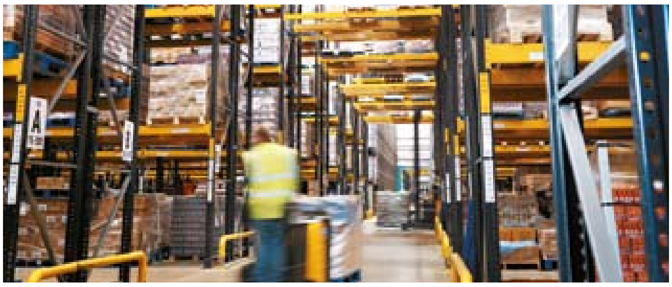
Food Distribution



Feeds

Fuels

NWF Group plc

Annual report and accounts 2009

NWF GROUP PLC

Who are NWF?

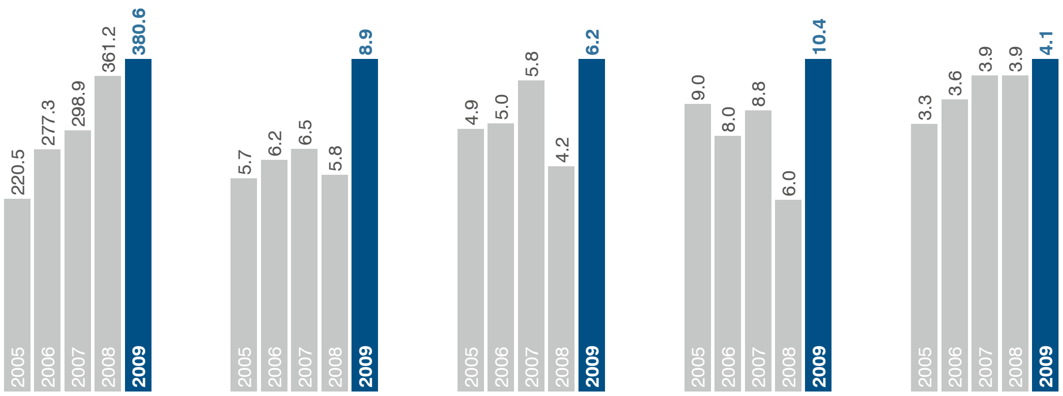
The NWF Group was originally established in 1871 to supply farmers' needs. Today NWF has grown to be a specialist distributor of food, feed and fuel and a PLC on the Alternative Investment Market of the London Stock Exchange. Its three trading divisions in ambient grocery distribution, the manufacture and distribution of animal feeds and the distribution of fuels have been successfully developed from their common roots.

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

Our highlights

- Revenue[1] increased by 5.4% to £380.6 million (2008: £361.2 million)
- Operating profit[1] up 53.4% to £8.9 million (2008: £5.8 million)
- Profit before taxation[1] up 47.6% to £6.2 million (2008: £4.2 million)
- Headline basic earnings per share[1,2] of 10.4p (2008: 6.0p)
- Full year dividend increased by 5.1% to 4.1p per share (2008: 3.9p)
- Reduction in net debt of 63.0% to £19.3 million (2008: £52.1 million)
- Focused the Group as a specialist distributor and completed the sale of the Garden Centres division for £14.5 million

Revenue[1] (£m) +5.4% | Operating profit[1] (£m) +53.4% | Profit before taxation[1] (£m) +47.6% | Headline basic earnings per share[1,2,3] (pence) +73.3% | Dividends per share[3] (pence) +5.1%



[1] From continuing operations only, excluding Garden Centres; 2007 and prior year figures restated.
[2] Excluding £3.5 million (2008: £Nil) exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances.
[3] Earnings per share and dividends per share in 2007 and prior years have been restated for the bonus issue of ordinary shares (4 for 1) on 4 October 2007.

What we do at a glance

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


Food Distribution

Feeds

Fuels

* Group head office and main operating site.

Locations: Food Distribution
Deeside
Wardle

Locations: Feeds
Ayr
Exeter
Penrith
Wardle
Wixland

Locations: Fuels
Acle
Ammanford
Bangor
Boston
Burnley
Burwell
Dyserth
Kingsbury
Leaton
Nottingham
Stoke
Wardle
Yate

Boughey Distribution's market consists primarily of ambient grocery products which require storage and consolidated 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 Food Distribution whereby even the smallest products in sales terms can enjoy the benefits of efficient full-load logistics.

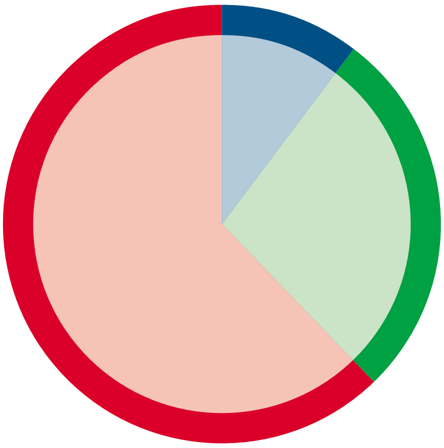
Operational highlights
- At capacity from August 2008
- Won 7,500 pallet spaces of new business
- 99.5% service level (cases delivered on time); focus on operating efficiency and cost reduction

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

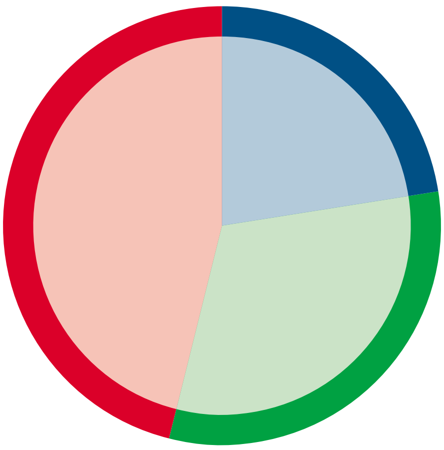
Operational highlights
- Strong performance in significantly volatile raw material markets
- Managed costs and margins effectively
- Introduction of value added products – Ultra Soy and Ultra Pro-R

NWF Fuels is one of the leading distributors of fuel oil in England and Wales delivering to around 30,000 customers annually. It sources its products from various major oil refineries depending on the area of operation. 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. It operates from thirteen depots across the UK.

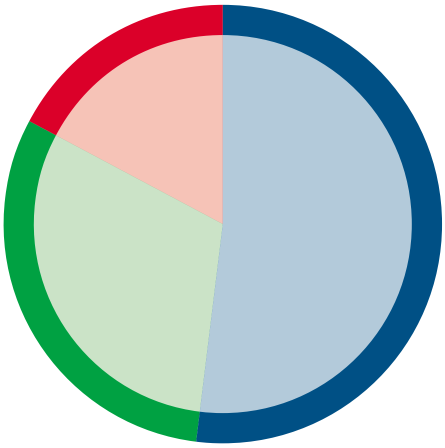
Operational highlights
- Record profits exceeding £4.0 million
- Excellent market conditions; falling oil prices, cold winter, effective team
- One-off benefit of approximately £1.0 million in the year



Revenue[1]
- Food Distribution 10.3%
- Feeds 27.5%
- Fuels 62.2%



Operating profit[1]
- Food Distribution 22.5%
- Feeds 31.5%
- Fuels 46.0%



Net assets[2]
- Food Distribution 52.0%
- Feeds 30.9%
- Fuels 17.1%

[1] From continuing operations only, excluding Garden Centres.
[2] Excludes unallocated corporate assets and liabilities. For further information on segment net assets, see note 4 to the Group financial statements.

Chairman's statement

Mark Hudson **Chairman**

Summary of Chairman's statement

- Revenue[1] increased by 5.4% to £380.6 million (2008: £361.2 million)
- Operating profit[1] up 53.4% to £8.9 million (2008: £5.8 million)
- Profit before taxation[1] up 47.6% to £6.2 million (2008: £4.2 million)
- Headline basic earnings per share[1,2] of 10.4p (2008: 6.0p)
- Full year dividend increased by 5.1% to 4.1p per share (2008: 3.9p)
- Reduction in net debt of 63.0% to £19.3 million (2008: £52.1 million)
- Focused the Group as a specialist distributor and completed the sale of the Garden Centres division for £14.5 million

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

I am pleased to report a very successful year in the development of the Group. We implemented our strategy to focus the Group as a specialist distributor of food, feed and fuel and completed the sale of the Garden Centres division. The proceeds of the sale and our focus on cash and working capital have reduced net debt by over 60%. Our continuing businesses have delivered a record level of profitability, with pre-tax profit up 47.6%, which is an outstanding performance given the difficult general economic backdrop.

Results

Revenue[1] increased by 5.4% to £380.6 million from £361.2 million last year. Operating profit[1] was up 53.4% to £8.9 million (2008: £5.8 million). Of particular note is the outstanding performance in Fuels capitalising effectively on good market conditions. Food Distribution's record performance is on the back of the planned increase in activity following our significant expansion in recent years. Feeds delivered a very strong performance in an environment of continued volatility and falling feed market volumes. Profit before taxation[1] was a record for the Group, up 47.6% to £6.2 million (2008: £4.2 million) and profit after taxation[1] before the exceptional deferred tax charge was £4.9 million (2008: £2.8 million). The loss for the year, after the exceptional deferred tax charge of £3.5 million and the loss on the disposal of Garden Centres of £3.7 million, was £2.3 million (2008: profit of £2.5 million).

"We implemented our strategy to focus the Group as a specialist distributor of food, feed and fuel."

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

The Group completed the sale of the Garden Centres division for a gross consideration of £14.5 million, with the net proceeds used to reduce debt. Headline basic earnings per share[1, 2] were 10.4p, up from 6.0p in 2008. Basic and diluted earnings per share[1] were 3.0p (2008: 6.0p).

Cash flows and funding

The Group generated £14.5 million (2008: absorbed £0.8 million) net cash from operating activities. £5.6 million of working capital was released (2008: £6.7 million absorbed) as a result of management focus and the reduction in key input prices in Feeds and Fuels. Cash used to fund capital expenditure, net of receipts from disposals, was £1.8 million (2008: £6.7 million) as the Group continued to invest in necessary replacement of equipment and fleet. The Group received net proceeds of £13.2 million for the sale of the Garden Centres division in October 2008. As a result of the above, and after repaying £20.6 million of bank borrowings, there was a net increase in cash and cash equivalents of £1.9 million (2008: decrease of £10.5 million). Debt to EBITDA at the year end was 1.6 times (2008: 4.8 times). Interest cover (excluding IAS 19 finance income) for the year was 3.3 times (2008: 3.2 times) and gearing was 81% (2008: 171%).

Dividend

We are proposing an increased final dividend for the year of 3.1p per share (2008: 2.9p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 2 November 2009 to shareholders on the register at 21 August 2009 and shares will be ex div from 19 August 2009. Together with the interim dividend paid during the year of 1.0p per share (2008: 1.0p), this will result in a total dividend for the year of 4.1p per share (2008: 3.9p), a 5.1% increase amounting to a total cost of £1.9 million (2008: £1.8 million).

Divisional overview

The Fuels division produced an outstanding performance as a result of near perfect market conditions with significant falls and volatility in the price of oil, combined with the coldest winter period for some time, and a high quality team focused on performance. Food Distribution continued to make good progress in delivering the potential from the significantly increased storage and distribution capacity in Wardle and strengthened its management team. Feeds delivered a good result in volatile raw material markets where the demand for ruminants fell in the early months of 2009. The sale of the Garden Centres division was completed as planned in the year to establish the Group as a specialist distributor of food, feed and fuel.

Board changes

Shareholders will join me in welcoming Johnathan Ford who joined the Board in March 2009 as Finance Director. Our thanks and appreciation go to Paul Grundy who left the Group at the end of April after five years of excellent service.

