

**NWF Group plc**  
Annual Report and Accounts 2011

Registered number 2264971

TUESDAY

FRIDAY



\*A1U7AY6Q\*

A40 07/10/2011 152

COMPANIES HOUSE



\*A613CXWP\*

A52 27/09/2011 102

COMPANIES HOUSE

Who are we?

# NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK.

Our aim is to deliver total shareholder returns by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.

You can keep up to date with all the latest news and figures from NWF via our website [www.nwf.co.uk](http://www.nwf.co.uk)

## Contents

<b>About NWF</b>	<b>Financial Statements</b>	<b>Notice of Annual General Meeting</b>
Our highlights	01 Independent auditors' report	25 Notice of annual general meeting
Our business	02 Consolidated income statement	26 Notes to the notice of annual general meeting
Our focus	04 Consolidated statement of comprehensive income	26 Explanatory notes to the notice of annual general meeting
Chairman's statement	06 Consolidated balance sheet	27 Financial calendar and divisional contacts
Business and financial review	08 Consolidated statement of changes in equity	
	18 Consolidated cash flow statement	
<b>Corporate Governance</b>	19 Notes to the group financial statements	
Board of directors	20 Parent company independent auditors' report	
Senior management and advisers	22 Parent company balance sheet	
Directors' report	24 Notes to the parent company financial statements	
Corporate governance statement		
Statement of directors' responsibilities		

## Our highlights

The Group's strategy has delivered a third year of record profitability and cash generation.

- Revenue up 22.1% to £463.8 million (2010: £379.8 million)
- Operating profit up 3.3% to £9.3 million (2010: £9.0 million)
- Profit before taxation up 7.0% to £7.6 million (2010: £7.1 million)
- Basic earnings per share up 10.6% to 11.5p (2010: 10.4p)
- Full year dividend increased by 4.7% to 4.5p per share (2010: 4.3p)
- Cash conversion 182.8% (2010: 156.7%)
- Reduction in net debt of 18.7% to £11.3 million (31 May 2010: £13.9 million)
- Debt to EBITDA at 0.9 times (31 May 2010: 1.1 times)
- £51.0 million banking facilities in place to October 2013

Revenue <sup>1</sup>		Operating profit <sup>1</sup>		Profit before taxation <sup>1</sup>	
<b>£463.8m</b>	<b>+22.1%</b>	<b>£9.3m</b>	<b>+3.3%</b>	<b>£7.6m</b>	<b>+7.0%</b>
2011	£463.8m	2011	£9.3m	2011	£7.6m
2010	£379.8m	2010	£9.0m	2010	£7.1m
2009	£380.6m	2009	£8.9m	2009	£6.2m

Headline basic earnings per share <sup>1, 2</sup>		Dividends per share	
<b>11.5p</b>	<b>+10.6%</b>	<b>4.5p</b>	<b>+4.7%</b>
2011	11.5p	2011	4.5p
2010	10.4p	2010	4.3p
2009	10.4p	2009	4.1p

<sup>1</sup> From continuing operations only excluding Garden Centres disposed of in October 2008

<sup>2</sup> Excluding £3.5 million exceptional deferred tax charge in 2009 arising from the phased withdrawal of industrial buildings allowances

## Our business

### **Successfully developed from common roots**

Established in 1871 to supply farmers' needs, NWF has grown into a strong, profitable and resilient business, with operations across the UK and a substantial asset base.

### Continued growth

**NWF Group acquired Evesons Fuels in January 2011, an 80 million litre oil distribution business with four depots across the Midlands and South, complementing the existing NWF Fuels depots. The combined business now delivers over 430 million litres to 35,000 customers from 17 sites across the UK.**

#### **What this means**

The acquisition, earnings enhancing in the first year, increases NWF Fuels' sales volumes by over 20% and increases the geographical coverage of the Group

### Feeds

**NWF Agriculture** has grown to be a leading national supplier of ruminant animal feed, feeding one in seven dairy cows in Britain. The business supplies over 4,000 farmers from Argyll in Scotland to Cornwall

#### **Key facts**

- Strong sales team of 33 providing nutritional advice to farmers
- Sell over 450,000 tonnes per annum
- Two compound mills and four blend plants

To find out more please visit  
[www.nwfagriculture.co.uk](http://www.nwfagriculture.co.uk)

We operate in large stable markets which we understand well. Our businesses have scale, good market positions, and are profitable and cash generative.

Revenue

£463.8m

- Feeds 24.3%
- Food 9.5%
- Fuels 66.2%

Operating profit

£9.3m

- Feeds 43.0%
- Food 21.5%
- Fuels 35.5%

Operating net assets<sup>1</sup>

£55.5m

- Feeds 29.5%
- Food 52.1%
- Fuels 18.4%

<sup>1</sup> Excludes unallocated corporate assets and liabilities. For further information on segment net assets, see note 4 of the Group financial statements.

## Food

**Boughey Distribution** is a leading consolidator of ambient grocery products with significant warehousing and distribution assets. The business consolidates full loads from its customers, the food producers and importers, and ships across the UK daily to all the major supermarkets, cash and carry and food service customers.

### Key facts

- Over 900,000 ft<sup>2</sup> of warehousing
- Leading position in the North West of England
- Over 200 customers

To find out more please visit  
[www.boughey.co.uk](http://www.boughey.co.uk)

## Fuels

**NWF Fuels** is a leading distributor of fuel oil and fuel cards delivering across the UK to 35,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell, Conoco and Total.

### Key facts

- Fourth largest fuels distributor in the UK
- 17 depots and 76 tankers
- Sales volumes – 430 million litres per annum

To find out more please visit  
[www.nwffuels.co.uk](http://www.nwffuels.co.uk)

## Our focus

**Our strategy is to deliver total shareholder returns by the continued profitable development of our businesses through a combination of organic growth, capital investment and selective acquisitions.**

## Understanding our markets

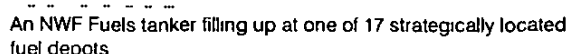
In today's economic and financial environment the experience and expertise of our staff is critical. This is illustrated with our 942 staff having in excess of seven years average service in a Group which has doubled in size in the last five years.

## Excellence in customer service

Across the Group customer service is the number one priority. Whether it is delivering in excess of 99.5% service to supermarkets in food, reaching nine out of ten callers who have run out of fuel on the same day or delivering to farm within 24 hours when needed by farmers, the business strives to provide the highest quality of service in all areas.

## Building on a strong platform

The Group has established a strong platform with strong profit development and cash conversion which has reduced debt to less than 1 x EBITDA. Competitive long-term banking facilities and a solid asset base will support the Group's development. The acquisition of Evesons, the largest acquisition for the Group to date, highlights the development potential.

  
An NWF Fuels tanker filling up at one of 17 strategically located fuel depots.

## A strong heritage

With a heritage in the agricultural sector, established in 1871, the Group has 140 years' experience in adding value to our customers' businesses

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

### Profit before taxation<sup>1</sup>

**£7.6m** +7.0%

2011	£7.6m
2010	£7.1m
2009	£6.2m

### Net debt

**£11.3m** -18.7%

2011	£11.3m
2010	£13.9m
2009	£19.3m

<sup>1</sup> From continuing operations only excluding Garden Centres disposed of in October 2008

# Chairman's statement

We have delivered an excellent result demonstrating the resilience of the Group during a period of significant volatility in key commodity markets.

Mark Hudson  
Chairman

Feeds supplies over

## 4,000

farmers, consumer demand for milk and dairy products has been stable through the recession and is forecast to grow modestly

Food has over

## 200

customers, many with long-term contracts. Demand for ambient grocery products will grow as the population increases and consumers continue to eat more

Fuels has over

## 35,000

customers in the UK across all major oil categories. Future demand for oil is forecast to be stable.

### Summary of Chairman's statement

- Record performance for NWF
- Revenue up 22.1% to £463.8 million (2010: £379.8 million)
- Operating profit up 3.3% to £9.3 million (2010: £9.0 million)
- Profit before taxation up 7.0% to £7.6 million (2010: £7.1 million)
- Basic earnings per share up 10.6% to 11.5p (2010: 10.4p)
- Full year dividend increased by 4.7% to 4.5p per share (2010: 4.3p)
- Reduction in net debt of 18.7% to £11.3 million (31 May 2010: £13.9 million)
- Debt to EBITDA at 0.9 times (31 May 2010: 1.1 times)
- £51.0 million banking facilities in place to October 2013

I am pleased to report another record year in the continuing development of the Group. We have delivered an excellent result demonstrating the resilience of the Group during a period of significant volatility in key commodity markets. In addition, the successful acquisition of the Evesons fuels business demonstrates our capacity to develop the Group through targeted acquisitions in line with our strategy.

### Results

Revenue in the year was up 22.1% to £463.8 million (2010: £379.8 million) and operating profit was up 3.3% to £9.3 million (2010: £9.0 million). Revenue growth has been fuelled by increasing commodity prices in the Feeds and Fuels divisions. The Group has successfully implemented price increases in both markets.

The outstanding performance in the year in Feeds demonstrates the capability of the business to manage the unprecedented increases in key commodity costs, whilst developing more compound business direct with farmers and driving operational

efficiencies. The Fuels division's strong performance was in a year of extremes, with the coldest December and the warmest April on record. The ability of the business to deliver the largest Fuels acquisition to date and successfully integrate it into our depot network demonstrates delivery against our strategic development plans. The volatility in the ambient grocery markets continued in the second half though we are pleased to report an improvement in the underlying performance of our Food business as it responded to both volatility in short-term demand patterns and implemented operational changes to deliver an improved underlying result. It has been pleasing to note this improvement has been sustained into the new financial year.

Profit before taxation was a record for the Group, up 7.0% to £7.6 million (2010: £7.1 million) and profit after taxation was up 10.2% to £5.4 million (2010: £4.9 million).

Basic earnings per share were up 10.6% to 11.5p (2010: 10.4p). Diluted earnings per share were 11.4p (2010: 10.4p).

One of 21 tankers, acquired with Evesons Fuels, now part of the NWF Fuels fleet

### Cash flows and funding

The Group generated £13.3 million (2010: £10.9 million) net cash from operating activities. This included a net cash inflow of £3.8 million (2010: £2.0 million) from reduced working capital reflecting management's continued focus in this area along with a reduction in debtor days across all three divisions. Cash used to fund capital expenditure, net of receipts from disposals, was £4.7 million (2010: £3.6 million) as the Group continued to invest in necessary replacement of equipment, fleet and IT systems. The cash cost of the Evesons acquisition was £3.7 million. Overall net debt is 18.7% lower at £11.3 million (2010: £13.9 million).

Cash conversion was 182.8% (2010: 156.7%), measured as operating profit as a percentage of net cash generated from operating activities.

Debt to EBITDA at 31 May 2011 was 0.9 times (2010: 1.1 times). Interest cover (excluding IAS 19 net pension finance cost) for the year was 7.8 times (2010: 6.4 times).

The Group has an agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million.

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

### Dividend

We are proposing an increased final dividend for the year of 3.5p (2010: 3.3p) per share which, if approved at the Annual General Meeting, will be payable on 1 November 2011 to shareholders on the register at 19 August 2011 and shares will be ex div from 17 August 2011. Together with the interim dividend paid during the year of 1.0p (2010: 1.0p) per share, this will result in a total dividend for the year of 4.5p per share (2010: 4.3p), a 4.7% increase amounting to a total cost of £2.1 million (2010: £2.0 million).

### Outlook for the current year

Progress in the new financial year has been in line with the Board's expectations with all divisions starting as planned. The markets for the Group's products and services remain resilient and robust. With a very stable operational and financial base we continue to target development opportunities.

My thanks go to all who have supported NWF through the year both inside and outside the Group. I look forward to updating shareholders on the Group's progress at the time of the Annual General Meeting on 22 September.

**Mark Hudson**  
Chairman  
9 August 2011

# Business and financial review

**Richard Whiting**  
Chief Executive

**Johnathan Ford**  
Finance Director

## A third year of record profitability and positive cash generation.

### Summary of business and financial review

- Specialist agricultural and distribution business
- Third record year for NWF
- Demonstrated strategic intent with the Evesons Fuels acquisition
- Evesons acquisition and increased capital expenditure funded from cash generation
- Profit before taxation up 7.0% to £7.6 million (2010: £7.1 million)
- Reduction in net debt of 18.7% to £11.3 million (31 May 2010: £13.9 million)
- Competitive banking facilities in place to October 2013
- All divisions profitable, cash generative with experienced management teams
- Substantial asset base and a strong platform for development

NWF has delivered a strong operational performance in the year. In addition to a third year of record profitability and positive cash generation, the Group has demonstrated its strategic intent with the successful acquisition and integration of the Evesons fuels business. Of particular note in the year is the outperformance of Feeds, which demonstrated the capability to deliver success in extremely volatile commodity markets, with demand for our products remaining robust.

The Group delivered an operating profit of £9.3 million (2010: £9.0 million) and a record profit before taxation, up 7.0% to £7.6 million (2010: £7.1 million).

Our continued focus on cash generation resulted in a reduction in net debt of 18.7% to £11.3 million (2010: £13.9 million). During the year the Group increased its capital expenditure programme to support the organic development of each division, and acquired the Evesons fuel business for consideration of £3.6 million (including working capital of £0.3 million) which was fully funded through cash generation from the Group's existing activities.

The Group has an agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million through to October 2013. These facilities

and the reduction in Group net debt provide the Group with a strong platform from which to continue its successful development building on the excellent results delivered in 2011.

NWF Group is a specialist agricultural and distribution business delivering feed, food and fuel across the UK. Our trading divisions have scale, good market positions, and are profitable and cash generative.

In Feeds, feeding one in seven dairy cows in Britain, we are a leading national supplier of ruminant animal feeds and have opportunities to continue our growth track record with the focus on winning business direct with farmers. In Food, we have managed to improve the performance of the business in more volatile conditions and with enhanced systems and processes we are looking to deliver strong results utilising our storage facilities in the North West. In Fuels, we have a proven depot operating model and are looking to continue the development of our 17 depots and deliver bolt-on acquisitions.

