehouse capacity at Wardle is also temperature regulated.

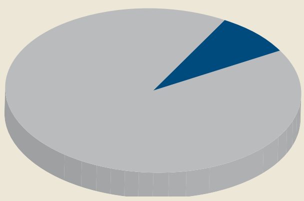
Sophisticated stock control systems ensure correct rotation of products and full traceability from point of receipt to delivery. Goods are held on behalf of around 200 customers who are manufacturers or importers of branded and private label products. Deliveries are made nationally to the full range of supermarket, wholesale and speciality chains.

A versatile packing department is located at Wardle whose facilities include labelling, shrinkwrapping, flowrapping, sleeving and barcoding plus inspection and promotional packing services. Together with customer/supplier e-links, Boughey Distribution offers a complete service centred on a single site.

**www.boughey.co.uk**



**Turnover 9.1%**



**Operating profit 8.6%**

# **Business profiles** continued
## Feeds

David Warrington **Managing Director**

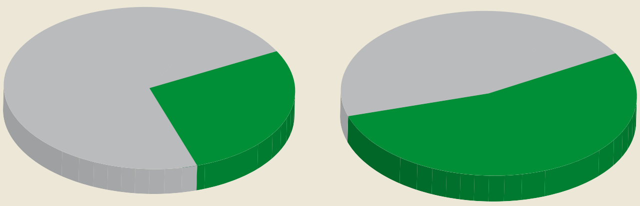
The market for this division consists primarily of the 14,000 U.K. dairy farmers who have invested in continuing to supply a large part of the nation's need for milk and milk products. Despite decades of restructuring among milk producers, the demand for manufactured dairy feeds, compounds and blends remains largely constant at around 3 million tonnes per annum.

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 core activities are the manufacture of around 400,000 tonnes per annum of compound animal feeds in mills at Wardle in Cheshire and Wixland in Devon, with the Wardle flagship plant being the largest of its kind in the country. In addition we produce 140,000 tonnes per annum of blended feeds from plants in Ayr, Penrith, Wardle and Exeter. NWF's market share has grown dramatically in the last decade to around 16% today. The feed mills have been continuously updated to the highest standards of quality, efficiency, compliance and traceability. Around 10,000 tonnes per annum of specialised and bagged compounds are outsourced in addition to the manufactured volume.

NWF Agriculture also markets further ranges of feeds, seeds, fats and silage additives to farmers via the Trading Desk. The extensive field staff, which have access to the latest technology, can advise farmers on milk and meat production and on the optimal balance of choices for their farm enterprise.

www.nwfagriculture.co.uk



Turnover 27.7%

Operating profit 53.5%

# Business profiles continued
## Fuels

Kevin Kennerley **Managing Director**


NWF Fuels is one of the leading distributors of fuel oil in England and Wales delivering to around 20,000 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.

NWF Fuels' distribution network is built around its strategically located oil storage depots and utilisation of major oil company terminals. Continuous capital investment has been undertaken at each depot in order to meet current legislation and exacting industry standards. It operates a fleet of over 50 modern tankers which ensures that each customer receives an accurate and timely delivery service.

The Company delivers heating oil to domestic customers; gas oil to agriculture and industry for heating and off road vehicles; diesel to the haulage industry and coach companies and petrol to its dealer network of retail petrol stations.

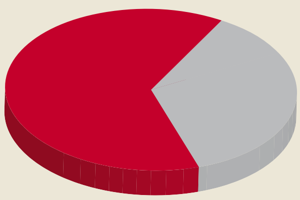
In addition, NWF Fuels is one of the fastest growing marketers in the fuel bunkering business from a network of over 1,000 sites nationwide. It also offers a full range of oil ancillary items, including lubricants, storage tanks, boiler servicing, maintenance and insurance.

Sales volumes have grown year on year and have now reached around 350 million litres per annum with a good balance between automotive and heating fuels.

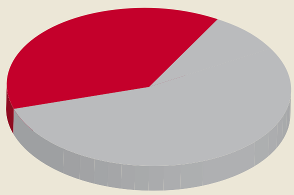
In addition to NWF Fuels, the Company also trades under the following names: Dragon Petroleum, Knutsford Domestic Oil, Malpas Oils, J & K Oils, J.W. Keep, Bassett Fuels, G. Thomas & Sons, CP Fuels, T. Splitt, Fuel Oil Supplies, Lincolnshire Fuels, Broadland Fuels and Browns of Burwell.

Over many years the Company has followed a training programme for graduate-calibre individuals new to the oil industry and this programme has been hugely successful, with many of the current managers having been developed in this way. NWF Fuels' strap line is "Where People Make the Difference" as it firmly believes that is how it best differentiates itself from its competitors.

**www.nwffuels.co.uk**



Turnover 63.2%



Operating profit 37.9%

# Directors and advisors

Back row from left to right: **John Acornley**, **David Southworth** and **Rob Andrew.**
Front row from left to right: **Richard Whiting**, **Mark Hudson** and **Paul Grundy.**

### John Acornley 54
### Chairman of Audit Committee
### Senior Non-Executive Director
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 59
### Chairman of Remuneration Committee
Appointed in May 2006. Previously chief executive and chairman of Skillsgroup plc. Currently non-executive chairman of three businesses in diverse market sectors.

### Rob Andrew 45
### Company Secretary
Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc.

### Richard Whiting 44
### Chief Executive
Joined 1 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.

### Mark Hudson 61
### 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, chairman of the Game and Wildlife Conservation Trust and member of council, Duchy of Lancaster.

### Paul Grundy 51
### Finance Director
Joined as Finance Director in 2004. Previously group financial controller of N Brown Group plc and director of finance with Hilti (GB) Ltd.

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

### Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

### 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 2008

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 2008.

## Principal activities
The principal activities of the Group are the warehousing and distribution of ambient groceries, the manufacture and sale of animal feeds, the sale and distribution of fuel oils and the operation of large retail garden centres.

## 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 Chief Executive's review.

On 4 October 2007, the Company's shareholders approved a bonus issue of four new ordinary shares of 25 pence each ('new ordinary shares') for each existing ordinary share held by a shareholder on the share register at the close of business on 4 October 2007. This resulted in the issue of 37,512,844 new ordinary shares. As a consequence of the bonus issue, prior year figures for dividends per share and earnings per share shown in this report and in the audited financial statements of the Group have been restated.

The Board has resolved to dispose of the Group's Garden Centre operations and negotiations with several interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months of the financial year end, have been classified as a discontinued operation at 31 May 2008.

## Results and dividends
The Group profit before tax for the year ended 31 May 2008 amounted to £4.2 million (2007: £5.8 million), resulting in a profit for the year from continuing operations of £2.8 million (2007: £4.0 million). The loss for the year from discontinued operations was £0.3 million (2007: profit of £0.2 million). The profit for the year attributable to equity shareholders was £2.5 million (2007: £4.2 million).

The Directors recommend a final dividend for the year of 2.9p per share (2007 restated: 2.9p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 3 November 2008. Together with the interim dividend paid during the year of 1.0p per share (2007 restated: 1.0p), this will result in a total dividend of 3.9p per share (2007 restated: 3.9p) amounting to £1.8 million (2007: £1.7 million).

## Financial risk management
Full details of the Group's financial risk management policies and financial instruments are set out in note 21 to 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 (except as stated), and their interests in the share capital of the Company at 31 May 2008 and 31 May 2007, were as follows:

| | Ordinary shares | | Share options | |
|---|---|---|---|---|
| | 31 May 2008 Number | 31 May 2007 or date of appointment if later Number | 31 May 2008 Number | 31 May 2007 or date of appointment if later Number |
| J K Acornley | 10,000 | 2,000* | — | — |
| P Grundy | 2,000 | 400* | — | — |
| M H Hudson | 577,600 | 115,520* | — | — |
| G R Scott (resigned 31 October 2007) | — | 115,228* | — | 8,575* |
| D R Southworth | — | — | — | — |
| R A Whiting (appointed 1 October 2007) | 10,000 | — | — | — |

* Not restated for the 4 for 1 bonus issue of ordinary shares on 4 October 2007.

Mr G R Scott held an option over 8,575 shares under the Group's "Save As You Earn" scheme at a price of 193p per share and exercisable from 1 June 2007 or on his normal retirement date, if earlier. This option was exercised on 1 June 2007.

The market price of the Company's shares at the end of the financial year was 145p and the range of market prices during the year was between 106p and 238p.

Mr M H Hudson and Mr D R Southworth retire by rotation at the forthcoming AGM and, being eligible, will submit themselves for re-election.

Further details of related party transactions with Directors are given in note 29 to the Group financial statements.

## Substantial shareholdings

As at 28 July 2008, the Company has been notified of declarable interests in its issued ordinary share capital by Atorka Group, an Icelandic investment group, amounting to 24.1%.

## 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 also has a "Save As You Earn" Share Option Scheme to encourage employees' further participation in the business.

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 (2007: £nil).

The Group's average credit payment period at 31 May 2008 was 39 days (2007: 39 days).

## Takeovers directive

The Company has one class of equity share, namely 25 pence 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 an accompanying circular which explains non-routine business to be conducted at the AGM, will be sent to shareholders together with the Annual Report and Accounts on 26 August 2008.

## Disclosure of information to auditors

The Directors of the Company at the date of the approval of this report confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors 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 234ZA of the Companies Act 1985.

## 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

13 August 2008

# 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 the Alternative Investment Market, the Group is not required to comply with the 2006 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 appointment was approved by the Board, after receiving a recommendation from a committee of the Board consisting of the Non-Executive Directors that was formed during the year specifically for the purpose of finding a suitable replacement for the outgoing Chief Executive. The committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants.

The Board recently conducted an appraisal of its own performance and that of each Director, consisting of individual assessments using prescribed questionnaires that were completed by all Directors. The results were 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. The Board intends to repeat this process on an annual basis.

All Directors are subject to retirement every three years 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 twice 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.

## 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 three-year terms if performance is satisfactory. The Chairman has served for more than nine 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 in the process of being reviewed in order to ensure that it continues to meet the Board's requirements in the future.

## 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.

# 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 ('IFRS') as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice'). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group 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 estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**S R Andrew**
Company Secretary

Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

13 August 2008

# 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 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of NWF Group plc for the year ended 31 May 2008.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is crossed referred from the Business Review section of the Directors' Report.