Outlook for the current year

Progress to date has been satisfactory with all divisions starting the year as planned. In spite of the poor general economic outlook, demand for the Group's products and services remains robust. We continue to review our markets and development opportunities and have a good platform for the future development of the Group.

My thanks go to all who have supported NWF through the year both inside and outside the Group. I look forward to updating shareholders on the Group's progress at the time of the AGM on 24 September.

Mark Hudson
Chairman
11 August 2009

Business and financial review


Richard Whiting **Chief Executive**


Johnathan Ford **Finance Director**

Summary of business and financial review

- Implemented our strategy to focus as a specialist distributor of food, feed and fuel
- Record performance for NWF
- Profit before taxation[1] up 47.6% to £6.2 million (2008: £4.2 million)
- Reduction in net debt of 63.0% to £19.3 million (2008: £52.1 million)
- Food Distribution's first full year of operations with the substantial capacity expansion at Wardle
- Strong year for Feeds in a market which has seen significant volatility in raw material prices
- Outstanding performance in Fuels, supported by falls in the oil price and a very cold winter

This has been a year of significant development for the Group. The strategy to focus the Group as a specialist distributor of food, feed and fuel was implemented and delivered record results with very strong performances from all three divisions. The Group delivered record operating profits[1] of £8.9 million (2008: £5.8 million) and a record profit before taxation[1], up 47.6% to £6.2 million (2008: £4.2 million). The record performance in Fuels was supported by unprecedented falls in the price of oil and one of the coldest winters in recent years. This has been estimated to have delivered a one-off benefit of the order of £1.0 million to operating profits. The focus on cash resulted in a reduction in net debt of 63.0% to £19.3 million. This has been achieved through improved profitability, significant reductions in working capital and the sale of the Garden Centres division.

[1] From continuing operations only, excluding Garden Centres.

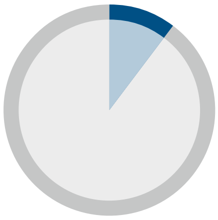
"NWF is now a focused specialist distributor of food, feed and fuel. These are markets that we understand well and they all have opportunities for development. Our trading divisions have scale, good market positions, are profitable and cash generative."

The NWF fleet, comprising of Feeds, Food Distribution and Fuels.

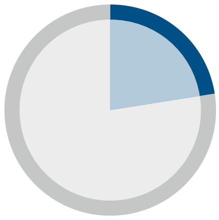
Group results

	2009 £m	2008 £m
Revenue		
Food Distribution	**39.2**	32.9
Feeds	**104.7**	100.1
Fuels	**236.7**	228.2
	380.6	361.2
Operating profit		
Food Distribution	**2.0**	0.5
Feeds	**2.8**	3.1
Fuels	**4.1**	2.2
	8.9	5.8
Finance costs (net)	**(2.7)**	(1.6)
Profit before taxation from continuing operations	**6.2**	4.2
Income tax expense excluding exceptional deferred tax charge	**(1.3)**	(1.4)
Headline profit for the year from continuing operations	**4.9**	2.8
Group shareholders' equity	**23.9**	30.5
Group net debt	**19.3**	52.1

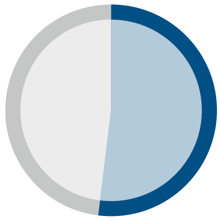
Food Distribution



Revenue 10.3%



Operating profit 22.5%



Net assets 52.0%

115,000
Pallet spaces of storage

99.5%
Service levels (cases delivered on time)

Business and financial review continued

Food Distribution

Boughey Distribution is a specialist warehousing and distribution business of ambient groceries. The core of the business is the consolidation of a number of food manufacturers and importers' products and distribution to the regional distribution centres of the major supermarket groups and to other retail destinations. The business provides a cost-effective solution by distributing full loads across the UK on a daily basis and an expertise working with some of the largest blue chip food brands and retailers in the UK grocery sector.

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 55 acre main Group site at Wardle, Cheshire. This business has over 900,000 square feet of warehousing and 115,000 pallet spaces located at Wardle and Deeside. 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. 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, shrink wrapping, flow-wrapping, 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.

This was the first full year of operations with the significant capacity expansion at Wardle. Revenue increased to £39.2 million (2008: £32.9 million) as sales were generated from the additional volumes stored and distributed in the year. Storage was at full capacity from August 2008 to January 2009 with overall fill at an average of 104,000 pallets, 91% of capacity. This compares very favourably with a fill of 70% in the prior year. As planned, we exited from the leased facility at Winsford at the time of a break in the lease and incurred a one-off £0.3 million operating charge which is included in the result. A very strong operating profit of £2.0 million was delivered (2008: £0.5 million) and the business has scope for continuing to improve the result and deliver on the investment as planned.

Significantly, service levels (cases delivered on time) were at 99.5% through the year and latterly the business has received service level bonuses from some key customers. Once the warehouses were filled, operating efficiency has been the focus with reductions in overtime and labour costs as key measures. Average loads per day increased to 145 from 115 in the prior year. Backloads increased substantially during the year improving fleet utilisation.

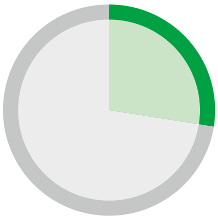
The management team was strengthened early in the year with the appointment of a Warehouse Director to support the experienced team and additional resources have been brought into the business to improve business effectiveness and reduce costs further in a competitive supply chain. A number of customers focused on working capital management and reduced stock levels early in 2009; however, the business has won over 7,500 pallets of new business in total during the year.

Demand for our customers' products has remained stable through the period and supermarkets are all reporting good demand levels for ambient groceries during the recession. The business operates in a competitive supply chain and needs to continually demonstrate the value and service that it is providing to food manufacturers and importers. High service levels and strong operating performance are key components in continuing to develop this business.

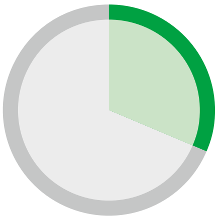
Sophisticated stock control systems ensure correct rotation of products and full traceability from point of receipt to delivery.

The core activity is the manufacture of around 460,000 tonnes per annum of compound and blended animal feeds in facilities across the UK.

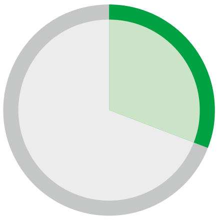
Feeds



Revenue 27.5%



Operating profit 31.5%



Net assets 30.9%

462,000
Total tonnes sold

14%
Market share

Business and financial review continued

Feeds

The market for this division consists primarily of the 14,000 British 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 three million tonnes per annum. The division supplies feed to one in seven dairy cows in Great Britain.

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 activity is the manufacture of around 330,000 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 130,000 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 14% today. The feed mills have been continuously updated to the highest standards of quality, efficiency, compliance and traceability. Around 6,000 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, who 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.

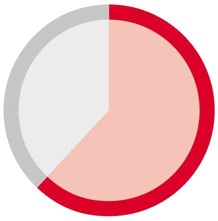
This was a very strong year for Feeds in a marketplace which has seen significant volatility in raw material prices, declining milk prices and overall milk output, particularly marked in the early months of 2009. Revenue increased by 4.6% to £104.7 million (2008: £100.1 million) and operating profit was £2.8 million (2008: £3.1 million). In the prior year, the business benefited from forward purchases of raw materials in a rising raw material market. Volumes reduced to 462,000 tonnes (2008: 517,000 tonnes) as the business focused more on direct sales to farmers and reduced volumes with groups and wholesalers. There has been no reduction in market share with farmers on a direct basis.

Milk prices came under pressure again in the year with the average farm gate price falling 7% in the year to 23.3p, increasing the pressure on the dairy farmer. Milk output fell by 1.9% to just under eleven billion litres. This in turn led to a fall in ruminant feed of 5.1%, which was more marked in the calendar year 2009 with volumes down 8.4%. Volume reductions have been exacerbated by the differential in price between feed and the spot market with farmers using home grown cereals. Raw material volatility has continued, with wheat and soya both falling by over 40% in the period between June and December 2008.

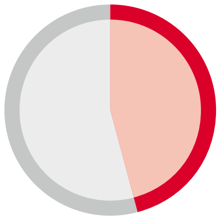
The business has focused on building its relationships with the dairy farmer and increasing sales coverage in the South where the business has some significant development opportunities. Margin management and cost and operating efficiencies have enabled the business to deliver its second highest ever operating profit despite this tough trading environment.

To deliver added value for the business, sheep nuggets were produced in Wardle in 2009 on a new 12mm die. Ultra Soy and Ultra Pro-R which are protected proteins supporting greater milk yield were launched with manufacturing equipment located at Wardle. In addition the business implemented a number of cost saving initiatives in the year.

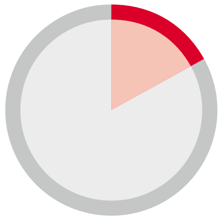
Fuels



Revenue 62.2%



Operating profit 46.0%



Net assets 17.1%

355
Total million litres sold

13
Fuel depots

Business and financial review continued

Fuels

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

NWF Fuels' distribution network is built around its 13 strategically located oil 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 business delivers a wide range of products to domestic and commercial customers and 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 over 350 million litres per annum with a good balance between automotive and heating fuels.

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

Over many years, the business 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 a Difference" as it firmly believes that is how it best differentiates itself from its competitors.

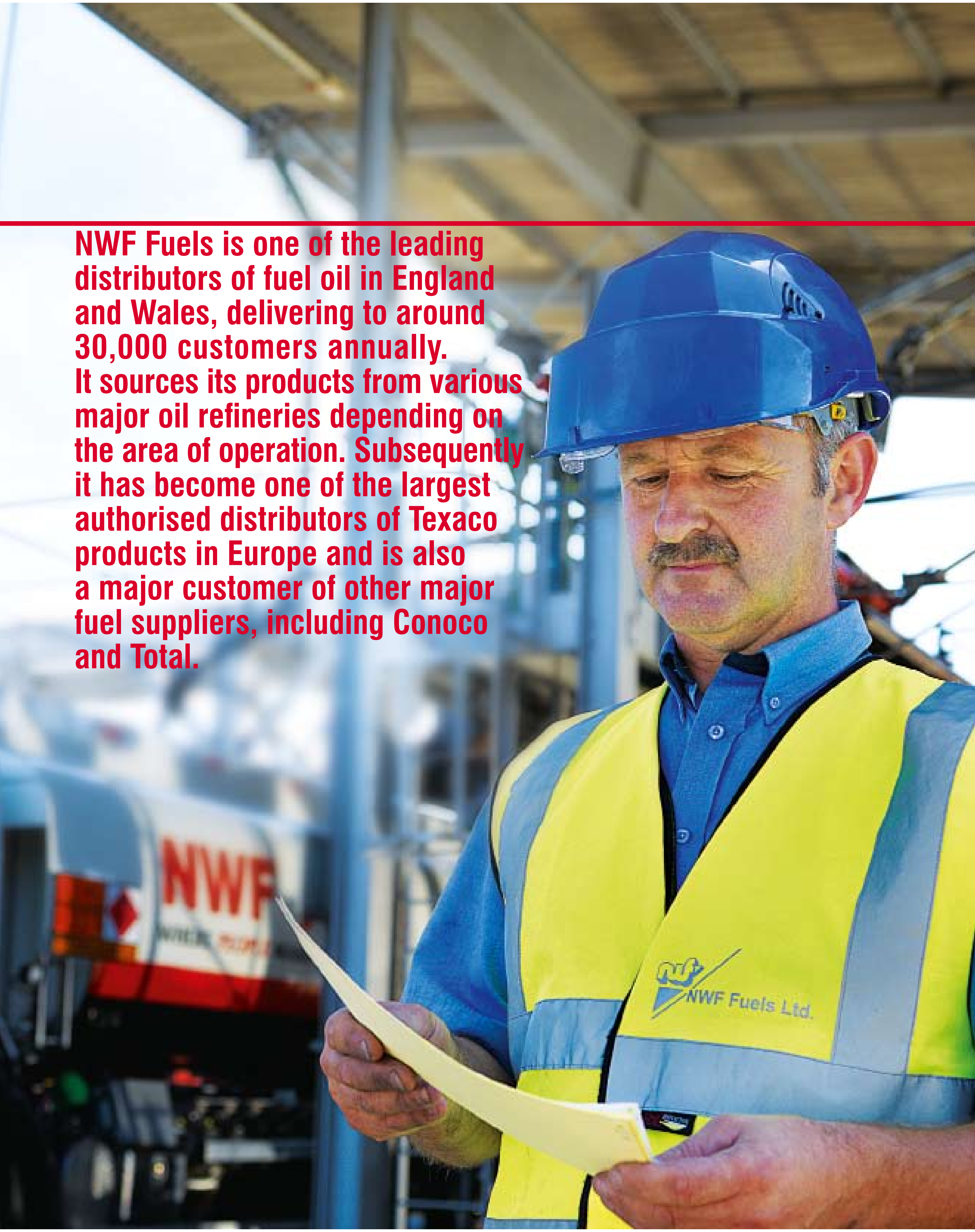
This has been a record year for the division which has operated very successfully during the period when there were record falls in the price of oil and we experienced very cold winter conditions.