The Group has established a strong platform with strong profit development and cash conversion which has reduced net debt to less than 1 x EBITDA. Competitive long-term banking facilities and a solid asset base both support the Group's development.

European Gold Cup winning  
Suffolk Sheep, fed by NWF  
Agriculture, at Manor Farm  
near Stafford

## Group results

Year ended 31 May

	2011 £m	2010 £m
<b>Revenue</b>		
Feeds	112.6	93.7
Food	44.2	42.2
Fuels	307.0	243.9
	<b>463.8</b>	<b>379.8</b>
<b>Operating profit</b>		
Feeds	4.0	2.1
Food	2.0	3.1
Fuels	3.3	3.8
	<b>9.3</b>	<b>9.0</b>
Finance costs	(1.7)	(1.9)
<b>Profit before taxation</b>	<b>7.6</b>	<b>7.1</b>
Income tax expense	(2.2)	(2.2)
<b>Profit for the year</b>	<b>5.4</b>	<b>4.9</b>
Group shareholders' equity	29.0	23.6
Group net debt	11.3	13.9

### Group revenue

£463.8m +22.1%

2011 £463.8m  
2010 £379.8m

### Group operating profit

£9.3m +3.3%

2011 £9.3m  
2010 £9.0m

### Net debt

£11.3m -18.7%

2011 £11.3m  
2010 £13.9m

# Feeds

**NWF Agriculture** has grown to be a leading national supplier of ruminant animal feed, feeding one in seven dairy cows in Britain. The business supplies over 4,000 farmers from Argyll in Scotland to Cornwall

## Our business

- Leading national supplier of ruminant animal feed – no. 2 producer in the UK
- 4,000 customers
- Sell over 450,000 tonnes per annum
- Track record of winning new business – dairy specialists
- Strong national sales team providing nutritional advice to farmers
- Agricultural markets attractive, with increasing populations and food security issues

This was a record year for Feeds, which successfully developed the business at a time of unprecedented increases in many key commodities. The business successfully implemented eleven price increases which smoothed the impact of higher raw material prices for our farming customers, whilst increasing compound sales by 4.7% in the year.

Revenue increased by 20.2% to £112.6 million (2010: £93.7 million), largely as a result of increased selling prices and a small gain in overall volume. Operating profits almost doubled to £4.0 million (2010: £2.1 million) with total volume up 1.8% to 462,000 tonnes (2010: 454,000 tonnes).

There was increased use and sales of protected proteins, which included trials of protected linseed for the first time.

Operational improvements were achieved across our compound mills and blend plants as we invested in upgrading our control systems to deliver efficiency savings and optimise the usage of high cost commodities. The trading desk benefited from the volatility of materials increasing the sales of straights and added value products direct to farmers across the country.

Milk prices increased during the year by an average of 3p per litre which farmers required to support the higher feed costs driven by commodities. The average milk price was 26.5p per litre in May 2011 (2010: 23.4p per litre). Milk production increased by 3.6% to 11.5 billion litres (2010: 11.1 billion litres). Overall ruminant feed volumes were only 0.6% higher as the spring turnout was early as a result of dry

## Key performance indicators – Feeds

<b>Revenue</b>		<b>Operating profit</b>	
<b>£112.6m</b>	<b>+20.2%</b>	<b>£4.0m</b>	<b>+90.5%</b>
2011	£112.6m	2011	£4.0m
2010	£93.7m	2010	£2.1m

<b>Total tonnes sold</b>	
<b>462,000</b>	<b>+1.8%</b>
2011	462,000
2010	454,000

weather. The key compound market for dairy was 1.1% down on volume for the year.

The Feeds division has a very broad customer base with over 4,000 farmers working with NWF. This broad base and the underlying robust demand for milk and dairy products results in a reasonably stable overall demand for our feed. We do not anticipate the significant increases in commodity costs to be repeated in the coming twelve months and therefore expect a return to more normal levels of operating profitability after the record result in 2011.

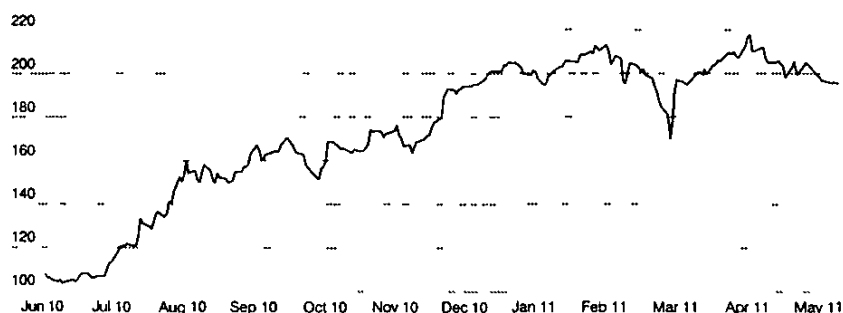
### What we've done

- A record year at a time of unprecedented commodity price increases and volatility
- Eleven price increases to smooth the impact of higher raw material prices for farmers
- 4.7% increase in compound sales, feed market flat
- Operational improvements across our two compound mills and four blend plants
- Revenue increased by 20.2% to £112.6 million (2010: £93.7 million)
- Operating profits up 90.5% to £4.0 million (2010: £2.1 million)
- Total volumes sold increased by 1.8% to 462,000 (2010: 454,000) tonnes

### Our locations

- 1 Ayr
- 2 Penrith
- 3 Wardle\*
- 4 Wixland

Wheat Futures Price LIFFE (Price per tonne £)



\* Group head office and main operating site

# Food

**Bouhey Distribution** is a leading consolidator of ambient grocery products with significant warehousing and distribution assets. The business consolidates full loads from its customers, the food producers and importers, and ships across the UK daily to all the major supermarkets, cash and carry and food service customers

## Our business

- 115,000 pallet spaces
- 900,000 ft<sup>2</sup> of warehousing in Wardle and Deeside (North West)
- Market leader in the North West
- Over 200 customers
- 99.5% service levels (cases delivered on time)
- 566 employees
- Robust demand for ambient groceries

This has been a more difficult year for Food as the result of a number of changes that have impacted our business. There has been significantly more volatility in the demand pattern for our customers' ambient grocery products. The supermarkets have significantly increased the amount of promotional activity as they are concerned that real consumer incomes are under pressure and are trying to maintain overall prices and value with the backdrop of increasing input commodity prices. The result for our business has been significant variability in loads per day which has been exacerbated by shorter lead times with Tesco and Sainsbury's. Customers have held more stock to maintain service levels as a result of the volatility which necessitated the use of external warehousing, albeit on a flexible basis.

Revenue increased 4.7% to £44.2 million (2010: £42.2 million) as increased storage levels increased sales. Storage overall

was at an average of 108,000 pallets (2010: 100,000 pallets), in excess of the 105,000 working capacity. Storage peaked in October with an average of 118,000 pallets in stock during the month. Demand, measured in outbound loads, was similar to prior year, which highlighted the overall robustness of the ambient grocery market in difficult economic conditions. The increased volatility of demand reduced the fleet availability for backloads.

Operating profits fell to £2.0 million (2010: £3.1 million) in comparison with the record performance in 2010 as the business had to contend with the aforementioned factors.

The result in the second half demonstrated an improvement in underlying performance as a result of a number of actions taken by management. These included optimising our customer base to fit within our own

## Key performance indicators – Food

<b>Revenue</b>		<b>Operating profit</b>	
<b>£44.2m</b>	<b>+4.7%</b>	<b>£2.0m</b>	<b>-35.5%</b>
2011	£44.2m	2011	£2.0m
2010	£42.2m	2010	£3.1m

### Average pallet spaces stored

<b>108,000</b>	<b>+8.0%</b>
2011	108,000
2010	100,000

warehouse space, sub-contracting more haulage which facilitated increasing the number of backloads, and introducing more flexible shift arrangements with our workforce to enable the business to cope with increased volatility of demand. These actions, in conjunction with changes in our pricing structure, demonstrated a return closer to previous levels of profitability by the year end.

In spite of the increased volatility, service levels were maintained at an average of 99.5% and service bonuses were earned from a number of accounts.

During the year we have also continued to invest in improving the systems and processes in the food business in order to deliver efficiency savings in the business we have today and enable the business to continue its development in the medium term.

Demand for our customers' products continues to remain stable and the outlook for most product categories handled by the business is resilient with some small levels of growth anticipated. The business operates in a competitive supply chain and needs to continually demonstrate the value

### What we've done

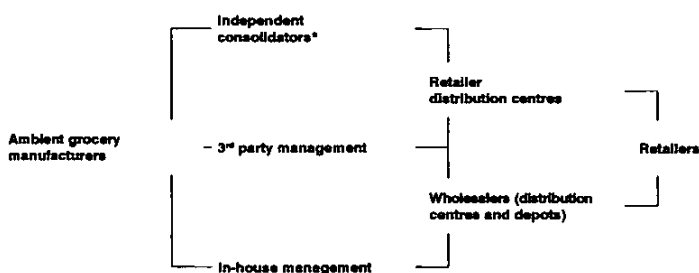
- Met increased volatility in demand as supermarkets increased promotional activity to combat cost inflation
- Utilised overflow storage to manage customers' stock requirement
- Service level maintained at 99.5%
- Improvement plan implemented in second half of year

and service that it provides to food manufacturers and importers. The business now has a leading position in consolidating ambient grocery products in the North West, with high service levels and a strong operating performance being key components in continuing to develop this business.

### Our locations

- 1 Deeside
- 2 Wardle\*

## Ambient grocery supply chain



\* Boughey's current position in the supply chain

\* Group head office and main operating site

# Fuels

**NWF Fuels** is a leading distributor of fuel oil and fuel cards delivering across the UK to 35,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell, Conoco and Total.

## Our business

- Fourth largest distributor in the UK
- Including Evesons Fuels, sales volumes – 430 million litres per annum
- Supply 35,000 domestic and commercial customers, including 100 retail petrol stations
- 17 fuel depots across the UK
- 199 employees
- 76 tankers
- Fast growing fuel card marketing business
- Our markets are large, robust and resilient

This has been another strong year for the Fuels division with good results from the existing NWF depots and the successful acquisition and integration of the Evesons fuels business. The year was one of extremes. In December, the coldest winter on record, the business experienced significant increases in demand for heating oil and pre-Christmas panic buying, followed later in the year with the warmest April on record, resulting in increased competition amongst distributors with fleet underutilised as demand reduced.

Revenue increased 25.9% to £307.0 million (2010: £243.9 million) as a result of increasing oil prices and the part-year benefit of the new Evesons depots acquired in January 2011. Overall sales volumes increased by 7.2% to 375.3 million litres (2010: 350.2 million litres).

The average Brent Crude oil price in the year was \$93 per barrel, 22% higher than the average of \$76 in the previous year. Prices went over \$100 per barrel at the end

of January and remained above this level, peaking at \$126 per barrel in April. Higher fuel costs have not translated into lower levels of demand, however, it has reduced the average delivered volume but increased the frequency of deliveries as commercial and domestic customers run with lower levels of stock.

Operating profits were £3.3 million (2010: £3.8 million), which is a very good result. The prior year included a one-off benefit from a prolonged spell of cold weather. The Evesons acquisition has traded in line with our expectations for the five months under our ownership.

This strong performance was experienced across the whole depot network with particularly notable performances at Wardle, Stoke, Dyserth, Burnley, Nottingham and Browns of Burwell. The strength of the depot teams was demonstrated by numerous examples of exceptional customer service, keeping customers' businesses operating and homes warm.

## Key performance indicators – Fuels

<b>Revenue</b>		<b>Operating profit</b>	
<b>£307.0m</b>	<b>+25.9%</b>	<b>£3.3m</b>	<b>-13.2%</b>
2011	£307.0m	2011	£3.3m
2010	£243.9m	2010	£3.8m

**Litres sold**  
**375m** +7.2%

2011	375m
2010	350m

during the extreme December conditions Over 90% of all customers or potential customers contacting our depots with a fuel run-out were serviced the same day

The Evesons acquisition, completed in January 2011 for £3.6 million, added four depots to our thirteen strong network and extended the geographical coverage in the Midlands and the South. In the first full year, as planned, the acquisition of this 80 million litre business will be earnings enhancing and we are pleased to report that the acquisition is trading in line with expectations and has been integrated successfully into the NWF Fuels business. This is the largest acquisition completed in Fuels to date and demonstrates both the strategic intent of the Group and the capability to successfully acquire and integrate bolt-on acquisitions in line with our strategy.