In addition, we also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 May 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
Manchester
13 August 2008

# Consolidated income statement

for the year ended 31 May 2008

| | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 3,4 | **361.2** | 298.9 |
| Cost of sales | | **(344.3)** | (282.2) |
| **Gross profit** | | **16.9** | 16.7 |
| Administrative expenses | | **(11.1)** | (10.2) |
| **Operating profit** | 4 | **5.8** | 6.5 |
| Finance income | 8 | **0.3** | — |
| Finance costs | 9 | **(1.9)** | (0.7) |
| **Profit before tax** | 5 | **4.2** | 5.8 |
| Income tax expense | 10 | **(1.4)** | (1.8) |
| **Profit for the year from continuing operations** | | **2.8** | 4.0 |
| **Discontinued operations** | | | |
| (Loss)/profit for the year from discontinued operations | 11 | **(0.3)** | 0.2 |
| **Profit for the year attributable to equity shareholders** | | **2.5** | 4.2 |
| | | | |
| **Earnings per share (pence)** | | | |
| **From continuing operations** | | | |
| Basic | 13 | **6.0** | 8.8* |
| Diluted | 13 | **6.0** | 8.6* |
| **From continuing and discontinued operations** | | | |
| Basic | 13 | **5.3** | 9.2* |
| Diluted | 13 | **5.3** | 9.0* |

* Restated for the 4 for 1 bonus issue of ordinary shares on 4 October 2007 (see note 13).

# Consolidated statement of recognised income and expense

for the year ended 31 May 2008

| | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| Actuarial (loss)/gain on defined benefit pension scheme | 25 | **(1.1)** | 1.0 |
| Deferred tax relating to defined benefit pension scheme | 22 | **0.3** | (0.3) |
| **Net (charge)/income recognised directly in equity** | | **(0.8)** | 0.7 |
| Profit for the year attributable to equity shareholders | | **2.5** | 4.2 |
| **Total recognised income for the year** | | **1.7** | 4.9 |

The notes on pages 27 to 56 form part of these Group financial statements.

# Consolidated balance sheet
as at 31 May 2008

| | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 37.6 | 53.7 |
| Intangible assets | 15 | 5.5 | 10.1 |
| Deferred income tax assets | 22 | 1.2 | 1.1 |
| | | 44.3 | 64.9 |
| **Current assets** | | | |
| Inventories | 16 | 4.6 | 8.1 |
| Trade and other receivables | 17 | 51.4 | 39.9 |
| Derivative financial instruments | 21 | 0.9 | 0.2 |
| Cash and cash equivalents | 18 | — | 0.1 |
| Assets held for sale | 11 | 30.4 | — |
| | | 87.3 | 48.3 |
| **Total assets** | | 131.6 | 113.2 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | (36.8) | (36.7) |
| Current income tax liabilities | | — | (1.0) |
| Borrowings | 20 | (4.9) | (10.0) |
| Derivative financial instruments | 21 | (0.6) | — |
| Liabilities directly associated with assets classified as held for sale | 11 | (15.1) | — |
| | | (57.4) | (47.7) |
| **Non-current liabilities** | | | |
| Trade and other payables | 19 | — | (0.6) |
| Borrowings | 20 | (37.1) | (30.0) |
| Deferred income tax liabilities | 22 | (2.2) | (1.3) |
| Retirement benefit obligations | 25 | (4.4) | (3.5) |
| | | (43.7) | (35.4) |
| **Total liabilities** | | (101.1) | (83.1) |
| **Net assets** | | 30.5 | 30.1 |
| **Equity** | | | |
| Share capital | 23 | 11.7 | 2.3 |
| Share premium | 24 | — | 6.2 |
| Other reserves | 24 | — | 0.3 |
| Retained earnings | 24 | 18.8 | 21.3 |
| **Total shareholders' equity** | | 30.5 | 30.1 |

The Group financial statements on pages 24 to 56 were approved by the Board of Directors on 13 August 2008 and were signed on its behalf by:

**R Whiting**
Director

**P Grundy**
Director

The notes on pages 27 to 56 form part of these Group financial statements.

# Consolidated cash flow statement

for the year ended 31 May 2008

| | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| **Net cash (absorbed by)/generated from operating activities** | 26 | (0.8) | 8.5 |
| **Cash flows from investing activities** | | | |
| Acquisitions of businesses net of cash acquired | | — | (1.7) |
| Purchase of intangible assets | | (0.3) | (0.2) |
| Purchase of property, plant and equipment | | (6.5) | (20.0) |
| Proceeds on sale of property, plant and equipment | | 0.1 | 0.2 |
| Deferred acquisition payments | | (1.3) | (1.8) |
| Deferred disposal proceeds | | — | 0.6 |
| **Net cash absorbed by investing activities** | | (8.0) | (22.9) |
| **Cash flows from financing activities** | | | |
| Proceeds on issue of ordinary shares | | 0.5 | — |
| Proceeds from bank borrowings | | 0.2 | 6.0 |
| Bank loan issue costs | | (0.2) | — |
| Finance lease and hire purchase payments | | (0.4) | (0.3) |
| Dividends paid | | (1.8) | (1.7) |
| **Net cash (absorbed by)/generated from financing activities** | | (1.7) | 4.0 |
| **Net decrease in cash and cash equivalents** | 27 | (10.5) | (10.4) |

The notes on pages 27 to 56 form part of these Group financial statements.

# Notes to the group financial statements
for the year ended 31 May 2008

## 1. General information
NWF Group plc ('the Company') is a public limited company incorporated and domiciled in the U.K. under the Companies Act 1985. 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, the distribution of fuel oils and the operation of large retail garden centres. 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 the Alternative Investment Market ('AIM') of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 13 August 2008.

## 2. Accounting policies
The Group's principal accounting policies, all of which have been applied consistently throughout the year, 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 1985 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 Group financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles ('UK GAAP') for the year ended 31 May 2007 and previous accounting periods. With effect from 1 June 2007, the Group financial statements have been prepared, for the first time, on the basis of IFRS accounting policies set out below. The disclosures required by IFRS 1 'First time adoption of International Financial Reporting Standards' are included in note 32.

In preparing these Group financial statements, management has amended certain accounting and valuation methods applied in UK GAAP financial statements to comply with the recognition and measurement criteria of IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments, except as described in note 32.

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

| | |
|---|---|
| Amendment to IFRS 2 | 'Share-based payments' |
| IFRS 3 (revised) | 'Business combinations' |
| Amendment to IAS 23 | 'Borrowing costs' |
| IFRS 8 | 'Operating segments' |
| IAS 27 (revised) | 'Consolidated and separate financial statements' |
| IFRIC 11 | 'IFRS 2: Group and treasury share transactions' |
| IFRIC 12 | 'Service concession arrangements' |
| IFRIC 13 | 'Customer loyalty programmes' |
| IFRIC 14 | 'IAS 19 – Defined benefit assets and minimum funding requirements' |

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.

### 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.

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 2. Accounting policies continued

### 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 to 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.

### Disposal groups held for sale
A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of IAS 36 'Impairment of Assets' or if it is an operation within such a cash-generating unit.

Disposal groups are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets held for sale and liabilities held for sale are disclosed separately on the face of the balance sheet.

### 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:

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

#### Feeds, Fuels and Garden Centres
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.

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 substantially 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 is charged to the income statement during the financial period in which it is incurred.

## 2. Accounting policies continued

### Property, plant and equipment continued

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 | 13 – 50 years |
| Plant, machinery and equipment | 3 – 10 years |
| Commercial vehicles | 6 – 10 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.

#### 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 receivables

Trade 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.

# Notes to the group financial statements continued

for the year ended 31 May 2008

## 2. Accounting policies continued

### 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, bank overdrafts and short term invoice discounting advances. Bank overdrafts and short term invoice discounting advances are shown within borrowings in current liabilities on the balance sheet.

### Trade payables

Trade 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.

### 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 recognised income and expense. 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 assets and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

### 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

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 are recognised in the balance sheet at the inception of the lease at amounts equal to their fair value or, if lower, the net present value of the minimum lease payments. Depreciation on 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.

The accounting policy applied to finance leases is also applied to hire purchase agreements.

## 2. Accounting policies continued

### 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.

#### 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 fair value of financial instruments that are not in an active market (trading contracts) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Further details can be found in note 21.

#### Disposal groups
As described in the accounting policies, disposal groups are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The Directors are required to use their judgement as to whether carrying value is in excess of anticipated recoverable amounts through sale.

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| **Continuing operations** | | |
| Sale of goods | 328.3 | 271.9 |
| Rendering of services | 32.9 | 27.0 |
| Total revenue from continuing operations | 361.2 | 298.9 |
| **Discontinued operations** | | |
| Sale of goods (see note 11) | 21.8 | 21.5 |
| | 383.0 | 320.4 |

## 4. Segment information
For management purposes, the Group is currently organised into four main operating businesses – Distribution, Feeds, Fuels and Garden Centres. These businesses are the basis upon which the Group reports its primary segment information. As described in note 11, the Group has classified the Garden Centres business as a discontinued operation. Principal activities are summarised below:

### Continuing operations
Distribution – 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

### Discontinued operations
Garden Centres – operation of large retail garden centres

In the Directors' opinion, all of the Group's operations are carried out in the same geographical segment, namely the U.K.

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 4. Segment information continued
Segment information about the above businesses is presented below:

| 2008 | Distribution £m | Feeds £m | Fuels £m | Group £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total revenue | 33.4 | 100.1 | 233.8 | 367.3 |
| Inter-segment revenue | (0.5) | — | (5.6) | (6.1) |
| Revenue | 32.9 | 100.1 | 228.2 | 361.2 |
| **Result** | | | | |
| Operating profit | 0.5 | 3.1 | 2.2 | 5.8 |
| Finance costs (net) | | | | (1.6) |
| Profit before tax | | | | 4.2 |
| Income tax expense | | | | (1.4) |
| Loss from discontinued operations | | | | (0.3) |
| Profit for the year | | | | 2.5 |
| **Other information** | | | | |
| Capital additions – continuing operations | 5.0 | 0.6 | 1.8 | 7.4 |
| Capital additions – discontinued operations | | | | 0.4 |
| Total Group capital additions | | | | 7.8 |
| Depreciation and amortisation – continuing operations | 1.3 | 0.9 | 0.7 | 2.9 |
| Depreciation and amortisation – discontinued operations | | | | 1.1 |
| Total Group depreciation and amortisation | | | | 4.0 |

| 2008 | Distribution £m | Feeds £m | Fuels £m | Group £m |
|---|---|---|---|---|
| **Balance sheet** | | | | |
| **Assets** | | | | |
| Segment assets | 34.3 | 28.0 | 37.6 | 99.9 |
| Unallocated corporate assets | | | | 1.3 |
| Continuing operations | | | | 101.2 |
| Assets held for sale | | | | 30.4 |
| Consolidated total assets | | | | 131.6 |
| **Liabilities** | | | | |
| Segment liabilities | (3.8) | (8.8) | (24.1) | (36.7) |
| Unallocated corporate liabilities | | | | (49.3) |
| Continuing operations | | | | (86.0) |
| Liabilities directly associated with assets classified as held for sale | | | | (15.1) |
| Consolidated total liabilities | | | | (101.1) |