Revenue increased 3.7% to £236.7 million (2008: £228.2 million). Overall sales volumes increased by 2.3% to 355 million litres (2008: 347 million litres), with growth in heating oil, gas oil and diesel, whilst petrol declined. This follows the trend of declining sales at our retail petrol sites. If retail is stripped out, volume growth was 4.4%. The overall market for our oil products fell by 3.1% in the calendar year 2008 on 2007, however critically the market volume for Kerosene (heating oil) in the winter months was 75% up on prior year reflecting the significantly cold weather.

The volatility and fall in oil prices has been well documented. At the start of the year Brent crude was $128 per barrel, rising to $144 in August and falling to a low in December of $36 and ending the year at $64 per barrel.

The combination of these favourable factors and an effective, depot based team delivered an outstanding performance with operating profits up 86.4% to a record of £4.1 million (2008: £2.2 million). We have estimated that approximately £1.0 million of this operating profit is one-off as a result of the unique combination of factors in 2008/9.

The exceptional performance was replicated across the depot network with performance of particular note at Wardle, Nottingham, Ammanford and Burwell. The result was delivered by exceptional levels of service through the key winter months where all depot teams worked long hours and utilised their tankers 24/7 to meet the needs of our customers. The commitment of our staff to get oil to any customer who experienced a run out on the same day was industry leading and appreciated by both domestic and commercial customers.



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

Group results
Year ended 31 May

	2009 £m	2008 £m
Continuing operations		
Revenue	**380.6**	361.2
Operating profit	**8.9**	5.8
Net finance income in respect of defined benefit pension scheme	—	0.2
Other finance costs (net)	(2.7)	(1.8)
Total finance costs (net)	(2.7)	(1.6)
Profit before taxation from continuing operations	6.2	4.2
Income tax expense including exceptional deferred tax charge	(4.8)	(1.4)
Profit for the year before exceptional deferred tax charge	4.9	2.8
Exceptional deferred tax charge	(3.5)	—
Profit for the year from continuing operations	1.4	2.8
Discontinued operations		
Loss for the year from discontinued operations	(3.7)	(0.3)
(Loss)/profit for the year	(2.3)	2.5

Balance sheet
As at 31 May

	2009 £m	2008 £m
Tangible and intangible fixed assets	**42.1**	43.1
Assets held for sale (net of liabilities)	—	15.3
Net working capital	**12.3**	19.5
Short-term borrowings	**(2.8)**	(4.9)
Medium-term borrowings	**(16.5)**	(37.1)
Current tax liabilities	**(1.2)**	—
Deferred tax liabilities (net)	**(3.3)**	(1.0)
Retirement benefit obligations	**(6.7)**	(4.4)
Net assets	**23.9**	30.5

Business and financial review continued

Garden Centres (discontinued operations)

The sale of the Garden Centres division was completed in October 2008 for a gross consideration of £14.5 million to Notcutts, a garden centre retailer based near Ipswich. The sale was of the shares in the business and all consideration has been received in full, the net proceeds of which have been used to significantly reduce net debt.

Group results

Group revenue[1] increased by 5.4% to £380.6 million (2008: £361.2 million). Operating profit[1] was £8.9 million (2008: £5.8 million), a 53.4% increase.

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

Total net finance costs[1] increased from £1.6 million in 2008 to £2.7 million in 2009. The increase in finance costs is due to the inclusion of a net cost of £0.5 million incurred to terminate certain interest rate hedging instruments following the disposal of the Garden Centres division and £0.3 million of costs for amortised bank arrangement fees. In addition the finance cost in 2008 benefited from £0.3 million of interest costs that were capitalised as part of the warehouse expansion project. Interest cover (excluding IAS 19 finance income) increased to 3.3 times (2008: 3.2 times).

The tax charge[1], including full provision for deferred tax, was £4.8 million (2008: £1.4 million). The tax charge for 2009 includes an exceptional deferred tax charge of £3.5 million (2008: £Nil) which has arisen due to the phasing out of industrial buildings allowances which came into effect in July 2008. Excluding the impact of the exceptional deferred tax charge and adjustments in respect of prior years, the effective tax rate is 31.0% (2008: 33.3%). The decrease in effective rate has principally been due to the reduction in the UK corporation tax rate to 28.0% (2008: 29.7%). The Group's future underlying rate of tax is expected to remain above the standard rate due to its ongoing level of disallowable expenditure.

Headline basic earnings per share[1, 2] were 10.4p (2008: 6.0p). Basic and diluted earnings per share[1] were each 3.0p (2008: 6.0p).

Balance sheet

Group net assets decreased to £23.9 million (2008: £30.5 million) principally due to the loss on disposal of the Group's Garden Centre operations, an increase in the deficit on the Group's defined benefit pension scheme and the decrease in the fair value of an interest rate hedging instrument.

Capital additions to tangible and intangible assets during 2009 reduced to £2.8 million compared to £7.8 million in 2008. Included in 2008 capital additions was £4.6 million relating to the investment in new Food Distribution warehousing at Wardle.

Net working capital reduced to £12.3 million (2008: £19.5 million). Within net working capital, trade and other receivables decreased to £43.5 million (2008: £51.4 million), due mainly to the impact of reduced prices for both raw materials in Feeds and oil related products in Fuels.

The deficit on the Group's defined benefit pension scheme increased from £4.4 million to £6.7 million. The increase has arisen due to the decrease in the fair value of the pension scheme assets at 31 May 2009 being larger than the reduction in the pension scheme obligations.

Total Group net debt has decreased to £19.3 million (2008: £52.1 million).

Cash flow and banking facilities

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

Net cash generated from operating activities was £14.5 million (2008: £0.8 million absorbed). Operating cash flow before working capital movements increased from £10.7 million to £12.1 million. In addition, there was a favourable overall movement in working capital of £5.6 million (2008: adverse £6.7 million) mainly as a result of the impact of reduced 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 £1.8 million (2008: £6.7 million) as the capital investment programme in Food Distribution warehousing was completed in 2008.

On 2 October 2008, the Group completed the disposal of its entire interest in the ordinary share capital of NWF Retail Holdings Limited, the parent company of a number of subsidiaries which carried out all of the Garden Centre operations for a net consideration, after disposal costs, of £13.2 million.

Payments in respect of acquisitions completed in prior years amounted to £0.6 million (2008: £1.3 million). There are no similar payments outstanding at 31 May 2009.

There was an overall net increase in cash and cash equivalents of £1.9 million (2008: £10.5 million decrease).

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

Cash flow and banking facilities
Year ended 31 May

	2009 £m	2008 £m
Operating cash flow before working capital	**12.1**	10.7
Working capital movements	**5.6**	(6.7)
Interest paid	**(3.0)**	(3.5)
Tax paid	**(0.2)**	(1.3)
Net cash generated from/(absorbed by) operating activities	**14.5**	(0.8)
Capital expenditure (net of receipts from disposals)	**(1.8)**	(6.7)
Disposal of subsidiaries (net of cash disposed of)	**13.2**	—
Deferred acquisition payments	**(0.6)**	(1.3)
Net cash generated/(absorbed) before financing activities	**25.3**	(8.8)
Net decrease in bank borrowings	**(20.6)**	—
Dividends paid	**(1.8)**	(1.8)
Other financing cash flows	**(1.0)**	0.1
Net increase/(decrease) in cash and cash equivalents	**1.9**	(10.5)

At 31 May 2009, the Group had total committed bank facilities of up to £41.7 million (2008: £56.5 million). Headroom under these facilities at 31 May 2009 was £26.9 million (2008: £19.3 million). These facilities, provided by The Royal Bank of Scotland, are committed through to May 2011, with the exception of the bank overdraft facility, which is renewed annually. The level of committed facilities varies with the level of trade debtors and is subject to conventional banking covenants.

Treasury policy and financial risk management
The Group's policy in respect of treasury risk has not changed in the year ended 31 May 2009. 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. At 31 May 2009, there were open forward supply contracts with a principal value of £18.8 million (2008: £18.5 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £Nil (2008: £0.2 million). The Group has not designated any of these contracts as hedging instruments during the year. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £0.2 million have been charged (2008: £0.1 million credited) to the income statement in the year.

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

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

The disposal of the Garden Centres division and the subsequent reduction in net debt resulted in the decision to terminate two of the above swaps during the year ended 31 May 2009. As a result, at 31 May 2009, the Group held one forward swap, to take effect on 30 June 2009, with a notional principal amount of £15 million and a fixed annual interest charge of 5.045% for an 18-month term ending on 31 December 2010. This instrument has been designated and is effective as a cash flow hedge for the entire period from its inception date, 31 December 2007, to 31 May 2009.

The disposal of the Group's Garden Centre operations and reduction in net debt has resulted in the Group being fully hedged at 31 May 2009, having retained the £15 million forward swap noted above. Once this swap has expired on 31 December 2010, the Group's policy will be 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.

The total fair value of swaps held at 31 May 2009 is estimated at £0.9 million in the bank's favour (2008: £0.1 million in the Group's favour).

Changes in the fair value of non-hedging interest rate swaps amounting to £0.7 million have been charged to the income statement in the year (2008: £0.1 million credited).

Changes in the fair value of the hedging interest rate swap, amounting to £1.0 million, have been deferred in equity in the year (2008: £Nil).

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
The market price per share of the Company's shares at 31 May 2009 was 99p (2008: 145p) and the range of market prices during the year was between 70p and 164p.

Richard Whiting
Chief Executive
11 August 2009

Johnathan Ford
Finance Director
11 August 2009

Board of directors

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

Mark Hudson 62
Non-Executive Chairman of the Board
Joined the Board in 1985, became Chairman in 2006. An agricultural business adviser and dairy farmer. Past President of the CLA, chairman of the Game and Wildlife Conservation Trust and member of council, Duchy of Lancaster.

Richard Whiting 45
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.

Johnathan Ford 39
Finance Director
Joined as Finance Director on 16 March 2009. Previously divisional finance director of the Emergency Services Division of listed support services company, Homeserve Plc and Head of Corporate Finance at Kidde Plc.

John Acornley 55
Senior Non-Executive Director
Chairman of Audit Committee
Joined the Board in 2001. Extensive public and private company experience at board level. Currently non-executive chairman of two privately owned companies.

David Southworth 60
Non-Executive Director
Chairman of Remuneration Committee
Joined in May 2006. Previously chief executive and chairman of Skillsgroup plc. Currently non-executive chairman of three businesses in diverse market sectors.