### What we've done

- Strong performance across the whole depot network
- Successful acquisition and integration of Evesons Fuels
- Revenue increased 25.9% to £307.0 million (2010: £243.9 million)
- Sales volumes up 7.2% to 375.3 million (2010: 350.2 million) litres
- Operating profits were £3.3 million (2010: £3.8 million) – a strong result, 2010 included a one-off benefit from a prolonged spell of cold weather
- Active acquisition programme in place

### Our locations

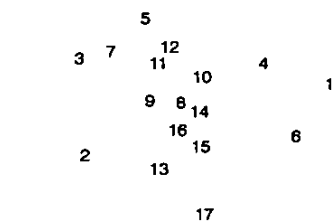
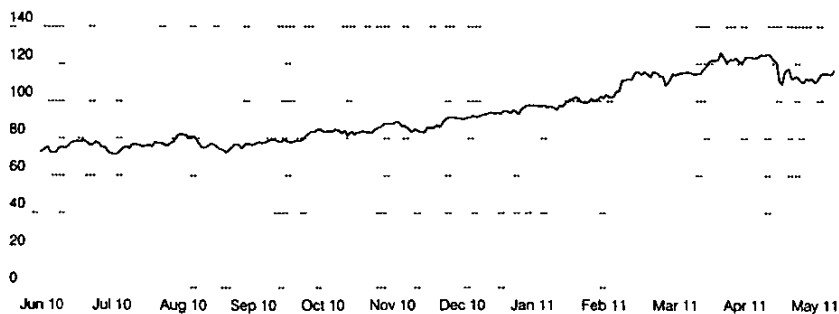
#### Existing NWF depots

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

#### A new addition to the team Evesons Fuels

- 14 Kenilworth
- 15 Long Marston
- 16 Droitwich
- 17 Southampton

### Oil prices (Brent Crude \$/barrel – Oil Market Journal)



\* Group head office and main operating site

# Business and financial review continued

<b>Group results</b>		
Year ended 31 May		
	2011 £m	2010 £m
<b>Revenue</b>	<b>463.8</b>	379.8
Operating expenses	(454.5)	(370.8)
<b>Operating profit</b>	<b>9.3</b>	9.0
Net finance costs		
Net finance cost in respect of defined benefit pension schemes	(0.5)	(0.5)
Other finance costs	(1.2)	(1.4)
	(1.7)	(1.9)
<b>Profit before taxation</b>	<b>7.6</b>	7.1
Income tax expense	(2.2)	(2.2)
<b>Profit for the year</b>	<b>5.4</b>	4.9

## Group results

Group revenue increased by 22.1% to £463.8 million (2010: £379.8 million). Operating profit was £9.3 million (2010: £9.0 million), a 3.3% increase.

Total net finance costs decreased from £1.9 million in 2010 to £1.7 million in 2011. The IAS 19 net finance cost in respect of defined benefit pension schemes remained flat at £0.5 million.

The decrease in other finance costs to £1.2 million (2010: £1.4 million) is primarily due to lower interest rate hedging costs following the expiry of an interest rate hedging instrument in December 2010.

Interest cover (excluding IAS 19 net pension finance costs) increased to 7.8 times (2010: 6.4 times).

The tax charge has remained flat at £2.2 million in 2011 (2010: £2.2 million). The 2011 tax charge represents an effective tax rate of 28.9% which compares to an effective rate of 31.0% in 2010. The reduction in effective rate relates to the reduction in the main rate of corporation tax rate from 28.0% to 26.0% which reduced the Group's deferred tax provisions. The Group's future underlying rate of tax is expected to remain above the standard rate due to its ongoing level of disallowable expenditure.

Basic earnings per share increased by 10.6% to 11.5p (2010: 10.4p). Diluted earnings per share increased by 9.6% to 11.4p (2010: 10.4p).

## Balance sheet

As a result of the Group's strong profit performance during the year and a reduction in the Group's defined benefit

pension scheme liabilities, Group net assets increased to £29.0 million at 31 May 2011 (2010: £23.6 million).

Tangible and intangible assets increased following the acquisition of Evesons Fuels Limited and as the Group continued to invest in new IT systems and fleet.

Net working capital reduced to £8.5 million at 31 May 2011 (2010: £11.0 million) as the Group continued to focus on cash management. Within net working capital, trade and other receivables increased to £56.6 million (2010: £45.8 million), however, trade and other payables increased to £51.8 million (2010: £37.8 million) as a result of the Evesons Fuels Limited acquisition and increased commodity prices in Feeds and Fuels.

The gross liability on the Group's defined benefit pension schemes reduced to £11.3 million at 31 May 2011 (2010: £12.3 million). The value of pension scheme assets grew to £29.1 million (2010: £23.4 million), due in part to the inclusion of £3.0 million of assets (2010: £Nil) from the Evesons Fuels Limited acquisition and an improvement in equity values. The value of the pension scheme liabilities increased to £40.4 million at 31 May 2011 (2010: £35.7 million) due in part to the inclusion of £3.5 million of liabilities (2010: £Nil) from the Evesons Fuels Limited acquisition and a slight reduction in the discount rate used to calculate the present value of the future pension obligations.

Total Group net debt fell to £11.3 million at 31 May 2011 (2010: £13.9 million) as the Group continued to focus on cash management.

## Cash flow and banking facilities

Cash management continues to be a major priority for the Group.

Net cash generated from operating activities was £13.3 million (2010: £10.9 million). Operating cash flow before working capital movements was £13.2 million (2010: £12.1 million). In addition, there was a favourable overall movement in net working capital of £3.8 million (2010: £2.0 million) mainly as a result of lower working capital within Feeds and Fuels.

Cash used to fund capital expenditure (net of disposal proceeds) increased to £4.7 million (2010: £3.6 million) as the Group invested £1.4 million (2010: £0.5 million) in new Food IT systems, £1.3 million (2010: £1.2 million) in fuel tankers and £0.7 million (2010: £0.1 million) in new Food trucks and trailers.

In January 2011 the Group completed the acquisition of Evesons Fuels Limited. The cash consideration paid on completion to acquire Evesons was £3.6 million. Together with a bank overdraft of £0.1 million, acquired with the business, this resulted in a total cash outflow of £3.7 million.

There was an overall net increase in cash and cash equivalents of £1.0 million in the year (2010: £1.2 million).

The Group has an agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million. With the exception of the bank overdraft facility of £1.0 million, which is renewed annually, these facilities are committed through to October 2013. Included in the total facility of £51.0 million, the Group has an invoice discounting facility, the availability of which is dependent on the

<b>Balance sheet</b>		
As at 31 May		
	2011	2010
	£m	£m
Tangible and intangible fixed assets	47.0	42.3
Net working capital	8.5	11.0
Cash at bank and in hand	0.7	—
Short-term borrowings	(1.1)	(11.9)
Medium-term borrowings	(10.9)	(2.0)
Current tax liabilities	(1.5)	(1.4)
Deferred tax liabilities (net)	(2.4)	(2.1)
Retirement benefit obligations	(11.3)	(12.3)
<b>Net assets</b>	<b>29.0</b>	<b>23.6</b>

<b>Cash flow</b>		
Year ended 31 May		
	2011	2010
	£m	£m
<b>Operating cash flows before working capital movements</b>	<b>13.2</b>	<b>12.1</b>
Working capital movements	3.8	2.0
Interest paid	(1.2)	(1.3)
Tax paid	(2.5)	(1.9)
<b>Net cash generated from operating activities</b>	<b>13.3</b>	<b>10.9</b>
Capital expenditure (net of receipts from disposals)	(4.7)	(3.6)
Acquisition of subsidiary	(3.7)	—
<b>Net cash generated before financing activities</b>	<b>4.9</b>	<b>7.3</b>
Net decrease in bank borrowings	(0.6)	(3.0)
Dividends paid	(2.0)	(1.9)
Other financing cash flows	(1.3)	(1.2)
<b>Net increase in cash and cash equivalents</b>	<b>1.0</b>	<b>1.2</b>

level of trade receivables available for refinancing, and is subject to a maximum drawdown of £40.0 million

The new bank facilities above are provided subject to conventional banking covenants

#### Financial risk management

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

The Group's policy in respect of managing financial risk has not changed significantly in the year ended 31 May 2011.

#### Price risk

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

The Feeds business enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £0.2 million (2010: £0.1 million).

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £0.1 million have been credited (2010: £0.1 million credited) to the income statement in the year

The Fuel 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 has used interest rate derivatives to manage its exposure to interest rate increases on its borrowings. At 31 May 2011, the Group held no interest rate derivatives. At 31 May 2010, the Group held one interest rate swap with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% for the 18 months ended 31 December 2010. This instrument was designated and effective as a cash flow hedge for the entire period from inception to its contract end date of 31 December 2010.

The fair value of the swap held at 31 May 2010 was estimated at £0.3 million in the bank's favour. The fair value loss transferred from equity to the income statement in the year ended 31 May 2011 was £0.3 million (2010: £0.6 million).

#### Credit risk

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

#### Liquidity risk

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

#### Going concern

With effect from 1 July 2010, the Group has a new agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million. With the exception of the bank overdraft facility of £1.0 million, which is renewed annually, these facilities are committed until 31 October 2013.

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

#### Share price

The market price per share of the Company's shares at 31 May 2011 was 121.3p (2010: 85.0p) and the range of market prices during the year was between 82.0p and 122.0p.

**Richard Whiting**  
Chief Executive  
9 August 2011

**Johnathan Ford**  
Finance Director

## Board of directors

---

**Mark Hudson 64**

**Non-Executive Chairman of the Board**

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

**Richard Whiting 47**

**Chief Executive**

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

**Johnathan Ford 41**

**Finance Director**

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

**John Acornley 57**

**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 62**

**Non-Executive Director**

**Chairman of Remuneration Committee**

Joined the Board in 2006. Previously chief executive and chairman of Skillsgroup plc. Currently non-executive chairman of three businesses in diverse market sectors

# Senior management and advisers

**David Warrington 55**

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.

**Keith Forster 51**

Managing Director, Food

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

**Kevin Kennerley 57**

Managing Director, Fuels

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

**Company Secretary**

**Rob Andrew 48**

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

**Advisers****Registrars**

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

**Auditors**

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

**Bankers**

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

**Nominated adviser and broker**

Peel Hunt LLP  
111 Old Broad Street  
London EC2N 1PH

**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 2011

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 2011

### 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

On 17 January 2011, the Group acquired 100% of the share capital of Evesons Fuels Limited, a fuel distribution business, for a total consideration of £3.6 million. Further details of this acquisition can be found in note 10 of the Group financial statements

The subsidiary undertakings principally affecting the profits and net assets of the Group in the year are listed in note 5 of the Parent Company financial statements

### 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, is given in the Business and Financial Review on pages 8 to 17

### Results and dividends

The Group profit before taxation for the year ended 31 May 2011 amounted to £7.6 million (2010: £7.1 million). The profit for the year attributable to equity shareholders was £5.4 million (2010: £4.9 million)

The Directors recommend a final dividend for the year of 3.5p per share (2010: 3.3p) which, if approved at the Annual General Meeting ('AGM'), will be payable on 1 November 2011. Together with the interim dividend paid during the year of 1.0p per share (2010: 1.0p), this will result in a total dividend of 4.5p per share (2010: 4.3p) amounting to £2.1 million (2010: £2.0 million)

### Financial risk management

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

### Directors and their interests

The Directors holding office during the year and up to the date of signing the financial statements and their interests in the ordinary share capital of the Company at 31 May 2011 and 31 May 2010 were as follows

	31 May 2011 Number	31 May 2010 Number
J K Acornley	10,000	10,000
J R Ford	20,000	20,000
M H Hudson	602,600	602,600
D R Southworth	100,000	100,000
R A Whiting	10,000	10,000

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

	31 May 2011 Number	31 May 2010 Number
J R Ford	255,421	114,796
R A Whiting	830,023	534,190
	<b>1,085,444</b>	<b>648,986</b>

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

The market price of the Company's shares at the end of the financial year was 121.3p and the range of market prices during the year was between 82.0p and 122.0p

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

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

### Directors' indemnities

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

### Substantial shareholdings

As at 22 July 2011, the Company had been notified of the following interests in its issued ordinary share capital

	Percentage of voting rights	Number of ordinary shares
Alorka Group	25.3	11,902,500
Chase Nominees Limited	4.3	2,022,870

### 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 (2010: £Nil). The Group's average credit payment period at 31 May 2011 was 38 days (2010: 36 days).

### Charitable donations

During the year, the Group made charitable donations of £4,143 (2010: £3,117) principally to local charities serving the communities in which the Group operates.

### Takeover Directive requirements

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](http://www.nwf.co.uk)).

### Notice of Annual General Meeting

A Notice of AGM, with explanatory notes, is contained on pages 64 to 67.

### Disclosure of information to auditors

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

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

### Independent auditors

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

By order of the Board

**S R Andrew**  
Company Secretary

Wardle  
Nantwich  
Cheshire CW5 6BP  
Registered number 2264971

9 August 2011

# Corporate governance statement

The Board is committed to achieving high standards of corporate governance, integrity and business ethics for all of the activities of the Group. Under the rules of AIM, the Group is not required to comply with the 2008 Combined Code on Corporate Governance ('the Code'). Nevertheless, the Board has taken steps to comply with the Code insofar 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 if required. The current Chief Executive's and Group Finance Director's appointments were approved by the Board, after receiving a recommendation from a committee of the Board consisting of the Non-Executive Directors that was formed specifically for that purpose. The committee undertook a comprehensive recruitment process and was assisted by independent external recruitment consultants.

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

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

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

## **Audit Committee**

The Audit Committee consists of all three Non-Executive Directors. The Audit Committee met twice during the year and all members attended.

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

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

The respective responsibilities of the Directors and external auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on page 24 and the auditors' reports on pages 25 and 56. Details of services provided by and fees payable to the auditors are shown in note 5 of the Group financial statements.

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

## **Remuneration Committee**

The Remuneration Committee consists of all three Non-Executive Directors. The Remuneration Committee met twice during the year and all members attended. 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 appointment. Appointment of new Non-Executive Directors is initially for one year with renewal for two-year terms if performance is satisfactory. The Chairman and the Senior Non-Executive Director have served for more than nine years on the Board and, whilst this does not comply with the Code's definition of independence, the Board considers that their experience is invaluable to the Group. The Board considers that the other Non-Executive Director meets the independence tests.

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

**Internal control**

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

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

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

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

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

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

**Shareholders**

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

**Share capital structures**

Details of the Company's share capital can be found in the 'Takeover Directive requirements' section of the Directors' Report and in note 22 of the Group financial statements.

**Going concern basis**

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

The Group has an agreement with The Royal Bank of Scotland Group for senior credit facilities totalling £51.0 million, details of which can be found in note 19 of the Group financial statements.

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

# Statement of directors' responsibilities

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

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

In preparing these financial statements, the Directors are required to

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

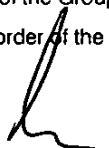
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial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

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

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

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

By order of the Board



**S R Andrew**  
Company Secretary

Wardle  
Nantwich  
Cheshire CW5 6BP  
Registered number 2264971

9 August 2011

# 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 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 24, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the Parent Company financial statements of NWF Group plc for the year ended 31 May 2011.

### Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

9 August 2011

## Consolidated income statement

for the year ended 31 May 2011

	Note	2011 £m	2010 £m
<b>Revenue</b>	3,4	<b>463.8</b>	379.8
Cost of sales		<b>(438.8)</b>	(358.0)
<b>Gross profit</b>		<b>25.0</b>	21.8
Administrative expenses		<b>(15.7)</b>	(12.8)
<b>Operating profit</b>	4	<b>9.3</b>	9.0
Finance costs	8	<b>(1.7)</b>	(1.9)
<b>Profit before taxation</b>	5	<b>7.6</b>	7.1
Income tax expense	9	<b>(2.2)</b>	(2.2)
<b>Profit for the year attributable to equity shareholders</b>		<b>5.4</b>	4.9
<b>Earnings per share (pence)</b>			
Basic	12	<b>11.5</b>	10.4
Diluted	12	<b>11.4</b>	10.4

## Consolidated statement of comprehensive income

for the year ended 31 May 2011

	Note	2011 £m	2010 £m
Profit for the year attributable to equity shareholders		<b>5.4</b>	4.9
Actuarial gain/(loss) on defined benefit pension schemes	23	<b>1.8</b>	(5.7)
Fair value loss on interest rate hedging instrument transferred to income	20	<b>0.3</b>	0.6
Tax on items taken directly to equity	21	<b>(0.4)</b>	1.4
<b>Total comprehensive income for the year</b>		<b>7.1</b>	1.2

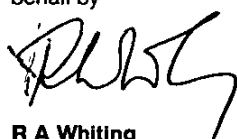
The notes on pages 30 to 55 form part of these Group financial statements

# Consolidated balance sheet

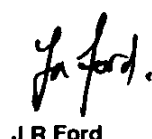
as at 31 May 2011

	Note	2011 £m	2010 £m
<b>Non-current assets</b>			
Property, plant and equipment	13	39.0	36.6
Intangible assets	14	8.0	5.7
Deferred income tax assets	21	3.1	3.5
		<b>50.1</b>	<b>45.8</b>
<b>Current assets</b>			
Inventories	15	3.5	3.3
Trade and other receivables	16	56.6	45.8
Cash at bank and in hand		0.7	—
Derivative financial instruments	20	0.4	0.2
		<b>61.2</b>	<b>49.3</b>
<b>Total assets</b>		<b>111.3</b>	<b>95.1</b>
<b>Current liabilities</b>			
Trade and other payables	18	(51.8)	(37.8)
Current income tax liabilities		(1.5)	(1.4)
Borrowings	19	(1.1)	(11.9)
Derivative financial instruments	20	(0.2)	(0.5)
		<b>(54.6)</b>	<b>(51.6)</b>
<b>Non-current liabilities</b>			
Borrowings	19	(10.9)	(2.0)
Deferred income tax liabilities	21	(5.5)	(5.6)
Retirement benefit obligations	23	(11.3)	(12.3)
		<b>(27.7)</b>	<b>(19.9)</b>
<b>Total liabilities</b>		<b>(82.3)</b>	<b>(71.5)</b>
<b>Net assets</b>		<b>29.0</b>	<b>23.6</b>
<b>Equity</b>			
Share capital	22	11.7	11.7
Other reserves		—	(0.2)
Retained earnings		17.3	12.1
<b>Total equity</b>		<b>29.0</b>	<b>23.6</b>

The Group financial statements on pages 26 to 55 were approved by the Board of Directors on 9 August 2011 and were signed on its behalf by



**R A Whiting**  
Director



**J R Ford**  
Director

The notes on pages 30 to 55 form part of these Group financial statements

About NWF

Corporate Governance

Financial Statements

Notice of AGM

# Consolidated statement of changes in equity

as at 31 May 2011

	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>Balance at 1 June 2009</b>	11.7	(0.7)	12.9	23.9
Profit for the year	—	—	4.9	4.9
Other comprehensive income/(expense)				
Fair value loss on interest rate hedging instrument transferred to income (note 20)	—	0.6	—	0.6
Actuarial loss on defined benefit pension scheme (note 23)	—	—	(5.7)	(5.7)
Tax on items taken directly to equity (note 21)	—	(0.1)	1.5	1.4
<b>Total comprehensive income for the year</b>	—	0.5	0.7	1.2
Transactions with owners				
Dividends paid (note 11)	—	—	(1.9)	(1.9)
Credit to equity for equity-settled share-based payments (note 24)	—	—	0.4	0.4
	—	—	(1.5)	(1.5)
<b>Balance at 31 May 2010</b>	11.7	(0.2)	12.1	23.6
Profit for the year	—	—	5.4	5.4
Other comprehensive income/(expense)				
Fair value loss on interest rate hedging instrument transferred to income (note 20)	—	0.3	—	0.3
Actuarial gain on defined benefit pension schemes (note 23)	—	—	1.8	1.8
Tax on items taken directly to equity (note 21)	—	(0.1)	(0.3)	(0.4)
<b>Total comprehensive income for the year</b>	—	0.2	6.9	7.1
Transactions with owners				
Dividends paid (note 11)	—	—	(2.0)	(2.0)
Issue of shares (note 22)	—	—	(0.1)	(0.1)
Credit to equity for equity-settled share-based payments (note 24)	—	—	0.4	0.4
	—	—	(1.7)	(1.7)
<b>Balance at 31 May 2011</b>	<b>11.7</b>	<b>—</b>	<b>17.3</b>	<b>29.0</b>

The notes on pages 30 to 55 form part of these Group financial statements

# Consolidated cash flow statement

## for the year ended 31 May 2011

	Note	2011 £m	2010 £m
<b>Net cash generated from operating activities</b>	25	<b>13.3</b>	10.9
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(1.2)	(0.4)
Purchase of property, plant and equipment		(3.7)	(3.3)
Proceeds on sale of property, plant and equipment		0.2	0.1
Acquisition of subsidiary	10	(3.7)	—
<b>Net cash absorbed by investing activities</b>		<b>(8.4)</b>	(3.6)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		16.2	—
Bank loan issue costs		(0.2)	—
Repayment of bank borrowings		(16.6)	(3.0)
Capital element of finance lease and hire purchase payments		(1.3)	(1.2)
Dividends paid		(2.0)	(1.9)
<b>Net cash absorbed by financing activities</b>		<b>(3.9)</b>	(6.1)
<b>Net increase in cash and cash equivalents</b>	26	<b>1.0</b>	1.2

The notes on pages 30 to 55 form part of these Group financial statements

# Notes to the group financial statements

for the year ended 31 May 2011

## 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 of the Group financial statements.

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

The Company has its primary listing on AIM, part of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 9 August 2011.

## 2. Significant 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 standards

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 June 2010:

Amendment to IFRS 2	'Group Cash-settled Share-based Payment Transactions'
IFRS 3 (revised)	'Business Combinations'
IAS 27 (revised)	'Consolidated and Separate Financial Statements'
IAS 28 (revised)	'Investments in Associates'
Amendment to IAS 32	'Classification of Rights Issues'
Amendment to IAS 39	'Financial Instruments - Eligible Hedged Items'
IFRIC 17	'Distributions of Non-cash Assets to Owners'
IFRIC 18	'Transfers of Assets from Customers'

### Annual Improvements 2008–2009

With the exception of IFRS 3 (revised), none of the above standards, amendments to standards and interpretations have had an impact on the amounts reported in these Group financial statements.

IFRS 3 (revised) is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the accounting period starting on or after 1 July 2009. The revised standard was applied to the acquisition of Evesons Fuels Limited on 17 January 2011. As a result, acquisition-related costs of £0.2 million have been recognised in the consolidated income statement in the year ended 31 May 2011, which previously would have been included in the consideration for the acquisition. See note 10 of the Group financial statements for further details of the acquisition of Evesons Fuels Limited.

Further, IAS 24 (revised) 'Related Party Transactions' has been issued but is not effective for the financial year beginning on 1 June 2010 and has not been early adopted. The Directors anticipate that the adoption of IAS 24 (revised) in future periods will not have a material impact on the amounts reported in the Group financial statements.

## 2. Significant accounting policies continued

### Consolidation

The Group financial statements incorporate the financial statements of NWF Group plc ('the Company') and entities controlled by the Company (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 acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

### Revenue recognition

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

#### Food

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

#### Feeds and Fuels

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

Revenue from sale of fuels includes fuel duty.

#### Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

### Segment reporting

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

### Taxation

The income tax expense represents the sum of current 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.

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 2. Significant accounting policies continued

### Taxation continued

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

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

### Borrowing costs

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

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

### Dividend distribution

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

### Property, plant and equipment

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

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

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

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

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

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

### Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included within 'intangible assets'. 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 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, identified according to operating segment.

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.

#### Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognised at fair value at the date of acquisition. Brands have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated, using the straight-line method, to allocate the cost of brands over their estimated useful lives (10–20 years).

## 2. Significant accounting policies continued

### Intangible assets continued

#### Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs incurred to acquire computer software licences and directly attributable costs incurred to bring the software into use are capitalised. Directly attributable costs include software development employee costs. Capitalised computer software costs are amortised over their estimated useful lives (3–5 years).

#### Impairment of non-financial assets

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

#### Inventories

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

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

#### Trade and other receivables

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

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

#### Derivative financial instruments and hedging activities

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

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

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

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

#### Cash and cash equivalents

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

#### Trade and other payables

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

#### Bank borrowings

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

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

# Notes to the group financial statements continued

## for the year ended 31 May 2011

### 2. Significant accounting policies continued

#### Retirement benefit obligations

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

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

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

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

#### Share-based payments

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

In the year ended 31 May 2011, the Group operated two (2010: 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.

Employer social security contributions payable in connection with the grant of share awards is considered an integral part of the grant itself and the charge is treated as a cash-settled transaction.

#### Provisions

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

#### Leases and hire purchase agreements

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

Other leases are classified as finance leases.

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

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

#### Share capital

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

#### Critical accounting estimates and judgements

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

## 2. Significant accounting policies continued

### Critical accounting estimates and judgements continued

#### Estimated impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 32. 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 are therefore uncertain.

#### Defined benefit pension schemes – valuation assumptions

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

#### Estimated fair value of derivatives and other financial instruments

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

## 3. Revenue

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

	2011 £m	2010 £m
Sale of goods	419.6	337.6
Rendering of services	44.2	42.2
	<b>463.8</b>	<b>379.8</b>

## 4 Segment Information

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

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

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

- Food – warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres
- Feeds – manufacture and sale of animal feeds and other agricultural products
- Fuels – sale and distribution of domestic heating, industrial and road fuels

Segment information about the above businesses is presented overleaf.

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

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

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

# Notes to the group financial statements continued

## for the year ended 31 May 2011

### 4. Segment information continued

2011	Food £m	Feeds £m	Fuels £m	Group £m
<b>Revenue</b>				
Total revenue	44.7	112.6	314.6	471.9
Inter-segment revenue	(0.5)	—	(7.6)	(8.1)
Revenue	44.2	112.6	307.0	463.8
<b>Result</b>				
Operating profit	2.0	4.0	3.3	9.3
Finance costs				(1.7)
Profit before taxation				7.6
Income tax expense (note 9)				(2.2)
Profit for the year				5.4
<b>Other information</b>				
Depreciation and amortisation	2.0	0.7	1.1	3.8

2011	Food £m	Feeds £m	Fuels £m	Group £m
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	33.9	26.6	47.0	107.5
Deferred income tax assets (note 21)				3.1
Cash at bank and in hand				0.7
Consolidated total assets				111.3
<b>Liabilities</b>				
Segment liabilities	(5.0)	(10.2)	(36.8)	(52.0)
Current income tax liabilities				(1.5)
Deferred income tax liabilities (note 21)				(5.5)
Borrowings (note 19)				(12.0)
Retirement benefit obligations (note 23)				(11.3)
Consolidated total liabilities				(82.3)

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

#### 4 Segment information continued

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

#### 5. Profit before taxation

Profit before taxation is stated after charging

	2011 £m	2010 £m
Cost of inventories recognised as an expense (included in cost of sales)	389.7	315.6
Depreciation of property, plant and equipment	3.7	3.2
Amortisation of other intangible assets	0.1	0.1
Operating lease charges – land and buildings	0.8	0.5
Operating lease charges – other	3.4	3.4
Staff costs (note 6)	30.8	28.0

Services provided by the Company's auditors

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

	2011 £'000	2010 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated annual accounts	26	25
Fees payable to the Company's auditors and its associates for other services		
– audit of the accounts of the Company's subsidiaries pursuant to legislation	71	58
– taxation services	34	48
– corporate finance services	78	—
– other services	114	28
Total auditors' remuneration	323	159

#### 6 Staff costs

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

	2011 Number	2010 Number
Food	592	577
Feeds	164	163
Fuels	159	148
Head Office	14	14
	929	902

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 6. Staff costs continued

Staff costs for the aforementioned persons were

	2011 £m	2010 £m
Wages and salaries	26.6	24.5
Social security costs	2.6	2.3
Share-based payments (note 24)	0.4	0.4
Other pension costs (note 23)	1.2	0.8
	<b>30.8</b>	<b>28.0</b>

In addition to the above staff costs, the Group incurred £3.2 million (2010: £2.9 million) in respect of costs of agency workers

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

## 7. Remuneration of Directors

Aggregate Directors' remuneration

	2011 £'000	2010 £'000
Emoluments	950	917
Contributions to defined contribution pension schemes	88	95
	<b>1,038</b>	<b>1,012</b>

In addition to the above, the Group recognised total expenses of £274,000 in respect of equity-settled share-based payment transactions with Directors in the year ended 31 May 2011 (2010: £194,000).