### 4. Segment information continued

| 2007 | Distribution £m | Feeds £m | Fuels £m | Group £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total revenue | 27.4 | 81.5 | 194.4 | 303.3 |
| Inter-segment revenue | (0.4) | — | (4.0) | (4.4) |
| Revenue | 27.0 | 81.5 | 190.4 | 298.9 |
| **Result** | | | | |
| Operating profit | 1.3 | 2.0 | 3.2 | 6.5 |
| Finance costs (net) | | | | (0.7) |
| Profit before tax | | | | 5.8 |
| Income tax expense | | | | (1.8) |
| Profit from discontinued operations | | | | 0.2 |
| Profit for the year | | | | 4.2 |
| **Other information** | | | | |
| Capital additions – continuing operations | 15.7 | 0.6 | 1.9 | 18.2 |
| Capital additions – discontinued operations | | | | 4.8 |
| Total Group capital additions | | | | 23.0 |
| Depreciation and amortisation – continuing operations | 1.0 | 0.9 | 0.7 | 2.6 |
| Depreciation and amortisation – discontinued operations | | | | 0.9 |
| Total Group depreciation and amortisation | | | | 3.5 |

| 2007 | Distribution £m | Feeds £m | Fuels £m | Garden Centres £m | Group £m |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| **Assets** | | | | | |
| Segment assets | 28.3 | 22.8 | 29.6 | 30.4 | 111.1 |
| Unallocated corporate assets | | | | | 2.1 |
| Consolidated total assets | | | | | 113.2 |
| **Liabilities** | | | | | |
| Segment liabilities | (2.0) | (5.1) | (21.8) | (5.6) | (34.5) |
| Unallocated corporate liabilities | | | | | (48.6) |
| Consolidated total liabilities | | | | | (83.1) |

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

Segment assets consist of property, plant and equipment, intangible assets, inventories, trade and other receivables. Unallocated assets comprise deferred income tax assets and certain derivative financial instruments.

Segment liabilities comprise operating liabilities. Unallocated liabilities consist of taxation, borrowings, retirement benefit obligations and certain derivative financial instruments.

Capital additions comprise additions, including acquisitions of businesses, of property, plant and equipment (note 14) and intangible assets (note 15).

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 4. Segment information continued
### Acquisitions in year ended 31 May 2007
The total figures for Fuels in 2007 include the following amounts relating to the acquisition of Browns of Burwell Limited during the year:

- turnover – £6.3 million;
- operating profit – £0.1 million; and
- net operating assets – £1.2 million.

The total figures for Garden Centres in 2007 (note 11) include the following amounts relating to the acquisition of Arthur A Gent & Sons Limited during the year:

- turnover – £0.5 million;
- operating loss – £0.3 million; and
- net operating assets – £3.3 million.

## 5. Profit before tax
Profit before tax is stated after charging/(crediting):

| | 2008 £m | 2007 £m |
|---|---|---|
| Cost of inventories recognised as an expense (included in cost of sales) | 305.7 | 249.1 |
| Depreciation of property, plant and equipment | 2.7 | 2.5 |
| Amortisation of other intangible assets | 0.2 | 0.1 |
| Profit on disposal of property, plant and equipment | (0.1) | (0.1) |
| Operating lease charges – land and buildings | 1.0 | 1.0 |
| Operating lease charges – other | 2.8 | 1.9 |
| Staff costs (note 6) | 27.4 | 23.1 |

### Services provided by the Company's auditor
During the year, the Group obtained the following services from the Company's auditor and its associates:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company and consolidated annual accounts | 24 | 9 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| – audit of the accounts of the Company's subsidiaries pursuant to legislation | 72 | 72 |
| – taxation services | 74 | 44 |
| – other services | 11 | 3 |
| Total auditor's remuneration | 181 | 128 |

In addition to remuneration received for services provided to the Group, the auditor received £5,000 (2007: £5,000) for the audit of the Group's defined benefit pension scheme.

## 6. Staff costs
The average number of persons (including Directors) employed by the Group during the year was:

| | 2008 Number | 2007 Number |
|---|---|---|
| Distribution | 544 | 450 |
| Feeds | 177 | 169 |
| Fuels | 140 | 128 |
| Head Office | 16 | 15 |
| Continuing operations | 877 | 762 |
| Discontinued operations (see note 11) | 561 | 508 |
| | 1,438 | 1,270 |

## 6. Staff costs continued

Staff costs for the above persons were:

| | Continuing operations 2008 £m | Discontinued operations 2008 £m | Group 2008 £m | Continuing operations 2007 £m | Discontinued operations 2007 £m | Group 2007 £m |
|---|---|---|---|---|---|---|
| Wages and salaries | 24.5 | 4.6 | 29.1 | 20.6 | 4.3 | 24.9 |
| Social security costs | 1.9 | 0.4 | 2.3 | 1.6 | 0.3 | 1.9 |
| Other pension costs (note 25) | 1.0 | 0.1 | 1.1 | 0.9 | — | 0.9 |
| | 27.4 | 5.1 | 32.5 | 23.1 | 4.6 | 27.7 |

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 income and actuarial gains and losses included in the statement of recognised income and expense.

## 7. Remuneration of Directors

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Emoluments | 614 | 452 |
| Gain on exercise of share options | 69 | — |
| Contributions to defined contribution pension schemes | 52 | 6 |
| | 735 | 458 |

Details of Directors' options to subscribe for ordinary shares in the Company and those share options exercised during the year are provided in the Directors' report. None of the Directors (2007: none) received shares or share options under long term incentive schemes in respect of their qualifying services.

| Highest paid Director | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Salary and benefits | 163 | 202 |
| Performance related bonus | 83 | 20 |
| Contributions to defined contribution pension schemes | 45 | — |
| | 291 | 222 |

At 31 May 2008, the highest paid Director had an accrued pension of £nil under the Group's defined benefit pension scheme (2007: £20,000).

| | 2008 Number | 2007 Number |
|---|---|---|
| Number of Directors with retirement benefits accruing under defined contribution pension schemes at the year end | 2 | 1 |
| Number of Directors with retirement benefits accruing under defined benefit pension scheme at the year end | — | 1 |

## 8. Finance income

| | 2008 £m | 2007 £m |
|---|---|---|
| Interest on bank deposits | 0.1 | — |
| Net finance income in respect of defined benefit pension scheme (note 25) | 0.2 | — |
| | 0.3 | — |

# Notes to the group financial statements continued

for the year ended 31 May 2008

## 9. Finance costs

| | 2008 £m | 2007 £m |
|---|---|---|
| Interest on bank loans and overdrafts | 2.1 | 1.1 |
| Less: amount capitalised within property, plant and equipment | (0.3) | (0.4) |
| | 1.8 | 0.7 |
| Interest payable under finance leases and hire purchase agreements | 0.1 | 0.1 |
| Fair value gains on derivative financial instruments | — | (0.1) |
| | 1.9 | 0.7 |

## 10. Income tax expense

| | 2008 £m | 2007 £m |
|---|---|---|
| **Current tax** | | |
| U.K. corporation tax on profits for the year | 0.9 | 1.7 |
| Adjustment in respect of prior years | (0.4) | — |
| Current tax expense | 0.5 | 1.7 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 0.5 | 0.1 |
| Adjustment in respect of prior years | 0.4 | — |
| Deferred tax expense (note 22) | 0.9 | 0.1 |
| Total income tax expense | 1.4 | 1.8 |

Corporation tax for the year ended 31 May 2007 was calculated at 30.0% of the estimated assessable profit for the year. During the year ended 31 May 2008, as a result of the change in the U.K. corporation tax rate, effective from 1 April 2008, corporation tax has been calculated at an effective rate of 29.67%.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Profit before tax | 4.2 | 5.8 |
| Profit before tax multiplied by the standard rate of U.K. corporation tax of 29.67% (2007: 30.0%) | 1.2 | 1.7 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 0.2 | 0.1 |
| Total income tax expense | 1.4 | 1.8 |

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.

## 11. Discontinued operations

The Board has resolved to dispose of the Group's Garden Centre operations and negotiations with several interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months of the financial year end, have been classified as a discontinued operation at 31 May 2008.

The proceeds of disposal are expected to exceed the book value of related net assets and accordingly no impairment losses have been recognised on classification of these operations as discontinued.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Revenue | 21.8 | 21.5 |
| Expenses | (22.2) | (21.0) |
| (Loss)/profit from discontinued operations before tax | (0.4) | 0.5 |
| Income tax expense | 0.1 | (0.3) |
| (Loss)/profit for the year from discontinued operations | (0.3) | 0.2 |

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:

| | 2008 £m | 2007 £m |
|---|---|---|
| Operating cash flows | 3.5 | 4.1 |
| Investing cash flows | (1.4) | (5.7) |
| Financing cash flows | — | (1.8) |
| Net cash flows | 2.1 | (3.4) |

The major classes of assets held for sale and associated liabilities of discontinued operations at 31 May 2008 are as follows:

| | 2008 £m |
|---|---|
| **Assets held for sale** | |
| Goodwill | 4.6 |
| Computer software | 0.1 |
| Property, plant and equipment | 19.9 |
| Inventories | 4.4 |
| Trade and other receivables | 0.9 |
| Cash in hand (note 18) | 0.1 |
| Cash at bank (note 18) | 0.4 |
| | 30.4 |
| **Liabilities directly associated with assets held for sale** | |
| Trade and other payables | (4.5) |
| Borrowings: obligations under finance leases and hire purchase agreements (note 20) | (10.6) |
| | (15.1) |
| **Net assets** | 15.3 |

The Group has pledged certain freehold land and buildings, included in property, plant and equipment above, having a carrying amount of approximately £3.4 million (2007: £3.5 million) to secure banking facilities granted to the Group.

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 12. Equity dividends

| | 2008 £m | 2007 £m |
|---|---|---|
| Final 2007 restated, 2.9p per share (2006 restated: 2.7p) | 1.3 | 1.2 |
| Interim 2008, 1.0p per share (2007 restated: 1.0p) | 0.5 | 0.5 |
| | 1.8 | 1.7 |

The Directors propose a final dividend of 2.9p per share for the year ended 31 May 2008 (2007 restated: 2.9p), amounting to £1.4 million (2007: £1.3 million). The dividend will be recommended for formal approval at the AGM on 2 October 2008. These Group financial statements do not reflect the dividend payable, which will be accounted for as an appropriation of retained earnings in the period ending 31 May 2009.

On 4 October 2007, the Company's shareholders approved a bonus issue of four new ordinary shares of 25 pence each ('new ordinary shares') for each existing ordinary share held by a shareholder on the share register at the close of business on 4 October 2007. This resulted in the issue of 37,512,844 new ordinary shares. As a consequence of the bonus issue, the prior year dividends per share figures shown above have been restated.