Company Secretary
Rob Andrew 46
Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc.

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

Senior management

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

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

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

Advisers

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 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 2009

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 2009.

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

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

On 2 October 2008, the Group completed the disposal of its entire interest in the ordinary share capital of NWF Retail Holdings Limited, the parent company of a number of subsidiaries which carried out all of the Garden Centre operations. Further details on discontinued operations can be found in note 11.

Results and dividends
The Group profit before taxation for the year ended 31 May 2009 amounted to £6.2 million (2008: £4.2 million). Profit for the year from continuing operations was £1.4 million (2008: £2.8 million). The loss for the year from discontinued operations was £3.7 million (2008: £0.3 million). The loss for the year attributable to equity shareholders was £2.3 million (2008: profit of £2.5 million).

The Directors recommend a final dividend for the year of 3.1p per share (2008: 2.9p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 2 November 2009. Together with the interim dividend paid during the year of 1.0p per share (2008: 1.0p), this will result in a total dividend of 4.1p per share (2008: 3.9p) amounting to £1.9 million (2008: £1.8 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 2009 and 31 May 2008, were as follows:

	Ordinary shares	
	31 May 2009 Number	31 May 2008 or date of appointment if later Number
J K Acornley	**10,000**	10,000
J R Ford (appointed 16 March 2009)	**20,000**	—
P Grundy (resigned 30 April 2009)	**7,000**	2,000
M H Hudson	**557,600**	557,600
D R Southworth	**100,000**	—
R A Whiting	**10,000**	10,000

During the year, the Group implemented a new performance share plan ('the Plan') for senior executives, details of which can be found in note 7 of the Group financial statements.

The market price of the Company's shares at the end of the financial year was 99p and the range of market prices during the year was between 70p and 164p.

J K Acornley and J R Ford 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 30 to the Group financial statements.

Substantial shareholdings
As at 31 July 2009, the Company has been notified of declarable interests in its issued ordinary share capital by Atorka Group, an Icelandic investment group, amounting to 25.2%.

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

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

Creditor payment policy
Whilst no formal code or standard of payment practice is followed, the Group policy is to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the agreed terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. The Group has complied with this policy during the year. The Company has no trade creditors (2008: £Nil).

The Group's average credit payment period in respect of continuing operations at 31 May 2009 was 31 days (2008: 36 days).

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

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

Notice of Annual General Meeting
A Notice of AGM, with accompanying explanatory notes, is contained on pages 65 to 68.

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 418 of the Companies Act 2006.

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

By order of the Board

S R Andrew
Company Secretary

Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

11 August 2009

Corporate governance statement

The Board is committed to achieving high standards of corporate governance, integrity and business ethics for all of the activities of the Group. Under the rules of AIM, the Group is not required to comply with the 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 and Finance Director’s appointments were approved by the Board, after receiving a recommendation from a committee of the Board consisting of the Non-Executive Directors that was formed specifically for that purpose. The committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants.

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

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

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

Audit Committee

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

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

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

Remuneration Committee

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

Non-Executive Directors

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

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

Internal control

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

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

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

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

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

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

Shareholders

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

Statement of directors' responsibilities

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

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

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

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

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

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

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

By order of the Board

S R Andrew
Company Secretary

Wardle
Nantwich
Cheshire
CW5 6BP
Registered number: 2264971

11 August 2009

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 2009 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 May 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Other matter
We have reported separately on the Parent Company financial statements of NWF Group plc for the year ended 31 May 2009.

N Gower (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
11 August 2009

Consolidated income statement
for the year ended 31 May 2009

	Note	2009 £m	2008 £m
Continuing operations			
Revenue	3,4	**380.6**	361.2
Cost of sales		**(357.7)**	(344.3)
Gross profit		**22.9**	16.9
Administrative expenses		**(14.0)**	(11.1)
Operating profit	4	**8.9**	5.8
Finance income	8	**—**	0.3
Finance costs	9	**(2.7)**	(1.9)
Profit before taxation	5	**6.2**	4.2
Income tax expense including exceptional deferred tax charge	10	**(4.8)**	(1.4)
Profit for the year before exceptional deferred tax charge*		**4.9**	2.8
Exceptional deferred tax charge	10	**(3.5)**	—
Profit for the year from continuing operations		**1.4**	2.8
Discontinued operations			
Loss for the year from discontinued operations	11	**(3.7)**	(0.3)
(Loss)/profit for the year attributable to equity shareholders	24	**(2.3)**	2.5
Earnings/(loss) per share (pence)			
From continuing operations			
Basic	13	**3.0**	6.0
Diluted	13	**3.0**	6.0
From continuing and discontinued operations			
Basic	13	**(4.9)**	5.3
Diluted	13	**(4.9)**	5.3
Headline earnings per share from continuing operations*			
Basic	13	**10.4**	6.0
Diluted	13	**10.4**	6.0

* Headline earnings represents profit for the year from continuing operations before exceptional deferred tax charge (see note 13).

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

Consolidated statement of recognised income and expense

for the year ended 31 May 2009

	Note	2009 £m	2008 £m
Actuarial loss on defined benefit pension scheme	25	**(2.7)**	(1.1)
Decrease in fair value of interest rate hedging instrument	24	**(1.0)**	—
Taxation on items taken directly to equity	22	**0.9**	0.3
Net expense recognised directly in equity		**(2.8)**	(0.8)
Fair value loss on interest rate hedging instrument transferred to income	21	**0.1**	—
(Loss)/profit for the year attributable to equity shareholders	24	**(2.3)**	2.5
Total recognised (expense)/income for the year		**(5.0)**	1.7

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

Consolidated balance sheet
as at 31 May 2009

	Note	2009 £m	2008 £m
Non-current assets			
Property, plant and equipment	14	**36.7**	37.6
Intangible assets	15	**5.4**	5.5
Deferred income tax assets	22	**2.2**	1.2
		44.3	44.3
Current assets			
Inventories	16	**3.3**	4.6
Trade and other receivables	17	**43.5**	51.4
Derivative financial instruments	21	**0.2**	0.9
Assets held for sale	11	**—**	30.4
		47.0	87.3
Total assets		**91.3**	131.6
Current liabilities			
Trade and other payables	19	**(33.6)**	(36.8)
Current income tax liabilities		**(1.2)**	—
Borrowings	20	**(2.8)**	(4.9)
Derivative financial instruments	21	**(1.1)**	(0.6)
Liabilities directly associated with assets classified as held for sale	11	**—**	(15.1)
		(38.7)	(57.4)
Non-current liabilities			
Borrowings	20	**(16.5)**	(37.1)
Deferred income tax liabilities	22	**(5.5)**	(2.2)
Retirement benefit obligations	25	**(6.7)**	(4.4)
		(28.7)	(43.7)
Total liabilities		**(67.4)**	(101.1)
Net assets		**23.9**	30.5
Equity			
Share capital	23	**11.7**	11.7
Other reserves	24	**(0.7)**	—
Retained earnings	24	**12.9**	18.8
Total shareholders' equity		**23.9**	30.5

The Group financial statements on pages 23 to 56 were approved by the Board of Directors on 11 August 2009 and were signed on its behalf by:

R A Whiting
Director

J R Ford
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 2009

	Note	2009 £m	2008 £m
Net cash generated from/(absorbed by) operating activities	27	**14.5**	(0.8)
Cash flows from investing activities			
Purchase of intangible assets		**(0.1)**	(0.3)
Purchase of property, plant and equipment		**(2.0)**	(6.5)
Proceeds on sale of property, plant and equipment		**0.3**	0.1
Disposal of subsidiaries, net of cash disposed of	11	**13.2**	—
Deferred acquisition payments		**(0.6)**	(1.3)
Net cash generated from/(absorbed by) investing activities		**10.8**	(8.0)
Cash flows from financing activities			
Proceeds on issue of ordinary shares		**—**	0.5
Proceeds from bank borrowings		**—**	0.2
Bank loan issue costs		**—**	(0.2)
Repayment of bank borrowings		**(20.6)**	—
Capital element of finance lease and hire purchase payments		**(1.0)**	(0.4)
Dividends paid		**(1.8)**	(1.8)
Net cash absorbed by financing activities		**(23.4)**	(1.7)
Net increase/(decrease) in cash and cash equivalents	28	**1.9**	(10.5)

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 2009

1. General information

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

The address of the Company's registered office is NWF Group plc, Wardle, Nantwich, Cheshire CW5 6BP.

The Company has its primary listing on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 11 August 2009.

2. Accounting policies

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

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), International Financial Reporting Interpretation Committee ('IFRIC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the historical cost convention modified for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are outlined in the critical accounting estimates and judgements section of these accounting policies. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Adoption of new and revised International Financial Reporting Standards

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

Amendment to IFRIC 9 and IAS 39	'Embedded Derivatives'
Amendment to IFRS 7	'Improving Disclosures about Financial Instruments'
Amendments to IAS 39 and IFRS 7	'Reclassification of Financial Assets'
Amendment to IAS 39	'Financial Instruments: Eligible Hedged Items'
Amendment to IAS 27	'Consolidated and Separate Financial Statements'
Amendments to IAS 32 and IAS 1	'Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation'
IFRS 3 (revised)	'Business Combinations'
IAS 27 (revised)	'Consolidated and Separate Financial Statements'
Amendment to IFRS 2	'Share-based Payments'
IAS 1 (revised)	'Presentation of Financial Statements'
Amendment to IAS 23	'Borrowing Costs'
IFRS 8	'Operating Segments'
IFRIC 13	'Customer Loyalty Programmes'
IFRIC 15	'Agreement for the Construction of Real Estate'
IFRIC 16	'Hedges of a Net Investment in a Foreign Operation'
IFRIC 17	'Distributions of Non-cash Assets to Owners'
IFRIC 18	'Transfer of Assets from Customers'

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 2009

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:

Food 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 expenditure 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	10–50 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 2009

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 asset and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

Share-based payments

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

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

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

This policy was not applied in prior years due to the amounts involved being immaterial.

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.

2. Accounting policies continued

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.

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:

	2009 £m	2008 £m
Continuing operations		
Sale of goods	**341.4**	328.3
Rendering of services	**39.2**	32.9
Total revenue from continuing operations	**380.6**	361.2
Discontinued operations		
Sale of goods (see note 11)	**6.4**	21.8
	387.0	383.0

Notes to the group financial statements continued

for the year ended 31 May 2009

4. Segment information

For management purposes, the Group is currently organised into three main operating businesses – Food Distribution, Feeds and Fuels. These businesses are the basis upon which the Group reports its primary segment information. As described in note 11, the Group classified the Garden Centres business as a discontinued operation prior to 31 May 2008 and completed the disposal of the business on 2 October 2008.

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

Principal activities are summarised below:

Continuing operations

Food 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

Segment information about the above businesses is presented below.

Discontinued operations

Garden Centres – operation of large retail garden centres

2009	Food Distribution £m	Feeds £m	Fuels £m	Group £m
Revenue				
Total revenue	39.6	104.7	242.9	387.2
Inter-segment revenue	(0.4)	—	(6.2)	(6.6)
Revenue	39.2	104.7	236.7	380.6
Result				
Operating profit	2.0	2.8	4.1	8.9
Finance costs (net)				(2.7)
Profit before taxation				6.2
Income tax expense including exceptional deferred tax charge (note 10)				(4.8)
Loss for the year from discontinued operations (note 11)				(3.7)
Loss for the year				(2.3)
Other information				
Capital additions – continuing operations	1.0	0.4	1.4	2.8
Depreciation and amortisation – continuing operations	1.8	0.9	0.8	3.5

2009	Food Distribution £m	Feeds £m	Fuels £m	Group £m
Balance sheet				
Assets				
Segment assets	32.7	24.7	31.7	89.1
Unallocated corporate assets				2.2
Consolidated total assets				91.3
Liabilities				
Segment liabilities	(3.9)	(7.6)	(22.2)	(33.7)
Unallocated corporate liabilities				(33.7)
Consolidated total liabilities				(67.4)

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.