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

Directors' emoluments (excluding pensions)

Name of Director	Fees/Basic salary £'000	Annual bonuses £'000	Other benefits £'000	2011 total £'000	2010 total £'000
<b>Executive</b>					
J R Ford	158	118	13	289	280
R A Whiting	249	249	34	532	508
<b>Non-Executive</b>					
J K Acornley	33	—	—	33	33
M H Hudson	63	—	—	63	63
D R Southworth	33	—	—	33	33
<b>Aggregate emoluments</b>	<b>536</b>	<b>367</b>	<b>47</b>	<b>950</b>	<b>917</b>

In addition to the above, in the year ended 31 May 2011, the Group recognised total expenses of £218,800 (2010: £164,000) and £55,200 (2010: £30,000) in respect of equity-settled share-based payment transactions with R A Whiting and J R Ford respectively. These transactions relate to conditional share awards made under the performance share plan (see below).

Performance share plan ('the Plan')

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

**7. Remuneration of Directors continued**

**Performance share plan ('the Plan') continued**

Upon vesting, the issue of shares under the Plan will be satisfied from ordinary shares acquired by the NWF Group plc Employee Benefit Trust. No shares were issued to Directors under the Plan in the year ended 31 May 2011 (2010 Nil)

Details of conditional share awards outstanding at 31 May 2011 in respect of the Directors who served during the year are shown below

The market price of the Company's shares at the end of the financial year was 121 3p and the range of market prices during the year was between 82 0p and 122 0p

**R A Whiting**

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

- On 5 February 2009, R A Whiting was awarded a conditional right over a maximum of 288,272 ordinary shares at a price of 81p per ordinary share, subject to satisfying the following performance targets: if earnings per share in the three financial years ended 31 May 2011 is 18 97p per ordinary share, 86,482 ordinary shares will be issued under the Plan, the maximum of 288,272 ordinary shares will be issued if earnings per share are equal to or greater than 31 62p per ordinary share in the three years ended 31 May 2011. Earnings per share in the three financial years ended 31 May 2011 is 31 10p per ordinary share. Consequently, 278,586 ordinary shares have vested at 31 May 2011 in respect of this award and will be issued in the year ending 31 May 2012.
- On 11 August 2009, R A Whiting was awarded a conditional right over a maximum of 245,918 ordinary shares at a price of 98p per ordinary share, subject to satisfying the following performance targets: if earnings per share in the three financial years ending 31 May 2012 is 22 43p per ordinary share, 73,776 ordinary shares will be issued under the Plan, the maximum of 245,918 ordinary shares will be issued if earnings per share are equal to or greater than 37 38p per ordinary share in the three years ended 31 May 2012.
- On 10 August 2010, R A Whiting was awarded a conditional right over a maximum of 295,833 ordinary shares at a price of 84p per ordinary share, subject to satisfying the following performance targets: if earnings per share in the three financial years ending 31 May 2013 is 24 68p per ordinary share, 88,750 ordinary shares will be issued under the Plan, the maximum of 295,833 ordinary shares will be issued if earnings per share are equal to or greater than 41 13p per ordinary share in the three years ending 31 May 2013.

**J R Ford**

Two conditional share awards have been made to J R Ford under the Plan

- On 11 August 2009, J R Ford was awarded a conditional right over a maximum of 114,796 ordinary shares at a price of 98p per ordinary share, subject to satisfying the following performance targets: if earnings per share in the three financial years ending 31 May 2012 is 22 43p per ordinary share, 34,439 ordinary shares will be issued under the Plan, the maximum of 114,796 ordinary shares will be issued if earnings per share are equal to or greater than 37 38p per ordinary share in the three years ending 31 May 2012.
- On 10 August 2010, J R Ford was awarded a conditional right over a maximum of 140,625 ordinary shares at a price of 84p per ordinary share, subject to satisfying the following performance targets: if earnings per share in the three financial years ending 31 May 2013 is 24 68p per ordinary share, 42,185 ordinary shares will be issued under the Plan, the maximum of 140,625 ordinary shares will be issued if earnings per share are equal to or greater than 41 13p per ordinary share in the three years ending 31 May 2013.

**Directors' pension entitlements**

	2011 Number	2010 Number
The number of Directors who were		
– members of a defined contribution pension scheme	2	2
– members of a defined benefit pension scheme	—	—

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

Name of Director	2011 £'000	2010 £'000
J R Ford	24	23
R A Whiting	64	72
	<b>88</b>	<b>95</b>

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 8. Finance costs

	2011 £m	2010 £m
Interest on bank loans and overdrafts	0.8	0.6
Interest payable under hire purchase agreements	0.2	0.2
Total interest expense	1.0	0.8
Less amounts capitalised on qualifying assets	(0.1)	—
	0.9	0.8
Fair value loss on interest rate hedging instrument transferred from equity (note 20)	0.3	0.6
Net finance cost in respect of defined benefit pension schemes (note 23)	0.5	0.5
Total finance costs	1.7	1.9

Borrowing costs capitalised in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.9% to expenditure on such assets

## 9. Income tax expense

	2011 £m	2010 £m
<b>Current tax</b>		
UK corporation tax on profits for the year	2.5	2.0
Current tax expense	2.5	2.0
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(0.3)	0.2
Deferred tax (credit)/expense (note 21)	(0.3)	0.2
Total income tax expense	2.2	2.2

Corporation tax for the year ended 31 May 2010 was calculated at 28.0% of estimated assessable profit for the year. During the year ended 31 May 2011, as a result of the reduction in the UK corporation tax rate to 26.0% from 1 April 2011, corporation tax has been calculated at an effective rate of 27.6%.

During the year ended 31 May 2011, as the reduction in the UK corporation tax rate from 28.0% to 26.0% has been substantively enacted into law and will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured.

In addition to the changes in the rates of UK corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the rate of corporation tax from 26.0% to 25.0% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1.0% per annum to 23.0% by 1 April 2014. These further changes have not been substantively enacted into law at 31 May 2011 and, therefore, are not included in these Group financial statements.

Had the 1.0% reduction in the corporation tax rate from 26.0% to 25.0%, expected to be included in the Finance Act 2011, been enacted into law at 31 May 2011, the estimated impact on the Group balance sheet would have been a reduction in the deferred tax asset of £0.1 million, from £3.1 million to £3.0 million, and a reduction in the deferred tax liability of £0.2 million, from £5.5 million to £5.3 million.

The proposed further reductions in the rate of corporation tax by 1.0% per year to 23.0% by 1 April 2014 are expected to be enacted into law separately each year. The overall effect of these further changes from 25.0% to 23.0%, if these applied to the deferred tax balances at 31 May 2011, would be to reduce the deferred tax asset and deferred tax liability by £0.2 million and £0.4 million respectively.

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

	2011 £m	2010 £m
Profit before taxation	7.6	7.1
Profit before taxation multiplied by the standard rate of UK corporation tax of 27.6% (2010: 28.0%)	2.1	2.0
Effects of:		
– expenses not deductible for tax purposes	0.3	0.2
– impact on deferred tax of reduction in the UK corporation tax rate	(0.2)	—
Total income tax expense	2.2	2.2

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

## 10. Acquisition of subsidiary

On 17 January 2011, the Group acquired 100% of the share capital of Evesons Fuels Limited, a fuel distribution business, for a total consideration of £3.6 million. The acquisition will increase the Fuels division's sales volume by over 20% and will expand the coverage of the division's operations in the UK.

The following table summarises the consideration paid and acquisition-related costs incurred in respect of the acquisition of Evesons Fuels Limited.

	£m
<b>Consideration and acquisition-related costs</b>	
Total consideration transferred – cash paid	3.6
Acquisition-related costs (included in administrative expenses in the consolidated income statement in the year ended 31 May 2011)	0.2

Total consideration transferred comprises cash paid at the date of acquisition. The acquisition terms include no contingent or deferred consideration arrangements.

Details of the assets acquired and liabilities assumed, recognised at the acquisition date, are shown below.

	Provisional fair value £m
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment (note 13)	2.7
Identifiable intangible assets – brands (note 14)	0.3
Inventories	0.7
Trade and other receivables	6.0
Trade and other payables	(6.1)
Cash and cash equivalents – bank overdraft	(0.1)
Retirement benefit obligation (note 23)	(0.5)
Net deferred tax liability (note 21)	(0.2)
Total identifiable net assets	2.8
Goodwill	0.8
Total consideration transferred – cash paid	3.6

Net cash outflow arising on the acquisition

	£m
Total consideration transferred – cash paid	3.6
Cash and cash equivalents acquired – bank overdraft	0.1
	3.7

Goodwill of £0.8 million arises from the acquisition and is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and Evesons Fuels Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of land and buildings with a net book value of £1.7 million, included within property, plant and equipment above, is provisional pending receipt of final valuations for those assets.

The fair value of trade and other receivables is £6.0 million. The gross contractual value of trade receivables is £5.5 million, of which £0.1 million is expected to be uncollectible.

Evesons Fuels Limited contributed revenue of £24.6 million and profit before taxation of £0.3 million to the Group's results for the year ended 31 May 2011.

Had Evesons Fuels Limited been consolidated from 1 June 2010, the consolidated income statement for the year ended 31 May 2011 would show revenue of £498.1 million and profit before taxation of £7.3 million.

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 11. Equity dividends

	2011 £m	2010 £m
Final dividend for the year ended 31 May 2010 of 3 3p (2009 3 1p) per share	1.5	1.4
Interim dividend for the year ended 31 May 2011 of 1 0p (2010 1 0p) per share	0.5	0.5
Amounts recognised as distributions to equity shareholders in the year	2.0	1.9
Proposed final dividend for the year ended 31 May 2011 of 3 5p (2010 3 3p) per share	1.6	1.5

The proposed final dividend is subject to approval at the AGM on 22 September 2011 and has not been included as a liability in these Group financial statements

## 12. Earnings per share

	Basic earnings per share		Diluted earnings per share	
	2011	2010	2011	2010
Earnings attributable to equity shareholders (£m)	5.4	4.9	5.4	4.9
Weighted average number of shares in issue during the year (000s)	46,983	46,931	46,983	46,931
Weighted average dilutive effect of conditional and deferred share awards (000s)	—	—	376	261
Adjusted weighted average number of shares in issue during the year (000s)	46,983	46,931	47,359	47,192
Earnings per ordinary share (pence)	11.5	10.4	11.4	10.4

## 13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Plant and machinery £m	Cars and commercial vehicles £m	Total £m
<b>Cost</b>					
At 1 June 2009	29.9	0.9	18.1	7.8	56.7
Additions	0.7	—	1.2	1.3	3.2
Disposals	—	—	(0.6)	(0.5)	(1.1)
At 1 June 2010	30.6	0.9	18.7	8.6	58.8
Additions	0.4	—	1.0	2.3	3.7
Acquisition of subsidiary (note 10)	1.7	—	0.3	0.7	2.7
Disposals	(0.1)	—	(2.1)	(1.0)	(3.2)
<b>At 31 May 2011</b>	<b>32.6</b>	<b>0.9</b>	<b>17.9</b>	<b>10.6</b>	<b>62.0</b>
<b>Depreciation</b>					
At 1 June 2009	3.2	0.1	12.4	4.3	20.0
Charge for the year	0.7	—	1.5	1.0	3.2
Disposals	—	—	(0.5)	(0.5)	(1.0)
At 1 June 2010	3.9	0.1	13.4	4.8	22.2
Charge for the year	0.7	—	1.8	1.2	3.7
Disposals	—	—	(2.1)	(0.8)	(2.9)
<b>At 31 May 2011</b>	<b>4.6</b>	<b>0.1</b>	<b>13.1</b>	<b>5.2</b>	<b>23.0</b>
<b>Carrying amount</b>					
<b>At 31 May 2011</b>	<b>28.0</b>	<b>0.8</b>	<b>4.8</b>	<b>5.4</b>	<b>39.0</b>
At 31 May 2010	26.7	0.8	5.3	3.8	36.6

Included in plant and machinery above are assets in the course of construction, on which depreciation has not been charged, with a carrying value of £0.4 million (2010 £Nil)

The Group has pledged certain freehold land and buildings having a carrying amount of £25.0 million (2010 £25.3 million) to secure banking facilities granted to the Group

Included in plant and machinery and cars and commercial vehicles above are assets acquired under hire purchase agreements with a carrying value at 31 May 2011 of £0.6 million and £1.8 million (2010 £1.3 million and £2.0 million) respectively. The depreciation charges for the year ended 31 May 2011 relating to these assets were £0.7 million and £0.5 million (2010 £0.5 million and £0.6 million) respectively

## 14. Intangible assets

	Goodwill £m	Computer software £m	Brands £m	Total £m
<b>Cost</b>				
At 1 June 2009	5.7	1.2	0.1	7.0
Additions	—	0.4	—	0.4
At 1 June 2010	5.7	1.6	0.1	7.4
Additions	0.1	1.2	—	1.3
Acquisition of subsidiary (note 10)	0.8	—	0.3	1.1
<b>At 31 May 2011</b>	<b>6.6</b>	<b>2.8</b>	<b>0.4</b>	<b>9.8</b>
<b>Impairment charge</b>				
At 1 June 2009	0.6	0.9	0.1	1.6
Charge for the year	—	0.1	—	0.1
At 1 June 2010	0.6	1.0	0.1	1.7
Charge for the year	—	0.1	—	0.1
<b>At 31 May 2011</b>	<b>0.6</b>	<b>1.1</b>	<b>0.1</b>	<b>1.8</b>
<b>Carrying amount</b>				
<b>At 31 May 2011</b>	<b>6.0</b>	<b>1.7</b>	<b>0.3</b>	<b>8.0</b>
At 31 May 2010	5.1	0.6	—	5.7

Included in computer software above are assets in the course of construction, on which depreciation has not been charged, with a carrying value of £1.4 million (2010: £0.4 million)

### 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:

	2011 £m	2010 £m
Feeds	2.7	2.7
Fuels	3.3	2.4
	<b>6.0</b>	<b>5.1</b>

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 2014. Subsequent cash flows are extrapolated using an estimated growth rate of 2.25%.