## 13. Earnings per share

### From continuing and discontinued operations

| | Basic earnings per share | | Diluted earnings per share | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Earnings attributable to equity shareholders (£m) | 2.5 | 4.2 | 2.5 | 4.2 |
| Weighted average number of shares in issue during the year (000's) | 46,900 | 45,712 | 46,900 | 45,712 |
| Weighted average dilutive effect of share options (000's) | — | — | 65 | 965 |
| Adjusted weighted average number of shares in issue during the year (000's) | 46,900 | 45,712 | 46,965 | 46,677 |
| Earnings per ordinary share (pence) | 5.3 | 9.2 | 5.3 | 9.0 |

### Restatement of 2007 earnings per share

The 2007 basic and diluted earnings per share figures shown above have been restated for the impact of the bonus issue (see note 12), from 45.5p and 44.6p respectively.

### From continuing operations

| | Basic earnings per share | | Diluted earnings per share | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Earnings attributable to equity shareholders (£m) | 2.8 | 4.0 | 2.8 | 4.0 |
| Weighted average number of shares in issue during the year (000's) | 46,900 | 45,712 | 46,900 | 45,712 |
| Weighted average dilutive effect of share options (000's) | — | — | 65 | 965 |
| Adjusted weighted average number of shares in issue during the year (000's) | 46,900 | 45,712 | 46,965 | 46,677 |
| Earnings per ordinary share (pence) | 6.0 | 8.8 | 6.0 | 8.6 |

### From discontinued operations

| | Basic earnings per share | | Diluted earnings per share | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| (Loss)/profit per ordinary share (pence) | (0.7) | 0.4 | (0.7) | 0.4 |

### 14. Property, plant and equipment

| | Freehold land and buildings £m | Long leasehold land and buildings £m | Plant and machinery £m | Cars and commercial vehicles £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 June 2006 | 16.8 | 12.8 | 16.5 | 7.5 | 0.5 | 54.1 |
| Additions | 0.2 | 3.1 | 2.1 | 1.0 | 14.8 | 21.2 |
| Acquisition of businesses | — | 0.9 | 0.1 | 0.1 | — | 1.1 |
| Disposals | — | — | (0.2) | (1.1) | — | (1.3) |
| At 1 June 2007 | 17.0 | 16.8 | 18.5 | 7.5 | 15.3 | 75.1 |
| Additions | 0.6 | 0.2 | 1.0 | 1.4 | 4.3 | 7.5 |
| Disposals | — | — | (0.1) | (1.5) | — | (1.6) |
| Transfers | 17.0 | — | 2.6 | — | (19.6) | — |
| Reclassified as assets held for sale | (5.5) | (16.1) | (4.0) | (0.1) | — | (25.7) |
| **At 31 May 2008** | **29.1** | **0.9** | **18.0** | **7.3** | **—** | **55.3** |
| **Depreciation** | | | | | | |
| At 1 June 2006 | 3.2 | 1.1 | 10.6 | 4.3 | — | 19.2 |
| Charge for the year | 0.4 | 0.4 | 1.6 | 1.0 | — | 3.4 |
| Disposals | — | — | (0.2) | (1.0) | — | (1.2) |
| At 1 June 2007 | 3.6 | 1.5 | 12.0 | 4.3 | — | 21.4 |
| Charge for the year | 0.6 | 0.5 | 1.6 | 1.0 | — | 3.7 |
| Disposals | — | — | (0.1) | (1.5) | — | (1.6) |
| Reclassified as assets held for sale | (1.6) | (1.9) | (2.3) | — | — | (5.8) |
| **At 31 May 2008** | **2.6** | **0.1** | **11.2** | **3.8** | **—** | **17.7** |
| **Carrying amount** | | | | | | |
| **At 31 May 2008** | **26.5** | **0.8** | **6.8** | **3.5** | **—** | **37.6** |
| At 31 May 2007 | 13.4 | 15.3 | 6.5 | 3.2 | 15.3 | 53.7 |

The Group has pledged certain freehold land and buildings and assets under construction having a carrying amount of approximately £25.1 million and £nil (2007: £21.6 million and £13.6 million) respectively to secure banking facilities granted to the Group.

Included in plant and machinery and cars and commercial vehicles above are assets acquired under finance leases and hire purchase agreements with a carrying value at 31 May 2008 of £2.2 million and £2.2 million (2007: £nil and £1.3 million) respectively. The depreciation charges for the year ended 31 May 2008 relating to these assets were £0.1 million and £0.4 million (2007: £nil and £0.3 million) respectively.

Finance costs capitalised during the year within the cost of assets under construction and long leasehold land and buildings amounted to £0.3 million (2007: £0.5 million).

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 15. Intangible assets

| | Goodwill £m | Computer software £m | Trademarks and licences £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 June 2006 | 10.5 | 0.7 | — | 11.2 |
| Additions | — | 0.2 | — | 0.2 |
| Acquisitions of businesses | 0.4 | — | 0.1 | 0.5 |
| At 1 June 2007 | 10.9 | 0.9 | 0.1 | 11.9 |
| Additions | — | 0.3 | — | 0.3 |
| Reclassified as assets held for sale | (5.2) | (0.1) | — | (5.3) |
| **At 31 May 2008** | **5.7** | **1.1** | **0.1** | **6.9** |
| **Impairment charge** | | | | |
| At 1 June 2006 | 1.2 | 0.5 | — | 1.7 |
| Charge for the year | — | 0.1 | — | 0.1 |
| At 1 June 2007 | 1.2 | 0.6 | — | 1.8 |
| Charge for the year | — | 0.3 | — | 0.3 |
| Reclassified as assets held for sale | (0.6) | (0.1) | — | (0.7) |
| **At 31 May 2008** | **0.6** | **0.8** | **—** | **1.4** |
| **Carrying amount** | | | | |
| **At 31 May 2008** | **5.1** | **0.3** | **0.1** | **5.5** |
| At 31 May 2007 | 9.7 | 0.3 | 0.1 | 10.1 |

### 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:

| | 2008 £m | 2007 £m |
|---|---|---|
| Feeds | **2.7** | 2.7 |
| Fuels | **2.4** | 2.4 |
| Garden Centres (reclassified as assets held for sale) | **—** | 4.6 |
| | **5.1** | 9.7 |

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 2011. 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.

## 16. Inventories

| | 2008 £m | 2007 £m |
|---|---|---|
| Raw materials and consumables | **1.4** | 1.1 |
| Finished goods and goods for resale | **3.2** | 7.0 |
| | **4.6** | 8.1 |

## 17. Trade and other receivables

| | 2008 £m | 2007 £m |
|---|---|---|
| Trade receivables | 49.9 | 36.9 |
| Less: provision for impairment | (0.6) | (0.5) |
| Trade receivables – net | 49.3 | 36.4 |
| VAT recoverable | 0.4 | 0.7 |
| Other debtors | 0.2 | — |
| Prepayments and accrued income | 1.5 | 2.8 |
| | 51.4 | 39.9 |

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

At 31 May 2008, trade receivables of £16.8 million (2007: £13.0 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:

| | 2008 £m | 2007 £m |
|---|---|---|
| Up to 3 months | 13.5 | 9.9 |
| Over 3 months | 3.3 | 3.1 |
| | 16.8 | 13.0 |

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

| | 2008 £m | 2007 £m |
|---|---|---|
| At 1 June | 0.5 | 0.4 |
| Provision for receivables impairment | 0.4 | 0.4 |
| Receivables written off in the year | (0.3) | (0.3) |
| At 31 May | 0.6 | 0.5 |

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.

## 18. Cash and cash equivalents

| | 2008 £m | 2007 £m |
|---|---|---|
| Cash at bank and in hand (for the purposes of the balance sheet) | — | 0.1 |
| Cash in hand reclassified as assets held for sale (note 11) | 0.1 | — |
| Cash at bank reclassified as assets held for sale (note 11) | 0.4 | — |
| Bank overdrafts and short term invoice discounting advances (note 20) | (3.9) | (9.7) |
| Cash and cash equivalents (for the purposes of the cash flow statement) | (3.4) | (9.6) |

The carrying amount of cash and cash equivalents approximates their fair value.

# Notes to the group financial statements continued

for the year ended 31 May 2008

## 19. Trade and other payables

| | 2008 £m | 2007 £m |
|---|---|---|
| **Current** | | |
| Trade payables | 32.4 | 30.2 |
| Social security and other taxes | 0.6 | 0.8 |
| Accruals and deferred income | 3.2 | 4.4 |
| Deferred acquisition consideration | 0.6 | 1.3 |
| | 36.8 | 36.7 |

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

### Non-current trade and other payables

Non-current trade and other payables comprise deferred acquisition consideration payable as follows:

| Payable in | 2008 £m | 2007 £m |
|---|---|---|
| 1 – 2 years | — | 0.6 |

## 20. Borrowings

| | 2008 £m | 2007 £m |
|---|---|---|
| **Current** | | |
| Bank overdrafts | 1.0 | 3.5 |
| Invoice discounting advances | 2.9 | 6.2 |
| Bank loans | 0.1 | — |
| Obligations under finance leases and hire purchase agreements | 0.9 | 0.3 |
| Continuing operations | 4.9 | 10.0 |
| Discontinued operations: cash at bank (note 11) | (0.4) | — |
| **Group** | 4.5 | 10.0 |
| **Non-current** | | |
| Invoice discounting advances | 15.0 | — |
| Bank loans | 18.6 | 18.6 |
| Obligations under finance leases and hire purchase agreements | 3.5 | 11.4 |
| Continuing operations | 37.1 | 30.0 |
| Discontinued operations: obligations under finance leases and hire purchase agreements (note 11) | 10.6 | — |
| **Group** | 47.7 | 30.0 |
| **Total Group borrowings** | | |
| Continuing operations | 42.0 | 40.0 |
| Discontinued operations | 10.2 | — |
| | 52.2 | 40.0 |

## 20. Borrowings continued

### Invoice discounting advances

The invoice discounting advances are drawn under a three year committed facility from May 2008, which permits the refinancing of the current debt. The facility is provided under an arrangement with The Royal Bank of Scotland Group and 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% (2007: 1.0%) above the bank's base rate.

The advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, £2.9 million (2007: £6.2 million) is presented within current liabilities and £15.0 million (2007: £nil) is presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities.

### Bank overdrafts and loans

The Group net bank overdraft of £0.6 million (2007: £1.8 million) is repayable on demand and interest is charged at a variable rate of 1.75% (2007: 1.0%) above the bank's base rate.

At 31 May 2007, the bank overdraft balance also included an amount of £1.7 million which had been drawn down against a bridging facility provided by a financing company to specifically fund the construction of certain fixed assets. This facility was converted into a finance lease arrangement upon completion of the assets' construction in the year ended 31 May 2008. Interest was charged on this bridging loan at a variable rate of 1.0% above the bank's base rate.

