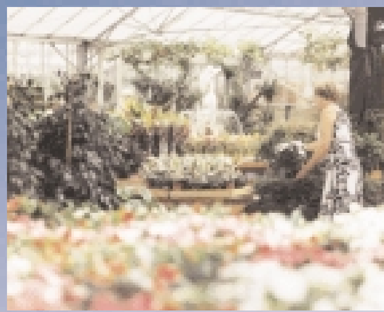
agriculture distribution



NWF Group plc Annual Report & Accounts 2001

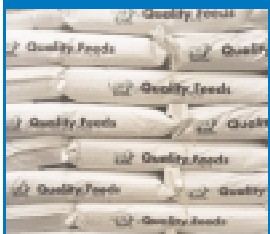
fuel retail

Welcome to NWF:

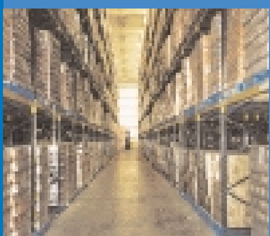
agriculture
distribution

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:

Agriculture



Distribution



Fuels

Retail

operating Country Stores and Garden Centres

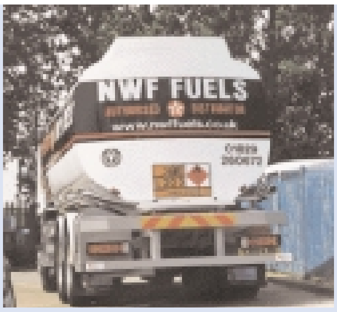
providing fuels to garages, businesses and households

storing and distributing grocery products for supermarkets and other outlets

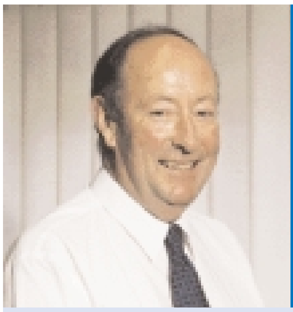
manufacturing animal feeds and supplying other farm products and services

fuelsretail

Contents



Chairman's statement



Financial Highlights for 2001:

- another profit record: £3.4m pre-tax (£3.1m)
- sales growth in all four businesses
- total Group sales up 26% to £147m
- earnings per share of 29.3p (27.0p)
- dividend per share increased to 11.1p (10.2p)

I am pleased to report another excellent performance from the Group. Pre-tax profits were up 10% to £3,404,000 from last year's record £3,088,000 and we propose to declare an increased dividend. Once again, our strategy of developing diversity has proved its worth by producing improved Group results despite difficulties in some of our markets.

Trading results

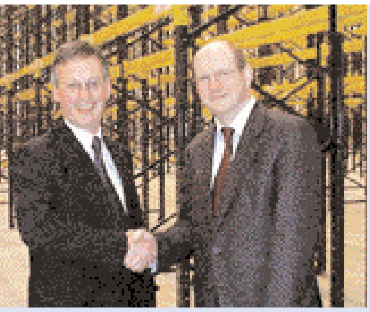
We had best-ever performances in Agriculture, from further increased market share, and in Fuels, which demonstrated a turnaround from last year. Distribution was affected by commissioning costs for its large new warehouse, now fully in use, and Retail was set back by the poor weather which applied to the entire garden centre industry for much of the year.

Cash flows and funding

The businesses generated £4.4m cash (£4.2m) from their operating activities and net cash outflow for the Group after all sources and uses of funds was £1.6m (£1.5m). Investment in the Group's future growth through net capital expenditure of £4.4m and acquisition payments of £1.1m were the main applications of funds. Higher commodity values, particularly of oil and feedstuffs, also demanded extra working capital. Interest cover for the year was as planned at 5.9 times (7.6 times), a level well within the Board's view of prudence.

Acquisitions and investments

The profit base of the Group was enlarged during the year by the



acquisition of a fuel distribution business in South Wales, by the building of a major new distribution warehouse, by improvements to our capacity for manufacturing animal feeds and blends and by enlarging the plant production and display facilities at Rivendell Garden Centre.

Dividend

At the Annual General Meeting, we shall continue our progressive dividend policy by proposing a final dividend of 7.9p (7.1p) per share, bringing the total for the year to 11.1p (10.2p) per share. This level of dividend would be covered 2.6 times (2.7 times) by post-tax profits. Subject to shareholder approval, the final dividend will be paid on 1 November to shareholders on the register at 24 August 2001 (ex-dividend 22 August 2001).