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

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

## 15. Inventories

	2011 £m	2010 £m
Raw materials and consumables	1.3	1.2
Finished goods and goods for resale	2.2	2.1
	<b>3.5</b>	<b>3.3</b>

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 16 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	55.4	44.5
Less provision for impairment	(1.2)	(0.9)
Trade receivables – net	54.2	43.6
VAT recoverable	0.6	0.4
Other debtors	0.2	0.1
Prepayments and accrued income	1.6	1.7
	<b>56.6</b>	<b>45.8</b>

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

At 31 May 2011, trade receivables of £14.4 million (2010: £13.2 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:

	2011 £m	2010 £m
Up to 3 months	11.1	11.1
Over 3 months	3.3	2.1
	<b>14.4</b>	<b>13.2</b>

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

	2011 £m	2010 £m
At 1 June	0.9	1.1
Acquisition of subsidiary (note 10)	0.1	—
Provision for receivables impairment	0.7	0.5
Receivables written off in the year	(0.5)	(0.7)
<b>At 31 May</b>	<b>1.2</b>	<b>0.9</b>

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

The other classes of receivables do not contain impaired assets.

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

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

	2011 £m	2010 £m
Cash at bank and in hand	0.7	—
Bank overdrafts (note 19)	—	(0.3)
	<b>0.7</b>	<b>(0.3)</b>

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

## 18 Trade and other payables

	2011 £m	2010 £m
<b>Current</b>		
Trade payables	43.4	33.1
Social security and other taxes	0.8	0.7
Accruals and deferred income	7.6	4.0
	<b>51.8</b>	<b>37.8</b>

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

## 19. Borrowings

	2011 £m	2010 £m
<b>Current</b>		
Bank overdrafts	—	0.3
Invoice discounting advances	—	10.2
Bank loans	—	0.1
Obligations under hire purchase agreements	1.1	1.3
	<b>1.1</b>	<b>11.9</b>
<b>Non-current</b>		
Invoice discounting advances	9.8	—
Obligations under hire purchase agreements	1.1	2.0
	<b>10.9</b>	<b>2.0</b>
<b>Total borrowings</b>	<b>12.0</b>	<b>13.9</b>

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

### Invoice discounting advances

Invoice discounting advances at 31 May 2011 are drawn under a committed facility with an expiry date of 31 October 2013. The availability of invoice discounting facilities is dependent on the level of current trade receivables available for refinancing and is subject to a maximum drawdown of £40.0 million.

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

Invoice discounting advances at 31 May 2010 were drawn under a three-year committed facility with an expiry date of 31 May 2011, which permitted the refinancing of the current debt. The facility was provided under an arrangement with The Royal Bank of Scotland Group and was secured by way of a fixed and floating charge against the Group's trade receivables. Interest was charged at a variable rate of 1.25% per annum above the bank's base rate.

Invoice discounting advances at 31 May 2011 and 31 May 2010 have been classified according to the maturity date of the longest permitted refinancing. Accordingly, £Nil (2010: £10.2 million) is presented within current liabilities and £9.8 million (2010: £Nil) is presented within non-current liabilities. Without these committed facilities, all invoice discounting advances would have been classified as current liabilities.

The Group incurs non-utilisation fees on its committed invoice discounting facility.

### Revolving credit facility

At 31 May 2011, the Group has a revolving credit facility of £6.0 million with an expiry date of 31 October 2013. Interest is charged on amounts drawn down at 2.0% per annum above LIBOR.

At 31 May 2010, the Group had a revolving credit facility of £7.7 million with an expiry date of 31 May 2011. Interest was charged on amounts drawn down at a variable rate of 2.5–3.0% per annum above LIBOR.

The amount drawn down under the revolving credit facility at 31 May 2011 is £Nil (2010: £Nil).

The Group incurs non-utilisation fees on its committed revolving credit facility.

### Bank overdrafts and loans

The Group's net bank overdraft of £Nil at 31 May 2011 is repayable on demand and is subject to a maximum limit of £1.0 million. Interest is charged at 2.0% per annum over the bank's base rate.

The Group's net bank overdraft of £0.3 million at 31 May 2010 was repayable on demand and interest was charged at a variable rate of 2.5–3.0% per annum above the bank's base rate.

At 31 May 2010, there was one bank loan of £0.1 million which was non-interest bearing and has been repaid in full in the year ended 31 May 2011.

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 19 Borrowings continued

### Bank guarantee

With effect from 1 June 2010 and at 31 May 2011, the Group has a bank guarantee agreement with The Royal Bank of Scotland Group, under which the bank provides a facility which allows the Group to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £4.0 million. Commission is charged on the maximum total facility value of £4.0 million at 2.0-2.5% per annum.

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

Bank borrowings amounting to £9.8 million (2010: £10.6 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group which incorporate a fixed charge over their book debts and floating charges over all their other assets.

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

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

	2011 £m	2010 £m
Within 1 year	—	10.6
Between 2 – 5 years	9.8	—
	<b>9.8</b>	<b>10.6</b>

### 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 2011, in respect of which all conditions precedent had been met at that date.

	2011		2010	
	Facility £m	Amount drawn £m	Facility £m	Amount drawn £m
Facilities expiring				
Within 1 year	1.0	—	40.7	10.6
Between 2 - 5 years	44.6	9.8	—	—
	<b>45.6</b>	<b>9.8</b>	<b>40.7</b>	<b>10.6</b>

The availability of invoice discounting facilities included above, amounting to £38.6 million (2010: £31.9 million), is dependent on the level of current debt available for refinancing.

The 2011 facilities above do not include the £4.0 million bank guarantee agreement facility, effective from 1 June 2010.

### Obligations under hire purchase agreements

Obligations under hire purchase agreements are repayable as follows:

	Minimum payments		Present value of payments	
	2011 £m	2010 £m	2011 £m	2010 £m
Within 1 year	1.1	1.4	1.1	1.3
Between 1 – 2 years	1.0	1.1	1.0	1.0
Between 2 – 5 years	0.2	1.0	0.1	1.0
	<b>2.3</b>	<b>3.5</b>	<b>2.2</b>	<b>3.3</b>
Less: future finance charges	<b>(0.1)</b>	<b>(0.2)</b>	<b>—</b>	<b>—</b>
Present value of obligations	<b>2.2</b>	<b>3.3</b>	<b>2.2</b>	<b>3.3</b>
Analysed as				
Amounts due for settlement within 12 months (shown as current liabilities)			1.1	1.3
Amounts due for settlement after 12 months			1.1	2.0
			<b>2.2</b>	<b>3.3</b>

All hire purchase obligations are denominated in Sterling.

## 20. Financial instruments and risk management

The Group's financial instruments comprise cash, bank overdrafts, invoice discounting advances, bank loans, obligations under hire purchase agreements, derivatives and various items, such as debtors and creditors, that arise from its operations. All financial instruments in 2011 and 2010 were denominated in Sterling. There is no significant foreign exchange risk in respect of these instruments.

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

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

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

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

### Financial liabilities

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

	Total book value £m	Total fair value £m	Fixed interest rate %
<b>At 31 May 2011</b>			
Financial liabilities carried at amortised cost			
Floating rate invoice discounting advances	9.8	9.8	—
Hire purchase obligations repayable			
Within 1 year	1.1	1.2	2.43–7.92
Between 1 – 2 years	1.0	1.0	2.43–7.92
Between 2 – 5 years	0.1	0.1	2.43–7.86
	<b>12.0</b>	<b>12.1</b>	
Financial liabilities carried at fair value – derivatives	0.2	0.2	—
	<b>12.2</b>	<b>12.3</b>	
<b>At 31 May 2010</b>			
Financial liabilities carried at amortised cost			
Floating rate bank overdraft	0.3	0.3	—
Floating rate invoice discounting advances	10.2	10.2	—
Hire purchase obligations repayable			
Within 1 year	1.3	1.3	2.78–7.25
Between 1 – 2 years	1.0	1.0	2.78–7.25
Between 2 – 5 years	1.0	1.0	6.00–7.25
	<b>13.8</b>	<b>13.8</b>	
Financial liabilities carried at fair value – derivatives	0.5	0.5	—
	<b>14.3</b>	<b>14.3</b>	

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

# Notes to the group financial statements continued

## for the year ended 31 May 2011

### 20. Financial instruments and risk management continued

#### 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

	Total book and fair value £m	Fixed interest rate %
<b>At 31 May 2011</b>		
Financial assets carried at amortised cost cash at bank and in hand	0.7	—
Financial assets carried at fair value derivatives	0.4	—
	<b>1.1</b>	
<b>At 31 May 2010</b>		
Financial assets carried at fair value derivatives	0.2	—

#### Financial risk management

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

#### Price risk

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

The Feeds business enters into forward supply contracts in order to manage the impact of price movements on its gross margin. At 31 May 2011, the Group had open forward supply contracts with a principal value of £38.1 million (2010: £22.5 million). The fair value of forward supply contracts recognised in the balance sheet in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' is £0.2 million (2010: £0.1 million).

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

The Group has not designated any of these contracts as hedging instruments during the period under review. As a result, changes in the fair value of non-hedging forward supply contracts amounting to £0.1 million have been credited (2010: £0.1 million credited) to the income statement in the year.

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

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

#### Interest rate risk

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

The Group has used interest rate derivatives to manage its exposure to interest rate increases on its borrowings. At 31 May 2011, the Group held no interest rate derivatives. At 31 May 2010, the Group held one interest rate swap with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% for the 18 months ended 31 December 2010. This instrument was designated and effective as a cash flow hedge for the entire period from inception to its contract end date of 31 December 2010.

The Directors review the hedging policy on at least an annual basis.

The fair value of the swap held at 31 May 2010 was estimated at £0.3 million in the bank's favour. The fair value was based on the market value of an equivalent instrument at the balance sheet date, being the discounted present value of future cash flows based on the applicable yield curve derived from quoted interest rates. The Group settled the difference between the fixed and variable interest rates on a net basis, every month. All of the contractual cash flows fell due to be settled by the contract end date of 31 December 2010.

## 20 Financial Instruments and risk management continued

### Financial risk management continued

#### Interest rate risk continued

The fair value loss transferred from equity to the income statement in the year ended 31 May 2011 was £0.3 million (2010: £0.6 million)

The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2011 profit before taxation by approximately £0.1 million (2010: £0.1 million)

#### Credit risk

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

#### Liquidity risk

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

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

#### Capital risk

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

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

	2011	2010
Borrowings (£m) (note 19)	12.0	13.9
Less: cash at bank and in hand	(0.7)	—
Net debt (£m)	11.3	13.9
EBITDA (£m)	13.1	12.3
Net debt/EBITDA ratio	0.9	1.1

## 21. Deferred taxation

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

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 June 2009	5.5	(1.9)	(0.3)	3.3
Charge to income statement (note 9)	0.1	—	0.1	0.2
Credit to equity	—	(1.5)	0.1	(1.4)
At 1 June 2010	5.6	(3.4)	(0.1)	2.1
(Credit)/charge to income statement (note 9)	(0.5)	0.2	—	(0.3)
Acquisition of subsidiary (note 10)	0.4	(0.2)	—	0.2
Charge/(credit) to equity	—	0.5	(0.1)	0.4
<b>At 31 May 2011</b>	<b>5.5</b>	<b>(2.9)</b>	<b>(0.2)</b>	<b>2.4</b>

## 22. Share capital

	Number of shares (000s)	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2009, 31 May 2010 and 31 May 2011	80,000	20.0

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 22 Share capital continued

	Number of shares (000s)	Total £m
<b>Authorised and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2009 and 31 May 2010	46,931	11.7
Issue of shares (see below)	76	—
<b>Balance at 31 May 2011</b>	<b>47,007</b>	<b>11.7</b>

During the year ended 31 May 2011, 76,000 shares with an aggregate nominal value of £19,000 were issued for no consideration under the Group's conditional Performance Share Plan and deferred share award schemes

The maximum total number of ordinary shares which might be issued in future periods, in respect of conditional and deferred share awards outstanding at 31 May 2011, amounted to 1,303,510 (2010 930,788). These shares will only be issued subject to satisfying certain performance criteria (see notes 7 and 24)

## 23. Retirement benefit schemes

### Defined contribution schemes

The Group operates several defined contribution pension schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to the income statement of £0.4 million (2010 £0.4 million) represents the contributions payable to these schemes by the Group at the rates specified in the scheme rules. At 31 May 2011, contributions of £Nil (2010 £Nil) due in respect of the current reporting period had not been paid over to the schemes.

### Defined benefit schemes

The Group operates two defined benefit pension schemes providing benefits based on final pensionable earnings. The assets of the schemes are held separately from those of the Group in independently administered funds. Further details of each scheme are shown below.

#### NWF Group Benefits Scheme

This scheme was closed to new members during the year ended 31 May 2002.

The latest full actuarial valuation of this scheme, completed in 2009, was carried out as at 31 December 2007 by a qualified actuary and has been updated on an approximate basis to 31 May 2011. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

As a result of the full actuarial valuation at 31 December 2007 further contributions of £0.2 million per annum have been made from 1 April 2009 in order to eliminate the deficit in the scheme by 31 March 2019. These contributions are in addition to the employer's regular contributions of 19.4% of pensionable salaries (approximately £0.8 million per annum). The Group therefore expects to make total contributions of £1.0 million to the scheme in the year ending 31 May 2012.

#### Evesons Fuels Limited Retirement Benefit Scheme

The assets and liabilities of this scheme were acquired as a result of the acquisition of Evesons Fuels Limited on 17 January 2011 (see note 10). The scheme closed to future accrual on 30 June 2004. The latest full actuarial valuation of the scheme, completed in June 2010, was carried out as at 6 April 2009 by a qualified actuary and has been updated on an approximate basis to 31 May 2011. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

As a result of the full actuarial valuation at 6 April 2009 a schedule of contributions has been agreed, payable from 1 July 2010 for a period of ten years, in order to eliminate the deficit in the scheme by 30 June 2020. The Group therefore expects to make total contributions of £0.1 million to the scheme in the year ending 31 May 2012.