4. Segment information continued

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

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

2008	Food 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 taxation				4.2
Income tax expense (note 10)				(1.4)
Loss for the year from discontinued operations (note 11)				(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	Food 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)

Notes to the group financial statements continued

for the year ended 31 May 2009

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2009 £m	2008 £m
Cost of inventories recognised as an expense (included in cost of sales)	**319.7**	305.7
Depreciation of property, plant and equipment	**3.3**	2.7
Amortisation of other intangible assets	**0.2**	0.2
Profit on disposal of property, plant and equipment	**—**	(0.1)
Operating lease charges – land and buildings	**0.9**	1.0
Operating lease charges – other	**3.3**	2.8
Staff costs (note 6)	**28.2**	24.9

Services provided by the Company's auditor

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

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated annual accounts	**25**	24
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	**60**	72
– taxation services	**78**	74
– other services	**60**	11
Total auditor's remuneration	**223**	181

6. Staff costs

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

	2009 Number	2008 Number
Food Distribution	**583**	544
Feeds	**172**	177
Fuels	**145**	140
Head Office	**15**	16
Continuing operations	**915**	877

The average number of persons (including Directors) employed in the discontinued operations of the Group during the period to the date of disposal was 518 (2008: 561).

Staff costs for the above persons were:

	2009			2008		
	Continuing operations £m	**Discontinued operations £m**	**Group £m**	Continuing operations £m	Discontinued operations £m	Group £m
Wages and salaries	**24.7**	**1.5**	**26.2**	22.0	4.6	26.6
Social security costs	**2.3**	**0.1**	**2.4**	1.9	0.4	2.3
Share-based payments (note 26)	**0.2**	**—**	**0.2**	—	—	—
Other pension costs (note 25)	**1.0**	**—**	**1.0**	1.0	0.1	1.1
	28.2	**1.6**	**29.8**	24.9	5.1	30.0

6. Staff costs continued

In addition to the above staff costs, the Group incurred £2.5 million (2008: £2.5 million) in respect of costs of agency workers in its continuing operations.

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

7. Remuneration of Directors

	2009 £'000	2008 £'000
Emoluments	**792**	614
Compensation for loss of office	**235**	—
Gain on exercise of share options	**—**	69
Contributions to defined contribution pension schemes	**84**	52
	1,111	735

In addition to the above, the Group recognised total expenses of £51,000 in respect of equity-settled share-based payment transactions with Directors in the year ended 31 May 2009 (2008: £Nil).

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

Performance share plan ('the Plan')

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

It is anticipated that the award of shares under the Plan will be satisfied from ordinary shares acquired by the NWF Group plc Employee Benefit Trust, which has been established during the year ended 31 May 2009.

Awards made to Directors under the Plan in the year ended 31 May 2009 are noted below.

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

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

	2009 Number	2008 Number
The number of Directors who:		
– are members of a defined contribution pension scheme at the year end	**2**	2
– are members of a defined benefit pension scheme at the year end	**—**	—
– had awards receivable in the form of shares under a long-term incentive scheme	**1**	—

Highest paid Director	**2009 £'000**	2008 £'000
Salary and benefits	**260**	163
Performance related bonus	**233**	83
Contributions to defined contribution pension schemes	**70**	45
	563	291

In addition to the above, the Group recognised total expenses of £51,000 in respect of equity-settled share-based payment transactions with the highest paid Director in the year ended 31 May 2009 (2008: £Nil).

At 31 May 2009, the highest paid Director had an accrued pension of £Nil under the Group's defined benefit pension scheme (2008: £Nil).

Notes to the group financial statements continued
for the year ended 31 May 2009

8. Finance income

	2009 £m	2008 £m
Interest on bank deposits	—	0.1
Net finance income in respect of defined benefit pension scheme (note 25)	—	0.2
	—	0.3

9. Finance costs

	2009 £m	2008 £m
Interest on bank loans and overdrafts	2.3	2.1
Less: amount capitalised within property, plant and equipment	—	(0.3)
	2.3	1.8
Fair value loss on interest rate instrument transferred from equity (note 24)	0.1	—
Interest payable under finance leases and hire purchase agreements	0.3	0.1
	2.7	1.9

10. Income tax expense

	2009 £m	2008 £m
Current tax		
UK corporation tax on profits for the year	2.1	0.9
Adjustment in respect of prior years	(0.5)	(0.4)
Current tax expense	1.6	0.5
Deferred tax		
Origination and reversal of temporary differences	(0.2)	0.5
Adjustment in respect of prior years	(0.1)	0.4
Deferred tax (credit)/expense before exceptional deferred tax charge	(0.3)	0.9
Exceptional deferred tax charge arising from phased withdrawal of industrial buildings allowances	3.5	—
Deferred tax expense (note 22)	3.2	0.9
Total income tax expense	4.8	1.4

Corporation tax for the year ended 31 May 2009 has been calculated at 28.0% of estimated assessable profit for the year. As a result of the change in the UK corporation tax rate, effective from 1 April 2008, corporation tax for the year ended 31 May 2008 was calculated at an effective rate of 29.67%.

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

10. Income tax expense continued

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

	2009 £m	2008 £m
Profit before taxation	**6.2**	4.2
Profit before taxation multiplied by the standard rate of UK corporation tax of 28.0% (2008: 29.67%)	**1.7**	1.2
Effects of:		
– phased withdrawal of industrial buildings allowances	**3.5**	—
– adjustments in respect of prior years	**(0.6)**	—
– expenses not deductible for tax purposes	**0.2**	0.2
Total income tax expense	**4.8**	1.4

Details of the income tax expense, in respect of discontinued operations, is shown in note 11.

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 and the effect of the phasing out of industrial buildings allowances.

11. Discontinued operations

Prior to 31 May 2008, the Board had resolved to dispose of the Group's Garden Centre operations and negotiations with several interested parties had taken place. These operations, which were expected to be sold within twelve months of the financial year end, were classified as a discontinued operation at 31 May 2008.

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

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

	2009 £m	2008 £m
Revenue	**6.4**	21.8
Expenses	**(7.0)**	(22.2)
Loss before taxation	**(0.6)**	(0.4)
Income tax expense	**—**	0.1
Loss after taxation from discontinued operations	**(0.6)**	(0.3)
Loss on disposal of discontinued operations	**(3.1)**	—
Loss for the year from discontinued operations	**(3.7)**	(0.3)

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:

	2009 £m	2008 £m
Operating cash flows	**(0.2)**	3.5
Investing cash flows	**—**	(1.4)
Net cash flows	**(0.2)**	2.1

The above table excludes the cash consideration received on disposal.

Notes to the group financial statements continued

for the year ended 31 May 2009

11. Discontinued operations continued

The net assets of the discontinued operation at 31 May 2008 and at 2 October 2008 (date of disposal), the net proceeds and the loss on disposal of discontinued operations were:

	2 October 2008 £m	31 May 2008 £m
Assets held for sale		
Goodwill	4.6	4.6
Computer software	0.1	0.1
Property, plant and equipment	19.9	19.9
Inventories	4.5	4.4
Trade and other receivables	0.8	0.9
Cash at bank and in hand	0.2	0.5
	30.1	30.4
Liabilities directly associated with assets held for sale		
Trade and other payables	(3.1)	(4.5)
Borrowings: obligations under finance leases	(10.5)	(10.6)
	(13.6)	(15.1)
Net assets	16.5	15.3
Loss on disposal	(3.1)	
Costs associated with the disposal	1.1	
Total cash consideration	14.5	

Net cash flow arising on disposal:

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

12. Equity dividends

	2009 £m	2008 £m
Final 2008, 2.9p per share (2007: 2.9p)	**1.3**	1.3
Interim 2009, 1.0p per share (2008: 1.0p)	**0.5**	0.5
	1.8	1.8

The Directors propose a final dividend of 3.1p per share for the year ended 31 May 2009 (2008: 2.9p), amounting to £1.4 million (2008: £1.3 million). The dividend will be recommended for formal approval at the AGM on 24 September 2009. 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 2010.

13. Earnings/(loss) per share

From continuing and discontinued operations

	Basic (loss)/earnings per share		Diluted (loss)/earnings per share	
	2009	2008	**2009**	2008
(Loss)/earnings attributable to equity shareholders (£m)	**(2.3)**	2.5	**(2.3)**	2.5
Weighted average number of shares in issue during the year (000s)	**46,931**	46,900	**46,931**	46,900
Weighted average dilutive effect of conditional and deferred share awards (000s)	**—**	—	**64**	65
Adjusted weighted average number of shares in issue during the year (000s)	**46,931**	46,900	**46,995**	46,965
(Loss)/earnings per ordinary share (pence)	**(4.9)**	5.3	**(4.9)**	5.3

From continuing operations

	Basic earnings per share		Diluted earnings per share	
	2009	2008	**2009**	2008
Earnings attributable to equity shareholders (£m)	**1.4**	2.8	**1.4**	2.8
Weighted average number of shares in issue during the year (000s)	**46,931**	46,900	**46,931**	46,900
Weighted average dilutive effect of conditional and deferred share awards (000s)	**—**	—	**64**	65
Adjusted weighted average number of shares in issue during the year (000s)	**46,931**	46,900	**46,995**	46,965
Earnings per ordinary share (pence)	**3.0**	6.0	**3.0**	6.0

From discontinued operations

	Basic loss per share		Diluted loss per share	
	2009	2008	**2009**	2008
Loss per ordinary share (pence)	**(7.9)**	(0.7)	**(7.9)**	(0.7)

Headline from continuing operations

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

Headline earnings	**2009 £m**	2008 £m
Profit for the year from continuing operations	**1.4**	2.8
Add back: exceptional deferred tax charge arising from the phased withdrawal of industrial buildings allowances	**3.5**	—
Headline earnings from continuing operations	**4.9**	2.8

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

Notes to the group financial statements continued

for the year ended 31 May 2009

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 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 1 June 2008	29.1	0.9	18.0	7.3	—	55.3
Additions	0.8	—	0.8	1.1	—	2.7
Disposals	—	—	(0.7)	(0.6)	—	(1.3)
At 31 May 2009	**29.9**	**0.9**	**18.1**	**7.8**	**—**	**56.7**
Depreciation						
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 1 June 2008	2.6	0.1	11.2	3.8	—	17.7
Charge for the year	0.6	—	1.9	0.8	—	3.3
Disposals	—	—	(0.7)	(0.3)	—	(1.0)
At 31 May 2009	**3.2**	**0.1**	**12.4**	**4.3**	**—**	**20.0**
Carrying amount						
At 31 May 2009	**26.7**	**0.8**	**5.7**	**3.5**	**—**	**36.7**
At 31 May 2008	26.5	0.8	6.8	3.5	—	37.6

The Group has pledged certain freehold land and buildings having a carrying amount of £25.3 million (2008: £25.1 million) 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 2009 of £1.8 million and £2.6 million (2008: £2.2 million and £2.2 million) respectively. The depreciation charges for the year ended 31 May 2009 relating to these assets were £0.5 million and £0.5 million (2008: £0.1 million and £0.4 million) respectively.

Finance costs capitalised during the year within the cost of assets under construction and long leasehold land and buildings amounted to £Nil (2008: £0.3 million).

