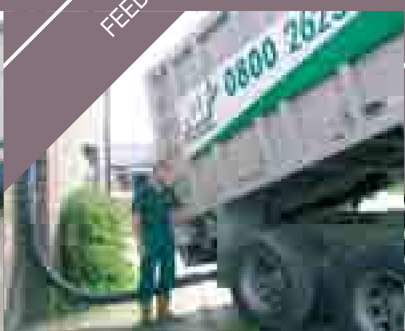
NWF Group plc

DISTRIBUTION

FEEDS



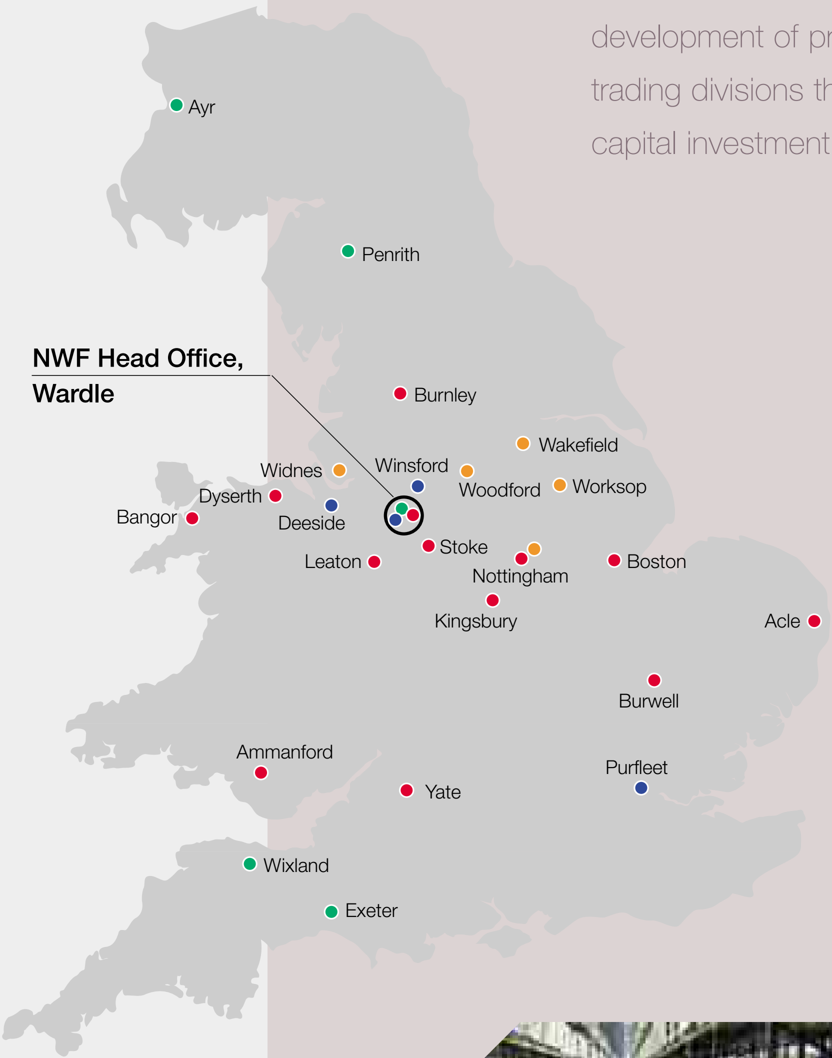
FUELS

GARDEN CENTRES

Annual report and accounts **2006**

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

Our strategy is simple, effective and proven: to deliver value to shareholders by the continued growth and development of profitable businesses in each of our four trading divisions through a combination of organic growth, capital investment and acquisition.



Distribution
storing and distributing grocery products for supermarkets and other outlets

Feeds
manufacturing animal feeds and supplying other farm products and services

Fuels
providing fuels to service stations, businesses and households

Garden Centres
operating five large garden centres

2006 Highlights

turnover up 24% to £293m (2005: £236m)

full year dividend per share increased by 7.8% to 18.0p (2005: 16.7p)

profit before taxation and goodwill amortisation increased by 33% to £6.0m (2005: £4.5m)

all four businesses' underlying performances **ahead of last year**

basic earnings per share up 16% to 41.7p (2005: 36.1p)

preparations underway for **major warehouse development**

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Chairman's statement

NWF has delivered a strong result for 2006 with all of its four businesses showing underlying gains over the previous year. In 2005, the previous run of seven years of compound average double-digit growth had been interrupted mainly by investment and divestment activities in our Distribution and Garden Centre divisions. I predicted in my last statement that we would return to our growth path in 2006 which we indeed have. In addition, we have laid foundations for yet further development of the Group.

Results

Turnover has increased by 24% to £292.9m (2005: £235.6m). Operating profit is up by 24% to £6.7m (2005: £5.4m), profit before tax before goodwill amortisation has increased by 33% to £6.0m (2005: £4.5m) and profit before tax has risen from £4.2m to £5.5m, up by 32%. Eliminating the effect of last year's provision releases, the increases in operating profit and profit before tax become 55% and 77% respectively. Basic earnings per share increased by 16% to 41.7 pence (2005: 36.1 pence).

Prior year comparatives in this statement and elsewhere in the preliminary results have been restated where applicable to reflect the adoption for the first time of FRS17 (pensions) and FRS21 (dividends unapproved at the balance sheet date).

Cash flows and funding

The Group generated £9.1m (2005: £2.7m) net cash from operating activities and the net cash outflow before financing reduced to £1.9m (2005: £7.8m outflow). £5.7m (net of expenses) was raised by an equity placing in December 2005 as part funding for the Wardle warehouse development project. Uses of funds included £2.7m of net capital expenditure (2005: £2.7m) and £4.1m in acquisition payments (2005: £5.7m) including deferred payments of £1.0m (2005: £0.4m) relating to previous transactions. Despite significant investment, interest cover (excluding FRS17 finance cost) for the year was 6.2 times (2005: 6.4 times) and year end gearing was 46% (2005: 87%).

Dividend

We propose a final dividend per share of 13.4 pence (2005: 12.4 pence), bringing the total for the year to 18.0 pence. This represents an increase of 7.8% on last year's total of 16.7 pence and this is covered 2.2 times (2005: 2.1 times). Subject to shareholder approval, the final dividend will be paid on 1 November 2006 to shareholders on the register at the close of business on 18 August 2006. The shares will trade ex dividend on 16 August 2006.

Trading results

It was pleasing to see all four divisions developing well. **Distribution** had a complete year of three fully occupied sites and achieved a record profit. The **Feeds** business moved ahead again in market share and consolidated its position as a national leader in its market. **Fuels** had an outstanding year with another new record profit in a difficult market of high and variable product prices. The **Garden Centre** division expanded further and benefited from concentrating solely on its core activity.

Acquisitions and investments

A small operating site in Purfleet, Essex, was leased by our Distribution business in May 2006 to facilitate logistics in the South East. Nutrition Express Ltd, a

specialist feeds distributor, was acquired by the Feeds division in August 2005. Leased blending plants were also established by Feeds near Ayr, Penrith and Exeter in the autumn of 2005. Broadland Fuels Ltd in Norfolk was acquired by the Fuels division in August 2005. In July 2006, after the year end, Browns of Burwell (Suffolk) was also acquired by the Fuels business. In Garden Centres, Woodford Park in South Manchester was acquired in February 2006, bringing our total of large garden centres to five. The lease of a greenfield garden centre site with planning permission in East Manchester was acquired in June 2006, which will be developed during our 2006/07 year.

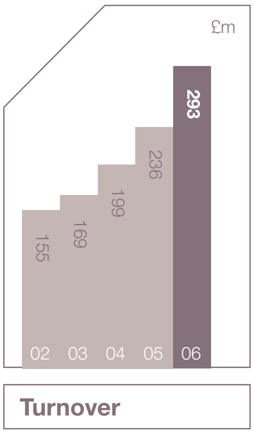
Customers, suppliers, shareholders and colleagues

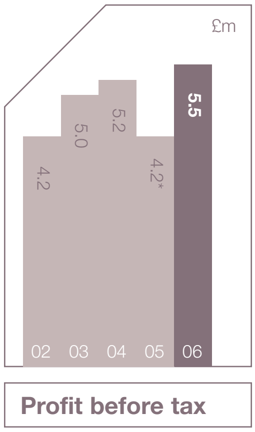
As this is my last report to you as your Chairman, I would particularly like to stress how valuable and welcome the support to the Group continues to be from our customers and suppliers, from shareholders and advisers and, not least, from employees at every level. I would like to express my thanks to you all and my very best wishes for the further success of the Group. I will be retiring at the forthcoming Annual General Meeting and the Board intends to appoint in my stead Mark Hudson, currently Deputy Chairman. In anticipation of my departure from the Board, we welcome David Southworth who joined us as a Non-Executive Director in May 2006.