The following disclosures in respect of the year ended 31 May 2011 relate to both of the schemes described above and include the impact of the acquisition of Evesons Fuels Limited Retirement Benefit Scheme on 17 January 2011. Comparative figures for 2010 and prior periods relate to the NWF Group Benefits Scheme only.

The principal actuarial assumptions as at the balance sheet date were

	2011 %	2010 %
Discount rate	5.40	5.60
Future salary increases*	4.05	4.70
Future pension increases*	2.35	2.35
Past pension increases	3.55	3.40
Price inflation	3.55	3.45

\* Applicable to the NWF Group Benefits Scheme only. Evesons Fuels Limited Retirement Benefit Scheme is closed to future accrual.

### 23. Retirement benefit schemes continued

#### Defined benefit schemes continued

The mortality assumptions adopted in respect of the NWF Group Benefits Scheme imply the following life expectancies

	2011 Years	2010 Years
Current pensioners – male life expectancy at age 65	21.9	20.9
Future pensioners currently aged 45 – male life expectancy at age 65	23.3	22.9

The 2011 mortality assumptions above are based on S1PA YoB CMI 2010 1.0% long-term trend (2010 PA92 +2 YoB MC 1% floor) tables

The mortality assumptions adopted in respect of the Evesons Fuels Limited Retirement Benefit Scheme imply the following life expectancies

	2011 Years
Current pensioners – male life expectancy at age 65	21.5
Future pensioners currently aged 45 – male life expectancy at age 65	23.5

The 2011 mortality assumptions above are based on PCA00 +1 YoB MC 1% floor tables

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

	2011 £m	2010 £m
Present value of defined benefit obligations	(40.4)	(35.7)
Fair value of scheme assets	29.1	23.4
<b>Deficit in the schemes recognised as a liability in the balance sheet</b>	<b>(11.3)</b>	<b>(12.3)</b>
Related deferred tax asset (note 21)	2.9	3.4
<b>Net pension liability</b>	<b>(8.4)</b>	<b>(8.9)</b>

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

	2011 £m	2010 £m
<b>Amounts charged to operating profit within administrative expenses</b>		
Current service cost	0.8	0.4
<b>Amounts included in finance costs</b>		
Expected return on scheme assets	(1.6)	(1.3)
Interest on scheme liabilities	2.1	1.8
<b>Net charge to finance costs</b>	<b>0.5</b>	<b>0.5</b>
<b>Total cost recognised in the income statement</b>	<b>1.3</b>	<b>0.9</b>

Actuarial gains of £1.8 million (2010: £5.7 million losses) have been reported in the statement of comprehensive income in the year

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

	2011 £m	2010 £m
At 1 June	35.7	26.7
Liabilities acquired in a business combination (note 10)	3.5	—
Current service cost	0.8	0.4
Interest on scheme liabilities	2.1	1.8
Actuarial (gains)/losses	(0.7)	7.7
Contributions by scheme members	0.3	0.3
Benefits paid	(1.3)	(1.2)
<b>At 31 May</b>	<b>40.4</b>	<b>35.7</b>

# Notes to the group financial statements continued

## for the year ended 31 May 2011

### 23. Retirement benefit schemes continued

#### Defined benefit schemes continued

Changes in the fair value of scheme assets are as follows

	2011 £m	2010 £m
At 1 June	23.4	20.0
Assets acquired in a business combination (note 10)	3.0	—
Expected return on scheme assets	1.6	1.3
Actuarial gains	1.1	2.0
Contributions by employer	1.0	1.0
Contributions by scheme members	0.3	0.3
Benefits paid	(1.3)	(1.2)
<b>At 31 May</b>	<b>29.1</b>	<b>23.4</b>

The fair value of the major categories of scheme assets and the expected long-term rate of return in respect of the NWF Group Benefits Scheme at the balance sheet date are as follows

	Expected return		Fair value of assets	
	2011 %	2010 %	2011 £m	2010 £m
Equities	6.9	7.1	16.0	14.3
Bonds	4.9	5.0	3.7	3.8
Property	6.9	7.1	1.9	1.9
Cash	3.7	3.9	0.6	0.8
Hedge funds	6.9	7.1	3.8	2.6
			<b>26.0</b>	<b>23.4</b>

The fair value of the major categories of scheme assets and the expected long-term rate of return in respect of the Evesons Fuels Limited Retirement Benefit Scheme at the balance sheet date are as follows

	Expected return 2011 %	Fair value of assets 2011 £m
	Equities	7.7
Bonds	5.4	0.7
Gilts	3.9	0.4
Property	7.7	0.3
Cash and other assets	3.7	0.1
		<b>3.1</b>

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, bonds and gilts 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 schemes.

The actual return on scheme assets was a gain of £2.7 million (2010: £3.3 million gain)

A history of experience adjustments in the schemes is as follows

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	(40.4)	(35.7)	(26.7)	(29.7)	(28.6)
Fair value of scheme assets	29.1	23.4	20.0	25.3	25.1
Deficit in the schemes	(11.3)	(12.3)	(6.7)	(4.4)	(3.5)
Experience adjustments on scheme liabilities	1.1	—	(0.4)	(0.1)	—
Experience adjustments on assets	0.1	2.0	(7.4)	(1.4)	2.1

## 24. Share-based payments

In each of the years ended 31 May 2011 and 31 May 2010, the Group operated two equity-settled share-based compensation plans as described below. The Group recognised total expenses of £0.4 million in respect of equity-settled share-based payment transactions in the year ended 31 May 2011 (2010: £0.4 million).

### The Performance Share Plan ('the Plan')

The Group operates a performance share plan for senior executives, further details of which can be found in note 7. Under the Plan, the Group has made awards of conditional shares to certain Directors and employees on 5 February 2009 (vesting date: 31 May 2010 or 31 May 2011), 11 August 2009 (vesting date: 31 May 2012) and 10 August 2010 (vesting date: 31 May 2013). The vesting of these conditional share awards is subject to the Group achieving absolute earnings per share targets.

Details of the maximum total number of ordinary shares, which might be issued in future periods in respect of conditional share awards outstanding at 31 May 2011 and 31 May 2010, are as follows:

	2011 Number of conditional shares	2010 Number of conditional shares
At 1 June	866,432	441,050
Granted during the year	513,467	425,382
Forfeited during the year	(31,319)	—
Exercised during the year	(45,070)	—
At 31 May	1,303,510	866,432

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 £0.9 million (2010: £0.7 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:

	2011	2010
Share price at grant date	£0.89	£0.92
Exercise price	Nil	Nil
Expected volatility	57.9%	58.0%
Expected life	2.82 years	2.64 years
Expected dividend yield	3.95%	3.75%
Risk-free interest rate	1.90%	2.08%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 1.5 and 2.5 years (awards granted on 5 February 2009) and 3 years (awards granted on 11 August 2009 and 10 August 2010). 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 was three years and the awards were exercised on 29 November 2010. Details of the deferred share awards outstanding during the year are as follows:

	2011 Number of deferred shares	2010 Number of deferred shares
At 1 June	64,356	64,356
Forfeited during the year	(32,822)	—
Exercised during the year	(31,534)	—
At 31 May	—	64,356

# Notes to the group financial statements continued

for the year ended 31 May 2011

## 24. Share-based payments continued

### Deferred share awards continued

The estimate of the fair value of the services received in return for the deferred share awards was measured based on a Black Scholes model. At 31 May 2010, the aggregate of the estimated fair values of the awards was £0.1 million and the inputs into the Black Scholes model were as follows:

	2010
Share price at grant date	£2.05
Exercise price	Nil
Expected volatility	33.10%
Expected life	3 years
Expected dividend yield	1.90%
Risk-free interest rate	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 was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 25. Net cash generated from operating activities

	2011 £m	2010 £m
Operating profit	9.3	9.0
Adjustments for:		
Depreciation of property, plant and equipment	3.7	3.2
Amortisation of other intangible assets	0.1	0.1
Share-based payment expense	0.4	0.4
Issue of shares	(0.1)	—
Difference between pension charge and cash contributions	(0.2)	(0.6)
Operating cash flows before movements in working capital	13.2	12.1
Movements in working capital:		
Decrease in inventories	0.5	—
Increase in receivables	(4.9)	(2.3)
Increase in payables	8.2	4.3
<b>Net cash generated from operations</b>	<b>17.0</b>	<b>14.1</b>
Interest paid	(1.2)	(1.3)
Income tax paid	(2.5)	(1.9)
<b>Net cash generated from operating activities</b>	<b>13.3</b>	<b>10.9</b>

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

	1 June 2010 £m	Cash flow £m	Acquisition of subsidiary £m	Other non-cash movements £m	31 May 2011 £m
Cash at bank and in hand	—	0.7	—	—	0.7
Bank overdrafts	(0.3)	0.3	—	—	—
Cash and cash equivalents (note 17)	(0.3)	1.0	—	—	0.7
Debt due within 1 year	(10.3)	10.3	—	—	—
Debt due after 1 year	—	(9.7)	—	(0.1)	(9.8)
Hire purchase obligations due within 1 year	(1.3)	1.3	(0.1)	(1.0)	(1.1)
Hire purchase obligations due after 1 year	(2.0)	—	(0.1)	1.0	(1.1)
<b>Total Group</b>	<b>(13.9)</b>	<b>2.9</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(11.3)</b>

## 27 Operating lease commitments

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

	Land and buildings 2011 £m	Land and buildings 2010 £m	Other 2011 £m	Other 2010 £m
Within 1 year	0.6	0.6	2.6	3.0
Within 2 – 5 years inclusive	1.2	1.8	2.9	4.7
	1.8	2.4	5.5	7.7

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.

## 28 Related party transactions

### Key management compensation

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

	2011 £m	2010 £m
Short-term employee benefits	2.7	2.4
Post-employment benefits	0.1	0.1
Termination benefits	0.1	—
Share-based payments	0.4	0.4
	3.3	2.9

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 £11,489 (2010 £14,015) as a customer of the Group in the year ended 31 May 2011. At 31 May 2011, the amount outstanding was £Nil (2010 £Nil). During the year, the highest amount outstanding totalled £5,743 (2010 £3,327).

## 29. Commitments for capital expenditure

	2011 £m	2010 £m
Authorised, contracted but not provided for	1.7	2.1

## 30. Contingent liabilities

The Group's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Group has pledged security in favour of the bank over certain freehold land and buildings with a carrying amount of £25.0 million (2010 £25.3 million). Unscheduled mortgage debentures have also been provided by the Company and certain subsidiaries to the bank which incorporate a fixed charge over trade receivables and floating charges over all other assets.

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting to £9.1 million at 31 May 2011 (2010 £10.6 million).

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

At 31 May 2011, upon the request of the Group, the bank has issued a guarantee with a value of £4.0 million to a third party supplier of a subsidiary company.

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

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

# Independent auditors' report

## to the members of NWF Group plc

We have audited the Parent Company financial statements of NWF Group plc for the year ended 31 May 2011 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 24, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 May 2011,
- 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 2011.

### Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

9 August 2011

# Parent company balance sheet

as at 31 May 2011

	Note	2011 £m	2010 £m
<b>Fixed assets</b>			
Tangible assets	4	25.4	25.9
Investments	5	1.2	1.2
		<b>26.6</b>	<b>27.1</b>
<b>Current assets</b>			
Debtors	6	1.5	2.9
Cash and bank balances		0.2	0.1
		<b>1.7</b>	<b>3.0</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(11.2)</b>	<b>(12.9)</b>
<b>Net current liabilities</b>		<b>(9.5)</b>	<b>(9.9)</b>
<b>Total assets less current liabilities</b>		<b>17.1</b>	<b>17.2</b>
<b>Provisions for liabilities</b>			
Deferred taxation	8	(0.8)	(0.8)
<b>Net assets</b>		<b>16.3</b>	<b>16.4</b>
<b>Capital and reserves</b>			
Equity share capital	9	11.7	11.7
Profit and loss account	10	4.6	4.7
<b>Total equity shareholders' funds</b>	11	<b>16.3</b>	<b>16.4</b>

The Parent Company financial statements on pages 57 to 63 were approved by the Board of Directors on 9 August 2011 and were signed on its behalf by


  
**R A Whiting**      **J A Ford**  
 Director              Director

The notes on pages 58 to 63 form part of these Parent Company financial statements

# Notes to the parent company financial statements

for the year ended 31 May 2011

## 1. Significant accounting policies

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

### Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year was £1.6 million (2010: £4.5 million). There are no material differences between the profit after taxation in the current and prior 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.

Borrowing costs that are directly attributable to the construction of qualifying 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 no financial instruments at 31 May 2011 (2010: one), which were not fair valued on the balance sheet. Details of the financial instrument held at 31 May 2010 are disclosed in note 13 of the Company financial statements.

### Share-based payments

The Company has applied the requirements of FRS 20 'Share-based Payments'. In the year ended 31 May 2011, the Company operated 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.

Employer social security contributions payable in connection with the grant of share awards is considered an integral part of the grant itself and the charge is treated as a cash-settled transaction.

## 1. Significant 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 14 (2010: 14). Staff costs for these persons were:

	2011 £m	2010 £m
Wages and salaries	1.4	1.3
Social security costs	0.3	0.2
Share-based payments (note 14)	0.4	0.3
Other pension costs	0.1	0.1
	<b>2.2</b>	<b>1.9</b>

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 Directors' remuneration are shown in note 7 of the Group financial statements.