15. Intangible assets

	Goodwill £m	Computer software £m	Trademarks and licences £m	Total £m
Cost				
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 1 June 2008	5.7	1.1	0.1	6.9
Additions	—	0.1	—	0.1
At 31 May 2009	**5.7**	**1.2**	**0.1**	**7.0**
Impairment charge				
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 1 June 2008	0.6	0.8	—	1.4
Charge for the year	—	0.1	0.1	0.2
At 31 May 2009	**0.6**	**0.9**	**0.1**	**1.6**
Carrying amount				
At 31 May 2009	**5.1**	**0.3**	**—**	**5.4**
At 31 May 2008	5.1	0.3	0.1	5.5

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:

	2009 £m	2008 £m
Feeds	**2.7**	2.7
Fuels	**2.4**	2.4
	5.1	5.1

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value in use calculations. The value in use calculations use pre-tax cash flow projections based on management forecasts for the three years ending 31 May 2012. 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.

Notes to the group financial statements continued
for the year ended 31 May 2009

16. Inventories

	2009 £m	2008 £m
Raw materials and consumables	**1.2**	1.4
Finished goods and goods for resale	**2.1**	3.2
	3.3	4.6

17. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	**42.7**	49.9
Less: provision for impairment	**(1.1)**	(0.6)
Trade receivables – net	**41.6**	49.3
VAT recoverable	**0.2**	0.4
Other debtors	**0.1**	0.2
Prepayments and accrued income	**1.6**	1.5
	43.5	51.4

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 2009, trade receivables of £14.8 million (2008: £16.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 £m	2008 £m
Up to 3 months	**11.2**	13.5
Over 3 months	**3.6**	3.3
	14.8	16.8

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

	2009 £m	2008 £m
At 1 June	**0.6**	0.5
Provision for receivables impairment	**1.2**	0.4
Receivables written off in the year	**(0.7)**	(0.3)
At 31 May	**1.1**	0.6

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

	2009 £m	2008 £m
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)	**(1.5)**	(3.9)
Cash and cash equivalents (for the purposes of the cash flow statement)	**(1.5)**	(3.4)

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

19. Trade and other payables

Current	2009 £m	2008 £m
Trade payables	**28.5**	32.4
Social security and other taxes	**0.7**	0.6
Accruals and deferred income	**4.4**	3.2
Deferred acquisition consideration	—	0.6
	33.6	36.8

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

20. Borrowings

	2009 £m	2008 £m
Current		
Bank overdrafts	**1.5**	1.0
Invoice discounting advances	—	2.9
Bank loans	**0.1**	0.1
Obligations under finance leases and hire purchase agreements	**1.2**	0.9
Continuing operations	**2.8**	4.9
Discontinued operations: cash at bank (note 11)	—	(0.4)
Group	**2.8**	4.5
Non-current		
Invoice discounting advances	**13.1**	15.0
Bank loans	**0.1**	18.6
Obligations under finance leases and hire purchase agreements	**3.3**	3.5
Continuing operations	**16.5**	37.1
Discontinued operations: obligations under finance leases and hire purchase agreements (note 11)	—	10.6
Group	**16.5**	47.7
Total Group borrowings		
Continuing operations	**19.3**	42.0
Discontinued operations	—	10.2
	19.3	52.2

Notes to the group financial statements continued
for the year ended 31 May 2009

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% (2008: 1.25%) above the bank's base rate.

The advances have been classified according to the maturity date of the longest permitted refinancing. Accordingly, £Nil (2008: £2.9 million) is presented within current liabilities and £13.1 million (2008: £15.0 million) 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 £1.5 million (2008: £0.6 million) is repayable on demand and interest is charged at a variable rate of 2.5–3.0% (2008: 1.75%) above the bank's base rate.

At 31 May 2009, there is one bank loan of £0.2 million (2008: £0.3 million), which is non-interest bearing.

At 31 May 2008, there was also a bank loan of £18.4 million, which was drawn under a revolving credit facility of £20.7 million, at a variable interest rate of 1.75% above LIBOR.

Bank borrowings amounting to £14.8 million (2008: £37.2 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

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:

	2009 £m	2008 £m
Within 1 year (net of £Nil (2008: £0.4 million) cash at bank reclassified as assets held for sale)	**1.6**	3.6
Between 1–2 years	**13.2**	18.6
Between 2–5 years	**—**	15.0
	14.8	37.2

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 2009, in respect of which all conditions precedent had been met at that date:

	2009		2008	
Facilities expiring:	**Facility £m**	**Amount drawn £m**	Facility £m	Amount drawn £m
Within 1 year (net of £Nil (2008: £0.4 million) cash at bank reclassified as assets held for sale)	**1.1**	**1.6**	0.4	0.4
Between 1–2 years	**40.6**	**13.2**	20.8	18.8
Between 2–5 years	**—**	**—**	35.3	18.0
	41.7	**14.8**	56.5	37.2

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

The availability of invoice discounting facilities included above, amounting to £32.8 million (2008: £35.3 million), is dependent on the level of current debt available for refinancing and on compliance with standard bank covenants: net debt/EBITDA and interest cover.

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	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Within 1 year	**1.4**	1.2	**1.2**	0.9
Between 1–2 years	**1.4**	1.1	**1.2**	1.0
Between 2–5 years	**2.2**	2.7	**2.1**	2.5
	5.0	5.0	**4.5**	4.4
Less: future finance charges	**(0.5)**	(0.6)	**—**	—
Present value of obligations	**4.5**	4.4	**4.5**	4.4
Analysed as:				
– amounts due for settlement within 12 months (shown as current liabilities)			**1.2**	0.9
– amounts due for settlement after 12 months			**3.3**	3.5
			4.5	4.4

In addition to the above, the Group has obligations under finance leases and hire purchase agreements amounting to £Nil (2008: £10.6 million), classified as liabilities directly associated with assets held for sale (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 2009 and 2008 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 2009	**Total book value £m**	**Total fair value £m**	**Fixed interest rate %**
Floating rate bank overdraft	**1.5**	**1.5**	**—**
Floating rate invoice discounting advances	**13.1**	**13.1**	**—**
Finance lease and hire purchase obligations repayable:			
Within 1 year	**1.2**	**1.4**	**2.78 – 7.25**
Between 1–2 years	**1.2**	**1.3**	**2.78 – 7.25**
Between 2–5 years	**2.1**	**1.9**	**2.78 – 7.25**
Derivative financial instruments	**1.1**	**1.1**	**—**
	20.2	**20.3**	

Notes to the group financial statements continued

for the year ended 31 May 2009

21. Financial instruments and risk management continued

Financial liabilities continued

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	

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 2009	**Total book value £m**	**Total fair value £m**	**Fixed interest rate %**
Derivative financial instruments	**0.2**	**0.2**	**—**

At 31 May 2008	Total book value £m	Total fair value £m	Fixed interest rate %
Derivative financial instruments	0.9	0.9	—

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 2009, the Group had open forward supply contracts with a principal value of £18.8 million (2008: £18.5 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £Nil (2008: £0.2 million).

21. Financial instruments and risk management continued

Financial risk management continued

Price risk continued

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 £0.2 million have been charged (2008: £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.

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 disposal of the Group's Garden Centre operations (see note 11) and the subsequent reduction in net debt has resulted in the Group being fully hedged at 31 May 2009, having retained a forward swap with a notional principal amount of £15.0 million (see below). Once this forward swap has expired on 31 December 2010, the Group's policy will be 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 interest rate cap in place, with a start date of 3 July 2006 and an end date of 29 May 2009. The effect of this instrument in the current year has been to cap the interest payable on £10.8 million (2008: £13.2 million) of the Group's debt at 5.5% per annum.

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

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

- a swap with a notional principal amount of £5.0 million and a fixed annual interest rate of 5.045% over the three years ending 31 December 2010. This instrument was designated and effective as a cash flow hedge for the period from inception to 31 March 2008. Since 31 March 2008, the swap has not been designated and effective as a cash flow hedge. The Group terminated this swap during the year ended 31 May 2009;
- a swap with a notional principal amount of £5.0 million. Fixed annual interest rate terms 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 Group terminated this swap during the year ended 31 May 2009; and
- 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 2009. The Group has retained this swap at 31 May 2009.

The total fair value of swaps held at 31 May 2009 is estimated at £0.9 million in the bank's favour (2008: £0.1 million in the Group's favour). 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 £0.7 million have been charged to the income statement in the year (2008: £0.1 million credited).

Changes in the fair value of the hedging interest rate swap amounting to £1.0 million have been deferred in equity in the year (2008: £Nil).

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 2009 profit before taxation by approximately £0.3 million (2008: £0.3 million).

Notes to the group financial statements continued

for the year ended 31 May 2009

21. Financial instruments and risk management continued

Financial risk management continued

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.

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:

	2009 £m	2008 £m
Continuing and discontinued operations		
Total borrowings (note 20)	**19.3**	52.2
Less: cash in hand reclassified as assets held for sale (note 18)	**—**	(0.1)
Net debt	**19.3**	52.1
Total shareholders' equity	**23.9**	30.5
Gearing ratio	**80.8%**	170.8%

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 £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 June 2007	1.2	(1.1)	0.1	0.2
Charge to income statement (note 10)	0.7	0.2	—	0.9
Credit to equity	—	(0.3)	—	(0.3)
Reclassified as held for sale	0.2	—	—	0.2
At 1 June 2008	2.1	(1.2)	0.1	1.0
Charge/(credit) to income statement including exceptional deferred tax charge (note 10)	3.4	—	(0.2)	3.2
Credit to equity (note 24)	—	(0.7)	(0.2)	(0.9)
At 31 May 2009	**5.5**	**(1.9)**	**(0.3)**	**3.3**

Accelerated tax depreciation above includes a deferred tax liability and a related income statement charge of £3.5 million in the year (2008: £Nil) arising from the phased withdrawal of industrial buildings allowances.

23. Share capital

	2009 Number (000s)	2008 Number (000s)	2009 £m	2008 £m
Authorised				
Ordinary shares of 25p each	**80,000**	80,000	**20.0**	20.0
Allotted and fully paid				
Ordinary shares of 25p each	**46,931**	46,931	**11.7**	11.7

During the year no shares (2008: 275,285 shares) were issued under the Group's approved "Save As You Earn" share option scheme.

The aggregate nominal value of shares issued in the year was £Nil (2008: £9.4 million) and the consideration received was £Nil (2008: £0.5 million).

The total number of conditional and deferred share awards outstanding at 31 May 2009 amounted to 505,406 shares (2008: 64,356 shares).

24. Reserves

	Share premium £m	Other reserves £m	Retained earnings £m
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 (see below)	(6.6)	(0.3)	(2.4)
Actuarial loss on defined benefit pension scheme (note 25)	—	—	(1.1)
Tax on items taken directly to equity (note 22)	—	—	0.3
At 1 June 2008	—	—	18.8
Loss for the year	—	—	(2.3)
Dividends paid (note 12)	—	—	(1.8)
Decrease in fair value of interest rate hedging instrument (note 21)	—	(1.0)	—
Fair value loss on interest rate hedging instrument transferred to income (note 9)	—	0.1	—
Credit to equity for equity-settled share-based payments (note 26)	—	—	0.2
Actuarial loss on defined benefit pension scheme (note 25)	—	—	(2.7)
Tax on items taken directly to equity (note 22)	—	0.2	0.7
At 31 May 2009	**—**	**(0.7)**	**12.9**

On 4 October 2007, the Company's shareholders approved a bonus issue of four new ordinary shares of 25p each 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, £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.

Notes to the group financial statements continued

for the year ended 31 May 2009

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 £0.4 million (2008: £0.3 million) represents the contributions payable to these schemes by the Group at the rates specified in the scheme rules. At 31 May 2009, contributions of £Nil (2008: £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, completed in 2009, was carried out as at 31 December 2007 by a qualified actuary and was updated on an approximate basis to 31 May 2009. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

As a result of the full actuarial valuation at 31 December 2007 further contributions of £0.2 million per annum are being made from 1 April 2009 in order to eliminate the deficit in the scheme by 31 March 2019. These contributions are in addition to the employer's regular contributions of 19.4% of pensionable salaries (approximately £0.8 million per annum). The Group therefore expects to make total contributions of £1.0 million to the scheme in the year ending 31 May 2010.