Outlook for the current year

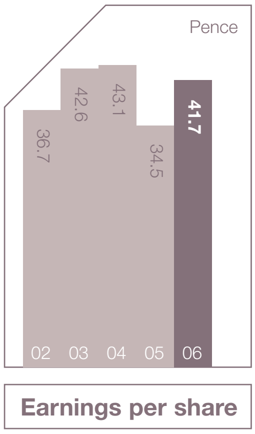
Having reported on a solid 2006, the Board is confident that our businesses will continue to move forward in their normal activities. The new financial year has opened satisfactorily and I will give my customary update on first quarter trading at the Annual General Meeting in September.

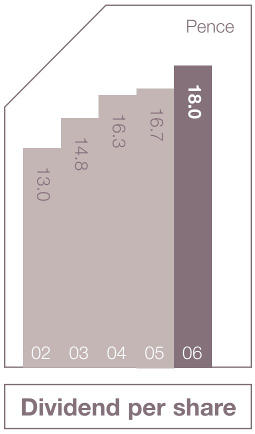
J Roy Willis
Chairman
8 August 2006





* before loss on disposal of business





Chief Executive's review

The Group

It has been rewarding to see that the return to growth in profitability that we envisaged a year ago has indeed taken place. Total turnover of £293m has risen by 24% from £236m last year. Operating profit of £6.7m (2005: £5.4m) is also up by 24%, although this represents a 55% increase before the effect of releasing certain historic provisions in last year's result which were no longer required. Similarly, the 32% increase in profit before tax from £4.2m to £5.5m translates to a 77% rise on the same basis.

As was the case for our interim results, the Group has adopted for the first full year the financial reporting standards relating to pensions (FRS17) and dividends unapproved at the balance sheet date (FRS21). Where applicable, comparatives referred to below have been restated to reflect the impact of these standards.

Distribution

The underlying stories in Distribution this year have been the profitable use of the Deeside warehouse, high demand for space all year at each of its three sites and bringing the Wardle warehouse expansion project to the starting blocks for completion, as planned, in early 2007. Turnover rose by 24% from £22.0m to £27.2m and operating profit rose by 73% from £1.2m to £2.1m. A small operating base was set up at Purfleet in Essex to assist with vehicle utilisation and distribution into and from the South East.

Feeds

Feeds had another year of market share gains and became firmly established as a national player with the ability to supply ruminant feeds from Argyll to Cornwall. Blending plants were established near Ayr, Penrith and Exeter to complement the pelleted feeds and blends produced at Wardle and Wixland. Turnover rose 35% from £53.1m to £71.9m. Operating profit fell by 17% from £1.9m to £1.5m on tight average margins, but, eliminating the effect of last year's provision release, the underlying operating result was 4% higher, representing a real improvement in a difficult market. Nutrition Express Ltd, a specialist importer of minerals, fats and milk powders, was acquired in August and has been integrated into the parent business.

Fuels

In a period of high world prices for oil products, the Fuels business achieved another outstanding result. Demand was firm throughout the year with volumes rising 12% to 320m litres (2005: 285m litres). Turnover increased by 22% from £145.5m to

£178.2m and operating profit rose from £2.6m to £2.8m, an increase of 7% which translates to a 36% increase before the effect of last year's provision release. Broadland Fuels Ltd, based initially at three locations near Norwich, was acquired in August and has proved to be a successful step into a new rural area. This was followed, after the year end, by the acquisition of Browns of Burwell in Suffolk which will extend our coverage in East Anglia.

Garden Centres

Four garden centres were operated for the whole year with Woodford Park joining the Group in February 2006. The spring weather was not kind to gardeners and like for like sales for the three which operated throughout both years were 4% down on 2005. Margin and expense control, however, mitigated this industry-wide effect to some extent. Total sales (note that the Country Stores disposed of in 2005 accounted for £2.4m sales in the previous year) were 3% up on 2005, taking turnover from £15.1m to £15.6m, of which £2.1m was contributed by Woodford Park. Operating profit showed a welcome £0.6m turnround from the loss of £0.3m in 2005 to £0.3m positive in 2006. In July 2006, we acquired Arthur A Gent & Sons Ltd, a company with leasehold land and planning permission to build a garden centre in a rapidly developing retail area in Ashton-under-Lyne, Manchester. This new facility is scheduled to open in March 2007.

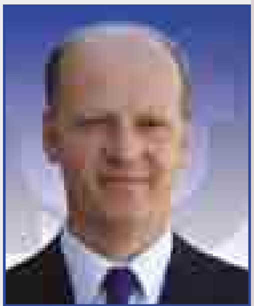
Outlook for 2006/07

All four businesses remain focused on profitable growth. **Distribution** will make the largest single step with the construction of three new warehouses that will add around 60,000 pallet spaces to Wardle's capacity, an increase of 133%. There will be little financial effect in 2006/07, a part-year effect in 2007/08 and 2008/09 will be the first financial year in which we expect a full twelve months' profitable use of the enlarged capacity. **Feeds** will concentrate on streamlining its own manufacturing and logistics capabilities to utilise all of the assets and improve the bottom line yet further. **Fuels** will continue to run its existing business well while looking for more geographical development opportunities in its favoured locations. **Garden Centres** will have five major sites to operate plus the start-up at Ashton and will introduce more sophisticated purchasing and marketing practices.

Graham Scott
Chief Executive
8 August 2006

Business profiles

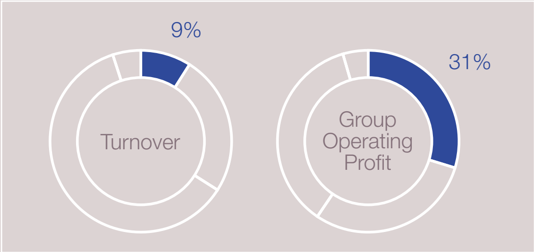
Distribution



Keith Forster
Managing Director

This business operates under the trading name of Boughey Distribution and has its own fleet of rigid and articulated vehicles and trailers based at the 30 acre Group site at Wardle, Cheshire. This site can store around 45,000 pallets in ambient warehousing which is primarily used for the storage of goods prior to daily order-picking for delivery by Boughey and other vehicles, mainly in mixed "consolidated" loads, as part of the modern efficient grocery distribution chain. Capacity at Wardle is supplemented by leased warehousing locally at Winsford (12,500 pallets) and Chester (19,000 pallets) making 76,500 pallets capacity in total. In 2006, three new warehouses will be built at Wardle which will be able to hold 60,000 pallets in addition to the above giving a total capacity of 136,500 pallets. Boughey Distribution also operates a small depot at Purfleet in Essex which facilitates logistics to and within the South East.

Sophisticated stock control systems ensure correct rotation of products and full traceability from point of receipt to delivery. Goods are held on behalf of around 150 customers who are manufacturers and importers of branded and private label products. Deliveries are made nationally to the full range of supermarket, wholesale and speciality chains.

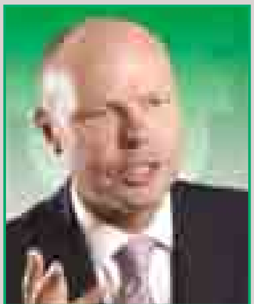


A versatile packing department is located at Wardle whose facilities include labelling, shrinkwrapping, flowrapping, sleeving and barcoding plus inspection and promotional packing services. Together with customer/supplier e-links and bonded warehousing, Boughey Distribution offers a complete service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

www.boughey.co.uk
tel: 01829 260704

Feeds

www.nwfagriculture.co.uk
tel: 01829 260980

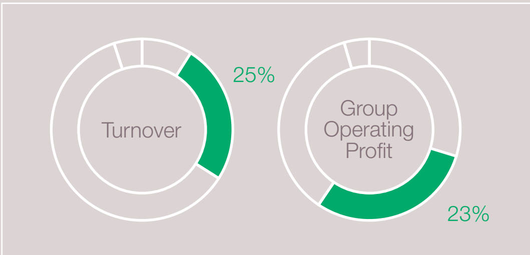


David Warrington
Managing Director

NWF Agriculture and JGW Thomas are leading manufacturers of feeds and providers of other products and services to cattle and sheep farmers throughout the livestock farming areas of Western Britain from Argyll to Cornwall.

The core activities are the manufacture of around 400,000 tonnes per annum of compound animal feeds at Wardle in Cheshire and Wixland in Devon plus over 100,000 tonnes per annum of blended feeds from plants in Ayr, Penrith, Wardle, Wixland and Exeter. NWF's market share has grown dramatically in recent years. The feed mills have been continuously updated to the highest standards of quality, efficiency, compliance and traceability. Around 10,000 tonnes per annum of specialised and bagged compounds are outsourced in addition to the manufactured volume.

NWF Agriculture is a major distributor of branded and own-label fertilisers and markets further ranges of feeds, seeds and silage additives to farmers.



Nutrition Express is a complementary business which offers milk powders, minerals and protected fats. A milk quota broking service is provided which encourages the migration of milk production into our trading area. The extensive field staff, which has access to the latest technology, can advise farmers on the complex problems of milk and meat production and on the optimal balance of choices for the farm enterprise.