At 31 May 2008, there are two bank loans as follows:

- bank loan of £18.4 million, which is drawn under a revolving credit facility of £20.7 million, at a variable interest rate of 1.75% above LIBOR; and
- bank loan of £0.3 million, which is non-interest bearing.

At 31 May 2007, there were three bank loans. Term loans of £2.6 million and £7.0 million were both at a variable interest rate of 1.0% above the bank's base rate. A loan of £9.0 million was drawn under a revolving credit facility of £9.0 million, at a variable interest rate of 0.95% above LIBOR.

Bank borrowings amounting to £37.2 million (2007: £28.3 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 21 for further details.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Within 1 year (net of £0.4 million (2007: £nil) cash at bank reclassified as assets held for sale) | 3.6 | 9.7 |
| Between 1 – 2 years | 18.6 | 18.6 |
| Between 2 – 5 years | 15.0 | — |
| | 37.2 | 28.3 |

### 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 2008, in respect of which all conditions precedent had been met at that date.

Facilities expiring:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Facility £m | Amount drawn £m | Facility £m | Amount drawn £m |
| Within 1 year (net of £0.4 million (2007: £nil) cash at bank reclassified as assets held for sale) | 0.4 | 0.4 | 5.3 | 3.5 |
| Between 1 – 2 years | 20.8 | 18.8 | 45.7 | 24.8 |
| Between 2 – 5 years | 35.3 | 18.0 | — | — |
| | 56.5 | 37.2 | 51.0 | 28.3 |

The availability of invoice discounting facilities included above, amounting to £35.3 million (2007: £25.4 million), is dependent on the level of current debt available for refinancing.

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 20. Borrowings continued
### Obligations under finance leases and hire purchase agreements
Obligations under finance leases and hire purchase agreements are repayable as follows:

| | Minimum lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | 2008 £m | 2007 £m | 2008 £m | 2007 £m |
| Within 1 year | 1.2 | 1.0 | 0.9 | 0.3 |
| Between 1 – 2 years | 1.1 | 1.0 | 1.0 | 0.3 |
| Between 2 – 5 years | 2.7 | 2.6 | 2.5 | 0.6 |
| After five years | — | 23.3 | — | 10.5 |
| | 5.0 | 27.9 | 4.4 | 11.7 |
| Less: future finance charges | (0.6) | (16.2) | — | — |
| Present value of obligations | 4.4 | 11.7 | 4.4 | 11.7 |
| Analysed as: | | | | |
| Amounts due for settlement within 12 months (shown as current liabilities) | | | 0.9 | 0.3 |
| Amounts due for settlement after 12 months | | | 3.5 | 11.4 |
| | | | 4.4 | 11.7 |

In addition to the above, the Group has obligations under finance leases and hire purchase agreements amounting to £10.6 million, classified as liabilities directly associated with assets held for sale (2007: £nil) (see note 11).

All finance leases and hire purchase obligations are denominated in Sterling.

## 21. Financial instruments and risk management
The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, bank loans, obligations under finance leases and hire purchase agreements, derivatives and various items, such as debtors and creditors, that arise from its operations. All financial instruments for 2008 and 2007 were denominated in Sterling. There is no significant foreign exchange risk in respect of these instruments and the Group has not entered into any currency hedging arrangements.

### 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 2008 | Total book value £m | Total fair value £m | Fixed interest rate % |
|---|---|---|---|
| Floating rate bank overdraft | 0.6 | 0.6 | — |
| Floating rate invoice discounting advances | 17.9 | 17.9 | — |
| Floating rate bank loans | 18.7 | 18.7 | — |
| Finance lease and hire purchase obligations repayable: | | | |
| – Within 1 year | 0.9 | 1.1 | 5.56 – 7.40 |
| – Between 1 – 2 years | 1.0 | 1.0 | 5.56 – 7.25 |
| – Between 2 – 5 years | 2.5 | 2.1 | 5.56 – 7.25 |
| Derivative financial instruments | 0.6 | 0.6 | — |
| Non-interest bearing deferred acquisition payments payable: | | | |
| – Within 1 year | 0.6 | 0.6 | — |
| | 42.8 | 42.6 | |

## 21. Financial instruments and risk management continued

### Financial liabilities continued

| At 31 May 2007 | Total book value £m | Total fair value £m | Fixed interest rate % |
|---|---|---|---|
| Floating rate bank overdraft | 3.5 | 3.5 | — |
| Floating rate invoice discounting advances | 6.2 | 6.2 | — |
| Floating rate bank loans | 18.6 | 18.6 | — |
| Finance lease and hire purchase obligations repayable: | | | |
| – Within 1 year | 0.3 | 0.9 | 5.48 – 7.68 |
| – Between 1 – 2 years | 0.3 | 0.8 | 5.56 – 7.68 |
| – Between 2 – 5 years | 0.6 | 1.9 | 5.56 – 7.68 |
| – After 5 years | 10.5 | 5.5 | 5.85 – 7.68 |
| Non-interest bearing deferred acquisition payments payable: | | | |
| – Between 1 – 2 years | 0.6 | 0.6 | — |
| | 40.6 | 38.0 | |

Fair values of deferred acquisition payments, finance lease and 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 2008 | Total book value £m | Total fair value £m | Fixed interest rate % |
|---|---|---|---|
| Derivative financial instruments | **0.9** | **0.9** | — |

| At 31 May 2007 | Total book value £m | Total fair value £m | Fixed interest rate % |
|---|---|---|---|
| Derivative financial instruments | 0.2 | 0.2 | — |
| Cash at bank and in hand (note 18) | 0.1 | 0.1 | — |
| | 0.3 | 0.3 | |

### 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. The use of these contracts is not speculative.

At 31 May 2008, the Group had open forward supply contracts with a principal value of £18.5 million (2007: £22.7 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial instruments: Recognition and Measurement' is £0.2 million (2007: £0.1 million).

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 (2007: £0.1 million credited) to the income statement in the year. The fair values are based on market values of equivalent instruments at the balance sheet date.

# Notes to the group financial statements continued

for the year ended 31 May 2008

## 21. Financial instruments and risk management continued

### Financial risk management continued

#### Price risk continued

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.

#### 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 to 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 Group's policy is to hedge approximately 50% of the forecast level of debt over an ongoing three year period. The Directors review this policy on at least an annual basis.

At 31 May 2008, the Group had one (2007: one) interest rate cap in place, with a start date of 3 July 2006 and end date of 29 May 2009. The effect of this instrument is to cap the interest payable on £13.2 million (2007: £14.7 million) of the Group's debt at 5.5% per annum.

At 31 May 2008, the fair value of the interest rate cap is £nil (2007: £0.1 million asset). This amount is based on market values of equivalent instruments at the balance sheet date. The interest rate cap is not designated and is not effective as a cash flow hedge. Changes in the fair value of the interest rate cap amounting to £0.1 million have been charged (2007: £0.1 million credited) to the income statement in the year.

At 31 May 2008, the Group also held three (2007: none) interest rate swaps, all of which have 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. 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;
- a forward swap, to take effect on 30 June 2009, with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% from this date 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 2008; and
- a swap with a notional principal amount of £5.0 million. Fixed annual interest rate terms are 4.7% for the year ending 31 December 2008 and 5.045% for the remaining two years ending 31 December 2010. This instrument is cancellable at the bank's option each quarter end after 31 December 2008. The swap has not been designated and effective as a cash flow hedge in the period since inception.

The total fair value of swaps held at 31 May 2008 is estimated at £0.1 million in the Group's favour (2007: £nil). These amounts are based on market values of equivalent instruments at the balance sheet date.

Changes in the fair value of non-hedging interest rate swaps amounting to £0.1 million (2007: £nil) have been credited to the income statement in the year.

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 2008 profit before tax by approximately £0.3 million (2007: £0.2 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 long 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.

## 21. Financial instruments and risk management continued

### 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 on the basis of the gearing ratio. This ratio is calculated as net debt divided by total shareholders' equity as shown below:

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| **Continuing and discontinued operations** | | |
| Total borrowings (note 20) | 52.2 | 40.0 |
| Less: cash at bank and in hand (note 18) | — | (0.1) |
| Less: cash in hand reclassified as assets held for sale (note 18) | (0.1) | — |
| Net debt | 52.1 | 39.9 |
| Total shareholders' equity | 30.5 | 30.1 |
| Gearing ratio | 170.8% | 132.6% |

## 22. 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<br>£m | Retirement benefit obligations<br>£m | Other<br>£m | Total<br>£m |
|---|---|---|---|---|
| At 1 June 2006 | 1.2 | (1.4) | — | (0.2) |
| Charge to income | — | — | 0.1 | 0.1 |
| Charge to equity | — | 0.3 | — | 0.3 |
| At 1 June 2007 | 1.2 | (1.1) | 0.1 | 0.2 |
| Charge to income (note 10) | 0.7 | 0.2 | — | 0.9 |
| Credit to equity (note 24) | — | (0.3) | — | (0.3) |
| Reclassified as held for sale | 0.2 | — | — | 0.2 |
| **At 31 May 2008** | **2.1** | **(1.2)** | **0.1** | **1.0** |

# Notes to the group financial statements continued

for the year ended 31 May 2008

## 23. Share capital

| | 2008 Number 000's | 2007 Number 000's | 2008 £m | 2007 £m |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 25 pence each | 80,000 | 20,000 | 20.0 | 5.0 |
| **Allotted and fully paid** | | | | |
| Ordinary shares of 25 pence each | 46,931 | 9,142 | 11.7 | 2.3 |

On 4 October 2007, the Company's shareholders approved a bonus issue of four new ordinary shares of 25 pence each ('new ordinary shares') for each existing ordinary share held by a shareholder on the share register at the close of business on 4 October 2007. This resulted in the issue of 37,512,844 new ordinary shares with a total nominal value of £9.3 million.

In order to effect the bonus issue described above, £9.3 million was capitalised from reserves, comprising £6.6 million from share premium, £0.3 million from other reserves and £2.4 million from retained earnings (see note 24).

During the year 275,285 shares of 25 pence each (2007: 2,113 shares) were issued under the Group's approved "Save As You Earn" share option scheme.

The aggregate nominal value of shares issued, including the bonus issue, in the year, was £9.4 million and the consideration received was £0.5 million.

The total number of share options outstanding at 31 May 2008 amounted to 65,000 shares (2007: 243,729 shares).