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

	2009 %	2008 %
Discount rate	**7.00**	6.35
Future salary increases	**4.90**	5.05
Future pension increases	**2.40**	2.40
Past pension increases	**3.56**	3.70
Price inflation	**3.65**	3.80

The mortality assumptions adopted at 31 May 2009 imply the following life expectancies:

	2009 Years	2008 Years
Current pensioners – male life expectancy at age 65	**20.8**	21.8
Future pensioners currently aged 50 – male life expectancy at age 65	**22.6**	22.9

The 2009 mortality assumptions above are based on PA92 +2 YoB MC tables (2008: PA92 YoB MC tables).

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

	2009 £m	2008 £m
Present value of defined benefit obligations	**(26.7)**	(29.7)
Fair value of scheme assets	**20.0**	25.3
Deficit in the scheme recognised as a liability in the balance sheet	**(6.7)**	(4.4)
Related deferred tax asset	**1.9**	1.2
Net pension liability	**(4.8)**	(3.2)

25. Retirement benefit schemes continued

Defined benefit schemes continued

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

	2009 £m	2008 £m
Amounts charged to operating profit within administrative expenses		
Current service cost	**0.6**	0.7
Amounts included in finance income		
Expected return on scheme assets	**(1.9)**	(1.8)
Interest on scheme liabilities	**1.9**	1.6
Net credit to finance income	**—**	(0.2)
Total cost recognised in the income statement	**0.6**	0.5

Actuarial losses of £2.7 million (2008: £1.1 million) 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:

	2009 £m	2008 £m
At 1 June	**29.7**	28.6
Current service cost	**0.6**	0.7
Interest of scheme liabilities	**1.9**	1.6
Actuarial gains	**(4.7)**	(0.4)
Contributions by scheme members	**0.3**	0.3
Benefits paid	**(1.1)**	(1.1)
At 31 May	**26.7**	29.7

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

	2009 £m	2008 £m
At 1 June	**25.3**	25.1
Expected return on scheme assets	**1.9**	1.8
Actuarial losses	**(7.4)**	(1.5)
Contributions by employer	**1.0**	0.7
Contributions by scheme members	**0.3**	0.3
Benefits paid	**(1.1)**	(1.1)
At 31 May	**20.0**	25.3

Notes to the group financial statements continued

for the year ended 31 May 2009

25. Retirement benefit schemes continued

Defined benefit schemes continued

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	
	2009 %	2008 %	**2009 £m**	2008 £m
Equities	**7.2**	8.0	**11.8**	15.4
Bonds	**6.0**	5.0	**2.8**	3.5
Property	**7.2**	8.0	**2.0**	2.4
Cash	**4.0**	5.0	**1.3**	1.5
Hedge funds	**7.2**	8.0	**2.1**	2.5
			20.0	25.3

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

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

The actual return on scheme assets was a loss of £5.5 million (2008: £0.5 million gain).

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

	2009 £m	2008 £m	2007 £m	2006* £m	2005* £m
Present value of defined benefit obligations	**(26.7)**	(29.7)	(28.6)	(25.8)	(23.5)
Fair value of scheme assets	**20.0**	25.3	25.1	21.2	17.2
Deficit in the scheme	**(6.7)**	(4.4)	(3.5)	(4.6)	(6.3)
Experience adjustments on scheme liabilities	**(0.4)**	(0.1)	—	—	0.3
Experience adjustments on assets	**(7.4)**	(1.4)	2.1	2.6	1.2

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

26. Share-based payments

The Group operates two equity-settled share-based compensation plans as described below. The Group recognised total expenses of £0.2 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2009 (2008: £Nil).

The Performance Share Plan ('the Plan')

During the year, the Group implemented a new performance share plan for senior executives. Further details of the Plan can be found in note 7.

Under the Plan, the Group made an award of conditional shares to certain Directors and employees on 17 November 2008. These awards will vest on either 31 May 2010 or 31 May 2011. The vesting of these conditional share awards is subject to the Group achieving an absolute earnings per share target.

26. Share-based payments continued

The Performance Share Plan ('the Plan') continued

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

	2009 Number of conditional shares
At 1 June	—
Granted during the year	441,050
At 31 May	**441,050**

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

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

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

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

Deferred share awards

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

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

	2009 Number of deferred shares	2008 Number of deferred shares
At 1 June	**64,356**	—
Granted during the year	**—**	64,356
At 31 May	**64,356**	64,356

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

Notes to the group financial statements continued

for the year ended 31 May 2009

26. Share-based payments continued

Deferred share awards continued

The inputs into the Black Scholes model are as follows:

	2009	2008
Share price at grant date	**£2.05**	£2.05
Exercise price	**Nil**	Nil
Expected volatility	**33.10%**	33.10%
Expected life	**3 years**	3 years
Expected dividend yield	**1.90%**	1.90%
Risk-free interest rate	**4.71%**	4.71%

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

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

	2009 £m	2008 £m
Operating profit from continuing and discontinued operations	**8.8**	6.8
Adjustments for:		
Depreciation of property, plant and equipment	**3.3**	3.7
Amortisation of other intangible assets	**0.2**	0.3
Profit on sale of property, plant and equipment	**—**	(0.1)
Share-based payment expense	**0.2**	—
Difference between pension charge and cash contributions	**(0.4)**	—
Operating cash flows before movements in working capital	**12.1**	10.7
Movements in working capital:		
Decrease/(increase) in inventories	**1.2**	(1.0)
Decrease/(increase) in receivables	**8.6**	(13.0)
(Decrease)/increase in payables	**(4.2)**	7.3
Net cash generated from operations	**17.7**	4.0
Interest paid	**(3.0)**	(3.5)
Income tax paid	**(0.2)**	(1.3)
Net cash generated from/(absorbed by) operating activities	**14.5**	(0.8)

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

	1 June 2008 £m	Cash flow £m	Disposal of subsidiaries £m	Other non-cash movements £m	**31 May 2009 £m**
Cash at bank and in hand	0.1	(0.1)	—	—	**—**
Bank overdrafts	(0.6)	(0.9)	—	—	**(1.5)**
Short-term invoice discounting advances	(2.9)	2.9	—	—	**—**
Cash and cash equivalents	(3.4)	1.9	—	—	**(1.5)**
Debt due within 1 year	(0.1)	0.1	—	(0.1)	**(0.1)**
Debt due after 1 year	(33.6)	20.5	—	(0.1)	**(13.2)**
Finance lease and hire purchase obligations due within 1 year	(0.9)	1.0	—	(1.3)	**(1.2)**
Finance lease and hire purchase obligations due after 1 year	(14.1)	—	10.5	0.3	**(3.3)**
Total Group	(52.1)	23.5	10.5	(1.2)	**(19.3)**
Continuing operations	(42.0)	23.7	—	(1.0)	**(19.3)**
Discontinued operations	(10.1)	(0.2)	10.5	(0.2)	**—**
	(52.1)	23.5	10.5	(1.2)	**(19.3)**

29. 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 2009 £m	Land and buildings 2008 £m	**Other 2009 £m**	Other 2008 £m
Within 1 year	**0.4**	1.1	**3.2**	2.9
Within 2–5 years inclusive	**2.3**	2.0	**6.0**	6.9
After 5 years	**0.3**	15.1	**—**	—
	3.0	18.2	**9.2**	9.8

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

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

Notes to the group financial statements continued
for the year ended 31 May 2009

30. 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

	2009 £m	2008 £m
Short-term employee benefits	2.6	1.9
Post-employment benefits	0.1	0.1
Termination benefits	0.5	—
Share-based payments	0.2	—
	3.4	2.0

From continuing operations

	2009 £m	2008 £m
Short-term employee benefits	2.5	1.7
Post-employment benefits	0.1	0.1
Termination benefits	0.2	—
Share-based payments	0.2	—
	3.0	1.8

From discontinued operations

	2009 £m	2008 £m
Short-term employee benefits	0.1	0.2
Termination benefits	0.3	—
	0.4	0.2

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

Directors' transactions
M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £18,158 (2008: £10,147) as a customer of the continuing operations of the Group in the year ended 31 May 2009. At 31 May 2009, the amount outstanding was £1,686 (2008: £1,330). During the year, the highest amount outstanding totalled £5,576 (2008: £3,308).

31. Commitments for capital expenditure

	2009 £m	2008 £m
Authorised but not contracted for	0.6	—
Contracts placed	1.1	1.1

32. 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 2009 to £14.8 million (2008: £37.2 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.

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 2009 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of NWF Group plc for the year ended 31 May 2009.

N Gower (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
11 August 2009

Parent company balance sheet
as at 31 May 2009

	Note	2009 £m	2008 £m
Fixed assets			
Tangible assets	4	**25.8**	25.7
Investments	5	**1.1**	6.0
		26.9	31.7
Current assets			
Debtors	6	**1.4**	15.7
Cash and bank balances		**0.1**	0.1
		1.5	15.8
Creditors: amounts falling due within one year	7	**(14.0)**	(10.7)
Net current (liabilities)/assets		**(12.5)**	5.1
Total assets less current liabilities		**14.4**	36.8
Creditors: amounts falling due after more than one year	8	**(0.1)**	(18.6)
Provisions for liabilities			
Deferred taxation	9	**(0.8)**	(0.7)
Net assets		**13.5**	17.5
Capital and reserves			
Equity share capital	10	**11.7**	11.7
Profit and loss account	11	**1.8**	5.8
Total equity shareholders' funds	12	**13.5**	17.5

The Parent Company financial statements on pages 58 to 64 were approved by the Board of Directors on 11 August 2009 and were signed on its behalf by:

R A Whiting
Director

J R Ford
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 2009

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

Parent Company profit and loss account
The Company has not presented it own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the year was £2.4 million (2008: £1.3 million). There are no material differences between the loss after taxation for the year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

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

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

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

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

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

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

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

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

Financial instruments
The Company held one financial instrument (2008: four) which is not fair valued on the balance sheet, but is disclosed in note 14 of the Company financial statements.

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

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

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

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

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

This policy was not applied in prior years due to the amounts involved being immaterial.

Notes to the parent company financial statements continued

for the year ended 31 May 2009

1. Accounting policies continued

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 15 (2008: 16). Staff costs for these persons were:

	2009 £m	2008 £m
Wages and salaries	**1.3**	1.0
Social security costs	**0.2**	0.1
Share-based payments (note 15)	**0.1**	—
Other pension costs	**0.3**	0.1
	1.9	1.2

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.

4. Tangible fixed assets

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost or valuation			
At 1 June 2008	27.9	0.8	28.7
Additions	0.8	0.1	0.9
Disposals	—	(0.1)	(0.1)
At 31 May 2009	**28.7**	**0.8**	**29.5**
Depreciation			
At 1 June 2008	2.4	0.6	3.0
Charge for the year	0.7	0.1	0.8
Disposals	—	(0.1)	(0.1)
At 31 May 2009	**3.1**	**0.6**	**3.7**
Carrying amount			
At 31 May 2009	**25.6**	**0.2**	**25.8**
At 31 May 2008	25.5	0.2	25.7

The cost or valuation of freehold land and buildings included £7.2 million (2008: £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 2009 are: £27.6 million (2008: £26.8 million) cost; £3.3 million (2008: £2.7 million) accumulated depreciation; and £24.3 million (2008: £24.1 million) net book value.

5. Investments in subsidiary undertakings

	£m
Cost	
At 1 June 2008	8.6
Additions (note 15)	0.1
Disposals	(7.6)
At 31 May 2009	**1.1**
Provision for impairment	
At 1 June 2008	2.6
Disposals	(2.6)
At 31 May 2009	**—**
Carrying amount	
At 31 May 2009	**1.1**
At 31 May 2008	6.0

On 2 October 2008 the Company completed the disposal of its entire interest in the ordinary share capital of NWF Retail Holdings Limited, the parent company of a number of subsidiaries which carried out all of the Group's Garden Centre operations. See note 11 to the Group financial statements for further details of this disposal.