Business profiles

Fuels

Kevin Kennerley
Managing Director

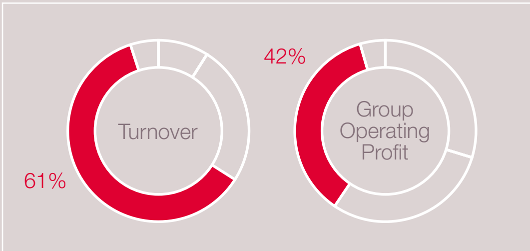
NWF Fuels has grown to become one of the largest independent distributors of Chevron Texaco fuels in Europe, delivering over 1 million litres every day. It is also a major distributor of Conoco Phillips and Total products.

With a modern tanker fleet of over 50 vehicles and a strategically located depot network NWF Fuels supplies a comprehensive range of oil products coast to coast throughout England and Wales.

The Company supplies heating fuels for domestic, agricultural and industrial uses. It also distributes automotive fuels into the transport sectors. Petrol and diesel is supplied to around 90 retail Service Stations under contract using the world famous Texaco Star brand and also local brands, Dragon Petroleum, Lincolnshire Fuels and NWF Fuels where appropriate.

In addition to the bulk fuels business, it is one of the fastest growing fuel card marketing companies in the UK, allowing businesses the opportunity to draw petrol and diesel from a network of 1,000 sites nationwide, utilising the Keyfuels Network and providing an efficient and cost effective method of refuelling regardless of fleet size or make-up.

A full range of lubricants for industrial, automotive and agriculture uses are supplied either in packages or bulk. Storage tanks are supplied and fitted, in addition to a boiler breakdown service and insurance package.



The majority of fuel is distributed under the NWF Fuels banner. In certain areas the trading names of Dragon Petroleum, Knutsford Domestic Fuel Oils, Malpas Oils, J. W. Keep Fuel Oils, Bassett Fuels, G Thomas, T. Splitt, Fuel Oil Supplies, Lincolnshire Fuels, Broadland Fuels and Browns of Burwell are used.

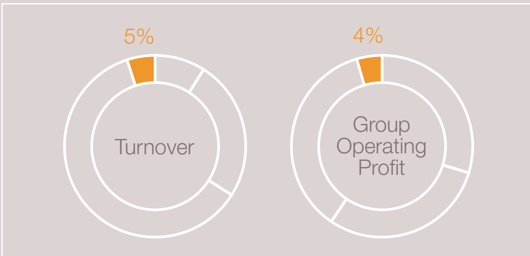
www.nwffuels.co.uk
tel: 01829 260900

Garden Centres

www.nwfretail.co.uk
tel: 01829 261561

Ian Barnes
Managing Director

In recent years, NWF has moved increasingly into garden centres, a market sector which continues to show firm growth. There are now five significantly sized garden centres in the Group: ***Rivendell*** and ***Woodford Park*** in Cheshire, ***Wheatcroft*** and ***Dukeries*** in Nottinghamshire and ***Victoria*** in Yorkshire. Each is the major garden centre in its locality and each has a large site with extensive car parking space and with both indoor and outdoor retail areas. Customer facilities include attractive restaurants. The product ranges cover wide varieties of plants and garden and leisure requisites of all types, changing by the season. Rivendell and Dukeries, in addition, have their own nurseries which provide high quality plants for their customers. Each garden centre has well qualified staff who can advise on gardening issues and many special events are held around the year. At several sites, there are also specialised concessions whose offerings complement the core garden centre product ranges and help smooth out extreme seasonalities.



In line with the Group's strategy of developing this division to become, over time, a similar profit contributor to the three more established activities, a greenfield site has been acquired for the first time. This site is within a rapidly developing retail area at Ashton-under-Lyne near Manchester and a garden centre will be constructed here for opening in the spring of 2007.

Directors and advisers

Roy Willis

Mark Hudson

John Acornley

David Southworth

Graham Scott

Paul Grundy

Rob Andrew

Non-Executive

Roy Willis

Chairman

Joined the Board in 1980. Chairman since September 1997. A successful dairy farmer with extensive further business and public interests. Age 69.

Mark Hudson

Deputy Chairman, Chairman of Audit Committee, Senior Non-Executive Director

Joined the Board in 1985. An agricultural business adviser and dairy farmer. Past President of the CLA, chairman of the Game Conservancy Trust and member of council, Duchy of Lancaster. Age 59.

John Acornley

Chairman of Remuneration Committee

Joined the Board in 2001. Extensive public and private company experience at Board level. Currently non-executive chairman of two privately owned companies. Age 52.

David Southworth

Appointed in May 2006. Previously chief executive and chairman of Skillsgroup plc. Currently non-executive chairman of three businesses in diverse market sectors. Age 57.

Executive

Graham Scott

Chief Executive

Joined as Chief Executive in 1995, having previously worked in international food and agribusiness industries with Unilever and BP. Currently non-executive chairman of Dee Valley Group plc and sole non-executive director of a private petfood business. Age 61.

Paul Grundy

Finance Director

Joined as Finance Director in 2004. Previously group financial controller of N Brown Group plc and director of finance with Hilti (GB) Ltd. Age 49.

Company Secretary

Rob Andrew

Joined as Company Secretary in 2004. An experienced chartered secretary, previously assistant company secretary of Iceland Frozen Foods plc. Age 43.

Registered Office

NWF Group plc
Wardle, Nantwich, Cheshire, CW5 6BP
Registered no: 2264971

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

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

Nominated Adviser and Broker
Charles Stanley & Co. Limited
25 Luke Street
London
EC2A 4AR

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

Solicitors
Brabners Chaffe Street
1 Dale Street,
Liverpool
L2 2ET

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

Directors' report

for the year ended 31 May 2006

The Directors present their report together with the audited financial statements for the year ended 31 May 2006.

Principal activities

The principal activities of the Group are the warehousing and distribution of grocery products, the manufacture and merchanting of animal feeds, the distribution of fuel oils and the sale of garden centre products.

Results and dividends

The profit after tax for the year ended 31 May 2006 amounted to £3,549,000 (2005: £2,873,000 restated).

The Directors recommend a final dividend for the year of 13.4p (2005: 12.4p) per share which, if approved at the Annual General Meeting, will be payable on 1 November 2006. Together with the interim dividend paid during the year of 4.6p (2005: 4.3p) per share, this will result in a total dividend of 18.0p per share (2005: 16.7p) amounting to £1,645,000 (2005: £1,342,000).

Business review and future developments

A review of the Group's operations is covered in the Chief Executive's Review.

Financial risk management

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate 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 for certain raw materials in its Feeds division which enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The use of these contracts is not speculative. The Directors estimate the fair value of open contracts at 31 May 2006 to be £658,000.

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

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.

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 divisional management and, in the case of a financially material value, by the Executive Directors. In addition, the Fuels division maintains credit insurance in order to manage the potential financial loss incurred on certain bad debts.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance, which is designed to ensure that the Group 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.

Interest rate risk

The Group has interest-bearing debt liabilities. Until recently, the Group's policy has been to maintain the bulk of its debt liabilities on a floating rate basis, subject to a regular review of market rates and anticipated future market trends. However, shortly after the end of the financial year, given the planned significant increase in the level of debt finance resulting from the investment in additional warehousing by the Distribution division, this policy has now been amended such that approximately 50% of the forecast level of debt over an ongoing three year period is to be subject to an appropriate financial instrument that will limit the impact of rising interest rates during that period. The Directors will review the appropriateness of this policy on at least an annual basis.

Share issue

During the year the Company allotted 1,071,843 shares (2005: nil) to a number of financial institutions by way of a private equity placing, in order to provide funding for a major capital investment within the Group.

Purchase of businesses

On 16 August 2005 the Group acquired Broadland Fuels Limited, a fuel distribution business based near Acle, Norfolk, for a total consideration of £675,000.

On 19 August 2005 the Group acquired Nutrition Express Limited, a specialist animal feeds distributor, for a total consideration of £511,000, which included a deferred element of £150,000 dependent on certain targets being met.

On 1 February 2006 the Group acquired the trade and certain assets of Woodford Park Garden Centre, located in South Manchester, for a total consideration of £1,994,000.

On 13 July 2006 the Group acquired Arthur A Gent & Sons Limited, a garden centre company located in Ashton under Lyne, Manchester, for a consideration of £903,000 (which includes £664,000 in respect of cash balances retained within the company).

On 31 July 2006 the Group acquired Browns of Burwell Limited, a fuel distribution business located near Newmarket, for a consideration of £1,405,000.

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 parent company has no trade creditors.

The Group's average credit payment period at 31 May 2006 was 39 days (2005: 32 days).

Directors and their interests

The Directors holding office during the year and their interests in the share capital of the Company at 31 May 2006 and 31 May 2005 were as follows:

	Ordinary shares		Share options	
	2006 Number	2005 Number	**2006 Number**	2005 Number
JK Acornley	**2,000**	2,000	**—**	—
P Grundy	**400**	400	**—**	—
MH Hudson	**115,520**	115,520	**—**	—
GR Scott	**115,228**	15,228	**8,575**	108,575
DR Southworth (appointed 1 May 2006)	**—**	—	**—**	—
JR Willis	**172,552**	172,552	**—**	—

Directors' report continued

for the year ended 31 May 2006

The market price of the Company's shares at the end of the financial year was 695p and the range of market prices during the year was between 455p and 775p.