## 24. Reserves

| | Share premium £m | Other reserves £m | Retained earnings £m |
|---|---|---|---|
| At 1 June 2006 | 6.2 | 0.3 | 18.1 |
| Profit for the year | — | — | 4.2 |
| Dividends paid (note 12) | — | — | (1.7) |
| Actuarial gain on defined benefit pension scheme (note 25) | — | — | 1.0 |
| Deferred tax on defined benefit pension scheme (note 22) | — | — | (0.3) |
| At 1 June 2007 | 6.2 | 0.3 | 21.3 |
| Profit for the year | — | — | 2.5 |
| Dividends paid (note 12) | — | — | (1.8) |
| Ordinary shares issued (note 23) | 0.4 | — | — |
| Bonus shares issued (note 23) | (6.6) | (0.3) | (2.4) |
| Actuarial loss on defined benefit pension scheme (note 25) | — | — | (1.1) |
| Deferred tax on defined benefit pension scheme (note 22) | — | — | 0.3 |
| **At 31 May 2008** | — | — | **18.8** |

## 25. 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 £0.3 million (2007: £0.2 million) represents the contributions payable to these schemes by the Group at the rates specified in the scheme rules. At 31 May 2008, contributions of £nil (2007: £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 last full actuarial valuation of this scheme was carried out on 1 January 2005 by a qualified actuary and was updated on an approximate basis to 31 May 2008. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

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

| | 2008<br>% | 2007<br>% |
|---|---|---|
| Discount rate | 6.35 | 5.60 |
| Future salary increases | 5.05 | 4.60 |
| Future pension increases | 2.40 | 2.25 |
| Past pension increases | 3.70 | 3.10 |
| Price inflation | 3.80 | 3.10 |

The mortality assumptions adopted at 31 May 2008 imply the following life expectancies:

| | 2008<br>Years | 2007<br>Years |
|---|---|---|
| Current pensioners – male life expectancy at age 65 | 21.8 | 21.1 |
| Future pensioners currently aged 50 – male life expectancy at age 65 | 22.9 | 22.2 |

The 2008 mortality assumptions above are based on PA92 (YOB) MC tables (2007: PA92 (YOB) SC tables).

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Present value of defined benefit obligations | (29.7) | (28.6) |
| Fair value of scheme assets | 25.3 | 25.1 |
| Deficit in the scheme recognised as a liability in the balance sheet | (4.4) | (3.5) |
| Related deferred tax asset | 1.2 | 1.1 |
| Net pension liability | (3.2) | (2.4) |

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| **Amounts charged to operating profit within administrative expenses** | | |
| Current service cost | 0.7 | 0.7 |
| **Amounts included in finance income** | | |
| Expected return on scheme assets | (1.8) | (1.4) |
| Interest on scheme liabilities | 1.6 | 1.4 |
| Net credit to finance income | (0.2) | — |
| Total cost recognised in the income statement | 0.5 | 0.7 |

# Notes to the group financial statements continued
for the year ended 31 May 2008

### 25. Retirement benefit schemes continued
#### Defined benefit schemes continued
Actuarial losses of £1.1 million (2007: £1.0 million gain) have been reported in the statement of recognised income and expense in the year.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| At 1 June | 28.6 | 25.8 |
| Current service cost | 0.7 | 0.7 |
| Interest of scheme liabilities | 1.6 | 1.4 |
| Actuarial (gains)/losses | (0.4) | 1.2 |
| Contributions by scheme members | 0.3 | 0.3 |
| Benefits paid | (1.1) | (0.8) |
| At 31 May | 29.7 | 28.6 |

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

| | 2008 £m | 2007 £m |
|---|---|---|
| At 1 June | 25.1 | 21.2 |
| Expected return on scheme assets | 1.8 | 1.4 |
| Actuarial (losses)/gains | (1.5) | 2.2 |
| Contributions by employer | 0.7 | 0.8 |
| Contributions by scheme members | 0.3 | 0.3 |
| Benefits paid | (1.1) | (0.8) |
| At 31 May | 25.3 | 25.1 |

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 | |
|---|---|---|---|---|
| | 2008 % | 2007 % | 2008 £m | 2007 £m |
| Equities | 8.0 | 7.5 | 15.4 | 21.2 |
| Bonds | 5.0 | 4.5 | 3.5 | 1.7 |
| Property | 8.0 | 7.5 | 2.4 | 0.9 |
| Cash | 5.0 | 5.5 | 1.5 | 1.3 |
| Hedge funds | 8.0 | n/a | 2.5 | n/a |
| | | | 25.3 | 25.1 |

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 plan.

The actual return on scheme assets was £0.5 million (2007: £3.5 million).

## 25. Retirement benefit schemes continued

### Defined benefit schemes continued

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

| | 2008 £m | 2007 £m | 2006* £m | 2005* £m | 2004* £m |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | (29.7) | (28.6) | (25.8) | (23.5) | (19.7) |
| Fair value of scheme assets | 25.3 | 25.1 | 21.2 | 17.2 | 14.6 |
| Deficit in the scheme | (4.4) | (3.5) | (4.6) | (6.3) | (5.1) |
| Experience adjustments on scheme liabilities | (0.1) | — | — | 0.3 | — |
| Experience adjustments on assets | (1.4) | 2.1 | 2.6 | 1.2 | 0.6 |

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

The Group is currently paying 19.4% of pensionable salaries (approximately £0.8 million per annum) to the defined benefit pension scheme. A full actuarial valuation at 31 December 2007 is currently underway and the amount the Group expects to contribute to the scheme during the year ending 31 May 2009 may change following the results of this valuation.

## 26. Net cash (absorbed by)/generated from operating activities

| | 2008 £m | 2007 £m |
|---|---|---|
| Operating profit | 6.8 | 8.1 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 3.7 | 3.4 |
| Amortisation of other intangible assets | 0.3 | 0.1 |
| Profit on sale of property, plant and equipment | (0.1) | (0.1) |
| Difference between pension charge and cash contributions | — | (0.1) |
| Operating cash flows before movements in working capital | 10.7 | 11.4 |
| Movements in working capital: | | |
| Increase in inventories | (1.0) | (0.9) |
| Increase in receivables | (13.0) | (0.8) |
| Increase in payables | 7.3 | 3.0 |
| **Net cash generated from operations** | 4.0 | 12.7 |
| Interest paid | (3.5) | (2.3) |
| Income tax paid | (1.3) | (1.9) |
| **Net cash (absorbed by)/generated from operating activities** | (0.8) | 8.5 |

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 27. Analysis of cash and cash equivalents and reconciliation to net debt

| | 1 June 2007 £m | Cash flow £m | Non-cash movements £m | 31 May 2008 £m |
|---|---|---|---|---|
| Cash at bank and in hand | 0.1 | — | — | **0.1** |
| Bank overdrafts | (3.5) | 1.2 | 1.7 | **(0.6)** |
| Short term invoice discounting advances | (6.2) | (11.7) | 15.0 | **(2.9)** |
| Cash and cash equivalents | (9.6) | (10.5) | 16.7 | **(3.4)** |
| Debt due within 1 year | — | (0.1) | — | **(0.1)** |
| Debt due after 1 year | (18.6) | — | (15.0) | **(33.6)** |
| Finance lease and hire purchase obligations due within 1 year | (0.3) | 0.7 | (1.3) | **(0.9)** |
| Finance lease and hire purchase obligations due after 1 year | (11.4) | (2.3) | (0.4) | **(14.1)** |
| Total Group | (39.9) | (12.2) | — | **(52.1)** |
| Continuing operations | (39.9) | (14.3) | 12.2 | **(42.0)** |
| Discontinued operations | — | 2.1 | (12.2) | **(10.1)** |
| | (39.9) | (12.2) | — | **(52.1)** |

## 28. 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 2008 £m | Land and buildings 2007 £m | Other 2008 £m | Other 2007 £m |
|---|---|---|---|---|
| Within 1 year | **0.5** | 1.0 | **0.1** | 0.3 |
| Within 2 – 5 years inclusive | **2.5** | 3.0 | **10.1** | 4.9 |
| After 5 years | **14.8** | 15.2 | **—** | — |
| | **17.8** | 19.2 | **10.2** | 5.2 |

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.

## 29. 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

| | 2008 £m | 2007 £m |
|---|---|---|
| Short term employee benefits | **1.9** | 1.7 |
| Post-employment benefits | **0.1** | — |
| | **2.0** | 1.7 |

## 29. Related party transactions continued

### Key management compensation continued

From continuing operations

| | 2008 £m | 2007 £m |
|---|---|---|
| Short term employee benefits | 1.7 | 1.5 |
| Post-employment benefits | 0.1 | — |
| | 1.8 | 1.5 |

From discontinued operations

| | 2008 £m | 2007 £m |
|---|---|---|
| Short term employee benefits | 0.2 | 0.2 |

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

### Directors' transactions

Mr M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £10,147 (2007: £18,000) as a customer of the continuing operations of the Group in the year ended 31 May 2008. At 31 May 2008, the amount outstanding was £1,330 (2007: £nil). During the year, the highest amount outstanding totalled £3,308 (2007: £3,000).

## 30. Commitments for capital expenditure

| | 2008 £m | 2007 £m |
|---|---|---|
| Authorised but not contracted for | — | 0.6 |
| Contracts placed | 1.1 | 6.5 |

## 31. Contingent liabilities

The Group has a banking arrangement 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 2008 to £37.2 million (2007: £28.3 million).

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.

As at 31 May 2008, there was a bond with a value of £0.8 million (2007: £nil) issued to a customer. This bond was redeemed on 30 June 2008.

## 32. Explanation of transition to IFRS

The Group reported under UK GAAP in published financial statements for the year ended 31 May 2007 and preceding periods. The Group has adopted IFRS from 1 June 2006 ('the date of transition'). This requires the Group to set out its accounting policies as at 31 May 2008 and generally apply them retrospectively in determining the IFRS opening balance sheet at the date of transition.

In accordance with IFRS 1 'First time adoption of International Financial Reporting Standards', the Group is entitled to take advantage of a variety of exemptions from full restatement, the most significant of which are as follows:

### IFRS 3 'Business Combinations'

The Group has opted to apply IFRS 3 prospectively from the date of transition (1 June 2006). Accordingly, acquisitions prior to this date have not been restated for the effects of IFRS 3. In addition, goodwill previously written off to reserves under UK GAAP will be deemed to be zero and therefore will not be used in the calculation of any gain or loss on disposal of the acquired entity.

### IAS 16 'Property, plant and equipment'

The Group has taken advantage of the IFRS 1 exemption to elect to measure the value of certain freehold land and buildings at the date of transition (1 June 2006), at previously adopted valuations under UK GAAP, and these have now been taken as deemed cost on transition to IFRS.

A description and reconciliations of the effect of transition from UK GAAP to IFRS on the Group's net assets and profit are provided below.