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

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

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

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

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

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

Notes to the parent company financial statements continued

for the year ended 31 May 2009

6. Debtors

	2009 £m	2008 £m
Amounts owed by Group undertakings	**0.3**	14.8
Prepayments and accrued income	**0.2**	0.2
Corporation tax recoverable	**0.8**	0.7
VAT recoverable	**0.1**	—
	1.4	15.7

All of the amounts owed by Group undertakings shown above are repayable on demand. Included in these amounts is £Nil (2008: £13.3 million) in respect of loans to Group undertakings. Interest has been charged on these Group loans during the year at 8% per annum. The remaining amounts are non-interest bearing trade balances.

7. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Bank loans and overdrafts	**0.1**	0.4
Amounts owed to Group undertakings	**11.6**	8.5
Accruals and deferred income	**2.3**	1.8
	14.0	10.7

All of the amounts owed to Group undertakings shown above are repayable on demand. Included in these amounts is £10.9 million (2008: £5.5 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 8% per annum. The remaining amounts are non-interest bearing trade balances.

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

	2009 £m	2008 £m
Bank loans	**0.1**	18.6

At 31 May 2009, there is one bank loan of £0.2 million (2008: £0.3 million), which is non-interest bearing.

At 31 May 2008, there was also a bank loan of £18.4 million, which was drawn under a revolving credit facility of £20.7 million, at a variable interest rate of 1.75% above LIBOR.

All bank overdrafts and loans are denominated in Sterling.

Bank loans and overdrafts amounting to £0.2 million (2008: £19.0 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:

	2009 £m	2008 £m
Within 1 year	**0.1**	0.4
Between 1–2 years	**0.1**	18.6
	0.2	19.0

9. Deferred taxation

	2009 £m	2008 £m
Timing differences between capital allowances claimed and depreciation provided	**0.8**	0.7

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

Provision	£m
At 1 June 2008	0.7
Charge to the profit and loss account	0.1
At 31 May 2009	**0.8**

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

	2009 Number (000s)	2008 Number (000s)	2009 £m	2008 £m
Authorised				
Ordinary shares of 25p each	**80,000**	80,000	**20.0**	20.0
Allotted and fully paid				
Ordinary shares of 25p each	**46,931**	46,931	**11.7**	11.7

During the year no shares (2008: 275,285 shares) were issued under the Group's approved "Save As You Earn" share option scheme.

The aggregate nominal value of shares issued in the year was £Nil (2008: £9.4 million) and the consideration received was £Nil (2008: £0.5 million).

The total number of conditional and deferred share awards outstanding at 31 May 2009 amounted to 505,406 shares (2008: 64,356 shares).

11. Profit and loss account

	£m
At 1 June 2008	5.8
Loss for the financial year	(2.4)
Dividends paid (see below)	(1.8)
Credit to equity for equity-settled share-based payments (note 15)	0.2
At 31 May 2009	**1.8**

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

	2009 £m	2008 £m
Opening equity shareholders' funds	**17.5**	20.1
Loss for the financial year	**(2.4)**	(1.3)
Dividends paid	**(1.8)**	(1.8)
Credit to equity for equity-settled share-based payments (note 15)	**0.2**	—
Ordinary shares issued (note 10)	**—**	0.5
Closing equity shareholders' funds	**13.5**	17.5

Notes to the parent company financial statements continued

for the year ended 31 May 2009

13. Related party transactions

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

Directors' transactions

M H Hudson purchased, in the normal course of business and under normal terms and conditions, goods to the value of £18,158 (2008: £10,147) as a customer of the continuing operations of the Group in the year ended 31 May 2009. At 31 May 2009, the amount outstanding was £1,686 (2008: £1,330). During the year, the highest amount outstanding totalled £5,576 (2008: £3,308).

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

14. Derivatives not included at fair value

The Company uses interest rate derivatives to manage its exposure to interest rate increases on its floating rate borrowings. At 31 May 2008, the Company had one interest rate cap in place, with a start date of 3 July 2006 and an end date of 29 May 2009. The effect of this instrument in the current year has been to cap the interest payable on £10.8 million (2008: £13.2 million) of the Company's debt at 5.5% per annum.

At 31 May 2008, the fair value of the interest rate cap was £Nil. This amount was based on market values of equivalent instruments at the balance sheet date.

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

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

At 31 May 2009, the fair value of interest rate swaps, not included in the Company's accounts, is £0.9 million in the bank's favour (2008: £0.1 million in the Company's favour). These fair values are based on market values of equivalent instruments at the balance sheet date.

15. Share-based payments

The Performance Share Plan ('the Plan')

During the year, the Company implemented a new performance share plan for senior executives. Further details of the Plan can be found in note 7 of the Group financial statements.

Under the Plan, the Company made an award of conditional shares to certain Directors and employees on 17 November 2008, details of which can be found in note 26 of the Group financial statements.

The Company recognised total expenses of £0.1 million in respect of the Plan's equity-settled share-based payment transactions in the year ended 31 May 2009 (2008: £Nil).

Deferred share awards

The Company made a deferred share award to two subsidiary company directors on 29 November 2007, details of which can be found in note 26 of the Group financial statements.

The total cost of deferred share awards of £0.1 million in the year ended 31 May 2009 has been recognised by the Company as an addition to the cost of investment in subsidiary undertakings (note 5).

16. 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 2009 to £14.8 million (2008: £37.2 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.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting ('the Meeting' or 'AGM') of NWF Group plc ('the Company') will be held at The Swan Hotel, Tarporley, Cheshire CW6 0AG on Thursday 24 September 2009 at 10.30 a.m. to transact the following business:

Ordinary business

1. To receive, adopt and approve the Company's annual accounts for the financial year ended 31 May 2009 together with the Directors' Report and Auditors' Report on those accounts.
2. To declare a final dividend for the year ended 31 May 2009.
3. To re-elect Johnathan Ford as a Director of the Company who retires by rotation in accordance with the Articles of Association of the Company.
4. To re-elect John Acornley as a Director of the Company who retires by rotation in accordance with the Articles of Association of the Company.
5. To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which accounts are laid before the Company at a remuneration to be determined by the Directors.

Special business

To consider and, if thought fit, pass the following Resolutions, which will be proposed as Special Resolutions:

6. That, the Board of Directors of the Company ('the Board') be authorised to allot relevant securities (as defined in the Companies Act 1985):

    (1) up to a nominal amount of £3,910,875; and

    (2) comprising equity securities (as defined in the Companies Act 1985) up to a nominal amount of £7,821,750 (after deducting from such limit any relevant securities allotted under paragraph 1 above) in connection with any offer by way of a rights issue:

    (a) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

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

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

    and such authorities shall, unless reviewed, varied or revoked by the Company, expire at the conclusion of the next AGM of the Company save that the Company may, in each case, before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

7. That, subject to the passing of Resolution 6 the Board be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in the Companies Act 1985) wholly for cash pursuant to the authority conferred by Resolution 6 and/or where the allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of the Companies Act 1985, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

    (1) to the allotment of equity securities in connection with an offer of such securities (but in the case of the authority granted under paragraph 2 of Resolution 6, by way of a rights issue only):

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

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

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

    (2) in the case of the authority granted under paragraph 1 of Resolution 6, to the allotment (otherwise than pursuant to paragraph 1 above) up to an aggregate nominal amount of £586,631,

    and shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next AGM of the Company, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

Notice of annual general meeting continued

Special business continued

8. That, the Company be authorised generally and unconditionally to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25p each on such terms and in such manner as the Directors shall determine, provided that:

   (1) the maximum aggregate number of ordinary shares that may be purchased is 4,693,050;

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

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

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

By order of the Board

S R Andrew
Company Secretary

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

24 August 2009

Notes to the notice of annual general meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

   - 6.00 p.m. on Tuesday 22 September 2009; or,
   - if this Meeting is adjourned, at 6.00 p.m. on the day prior to the adjourned Meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a form of proxy with this Notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy form of proxy

6. The notes to the form of proxy explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the form of proxy, the form must be:

   - completed and signed;
   - sent or delivered to the office of the Company's registrars at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received by the Company's registrar no later than 48 hours before the time appointed for holding the AGM.

   In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Documents on display

8. The following documents will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting:

   (a) copies of the service contracts of the Executive Directors of the Company; and

   (b) copies of the letters of appointment of the Non-Executive Directors of the Company.

Communication

9. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

   - calling Capita Registrars: 0871 664 0300.

Explanatory notes to business of the annual general meeting

Ordinary business

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

The Ordinary Resolutions are entirely routine and deal with the approval of the Annual Report and Accounts for the financial year ended 31 May 2009, the declaration of a final dividend, the reappointment of Johnathan Ford and John Acornley as Directors of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors.

Special business

Each Resolution will be proposed as a Special Resolution. Where Resolutions are passed as Special Resolutions, in order for those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution.

Resolution 6 – Authority to allot shares (Special Resolution)

The authority conferred on the Directors at last year's AGM to allot the authorised but unissued share capital of the Company expires at the conclusion of the forthcoming AGM. The Board recommends that this authority be renewed and paragraph 1 of Resolution 6 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £3,910,875 which represents an amount which is equal to one-third of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company (excluding treasury shares) as at close of business on 24 August 2009. As at close of business on 24 August 2009 the Company did not hold any treasury shares.

In December 2008 the Association of British Insurers issued new guidance on the approval of allotments of shares, in which it stated that, in addition to requests for authorisation to allot new shares in an amount up to one-third of the existing issued share capital of a company, it would regard as routine requests to authorise the allotment of a further one-third in connection with a rights issue. In light of this, paragraph 2 of Resolution 6 proposes that a further authority be conferred on the Directors to allot unissued shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities or as the Directors may otherwise consider necessary, up to a maximum aggregate nominal amount of £7,821,750, which represents an amount which is equal to two-thirds of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company as at close of business on 24 August 2009 (such amount to be reduced by the nominal amount of any relevant securities issued under the authority conferred by paragraph 1 of Resolution 7).

The authorities sought in paragraphs 1 and 2 of Resolution 6 are in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such existing authorities. The authorities will each expire at the conclusion of the next AGM of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

Resolution 7 – Disapplication of pre-emption rights (Special Resolution)

Resolution 7, which will be proposed as a Special Resolution, seeks to renew the authority conferred on the Directors at last year's AGM to issue equity securities of the Company for cash without application of the pre-emption rights provided by Section 89 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their existing shareholdings; (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue; and (iii) for cash up to an aggregate nominal value of £586,631 which represents less than 5% of the issued ordinary share capital of the Company as at close of business on 24 August 2009. The authority being sought is in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such authorities and will expire at the conclusion of the next AGM of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

The authority sought and the limits set by this Resolution will also disapply the application of Section 89 of the Act from a sale of treasury shares to the extent also specified in this Resolution.

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

Resolution 8 – Authority to purchase own shares

This Resolution seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a Special Resolution. If passed, the Resolution gives authority for the Company to purchase up to 4,693,050 of its ordinary shares, representing just under 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 24 August 2009.

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

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

Financial calendar

Annual General Meeting	24 September 2009
Final dividend paid	2 November 2009
Preliminary announcement of half-year results	Early February 2010
Publication of Interim Report	Early February 2010
Interim dividend paid	4 May 2010
Financial year end	31 May 2010
Preliminary announcement of full-year results	Mid August 2010
Publication of Annual Report and Accounts	Early September 2010

Divisional contacts

Food Distribution	Tel: 01829 260704 www.boughey.co.uk
Feeds	Tel: 0800 262397 www.nwfagriculture.co.uk
Fuels	Tel: 01829 260900 www.nwffuels.co.uk

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