Mr GR Scott held options over 8,575 shares under the Group's "Save As You Earn" scheme during the year at a price of 193p per share and exercisable from 1 June 2007 or on his normal retirement date, if earlier.

The 100,000 share option held by Mr GR Scott at 31 May 2005 was at 235p per share. This option was exercised on 9 August 2005 when the market value was 497p per share. The aggregate gain in the year was £262,000.

Mr MH Hudson and Mr P Grundy retire by rotation at the forthcoming Annual General Meeting and, being eligible, will submit themselves for re-election.

Further details of related party transactions with Directors are given in note 21 to the financial statements.

Substantial shareholdings in the Company

The Company has been notified of declarable interests in its issued Ordinary share capital at 31 July 2006 by Atorka Group, an Icelandic investment company, amounting to 18.0%.

Employees

The Group has established communication procedures for keeping its employees informed about the Group itself and the individual business operations in which they work. The Group also has a "Save As You Earn" Share Option Scheme to encourage employees' further participation in the business.

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

Auditors

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

By order of the Board

SR Andrew
Secretary
Wardle
Nantwich
Cheshire
CW5 6BP
Registered no: 2264971
8 August 2006

Corporate governance statement

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

Board of Directors

The Board currently comprises two Executive and four 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. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

All Directors are subject to retirement by rotation every three years and their re-election is a matter for shareholders.

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

Audit Committee

The Audit Committee consists of the four Non-Executive Directors. It meets formally twice a year, with additional meetings as required.

The Audit Committee has terms of reference in place which have been formally approved by the Board. It reviews financial reporting and accounting policies in the Group and may hold separate meetings with the external auditors.

Remuneration Committee

The Remuneration Committee consists of the four Non-Executive Directors. Its remit is to determine, on behalf of the Board, appropriate short and long-term total reward packages for the Executive Directors of the Group and its subsidiaries. The Remuneration Committee will also satisfy itself that good practices apply to all Group employees through the relevant management structures.

Non-Executive Directors

The Non-Executive Directors have received appointment letters setting out their terms of reappointment. Appointment of new Non-Executive Directors is initially for one year with renewal for three-year terms if performance is satisfactory. Two of the Non-Executive Directors 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 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.

The Group's control environment is operated by its Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management. Subsidiary company management is also required to assess key risks relevant to its operations and put in place appropriate controls and monitoring procedures.

Corporate governance statement continued

The Group operates 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.

Going concern

The Directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss and cashflows of the Group for that period. In addition, they are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2006 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors intend to publish the accounts on the Group's website www.nwf.co.uk. The Directors are responsible for the maintenance and integrity of the accounts on the website in accordance with UK legislation governing the preparation and dissemination of accounts. Access to the website is available from outside the UK, where comparable legislation may be different.

Independent auditors' report to the members of NWF Group plc

We have audited the Group and parent company financial statements (the '"financial statements") of NWF Group plc for the year ended 31 May 2006 which comprise the consolidated profit and loss account, the statement of Group total recognised gains and losses, the note of historical cost profits, the consolidated and parent company balance sheets, the consolidated cash flow statement, the reconciliation of movements in equity shareholders' funds, the parent company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 May 2006 and of the Group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
8 August 2006

Consolidated profit and loss account

for the year ended 31 May 2006

	Note	2006 £'000	Restated 2005 £'000
Turnover	2	292,873	235,648
Cost of sales before provisions release		(270,229)	(219,298)
Release of provisions no longer required	2	—	349
Cost of sales		(270,229)	(218,949)
Gross profit		22,644	16,699
Administrative expenses before provisions release		(15,922)	(12,015)
Release of provisions no longer required	2	—	717
Administrative expenses		(15,922)	(11,298)
Operating profit	2	6,722	5,401
Loss on disposal of business:			
— Surplus over net tangible assets		—	595
— Less: goodwill resurrected on disposal		—	(780)
		—	(185)
Bank interest payable		(1,088)	(850)
Other finance costs — FRS17	20	(127)	(181)
Profit on ordinary activities before taxation	3	5,507	4,185
Taxation on profit on ordinary activities	5	(1,958)	(1,312)
Profit for the financial year		3,549	2,873
Earnings per share			
Basic	7	41.7p	36.1p
Diluted	7	40.8p	35.0p

All of the Group's turnover is derived from continuing operations.

The notes on pages 25 to 42 form part of these financial statements.

Statement of group total recognised gains and losses

for the year ended 31 May 2006

	Note	2006 £'000	Restated 2005 £'000
Profit for the financial year		3,549	2,873
Actuarial gain/(loss) on pension scheme		1,685	(1,341)
Movement on deferred tax relating to pension liability		(506)	403
Total recognised gains and losses relating to the year		4,728	1,935
Prior year adjustment — FRS17	1	(4,283)	
Prior year adjustment — FRS21	1	988	
Total gains and losses recognised since last annual report		1,433	

Note of historical cost profits

for the year ended 31 May 2006

	Group		Parent company	
	2006 £'000	Restated 2005 £'000	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	5,507	4,185	1,936	603
Depreciation on revaluation surplus	25	25	25	25
Transfer from revaluation reserve on disposal of revalued property	—	101	—	101
Historical cost profit on ordinary activities before taxation	5,532	4,311	1,961	729
Historical cost profit for the year after taxation	3,574	2,999	1,998	779

The notes on pages 25 to 42 form part of these financial statements.

Consolidated balance sheet

as at 31 May 2006

	Note	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
Fixed assets					
Intangible assets	11		9,285		7,300
Tangible assets	8		25,005		23,591
			34,290		30,891
Current assets					
Stocks	12	7,094		5,372	
Debtors	13	39,515		29,843	
Cash and bank balances		945		36	
		47,554		35,251	
Creditors: amounts falling due within one year	14	(34,646)		(27,537)	
Net current assets			12,908		7,714
Total assets less current liabilities			47,198		38,605
Creditors: amounts falling due after more than one year	15		(15,219)		(15,012)
Provisions for liabilities and charges					
Deferred taxation	16		(1,112)		(837)
Net assets excluding pension liability			30,867		22,756
Pension liability	20		(3,223)		(4,403)
Net assets including pension liability			27,644		18,353
Capital and reserves					
Equity share capital	17		2,285		1,991
Share premium	18		6,231		541
Revaluation reserve	18		1,421		1,446
Other reserves	18		302		302
Profit and loss account	18		17,405		14,073
Total equity shareholders' funds			27,644		18,353

The financial statements on pages 18 to 42 were approved by the Board of Directors on 8 August 2006 and were signed on its behalf by:

JR Willis
Director

P Grundy
Director

The notes on pages 25 to 42 form part of these financial statements.

Parent company balance sheet

as at 31 May 2006

	Note	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
Fixed assets					
Tangible assets	8		9,138		8,852
Investments	9		8,667		8,667
			17,805		17,519
Current assets					
Debtors	13	19,279		6,923	
Cash and bank balances		75		3,121	
		19,354		10,044	
Creditors: amounts falling due within one year	14	(5,636)		(3,894)	
Net current assets			13,718		6,150
Total assets less current liabilities			31,523		23,669
Creditors: amounts falling due after more than one year	15		(12,700)		(11,400)
Provision for liabilities and charges					
Deferred taxation	16		(513)		(495)
Net assets			18,310		11,774
Capital and reserves					
Equity share capital	17		2,285		1,991
Share premium	18		6,231		541
Revaluation reserve	18		1,421		1,446
Other reserves	18		302		302
Profit and loss account	18		8,071		7,494
Total equity shareholders' funds			18,310		11,774

The financial statements on pages 18 to 42 were approved by the Board of Directors on 8 August 2006 and were signed on its behalf by:

JR Willis
Director

P Grundy
Director

The notes on pages 25 to 42 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 May 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash inflow from operating activities	(a)		9,111		2,706
Returns on investments and servicing of finance					
Interest paid			(1,210)		(863)
Taxation					
Corporation tax paid			(1,598)		(1,519)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,822)		(2,790)	
Sale of tangible fixed assets		99		98	
Net cash outflow from capital expenditure			(2,723)		(2,692)
Acquisitions and disposals					
Acquisition of businesses	10	(3,050)		(5,330)	
(Bank overdraft)/cash acquired with business	10	(25)		58	
Deferred payment for businesses acquired in prior years		(1,030)		(400)	
Disposal of business		—		1,561	
Net cash outflow from acquisitions and disposals			(4,105)		(4,111)
Equity dividends paid			(1,421)		(1,305)
Net cash outflow before financing			(1,946)		(7,784)
Financing					
Medium term loan received			2,000		9,000
Medium term loan repayments			(1,300)		(2,315)
Hire purchase finance repayments			(161)		(46)
Shares issued for cash consideration including premium			5,983		6
Increase/(decrease) in cash in the year	(b)		4,576		(1,139)

The notes on pages 25 to 42 form part of these financial statements.