In relation to cash flow reporting, under UK GAAP the Group has previously reported its cash flows in accordance with FRS 1 (Revised 1996) 'Cash Flow Statements'. The objectives and principles of this standard are similar to those set out in the equivalent IFRS standard, IAS 7 'Cash Flow Statements'. Other than differences in respect of classification of cash flow items, reporting under IAS 7 has had no significant effect on the reported net cash flows for the year ended 31 May 2007 (date of last UK GAAP statements).

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 32. Explanation of transition to IFRS continued
### Key differences between UK GAAP and IFRS
All relevant accounting standards have been applied to the restated financial information and the following accounting standards are those that have the most significant impact on the Group.

(1) IAS 17 'Leases'
The buildings elements of certain property leases, previously classified as operating leases, are now treated as finance leases in accordance with IAS 17 'Leases'. The net present value of attributable lease payments has been capitalised and depreciated over the period of the lease, with finance charges allocated to accounting periods so as to produce a constant periodic interest rate.

(2) IFRS 3 'Business Combinations'
Under IFRS 3, goodwill is not amortised. Instead, it is subject to annual impairment review. An adjustment has been made to reverse goodwill amortisation previously charged under UK GAAP.

(3) IAS 19 'Employee Benefits' and IAS 12 'Income Taxes' – deferred tax adjustments
The adoption of IAS 19 and IAS 12 has resulted in the following deferred tax adjustments:

(a) Reclassification of the deferred tax asset arising on the defined benefit pension scheme deficit as a non-current asset, in accordance with IAS 19. Under UK GAAP, this was offset against the defined benefit obligation for the purposes of balance sheet presentation.

(b) In accordance with IAS 12, additional deferred tax obligations arise on certain property, plant and equipment included as a result of the acquisition of shares in subsidiary companies in previous periods.

(4) Miscellaneous other adjustments
Miscellaneous other adjustments, principally comprising:

(a) IAS 38 'Intangible Assets'. Under IAS 38 computer software that is not an integral part of the related hardware should be separated out from other computer software and classed as an intangible asset. This is a change in approach from UK GAAP where all computer software is classed as a tangible fixed asset. In the income statement, amortisation is now charged on computer software under IFRS as opposed to depreciation under UK GAAP. This has no impact on profit reported in the income statement.

(b) IAS 39 'Financial Instruments: Recognition and Measurement'. The adoption of IAS 39 has resulted in the recognition on the balance sheet of the fair value of derivative financial instruments to which the Group is committed at the balance sheet date. Movements in the fair value of the derivative financial instruments have been reported in the income statement in accordance with the standard.

### Reconciliation of Group profit for the year ended 31 May 2007

| | UK GAAP £m | (1) £m | (2) £m | (3) £m | (4) £m | IFRS £m |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| **Revenue** | 298.9 | — | — | — | — | 298.9 |
| Cost of sales | (282.3) | — | — | — | 0.1 | (282.2) |
| **Gross profit** | 16.6 | — | — | — | 0.1 | 16.7 |
| Administrative expenses | (10.4) | — | 0.2 | — | — | (10.2) |
| **Operating profit** | 6.2 | — | 0.2 | — | 0.1 | 6.5 |
| Finance costs | (0.8) | — | — | — | 0.1 | (0.7) |
| **Profit before tax** | 5.4 | — | 0.2 | — | 0.2 | 5.8 |
| Income tax expense | (1.8) | — | — | — | — | (1.8) |
| **Profit for the year from continuing operations** | 3.6 | — | 0.2 | — | 0.2 | 4.0 |
| **Discontinued operations** | | | | | | |
| Profit for the year from discontinued operations | 0.2 | (0.2) | 0.2 | — | — | 0.2 |
| **Profit for the year** | 3.8 | (0.2) | 0.4 | — | 0.2 | 4.2 |

## 32. Explanation of transition to IFRS continued
### Reconciliation of Group net assets at 1 June 2006

| | UK GAAP £m | (1) £m | (2) £m | (3) £m | (4) £m | IFRS £m |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 25.0 | 10.1 | — | — | (0.2) | 34.9 |
| Intangible assets | 9.3 | — | — | — | 0.2 | 9.5 |
| Deferred income tax asset | — | — | — | 1.4 | — | 1.4 |
| | 34.3 | 10.1 | — | 1.4 | — | 45.8 |
| **Current assets** | | | | | | |
| Inventories | 7.1 | — | — | — | — | 7.1 |
| Trade and other receivables | 39.5 | (0.1) | — | — | — | 39.4 |
| Cash and cash equivalents | 0.9 | — | — | — | — | 0.9 |
| | 47.5 | (0.1) | — | — | — | 47.4 |
| **Total assets** | 81.8 | 10.0 | — | 1.4 | — | 93.2 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (33.4) | — | — | — | (0.1) | (33.5) |
| Current income tax liabilities | (0.8) | — | — | — | — | (0.8) |
| Borrowings | (0.4) | — | — | — | — | (0.4) |
| | (34.6) | — | — | — | (0.1) | (34.7) |
| **Non-current liabilities** | | | | | | |
| Trade and other payables | (1.9) | — | — | — | — | (1.9) |
| Borrowings | (13.4) | (10.5) | — | — | — | (23.9) |
| Deferred income tax liabilities | (1.1) | 0.2 | — | (0.3) | — | (1.2) |
| Retirement benefit obligations | (3.2) | — | — | (1.4) | — | (4.6) |
| | (19.6) | (10.3) | — | (1.7) | — | (31.6) |
| **Total liabilities** | (54.2) | (10.3) | — | (1.7) | (0.1) | (66.3) |
| **Net assets/total equity** | 27.6 | (0.3) | — | (0.3) | (0.1) | 26.9 |

# Notes to the group financial statements continued
for the year ended 31 May 2008

## 32. Explanation of transition to IFRS continued
### Reconciliation of Group net assets at 31 May 2007

| | UK GAAP £m | (1) £m | (2) £m | (3) £m | (4) £m | IFRS £m |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 44.3 | 9.8 | — | — | (0.4) | 53.7 |
| Intangible assets | 9.3 | — | 0.5 | — | 0.3 | 10.1 |
| Deferred income tax asset | — | — | — | 1.1 | — | 1.1 |
| | 53.6 | 9.8 | 0.5 | 1.1 | (0.1) | 64.9 |
| **Current assets** | | | | | | |
| Inventories | 8.1 | — | — | — | — | 8.1 |
| Trade and other receivables | 40.0 | (0.1) | — | — | — | 39.9 |
| Derivative financial instruments | — | — | — | — | 0.2 | 0.2 |
| Cash and cash equivalents | 0.1 | — | — | — | — | 0.1 |
| | 48.2 | (0.1) | — | — | 0.2 | 48.3 |
| **Total assets** | 101.8 | 9.7 | 0.5 | 1.1 | 0.1 | 113.2 |
| **Current liabilities** | | | | | | |
| Trade and other payables | (36.6) | — | — | — | (0.1) | (36.7) |
| Current income tax liabilities | (1.0) | — | — | — | — | (1.0) |
| Borrowings | (10.0) | — | — | — | — | (10.0) |
| | (47.6) | — | — | — | (0.1) | (47.7) |
| **Non-current liabilities** | | | | | | |
| Trade and other payables | (0.6) | — | — | — | — | (0.6) |
| Borrowings | (19.5) | (10.5) | — | — | — | (30.0) |
| Deferred income tax liabilities | (1.2) | 0.3 | (0.1) | (0.3) | — | (1.3) |
| Retirement benefit obligations | (2.5) | — | — | (1.0) | — | (3.5) |
| | (23.8) | (10.2) | (0.1) | (1.3) | — | (35.4) |
| **Total liabilities** | (71.4) | (10.2) | (0.1) | (1.3) | (0.1) | (83.1) |
| **Net assets/total equity** | 30.4 | (0.5) | 0.4 | (0.2) | — | 30.1 |

# 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 2008 which comprise the Parent Company Balance Sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of NWF Group plc for the year ended 31 May 2008.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is crossed referred from the Business Review section of the Directors' Report.

In addition, we also report to you if, in our opinion, the Parent Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

## Opinion

In our opinion:

- The Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 May 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
Manchester
13 August 2008

# Parent company balance sheet
as at 31 May 2008

| | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 4 | 25.7 | 22.2 |
| Investments | 5 | 6.0 | 8.7 |
| | | 31.7 | 30.9 |
| **Current assets** | | | |
| Debtors | 6 | 15.7 | 12.2 |
| Cash and bank balances | | 0.1 | 1.8 |
| | | 15.8 | 14.0 |
| **Creditors: amounts falling due within one year** | 7 | (10.7) | (5.6) |
| **Net current assets** | | 5.1 | 8.4 |
| **Total assets less current liabilities** | | 36.8 | 39.3 |
| **Creditors: amounts falling due after more than one year** | 8 | (18.6) | (18.6) |
| **Provisions for liabilities** | | | |
| Deferred tax | 9 | (0.7) | (0.6) |
| **Net assets** | | 17.5 | 20.1 |
| **Capital and reserves** | | | |
| Equity share capital | 10 | 11.7 | 2.3 |
| Share premium | 11 | — | 6.2 |
| Revaluation reserve | 11 | — | 1.4 |
| Other reserves | 11 | — | 0.3 |
| Profit and loss account | 11 | 5.8 | 9.9 |
| **Total equity shareholders' funds** | 12 | 17.5 | 20.1 |

The Parent Company financial statements on pages 58 to 64 were approved by the Board of Directors on 13 August 2008 and were signed on its behalf by:

**R Whiting**
Director

**P Grundy**
Director

The notes on pages 59 to 64 form part of these Parent Company financial statements.

# Notes to the parent company financial statements

for the year ended 31 May 2008

## 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 1985 and applicable Accounting Standards in the U.K. The principal policies, which have been applied consistently throughout the year, 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 230 of the Companies Act 1985. The Company's loss after taxation for the year was £1.3 million (2007: profit of £3.5 million).

### 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 | 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.

### 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.

## 2. Staff costs

The average number of persons (including Directors) employed by the Company during the year was 16 (2007: 15).

Staff costs for the above persons were:

| | 2008 £m | 2007 £m |
|---|---|---|
| Wages and salaries | **1.0** | 0.7 |
| Social security costs | **0.1** | 0.1 |
| Other pension costs | **0.1** | 0.1 |
| | **1.2** | 0.9 |

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 to the Group financial statements.