## 4. Tangible fixed assets

	Freehold land and buildings £m	Plant and machinery £m	Total £m
<b>Cost or valuation</b>			
At 1 June 2010	29.3	1.0	30.3
Additions	0.3	—	0.3
Disposals	—	(0.1)	(0.1)
<b>At 31 May 2011</b>	<b>29.6</b>	<b>0.9</b>	<b>30.5</b>
<b>Depreciation</b>			
At 1 June 2010	3.7	0.7	4.4
Charge for the year	0.6	0.1	0.7
<b>At 31 May 2011</b>	<b>4.3</b>	<b>0.8</b>	<b>5.1</b>
<b>Carrying amount</b>			
<b>At 31 May 2011</b>	<b>25.3</b>	<b>0.1</b>	<b>25.4</b>
At 31 May 2010	25.6	0.3	25.9

The cost or valuation of freehold land and buildings includes £7.2 million (2010: £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 2011 are: £28.5 million (2010: £28.2 million) cost, £4.5 million (2010: £3.9 million) accumulated depreciation, and £24.0 million (2010: £24.3 million) net book value.

# Notes to the parent company financial statements continued

## for the year ended 31 May 2011

### 5. Investments in subsidiary undertakings

£m

#### Cost and carrying amount

At 1 June 2010 and 31 May 2011

1 2

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

Company	Business activity
NWF Agriculture Holdings Limited	Holding company – Feed operations
NWF Distribution Holdings Limited	Holding company – Food operations
NWF Fuels Holdings Limited	Holding company – Fuel operations
Bassett Fuels Limited	Dormant
Dragon Petroleum Limited	Dormant
Lincolnshire Fuels Limited	Dormant
North Western Farmers Limited	Dormant
NWF Limited	Dormant
Figaro Number Two Limited	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
Bougey Distribution Limited	Warehousing and food distribution
NWF Agriculture Limited	Supplier of animal feedstuffs and seeds
NWF Fuels Limited	Fuel distribution
Evesons Fuels Limited	Fuel distribution
Evesons (Worcestershire) 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	Dormant

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

### 6. Debtors

	2011 £m	2010 £m
Amounts owed by Group undertakings	0.2	1.8
Prepayments and accrued income	0.3	0.3
Corporation tax recoverable	1.0	0.7
VAT recoverable	—	0.1
	<b>1.5</b>	<b>2.9</b>

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

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

	2011 £m	2010 £m
Bank loans and overdrafts	—	0.8
Amounts owed to Group undertakings	8.6	9.7
Accruals and deferred income	2.6	2.4
	<b>11.2</b>	<b>12.9</b>

At 31 May 2010, the Company had one bank loan of £0.1 million, which was non-interest bearing and was fully repaid in the year ended 31 May 2011.

All bank loans and overdrafts are denominated in Sterling.

Bank loans and overdrafts amounting to £Nil (2010: £0.8 million) are secured by way of unscheduled mortgage debentures provided by the Company and certain subsidiaries within the Group to The Royal Bank of Scotland Group, which incorporate a fixed charge over trade receivables and floating charges over all their other assets.

All of the amounts owed to Group undertakings shown above are repayable on demand. Included in these amounts is £7.9 million (2010: £9.0 million) which represents loans from Group undertakings. Interest has been charged on these Group loans in the year at 3.0% (2010: 2.5%) per annum. The remaining amounts are non-interest bearing trade balances.

**8. Deferred taxation**

	2011 £m	2010 £m
Accelerated capital allowances	0.9	0.9
Other timing differences	(0.1)	(0.1)
	<b>0.8</b>	<b>0.8</b>

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

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

**9. Equity share capital**

	Number of shares (000s)	Total £m
<b>Authorised: ordinary shares of 25p each</b>		
Balance at 1 June 2009, 31 May 2010 and 31 May 2011	80,000	20.0
<b>Allotted and fully paid: ordinary shares of 25p each</b>		
Balance at 1 June 2009 and 31 May 2010	46,931	11.7
Issue of shares (see below)	76	—
<b>Balance at 31 May 2011</b>	<b>47,007</b>	<b>11.7</b>

During the year ended 31 May 2011, 76,000 shares with an aggregate nominal value of £19,000 were issued for no consideration under the Company's conditional Performance Share Plan and deferred share award schemes.

The maximum total number of ordinary shares which might be issued in future periods, in respect of conditional and deferred share awards outstanding at 31 May 2011, amounted to 1,303,510 (2010: 930,788). These shares will only be issued subject to satisfying certain performance criteria (see note 14).

# Notes to the parent company financial statements continued

## for the year ended 31 May 2011

### 10. Profit and loss account

	£m
At 1 June 2010	4.7
Profit for the financial year	1.6
Dividends paid (see below)	(2.0)
Issue of shares (note 9)	(0.1)
Credit to equity for equity-settled share-based payments (note 14)	0.4
<b>At 31 May 2011</b>	<b>4.6</b>

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

### 11 Reconciliation of movements in equity shareholders' funds

	2011 £m	2010 £m
Opening equity shareholders' funds	16.4	13.5
Profit for the financial year	1.6	4.5
Dividends paid	(2.0)	(1.9)
Issue of shares (note 9)	(0.1)	—
Credit to equity for equity-settled share-based payments (note 14)	0.4	0.3
<b>Closing equity shareholders' funds</b>	<b>16.3</b>	<b>16.4</b>

### 12. 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 £11,489 (2010 £14,015) as a customer of the Group in the year ended 31 May 2011. At 31 May 2011, the amount outstanding was £Nil (2010 £Nil). During the year, the highest amount outstanding totalled £5,743 (2010 £3,327)

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

### 13. Derivatives not included at fair value

The Company has used interest rate derivatives to manage its exposure to interest rate increases on its floating rate borrowings. At 31 May 2011, the Company held no interest rate derivatives. At 31 May 2010, the Company held one interest rate swap with a notional principal amount of £15.0 million and a fixed annual interest rate of 5.045% for the 18 months ended 31 December 2010.

At 31 May 2010, the fair value of the swap held, not included in the Company's accounts, was £0.3 million in the bank's favour. This fair value was based on the market value of an equivalent instrument at the balance sheet date.

### 14. Share-based payments

#### The Performance Share Plan ('the Plan')

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

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

The Company recognised total expenses of £0.4 million in respect of the Plan's equity-settled share-based payment transactions in the year ended 31 May 2011 (2010 £0.3 million).

#### Deferred share awards

The Company made a deferred share award to two subsidiary company directors on 29 November 2007. The vesting period was three years and the awards were exercised on 29 November 2010. Further details of these awards can be found in note 24 of the Group financial statements.

The aggregate cost of deferred share awards of £0.2 million at 31 May 2011 (2010 £0.2 million) has been recognised by the Company as an addition to the cost of investment in subsidiary undertakings (see note 5).

## 15 Pensions

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

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

Contributions into the scheme and amounts charged to the profit and loss account during the year were £Nil (2010 £Nil). There were no outstanding or prepaid contributions at the balance sheet date (2010 £Nil)

The Company also operated a money purchase scheme during the year and contributions during the year amounted to £0.1 million (2010 £0.1 million). There were no outstanding or prepaid contributions at the balance sheet date (2010 £Nil)

## 16. Contingent liabilities

The Company's bank facilities are provided under an arrangement with The Royal Bank of Scotland Group. The Company has pledged security in favour of the bank over certain freehold land and buildings with a carrying amount of £25.0 million (2010 £25.3 million). An unscheduled mortgage debenture has also been provided by the Company to the bank which incorporates a floating charge over all other assets

The Group has an arrangement with the bank under which cash balances are offset against borrowings. The Company has given a guarantee in respect of the net bank borrowings under this arrangement amounting to £9.1 million at 31 May 2011 (2010 £10.6 million)

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

At 31 May 2011, upon the request of the Company, the bank has issued a guarantee with a value of £4.0 million to a third party supplier of a subsidiary company

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

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

# Notice of annual general meeting

Notice is hereby given that the Annual General Meeting ('the Meeting') of NWF Group plc ('the Company') will be held at The Wardle Suite, Rookery Hall Hotel, Worleston, Cheshire CW5 6DQ on Thursday 22 September 2011 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 2011 together with the Directors' Report and Auditors' Report on those accounts
- 2 To declare a final dividend of 3.5p per share for the year ended 31 May 2011
- 3 To re-elect M H Hudson as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company
- 4 To re-elect D R Southworth 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 to Resolution 6 as an Ordinary Resolution and as to Resolutions 7 and 8 as Special Resolutions

- 6 That the Board of Directors of the Company ('the Board') be generally and unconditionally authorised to allot Relevant Securities (as hereinafter defined)
  - 6.1 up to an aggregate nominal amount of £3,925,774 (the equivalent of 15,703,097 ordinary shares), and
  - 6.2 comprising equity securities (as defined by Section 560 of the Companies Act 2006 ('the Act')) up to an aggregate nominal amount of £7,851,548 (the equivalent of 31,406,194 ordinary shares) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 6.1 above) in connection with an offer by way of a rights issue
    - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings, and
    - (b) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

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

This Resolution 6 revokes and replaces all unexercised authorities previously granted to the Board to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities

For the purposes of this Resolution 6, 'Relevant Securities' means

- shares in the Company other than shares allotted pursuant to
  - an employee share scheme (as defined by Section 1166 of the Act),
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security, or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security, or
- any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Act) References to the allotment of Relevant Securities in this Resolution 6 include the grant of such rights

7 That, subject to the passing of Resolution 6 on page 64, the Board be and it is hereby empowered, pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 6 above or by way of a sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to

7 1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities (but in the case of the authority granted under paragraph 6 2 of Resolution 6 on page 64, by way of a rights issue only) where the equity securities respectively attributable to the interests of all those persons at such record dates as the Board may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the Board may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depository receipts or any other matter whatsoever, and

7 2 the allotment (otherwise than pursuant to paragraph 7 1 above) of equity securities up to an aggregate nominal amount of £588,866, and in each case shall expire upon the expiry of the general authority conferred by Resolution 6 on page 64, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Board may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired

8 That the Company be authorised generally and unconditionally, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of £0 25 each on such terms and in such manner as the Board shall determine, provided that

8 1 the maximum aggregate number of ordinary shares that may be purchased is 4,710,929,

8 2 the minimum price (excluding expenses) which may be paid for each ordinary share is 25p, and

8 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 expire at the conclusion of the Company's next Annual General Meeting 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

19 August 2011

# Notes to the notice of annual general meeting

These notes are important and require your immediate attention

- 1 A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company.
- 2 A form of proxy for use in connection with the Meeting is enclosed with the document of which this notice forms part. Completion and return of a form of proxy will not prevent a shareholder from attending and voting in person at the Meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
- 3 To appoint a proxy or proxies, shareholders must complete a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received no later than 10.30 a.m. on 20 September 2011.
- 4 Only those members entered on the register of members of the Company at 6.00 p.m. on 20 September 2011 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 20 September 2011 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 10.30 a.m. on 22 September 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 6 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank form of proxy and a form of proxy which states the number of shares to which it applies, the specific form of proxy shall be counted first, regardless of whether it was sent or received before or after the blank form of proxy, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank form of proxy. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 8 Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting:
  - copies of all service agreements or letters of appointment under which the Directors of the Company are employed by the Company.
- 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 the notice of 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 2011, the declaration of a final dividend, the reappointment of M H Hudson and D R Southworth as Directors of the Company and the reappointment of PricewaterhouseCoopers LLP as auditors.

## Special business

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

### Resolution 6 – authority to allot shares (Ordinary Resolution)

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

Paragraph 6.1 of Resolution 6 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £3,925,774 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 17 August 2011. As at close of business on 17 August 2011 the Company did not hold any treasury shares.

Paragraph 6.2 of Resolution 6 will, if passed, authorise the Directors to allot unissued shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) as required by the rights of those securities or as the Directors may otherwise consider necessary, up to a maximum aggregate nominal amount of £7,851,548, 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 17 August 2011 (such amount to be reduced by the nominal amount of any relevant securities issued under the authority conferred by paragraph 6.1 of Resolution 6).

The authorities sought in 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 15 months after the date of the Annual General Meeting or, if earlier, at the conclusion of the next Annual General Meeting 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 561 of the Act. The authority being sought provides for non-pre-emptive allotments of equity securities: (i) to ordinary shareholders in proportion to their existing shareholdings, (ii) to holders of other equity securities as required by, or subject to (as the Directors consider necessary), the rights of those securities, and to deal with treasury shares, fractional entitlements and legal and practical problems in any territory, for example on a rights issue or other similar share issue, and (iii) for cash up to an aggregate nominal value of £588,866, which represents 5% of the issued ordinary share capital of the Company as at close of business on 17 August 2011. The authority being sought is in substitution for all existing authorities, granted in the Company's Articles of Association or otherwise, and without prejudice to previous allotments made under such authorities and will expire 15 months after the date of the Annual General Meeting or, if earlier, at the conclusion of the next Annual General Meeting of the Company. The Directors have no present intention of exercising these authorities but believe that it is in the best interests of the Company to have the authorities available so that the Board has the flexibility to take advantage of business opportunities as they arise.

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

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

### Resolution 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 4,710,929 of its ordinary shares, representing 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 17 August 2011. The Directors believe that it is in the best interests of the Company to have this authority available so that the Board has the flexibility to take advantage of business opportunities as they arise.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the conclusion of the Company's next Annual General Meeting. 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	22 September 2011
Final dividend paid	1 November 2011
Preliminary announcement of half-year results	Early February 2012
Publication of Interim Report	Early February 2012
Interim dividend paid	1 May 2012
Financial year end	31 May 2012
Preliminary announcement of full-year results	Mid August 2012
Publication of Annual Report and Accounts	Late August 2012

## Divisional contacts

Food	Tel 01829 260704 <a href="http://www.boughey.co.uk">www.boughey.co.uk</a>
Feeds	Tel 0800 262397 <a href="http://www.nwfagriculture.co.uk">www.nwfagriculture.co.uk</a>
Fuels	Tel 01829 260900 <a href="http://www.nwffuels.co.uk">www.nwffuels.co.uk</a>

---

**NWF Group plc**  
Wardle  
Nantwich  
Cheshire  
CW5 6BP

Telephone 01829 260260  
Fax 01829 261042

[info@nwf.co.uk](mailto:info@nwf.co.uk)  
[www.nwf.co.uk](http://www.nwf.co.uk)

---