Consolidated cash flow statement notes

for the year ended 31 May 2006

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
Operating profit before provision releases	6,722		4,335	
Release of provisions no longer required	—		1,066	
		6,722		5,401
Goodwill amortisation		468		300
Depreciation charge		2,728		2,515
Profit on sale of tangible fixed assets		(40)		(24)
(Increase)/decrease in stocks	(1,014)		287	
Increase in debtors	(8,786)		(5,907)	
Increase in creditors	9,161		460	
Difference between pension charge and cash contributions	(128)		(326)	
		(767)		(5,486)
Net cash inflow from operating activities		9,111		2,706

(b) Reconciliation of net cash flow to movement in net debt

	Note	2006 £'000	2005 £'000
Increase/(decrease) in cash		4,576	(1,139)
Cash inflow from net increase in debt		(700)	(6,685)
Repayment of hire purchase liabilities		161	46
Change in net debt resulting from cash flows		4,037	(7,778)
Hire purchase finance acquired with acquisition		(220)	—
New hire purchase agreements entered into		(731)	—
Net debt at 31 May 2005		(15,897)	(8,119)
Net debt at 31 May 2006	(c)	(12,811)	(15,897)

(c) Analysis of net debt

	At 31 May 2005 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 May 2006 £'000
Cash and bank balances	36	909	—	945
Bank overdraft	(3,831)	3,667	—	(164)
	(3,795)	4,576	—	781
Hire purchase liabilities due within one year	(45)	161	(364)	(248)
Debt due within one year	(600)	600	—	—
Hire purchase liabilities due after one year	(57)	—	(587)	(644)
Debt due after one year	(11,400)	(1,300)	—	(12,700)
Total	(15,897)	4,037	(951)	(12,811)

Reconciliation of movements in equity shareholders' funds

for the year ended 31 May 2006

	Group		Parent company	
		Restated		Restated
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Opening equity shareholders' funds as previously stated	21,648	19,443	10,786	11,457
Prior year adjustment — FRS17	(4,283)	(3,469)	—	—
Prior year adjustment — FRS21	988	963	988	963
Opening equity shareholders' funds as restated	18,353	16,937	11,774	12,420
Profit after taxation	3,549	2,873	1,973	653
Dividends paid	(1,421)	(1,305)	(1,421)	(1,305)
Share capital issued including premium	5,984	6	5,984	6
Goodwill resurrected on disposal of business	—	780	—	—
Actuarial gain/(loss) on pension scheme (note 20)	1,685	(1,341)	—	—
Deferred taxation on actuarial gain/(loss)	(506)	403	—	—
Closing equity shareholders' funds	27,644	18,353	18,310	11,774

Notes to the financial statements

for the year ended 31 May 2006

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis under the historical cost convention, modified by the revaluations of certain freehold land and buildings, and in accordance with the Companies Act 1985 and applicable Accounting Standards.

Changes in accounting policies

The Group has adopted FRS17 'Retirement Benefits' and FRS21, 'Events after the balance sheet date' in these financial statements. The adoption of these standards represents a change in accounting policy and, where applicable, the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS17 was to reduce staff costs by £128,000 (2005: £349,000), increase interest payable and similar charges by £127,000 (2005: £181,000), to increase the profit for the year by £1,000 (2005: £124,000) and to increase total recognised gains and losses by £1,179,000 (2005: £982,000 decrease).

The adoption of FRS21 means that the Group no longer recognises dividends approved after the balance sheet date as a liability within the financial period to which they relate. As a consequence, the opening reserves at 1 June 2005 have been increased by £988,000 (2004: £963,000) and the retained profit for the year ended 31 May 2006 has increased by £236,000 (2005: £25,000).

The Group has also complied with the presentation requirements of FRS25 'Financial Instruments: Disclosure and Presentation'; accordingly, dividends paid are no longer disclosed on the face of the profit and loss account but as a distribution out of profit and loss reserves.

Principles of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings after eliminating all material inter-company transactions. The accounts of all members of the Group are made up to 31 May. The acquisition method of accounting has been adopted. Under this method the results of acquisitions are included in the consolidated financial statements from the effective date of acquisition and the results of discontinued activities are included up to the effective date of termination.

Turnover

Turnover is the net amount received and receivable in respect of goods and services supplied to customers in the normal course of business and excludes Value Added Tax. Turnover is recognised on delivery of goods and services.

Distribution costs

Distribution costs have been included within cost of sales since most of the Group's business is concerned with distribution.

Investment in subsidiary undertakings

In the balance sheet of the Company, 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.

Goodwill

In accordance with FRS10, goodwill arising on the acquisition of subsidiary undertakings or businesses is amortised on a straight-line basis over its estimated useful economic life up to a maximum of twenty years, subject to any adjustments arising from impairment reviews which are performed in accordance with FRS11 should they be required. Goodwill represents the fair value of consideration payable for subsidiaries or businesses in excess of the fair value of the net tangible assets acquired. Prior to 1999 goodwill was written off against reserves in the year of acquisition.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. In accordance with FRS15, 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 and long leasehold buildings	50 years
Garden centres and greenhouses	13 years
Short leasehold buildings	Over the life of the lease
Plant and machinery	3 to 10 years
Cars	4 years
Commercial vehicles	6 to 10 years

Notes to the financial statements continued

for the year ended 31 May 2006

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes appropriate overheads.

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.

Pensions

The Group operates a pension arrangement providing benefits based on final pensionable pay as well as separate money purchase arrangements for certain staff.

The Group operates a defined benefit pension scheme. The pension liability recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities. The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme assets. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight-line basis over the period in which the increase in benefits vests.

Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities. The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period. The attributable deferred taxation is shown separately in the statement of total recognised gains and losses. The pension liability is shown on the balance sheet net of the related deferred taxation asset.

Contributions to the money purchase scheme are charged to the profit and loss account as incurred.

Leased assets

Hire costs in respect of operating leases are charged against profits during the year in which they are incurred. Assets held under hire purchase contracts are included as tangible fixed assets at purchase price and depreciated over the asset life. The obligations related to hire purchase contracts (net of finance charges allocated to future years) are included as appropriate under creditors due within or after one year. The finance element of the repayments is charged to the profit and loss account in proportion to the reducing capital element outstanding.

Government grants

Grants are credited to the profit and loss account as related revenue expenditure is incurred.

2 Segmental information

	Turnover		Operating profit		Net operating assets	
				Restated		Restated
	2006	2005	2006	2005	2006	2005
	£'000	£'000	£'000	£'000	£'000	£'000
Business						
Distribution	27,226	22,000	2,072	1,197	11,737	12,125
Feeds	71,911	53,090	1,543	1,851	16,866	12,719
Fuels	178,151	145,486	2,823	2,633	8,674	8,365
Garden Centres	15,585	15,072	284	(280)	12,046	11,497
	292,873	235,648	6,722	5,401	49,323	44,706

The total figures for Feeds in 2006 include the following amounts relating to the acquisition of Nutrition Express Ltd during the year: Turnover £1,212,000; Operating profit £14,000; Net operating assets £546,000.

The total figures for Fuels in 2006 include the following amounts relating to the acquisition of Broadland Fuels Ltd during the year: Turnover £7,210,000; Operating profit £186,000; Net operating assets £1,011,000.

The total figures for Garden Centres in 2006 include the following amounts relating to the acquisition of Woodford Park Garden Centre during the year: Turnover £2,069,000; Operating profit £164,000; Net operating assets £1,044,000.

Included within the 2006 operating profit figures above are the following provision releases: Distribution £nil (2005: £140,000); Feeds £nil (2005: £362,000); Fuels £nil (2005: £564,000).

Net operating assets exclude corporation tax, deferred taxation, dividends, pensions, deferred acquisition debtors and creditors, cash, borrowings and inter-group balances. All of the Group's turnover is derived from continuing operations within the United Kingdom.

Notes to the financial statements continued

for the year ended 31 May 2006

3 Profit on ordinary activities before taxation

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

	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
Depreciation		2,728		2,515
Goodwill amortisation		468		300
Auditors' remuneration:				
— Statutory audit	86		73	
— Audit related	4		—	
— Other assurance services	—		12	
— Tax compliance	31		25	
— Other taxation services	12		34	
		133		144
Staff costs (including directors):				
Wages and salaries	22,782		19,255	
Social security costs	1,732		1,421	
Other pension costs	871		916	
		25,385		21,592
Profit on sale of fixed assets		(40)		(24)
Operating lease rentals:				
— Land and buildings		1,700		1,282
— Other		1,339		1,553
Government grants		(20)		(195)

The parent company audit fee included in the above total was £7,000 (2005: £6,000).

The average number of persons employed by the Group during the year was:

	2006 Number	2005 Number
Distribution	446	352
Feeds	164	136
Fuels	119	118
Garden Centres	357	299
	1,086	905

4 Remuneration of directors

	2006 £'000	2005 £'000
Aggregate emoluments	564	442
Compensation for loss of office	—	77
	564	519

4 Remuneration of directors continued

Highest paid director	2006 £'000	2005 £'000
Salary and benefits	182	176
Performance related bonus	135	—
	317	176

At 31 May 2006, the highest paid director had an accrued pension of £17,870 under the Group's defined benefit pension scheme (2005: £16,022).