# Notes to the parent company financial statements continued
for the year ended 31 May 2008

## 4. Tangible fixed assets

| | Freehold land and buildings £m | Plant and machinery £m | Assets under construction £m | Total £m |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 June 2007 | 10.4 | 0.6 | 13.6 | 24.6 |
| Additions | 0.5 | 0.1 | 3.4 | 4.0 |
| Disposals | — | (0.1) | — | (0.1) |
| Group transfers | 17.0 | 0.2 | (17.0) | 0.2 |
| **At 31 May 2008** | **27.9** | **0.8** | **—** | **28.7** |
| **Depreciation** | | | | |
| At 1 June 2007 | 2.0 | 0.4 | — | 2.4 |
| Charge for the year | 0.4 | 0.2 | — | 0.6 |
| Disposals | — | (0.1) | — | (0.1) |
| Group transfers | — | 0.1 | — | 0.1 |
| **At 31 May 2008** | **2.4** | **0.6** | **—** | **3.0** |
| **Carrying amount** | | | | |
| **At 31 May 2008** | **25.5** | **0.2** | **—** | **25.7** |
| At 31 May 2007 | 8.4 | 0.2 | 13.6 | 22.2 |

The cost or valuation of freehold land and buildings included £7.2 million (2007: £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 2008 are: £26.8 million (2007: £9.3 million) cost; £2.7 million (2007: £2.3 million) accumulated depreciation; and £24.1 million (2007: £7.0 million) net book value.

Finance costs capitalised within cost of assets under construction amounted to £0.3 million (2007: £0.4 million).

## 5. Investments in subsidiary undertakings

| | £m |
|---|---|
| **Cost** | |
| At 1 June 2007 | 11.3 |
| Disposals | (2.7) |
| **At 31 May 2008** | **8.6** |
| **Provision for impairment** | |
| At 1 June 2007 | (2.6) |
| Impairment losses for the year | (2.5) |
| Disposals | 2.5 |
| **At 31 May 2008** | **(2.6)** |
| **Carrying amount** | |
| **At 31 May 2008** | **6.0** |
| At 31 May 2007 | 8.7 |

During the year, the Company sold its investment in a dormant subsidiary undertaking, Stention Limited, to another group undertaking. The consideration received and the fair value of net assets of Stention Limited at the date of disposal were £0.2 million and the consideration was settled by way of intercompany account.

Prior to the above disposal, the Company had impaired the investment to reflect the value of the subsidiary's net assets.

## 5. Investments in subsidiary undertakings continued

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 – Distribution operations |
| NWF Fuels Holdings Limited | Holding Company – Fuel operations |
| NWF Retail Holdings Limited | Holding Company – Garden Centre operations |
| Bassett Fuels Limited | Dormant |
| Dragon Petroleum Limited | Dormant |
| Lincolnshire Fuels Limited | Dormant |
| North Western Farmers Limited | Dormant |
| NWF Limited | Dormant |
| Wheatcroft Garden Centre Limited | Dormant |

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

| Company | Business activity |
|---|---|
| Boughey Distribution Limited | Warehousing and distribution |
| NWF Agriculture Limited | Supplier of animal feedstuffs and seeds |
| NWF Fuels Limited | Fuel distribution |
| NWF Retail Limited | Operation of retail garden centres |
| Rivendell Nurseries Limited | Operation of retail garden centres |
| Rivendell Garden Centre Limited | Dormant |
| Arthur A. Gent & Sons Limited | Dormant |
| Stention Limited | Dormant |
| Browns of Burwell Limited | Dormant |
| Nutrition Express Limited | Dormant |
| Broadland Fuels Limited | Dormant |
| JGW Thomas & Son Limited | Dormant |
| Fuel Oil Supply Co Limited | Dormant |
| Knutsford Domestic Fuel Oil Company Limited | Dormant |
| Wheatcroft Nurseries Limited | Dormant |

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

## 6. Debtors

| | 2008 £m | 2007 £m |
|---|---|---|
| Amounts owed by group undertakings | 14.8 | 10.7 |
| Prepayments and accrued income | 0.2 | 0.5 |
| Corporation tax recoverable | 0.7 | 0.8 |
| VAT recoverable | — | 0.2 |
| | 15.7 | 12.2 |

All of the amounts owed by group undertakings shown above are repayable on demand. Included in these amounts is £13.3 million (2007: £10.1 million) which represents loans to group undertakings. Interest is charged on these group loans at 1% above base rate. The remaining amounts are non-interest bearing trade balances.

# Notes to the parent company financial statements continued

for the year ended 31 May 2008

## 7. Creditors: amounts falling due within one year

| | 2008 £m | 2007 £m |
|---|---|---|
| Bank loans and overdrafts | 0.4 | — |
| Amounts owed to group undertakings | 8.5 | 3.1 |
| Accruals and deferred income | 1.8 | 2.5 |
| | 10.7 | 5.6 |

All of the amounts owed to group undertakings shown above are repayable on demand. Included in these amounts is £5.5 million (2007: £nil) which represents loans from group undertakings. Interest is charged on these group loans at 1% above base rate. The remaining amounts are non-interest bearing trade balances.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Bank loans | 18.6 | 18.6 |

At 31 May 2008, there are two bank loans as follows:

- bank loan of £18.4 million, which is drawn under a revolving credit facility of £20.7 million at a variable interest rate of 1.75% above LIBOR; and
- bank loan of £0.3 million, which is non-interest bearing.

At 31 May 2007, there were three bank loans. Term loans of £2.6 million and £7.0 million were both at a variable interest rate of 1.0% above the bank's base rate. A loan of £9.0 million was drawn under a revolving credit facility of £9.0 million, at a variable interest rate of 0.95% above LIBOR.

All bank overdrafts and loans are denominated in Sterling.

Bank loans and overdrafts amounting to £19.0 million (2007: £18.6 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:

| | 2008 £m | 2007 £m |
|---|---|---|
| Within 1 year | 0.4 | — |
| Between 1 – 2 years | 18.6 | 18.6 |
| | 19.0 | 18.6 |

## 9. Deferred taxation

| | 2008 £m | 2007 £m |
|---|---|---|
| Timing differences between capital allowances claimed and depreciation provided | 0.7 | 0.6 |

The movement on the deferred tax provision in the year was as follows:

| | £m |
|---|---|
| At 1 June 2007 | 0.6 |
| Charge to the profit and loss account | 0.1 |
| At 31 May 2008 | 0.7 |

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

## 10. Equity share capital

| | 2008 Number 000's | 2007 Number 000's | 2008 £m | 2007 £m |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 25 pence each | 80,000 | 20,000 | 20.0 | 5.0 |
| **Allotted and fully paid** | | | | |
| Ordinary shares of 25 pence each | 46,931 | 9,142 | 11.7 | 2.3 |

On 4 October 2007, the Company's shareholders approved a bonus issue of four new ordinary shares of 25 pence each ('new ordinary shares') for each existing ordinary share held by a shareholder on the share register at the close of business on 4 October 2007. This resulted in the issue of 37,512,844 new ordinary shares with a total nominal value of £9.3 million.

In order to effect the bonus issue described above, £9.3 million was capitalised from reserves, comprising £6.6 million from share premium, £1.4 million from revaluation reserves, £0.3 million from other reserves and £1.0 million from profit and loss reserves (see note 11).

During the year 275,285 shares of 25 pence each (2007: 2,113 shares) were issued under the Company's approved "Save As You Earn" share option scheme.

The aggregate nominal value of shares issued, including the bonus issue, in the year, was £9.4 million and the consideration received was £0.5 million.

The total number of share options outstanding at 31 May 2008 amounted to 65,000 shares (2007: 243,729 shares).

## 11. Reserves

| | Share premium £m | Revaluation reserve £m | Other reserves £m | Profit and loss £m |
|---|---|---|---|---|
| At 1 June 2007 | 6.2 | 1.4 | 0.3 | 9.9 |
| Loss for the financial year | — | — | — | (1.3) |
| Dividends paid (see below) | — | — | — | (1.8) |
| Ordinary shares issued (note 10) | 0.4 | — | — | — |
| Bonus shares issued (note 10) | (6.6) | (1.4) | (0.3) | (1.0) |
| **At 31 May 2008** | — | — | — | 5.8 |

Details of dividends paid in the year by the Company can be found in note 12 to the Group financial statements.

## 12. Reconciliation of movements in equity shareholders' funds

| | 2008 £m | 2007 £m |
|---|---|---|
| **Opening equity shareholders' funds** | 20.1 | 18.3 |
| (Loss)/profit for the financial year | (1.3) | 3.5 |
| Dividends paid | (1.8) | (1.7) |
| Ordinary shares issued (note 10) | 0.5 | — |
| **Closing equity shareholders' funds** | 17.5 | 20.1 |

## 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

Mr M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £10,147 (2007: £18,000) as a customer of the continuing operations of the Group in the year ended 31 May 2008. At 31 May 2008, the amount outstanding was £1,330 (2007: £nil). During the year, the highest amount outstanding totalled £3,308 (2007: £3,000).

Details of movements in Directors' shareholdings and in Directors' share option entitlements are provided in the Directors' report.

# Notes to the parent company financial statements continued

for the year ended 31 May 2008

## 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 Group had one (2007: one) interest rate cap in place, with a start date of 3 July 2006 and end date of 29 May 2009. The effect of this instrument is to cap the interest payable on £13.2 million (2007: £14.7 million) of the Company's debt at 5.5% per annum.

At 31 May 2008, the fair value of the interest rate cap, not included in the Company's accounts, is £nil (2007: £0.1 million asset). This amount is based on market values of equivalent instruments at the balance sheet date.

At 31 May 2008, the Group also held three (2007: none) interest rate swaps, all of which have 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. 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;
- a forward swap, to take effect on 30 June 2009, with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% from this date for the 18 months ending 31 December 2010; and
- a swap with a notional principal amount of £5.0 million. Fixed annual interest rate terms are 4.7% for the year ending 31 December 2008 and 5.045% for the remaining two years ending 31 December 2010. This instrument is cancellable at the bank's option each quarter end after 31 December 2008.

At 31 May 2008, the fair value of interest rate swaps, not included in the Company's accounts, is £0.1 million (2007: £nil). These fair values are based on market values of equivalent instruments at the balance sheet date.

## 15. Contingent liabilities

The Company is a participant in a banking arrangement 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 2008 to £37.2 million (2007: £28.3 million).

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.

As at 31 May 2008, there was a bond with a value of £0.8 million (2007: £nil) issued to a customer. This bond was redeemed on 30 June 2008.

## Financial calendar

| | |
|---|---|
| Annual General Meeting | 2 October 2008 |
| Final dividend paid | 3 November 2008 |
| Preliminary announcement of half year results | Early February 2009 |
| Publication of interim report | Early February 2009 |
| Interim dividend paid | 1 May 2009 |
| Financial year end | 31 May 2009 |
| Preliminary announcement of full year results | Mid August 2009 |
| Publication of annual report and accounts | Early September 2009 |

## Divisional contacts

| | |
|---|---|
| Distribution | Tel: 01829 260704<br>www.boughey.co.uk |
| Feeds | Tel: 0800 262397<br>www.nwfagriculture.co.uk |
| Fuels | Tel: 01829 260900<br>www.nwffuels.co.uk |

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