	Number	Number
Number of Directors with retirement benefits accruing under defined benefit pension scheme at the year end	1	1

Details of Directors' options to subscribe for ordinary shares in the Company and those share options exercised during the year are provided in the Directors' Report.

5 Taxation

	2006 £'000	Restated 2005 £'000
UK Corporation tax at 30% (2005: 30%)	1,819	1,273
Adjustment in respect of prior periods	(58)	97
Total current tax	1,761	1,370
Deferred tax charge	80	36
Adjustment in respect of prior periods	117	(94)
Total deferred tax charge/(credit)	197	(58)
Taxation on profit on ordinary activities	1,958	1,312

The tax charge for the period is higher (2005: higher) than the standard rate of Corporation tax in the UK of 30%. The differences are explained below:

	2006 £'000	Restated 2005 £'000
Profit on ordinary activities before tax	5,507	4,185
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2005: 30%)	1,652	1,256
Effects of:		
Adjustments in respect of prior period	(58)	97
Pension cost charge in excess of pension cost relief	—	(51)
Expenses not deductible for tax	247	60
Accelerated capital allowances	(80)	8
Total current tax charge	1,761	1,370

6 Equity dividends paid

	2006 £'000	2005 £'000
Final paid 2005, 12.4p per share (2004: 12.1p)	1,000	963
Interim paid 2006, 4.6p per share (2005: 4.3p)	421	342
	1,421	1,305

The Directors propose a final dividend of £1,224,000 for the period ended 31 May 2006 (2005: £1,000,000). The dividend will be recommended for formal approval at the Annual General Meeting on 26 September 2006. These financial statements do not reflect this dividend payable which will be accounted for as an appropriation of retained earnings in the period ending 31 May 2007.

7 Earnings per share

	Basic earnings per share		Diluted earnings per share	
	2006	Restated 2005	2006	Restated 2005
Earnings attributable to shareholders (£'000)	3,549	2,873	3,549	2,873
Weighted average number of shares in issue during the year (000's)	8,520	7,962	8,520	7,962
Weighted average dilutive effect of share options (000's)	—	—	169	238
Adjusted weighted average number of shares in issue during the year (000's)	8,520	7,962	8,689	8,200
Earnings per ordinary share (pence)	41.7	36.1	40.8	35.0

8 Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Cars and commercial vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation						
At 1 June 2005	16,818	1,339	15,883	6,609	—	40,649
Additions	42	751	1,233	1,064	463	3,553
Acquisition of businesses (note 10)	—	—	216	432	—	648
Disposals	—	—	(53)	(629)	—	(682)
At 31 May 2006	**16,860**	**2,090**	**17,279**	**7,476**	**463**	**44,168**
Depreciation						
At 1 June 2005	2,847	450	9,652	4,109	—	17,058
Charge for the year	379	66	1,539	744	—	2,728
Disposals	—	—	(42)	(581)	—	(623)
At 31 May 2006	**3,226**	**516**	**11,149**	**4,272**	**—**	**19,163**
Net book amount						
At 31 May 2006	**13,634**	**1,574**	**6,130**	**3,204**	**463**	**25,005**
At 31 May 2005	13,971	889	6,231	2,500	—	23,591

Following the adoption of FRS15 in 1999/2000, included in cost above are freehold land and buildings of £7,170,000 (2005: £7,170,000) revalued in 1995.

8 Tangible fixed assets continued

The historical cost amounts of Group freehold land and buildings at 31 May 2006 are: £15,740,000 (2005: £15,698,000) cost; £3,510,000 (2005: £3,178,000) accumulated depreciation; £12,230,000 (2005: £12,520,000) net book value.

The net book amount of tangible assets includes £1,116,000 (2005: £146,000) in respect of assets under hire purchase contracts.

Finance costs capitalised within the cost of fixed assets amount to £nil (2005: £nil).

Parent company	Freehold land and buildings £'000	Plant and machinery £'000	Cars and commercial vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 June 2005	10,383	387	13	—	10,783
Additions	—	66	2	463	531
At 31 May 2006	10,383	453	15	463	11,314
Depreciation					
At 1 June 2005	1,606	318	7	—	1,931
Charge	217	23	5	—	245
At 31 May 2006	1,823	341	12	—	2,176
Net book amount					
At 31 May 2006	8,560	112	3	463	9,138
At 31 May 2005	8,777	69	6	—	8,852

Following the adoption of FRS15 in 1999/2000, included in cost above are freehold land and buildings of £7,170,000 (2005: £7,170,000) revalued in 1995.

The historical cost amounts of parent company freehold land and buildings at 31 May 2006 are: £9,263,000 (2005: £9,263,000) cost; £2,107,000 (2005: £1,916,000) accumulated depreciation; £7,156,000 (2005: £7,347,000) net book value.

Finance costs capitalised within fixed assets amounted to £nil (2005: £nil).

9 Investments in subsidiary undertakings

Parent company	£'000
Cost	
At 1 June 2005 and 31 May 2006	11,311
Provision for impairment	
At 1 June 2005 and 31 May 2006	(2,644)
Net book amount	
At 31 May 2006 and 31 May 2005	8,667

9 Investments in subsidiary undertakings continued

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

Company	Business activity
Stention Limited	Sale of plants and garden products
NWF Agriculture Holdings Limited	Holding Company — Feed operations
NWF Distribution Holdings Limited	Holding Company — Distribution operations
NWF Fuels Holdings Limited	Holding Company — Fuel operations
NWF Retail Holdings Limited	Holding Company — Garden centre operations
Bassett Fuels Limited	Dormant
Dragon Petroleum Limited	Dormant
Lincolnshire Fuels Limited	Dormant
North Western Farmers Limited	Dormant
NWF Limited	Dormant
Wheatcroft Garden Centre Limited	Dormant

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

Boughey Distribution Limited	Warehousing and distribution
NWF Agriculture Limited	Supplier of animal feedstuffs, seeds and fertilisers
Nutrition Express Limited	Supplier of animal feedstuffs, seeds and fertilisers
NWF Fuels Limited	Fuel distribution
Broadland Fuels Limited	Fuel distribution
NWF Retail Limited	Management services
Rivendell Garden Centre Limited	Sale of plants and garden products
Rivendell Nurseries Limited	Plant production and sales
JGW Thomas & Son Limited	Dormant
Fuel Oil Supply Co Limited	Dormant
Knutsford Domestic Fuel Oil Company Limited	Dormant
Wheatcroft Nurseries Limited	Dormant

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

The Company also indirectly owns the whole of the issued ordinary shares of Managrakem Limited, a dormant company, which is registered in the Isle of Man.

10 Acquisition of businesses

On 16 August 2005 the Group acquired Broadland Fuels Limited, a fuel distribution business based near Acle, Norfolk, for a consideration (including acquisition costs) of £675,000. The book value of net assets acquired equated to their provisional fair value.

On 19 August 2005 the Group acquired Nutrition Express Limited, a specialist animal feeds distributor, for a consideration (including acquisition costs) of £511,000. The book value of net assets acquired equated to their provisional fair value.

On 1 February 2006 the Group acquired the trade and certain assets of Woodford Park Garden Centre, located in South Manchester, for a consideration (including acquisition costs) of £1,994,000. The book value of net assets acquired equated to their provisional fair value.

Details of consideration payable and assets acquired are shown below:

	Broadland Fuels £'000	Nutrition Express £'000	Woodford Park £'000	Total £'000
Consideration:				
Cash in current year	675	361	1,994	**3,030**
Deferred	—	150	—	**150**
	675	511	1,994	**3,180**
Less:				
Provisional fair value of net assets acquired:				
Tangible fixed assets	475	23	150	**648**
Stock	70	69	569	**708**
Debtors	607	279	—	**886**
Cash	125	(150)	—	**(25)**
Creditors	(911)	(261)	—	**(1,172)**
Net obligations under hire purchase contracts	(220)	—	—	**(220)**
Deferred taxation	(69)	(9)	—	**(78)**
	77	(49)	719	**747**
Goodwill	598	560	1,275	**2,433**

The Group also acquired the customer database, goodwill and certain other intangible assets of a small fuel distribution business for a cash consideration of £20,000 which is capitalised as an intangible asset within goodwill additions for the year ended 31 May 2006.

The goodwill is being amortised over 20 years, being the period over which the Directors consider the Group will benefit from that goodwill.

The timing of the payment of deferred consideration in respect of Nutrition Express Limited is dependent on the achievement of certain financial targets. The Directors' current expectation is that this will be paid within the next three years.

Notes to the financial statements continued

for the year ended 31 May 2006

11 Intangible assets

Group	Goodwill £'000
Cost	
At 1 June 2005	8,000
Additions	2,453
At 31 May 2006	**10,453**
Amortisation	
At 1 June 2005	(700)
Charge for the year	(468)
At 31 May 2006	**(1,168)**
Net book amount	
At 31 May 2006	**9,285**
At 31 May 2005	7,300

12 Stocks

	Group	
	2006 £'000	2005 £'000
Raw materials and consumables	682	608
Finished goods and goods for resale	6,412	4,764
	7,094	5,372

The parent company had no stocks at 31 May 2006 (2005: £nil).

13 Debtors

	Group		Parent company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	36,012	26,379	—	—
Amounts owed by Group undertakings	—	—	18,140	5,798
Prepayments and accrued income	2,128	2,250	171	414
Corporation tax recoverable	—	—	968	711
VAT recoverable	783	622	—	—
Deferred consideration receivable	592	592	—	—
	39,515	29,843	19,279	6,923

The deferred consideration receivable is due on 1 November 2006.

14 Creditors: amounts falling due within one year

	Group		Parent company	
	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Bank overdraft	164	3,831	1,116	—
Obligations under hire purchase contracts	248	45	—	—
Bank term loans	—	600	—	600
Trade creditors	27,476	18,466	—	—
Amounts owed to Group undertakings	—	—	3,737	2,764
Corporation tax	834	681	—	—
Other taxes and social security costs	1,075	470	63	23
Accruals and deferred income	3,019	2,414	720	507
Deferred acquisition consideration	1,830	1,030	—	—
	34,646	27,537	5,636	3,894

The bank overdraft is repayable on demand and interest is charged at 1.0% above the National Westminster Bank base rate.

15 Creditors: amounts falling due after more than one year

		Group		Parent company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Medium term bank loans:					
Repayable within:	1–2 years	—	600	—	600
	2–5 years	12,700	10,800	12,700	10,800
		12,700	11,400	12,700	11,400
Obligations under hire purchase contracts		644	57	—	—
Deferred acquisition consideration payable in:					
	1–2 years	1,325	1,780	—	—
	2–5 years	550	1,775	—	—
		15,219	15,012	12,700	11,400

Hire purchase contracts are due to be repaid over the following years:

Group	2006 £'000	2005 £'000
Within 1 year	303	52
Between 1–5 years	715	65
Less: finance charges allocated to future years	(126)	(15)
	892	102
Included within creditors falling due within one year	(248)	(45)
Included within creditors falling due after more than one year	644	57

15 Creditors: amounts falling due after more than one year continued

The parent company has no obligations under hire purchase contracts.

There are three medium term bank loans. Term loans of £2,700,000 and £2,000,000 are both at a variable interest rate of 1% above National Westminster Bank base rate and are both repayable on 30 November 2008. A loan of £8,000,000 is drawn under a revolving credit facility of £9,000,000, at a variable rate of 0.95% above LIBOR and is repayable no later than 30 November 2008.

The bank overdrafts and term loans amounting to £12,864,000 (2005: £15,831,000) are secured by way of unscheduled mortgage debentures provided by the parent company and certain subsidiaries within the Group to National Westminster Bank PLC which incorporate a fixed charge over their book debts and floating charges over all their other assets.

16 Deferred taxation

	Provision	
Group	**2006 £'000**	2005 £'000
Timing differences between capital allowances claimed and depreciation provided	**1,112**	837
Parent company		
Timing differences between capital allowances claimed and depreciation provided	**513**	495

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

Provision	Group £'000	Parent company £'000
At 1 June 2005	837	495
Charge to the profit and loss account (see note 5)	197	18
On acquisition of subsidiaries (see note 10)	78	—
At 31 May 2006	**1,112**	**513**

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

17 Equity share capital

Group and parent company	**2006 Number (000)**	2005 Number (000)	**2006 £'000**	2005 £'000
Authorised				
Ordinary shares of 25 pence each	**20,000**	20,000	**5,000**	5,000
Allotted and fully paid				
Ordinary shares of 25 pence each	**9,140**	7,964	**2,285**	1,991

During the year 4,316 shares (2005: 2,976 shares) were issued under the Company's approved Save As You Earn scheme, and 100,000 shares (2005: nil) were issued to a Director in respect of the exercise of an executive share option.

During the year the Company allotted 1,071,843 shares (2005: nil) to a number of financial institutions by way of a private equity placing, in order to provide funding for a major capital investment within the Group.

The total number of options granted under the Company's approved share option schemes and outstanding at 31 May 2006 amounted to 244,758 shares (2005: 361,393 shares). These options are exercisable in the period up to 31 December 2007 at £1.93 per share.

The aggregate nominal value of shares issued in the year was £294,040 and the consideration received was £5,982,950.

18 Reserves

Group	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss £'000
At 1 June 2005 as originally reported	541	1,446	302	17,368
Prior year adjustment — FRS17	—	—	—	(4,283)
Prior year adjustment — FRS21	—	—	—	988
At 1 June 2005 as restated	541	1,446	302	14,073
Profit for the year	—	—	—	3,549
Dividends paid	—	—	—	(1,421)
Premium on shares issued in year	5,690	—	—	—
Transfer from revaluation reserve	—	(25)	—	25
Actuarial gain on pension scheme	—	—	—	1,685
Movement on deferred taxation in relation to pension movement	—	—	—	(506)
At 31 May 2006	**6,231**	**1,421**	**302**	**17,405**

Cumulative goodwill written off directly against Group reserves to date amounts to £5,090,000 (2005: £5,090,000).

Parent company	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss £'000
At 1 June 2005 as originally reported	541	1,446	302	6,506
Prior year adjustment — FRS21	—	—	—	988
At 1 June 2005 as originally reported	541	1,446	302	7,494
Profit for the year	—	—	—	1,973
Dividends paid	—	—	—	(1,421)
Premium on shares issued in year	5,690	—	—	—
Transfer from revaluation reserve	—	(25)	—	25
At 31 May 2006	**6,231**	**1,421**	**302**	**8,071**

The parent company has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The parent company's profit after taxation for the year was £1,973,000 (2005: £653,000).

19 Commitments for capital expenditure

	2006 £'000	2005 £'000
Authorised but not contracted for	13,199	750
Contracts placed	2,545	125

20 Pension costs

The Group operates a defined benefit pension scheme (the NWF Group Benefits Scheme) providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group in an independently administered fund. The scheme was closed to new members during the 2001/2002 financial year. Consequently, under the projected unit method the current service costs will increase as the members of the scheme approach retirement.

Contributions to the scheme have been determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

20 Pension costs continued

The companies within the Group also operate money purchase schemes and contributions to those schemes in the year amounted to £218,000 (2005: £82,000).

The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation at 1 January 2005 and updated by Mercer Human Resource Consulting to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 May 2006. Scheme assets are stated at their market value at 31 May 2006.

Table of assumptions:

	At 31 May 2006	At 31 May 2005	At 31 May 2004
Rate of increase in salaries	4.25%	4.30%	4.50%
Rate of increase in pensionable salaries	2.75%	2.70%	2.90%
Inflation assumption	2.75%	2.70%	2.90%
Discount rate	5.08%	5.12%	5.78%

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 May 2006	at 31 May 2005	at 31 May 2004	Value at 31 May 2006 £'000	Value at 31 May 2005 £'000	Value at 31 May 2004 £'000
Equities	6.75%	6.50%	6.75%	17,924	14,182	12,085
Bonds	4.25%	4.00%	4.50%	1,269	1,374	1,379
Property	7.50%	7.25%	7.50%	808	674	611
Cash	4.50%	4.75%	4.25%	1,203	973	500
Total market value of assets				21,204	17,203	14,575
Present value of liabilities				(25,808)	(23,493)	(19,669)
Deficit in the scheme				(4,604)	(6,290)	(5,094)
Related deferred taxation				1,381	1,887	1,528
Net pension liability				(3,223)	(4,403)	(3,566)

Analysis of amounts charged to operating profit	2006 £'000	2005 £'000
Current service cost	619	508
Analysis of amounts charged to other finance expense		
Expected return on pension scheme assets	(1,080)	(961)
Interest on pension scheme liabilities	1,207	1,142
Net charge	127	181
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	2,647	1,158
Experience gains and losses arising on the scheme liabilities	—	328
Changes in assumptions underlying the present value of the scheme liabilities	(962)	(2,827)
Actuarial gain/(loss) recognised in STRGL	1,685	(1,341)

20 Pension costs continued

Movement in deficit during the financial year to 31 May	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(6,290)	(5,094)
Actuarial gain/(loss)	1,685	(1,341)
Current service cost	(619)	(508)
Employer contributions	747	834
Other finance expense	(127)	(181)
Deficit in scheme at end of year	(4,604)	(6,290)

Details of experience gains and losses for the year to 31 May

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	2,647	1,158	593	(2,790)
Percentage of scheme assets	12%	7%	4%	(22%)
Experience gains and losses on scheme liabilities				
Amount (£'000)	—	328	(2)	152
Percentage of scheme liabilities	—	1%	nil	1%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	1,685	(1,341)	1,594	(5,056)
Percentage of scheme liabilities	7%	6%	8%	(26%)

21 Related party transactions

Mr MH Hudson and Mr JR Willis have purchased, in the normal course of business and under normal terms and conditions, goods to the value of £3,000 (2005: £49,000) and £15,000 (2005: £7,000) respectively as customers of the Group in the year ended 31 May 2006. At 31 May 2006 amounts outstanding were £nil (2005: £nil) and £nil (2005: £1,000) respectively. During the year, the highest amounts outstanding totalled £2,000 (2005: £9,000) and £6,000 (2005: £5,000) respectively.

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

22 Contingent liabilities

The parent company is a participant in a Group banking arrangement under which cash balances are offset against borrowings. The parent company has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting at 31 May 2006 to £12,864,000 (2005: £15,831,000).

The parent 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.

23 Annual commitments under operating leases

The Group is committed at 31 May 2006 to making annual payments on operating leases with the following expiry dates:

Group	Land and buildings 2006 £'000	Land and buildings 2005 £'000	Other 2006 £'000	Other 2005 £'000
Within one year	1,028	8	998	94
Within 2 to 5 years inclusive	12	923	572	1,113
Over 5 years	1,199	574	—	430
	2,239	1,505	1,570	1,637

Parent company	Other 2006 £'000	Other 2005 £'000
Within one year	—	—
Within 2 to 5 years inclusive	26	24
	26	24

24 Financial instruments

Financial liabilities

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

At 31 May 2006	Total book value £'000	Total fair value £'000	Fixed interest rate
Floating rate overdraft	164	164	—
Floating rate short-term loans	—	—	—
Floating rate medium-term loans	12,700	12,700	—
Hire purchase contracts repayable:			
By May 2006	248	249	5.48%–7.90%
Within 1–2 years	198	199	5.48%–7.60%
Within 2–5 years	446	448	5.56%–7.40%
No interest:			
Deferred acquisition payments payable:			
Within 1–2 years	1,325	1,231	—
Within 2–5 years	550	494	—
	15,631	15,485	

All financial liabilities at 31 May 2006 and at 31 May 2005 (see table below) have interest rates which are variable, other than those relating to hire purchase contracts, for which fixed interest rates as shown apply for the entirety of those contracts.

24 Financial instruments continued

At 31 May 2005	Total book value £'000	Total fair value £'000	Fixed interest rate
Floating rate overdraft	3,831	3,831	—
Floating rate term loan	600	600	—
Fixed rate term loans repayable:	11,400	11,400	—
Hire purchase contracts repayable:			
By May 2005	45	45	5.48%–5.91%
Within 1–2 years	37	37	5.48%–5.91%
Within 2–5 years	20	20	5.48%–5.91%
No interest:			
Deferred acquisition payments payable:			
Within 1–2 years	1,780	1,592	—
Within 2–5 years	1,775	1,478	—
	19,488	19,003	

Financial assets

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

At 31 May 2006	Total book value £'000	Total fair value £'000	Fixed interest rate
No interest:			
Cash at bank and in hand	945	945	—

At 31 May 2005	Total book value £'000	Total fair value £'000	Fixed interest rate
No interest:			
Deferred consideration receivable	592	529	—
Cash at bank and in hand	36	36	—
	628	565	

The deferred consideration receivable is due on 1 November 2006.

Fair values of deferred consideration and the fixed rate term loans have been calculated by discounting at prevailing market rates.

All financial instruments for 2006 and 2005 were denominated in sterling. There is no foreign exchange risk in respect of these instruments and the Group has not entered into any hedging arrangements.

The Group is exposed to commodity price risk, principally for certain raw materials in its Feeds division which enters into forward supply contracts in order to manage the impact of price movements on its gross margin. The use of these contracts is not speculative. The Directors estimate the fair value of open contracts at 31 May 2006 to be £658,000.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

24 Financial instruments continued

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's financial instruments comprise medium-term borrowings, overdrafts and some cash in hand. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has interest bearing debt liabilities. Until recently, the Group's policy has been to maintain the bulk of its debt liabilities on a floating rate basis, subject to a regular review of market rates and anticipated future market trends. However, shortly after the end of the financial year, given the planned significant increase in the level of debt finance resulting from the investment in additional warehousing by the Distribution division, this policy has now been amended such that approximately 50% of the forecast level of debt over an ongoing three year period is to be subject to an appropriate financial instrument that will limit the impact of rising interest rates during that period. The Directors will review the appropriateness of this policy on at least an annual basis.

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 2006 profit before tax by approximately £198,000.

The Group has a number of committed borrowing facilities which were partly drawn down at 31 May 2006, in respect of which all conditions precedent had been met at that date:

	2006		2005	
	Facility £'000	Amount drawn £'000	Facility £'000	Amount drawn £'000
Expiring within 1 year	**5,000**	**164**	16,000	3,831
Expiring between 1 and 2 years	**—**	**—**	—	—
Expiring between 2 and 5 years	**41,000**	**10,000**	—	—
	46,000	**10,164**	16,000	3,831

Interest on all of the above facilities, which are at floating rates, is payable at 1.0% over bank base rate, other than the Group's £9,000,000 revolving credit facility which is payable at 0.95% over LIBOR.

25 Subsequent events

On 13 July 2006 the Group acquired Arthur A Gent & Sons Limited, a garden centre company located in Ashton under Lyne, Manchester, for a consideration of £903,000 (which includes £664,000 in respect of cash balances retained within the company).

On 31 July 2006 the Group acquired Browns of Burwell Limited, a fuel distribution business located near Newmarket, for a consideration of £1,405,000.

Notice of Annual General Meeting

Notice is hereby given that the 135th Annual General Meeting of NWF Group plc will be held at the **Swan Hotel, 50 High Street, Tarporley, Cheshire on Tuesday, 26 September 2006 at 10.30 am** for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 31 May 2006 together with the Directors' report and the auditors' report on those accounts.
2. To declare a final dividend for the year ended 31 May 2006.
3. To re-elect Mr P Grundy as a Director of the Company who retires by rotation in accordance with Article 24 of the Articles of Association of the Company.
4. To re-elect Mr MH Hudson as a Director of the Company who retires by rotation in accordance with Article 24 of the Articles of Association of the Company.
5. To reappoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

6. To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:

   THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (as defined in that Section) of the Company up to an aggregate nominal amount of £761,864, provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's Annual General Meeting to be held in 2007 but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry. This authority replaces any earlier authority given to the Directors under Section 80 of the Act.

7. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

   THAT, subject to the passing of the previous resolution, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if sub-section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (A) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (B) otherwise than pursuant to sub-paragraph (A) above, up to an aggregate nominal amount not exceeding £114,280

   and shall expire at the conclusion of the Company's Annual General Meeting to be held in 2007 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board
SR Andrew
Secretary
23 August 2006

Registered Office:
Wardle
Nantwich
Cheshire
CW5 6BP

Notice of Annual General Meeting continued

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the Directors and their families in the share capital of the Company and copies of contracts of service of Directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 10.30 am on Sunday, 24 September 2006 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.

Explanatory Notes — Resolutions 6 and 7

Resolution 6 — Authorising the Directors to allot shares
This resolution grants to the Board for approximately one year, the general authority to allot shares in accordance with the provisions of Section 80 of the Companies Act 1985. The Resolution replaces all prior authorities and the authority to allot up to 3,047,457 ordinary shares of 25p each, which represents 33.3% of the Company's issued ordinary share capital as at 23 August 2006.

The Directors do not intend at present to use this authority, which will expire at the end of the Annual General Meeting to be held in 2007. As usual, the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

Resolution 7 — Disapplying statutory pre-emption rights
This is also a Resolution the Directors propose each year at the Annual General Meeting. The Companies Act 1985 requires that, subject to certain exceptions, before Directors of a company can issue any new shares for cash, the new shares must first be offered to existing shareholders proportionately to their existing shareholdings.

This provision can cause considerable administrative difficulty, particularly if a rights issues is made, because of entitlements to fractions of shares, which could arise, and because of the restrictions imposed on the Company's ability to offer new shares to certain overseas shareholders by the laws of their countries or other difficulties.

Although the Directors are not currently proposing any issue of new shares, the authority would enable them to avoid any difficulty which might arise in those circumstances.

It is also customary each year for public companies to take a limited authority to issue new shares for cash without first offering those shares to existing shareholders. Therefore, through this resolution, the Board is seeking an authority to issue small quantities of shares for cash. The authority is limited to the allotment of up to 457,119 ordinary shares of 25p each, being 5% of the Company's issued ordinary share capital as at 23 August 2006. This authority will continue to provide the Directors the flexibility to act in the best interests of shareholders when opportunities arise.

The authority will expire at the end of the 2007 Annual General Meeting. As usual, the Board intends to seek renewal of this authority at subsequent Annual General Meetings.

Financial calendar

Annual General Meeting	26 September 2006
Final dividend paid	1 November 2006
Preliminary announcement of half year results	Early February 2007
Publication of half year results	Mid February 2007
Interim dividend paid	1 May 2007
Financial year end	31 May 2007
Preliminary announcement of full year results	Mid August 2007
Publication of full year Report and Accounts	Early September 2007

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