Outlook for the current year

We expect to make further progress again in the new year. We have to contend, as our farmer customers have had to contend, with the effects of Foot & Mouth Disease in the **Agriculture** sector but we plan to continue our historical success of winning more individual accounts. The **Distribution** business will have its first year of the new warehouse in full operation. **Fuels** faces high oil prices but has shown its ability to compete well under adverse circumstances. In **Retail**, given a more normal year for weather, we expect our investments in gardening to flourish. As I have emphasised in previous statements, the Group's seasonality is biased towards the second half so our performance in the first half will be only a partial indicator of full year expectations.

Employees, customers and shareholders

The Group's size increased again with average employee numbers up to 587 (497), mainly arising from our Fuels acquisition, our Distribution investment and further sales growth in Retail. Once again, my thanks and those of the Board go to all of our operational colleagues for taking the Group forward and for laying the basis for future years.

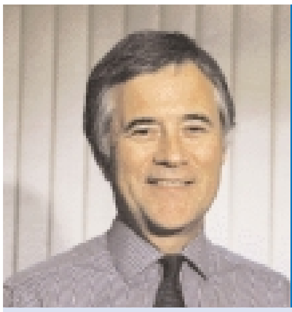
I would like to thank all of our customers, large and small, for entrusting us with their business during the year and I renew our pledge to serve them well in times to come.

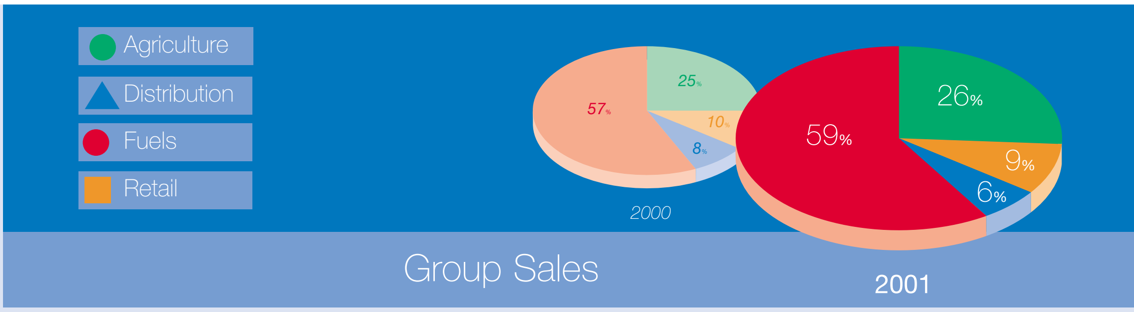
Finally, I would like to welcome all new shareholders who invested in NWF this year and to thank those loyal supporters who continue to hold our shares. We may now see a return to popularity of "old economy" companies who pay real dividends to their shareholders and I welcome the recently announced improvements to the Capital Gains Tax regime which should benefit NWF investors.

J. Roy Willis, Chairman

9 August 2001

Chief executive's review





The Group

The Group's companies performed well in producing another increase in pre-tax profit, this time to £3.4m. The balance between the businesses changed from last year reflecting market circumstances, notably with a strong recovery in Fuels from the previous year's setback. Turnover was up 26% from £117m to £147m, not only as a result of increased activity in all four businesses but also because of higher raw material prices which particularly inflate sales values in Agriculture and Fuels. The performance records of earnings and dividends per share show positive growth in each of our first five full years on AIM. We were very pleased to win the 2000 AIM Award for Best Communication.

Agriculture

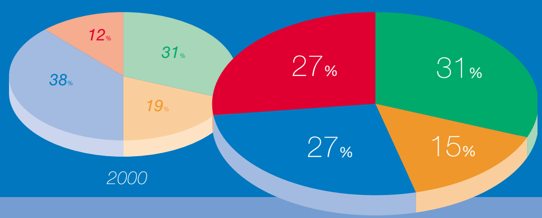
By further increases of market share, Agriculture improved its results again with sales up 30% to £38.8m and operating profit up 15% to £1,270,000, an all-time record. Recent years have been most distressing for farmers and we look forward to better market conditions. As we have demonstrated our ability to double our feed market share in the last five years, we will continue to capitalise on having arguably the most efficient ruminant feed mill in the country. Compound feed sales were over 200,000 tons for the first time and production of feed blends was also a record at around 30,000 tons. Sales of other farm requirements such as fertilisers, other feedstuffs and various feed additives were also at high levels.

Distribution

Boughey Distribution had an extremely busy year with the new warehouse built on time and within budget but with the phasing of the introduction of the new business giving rise to a number of one-off operational costs. Turnover was unchanged at £9.0m but operating profit slipped from £1,342,000 to £1,125,000. The new year will see full use of our warehousing capacity and its related distribution and packing activities which have also been increased in scope.

Fuels

NWF Fuels achieved an impressive turnaround from the previous year's low operating profit of £421,000, caused by the rapid rise in the oil price in 1999, returning an operating result of £1,106,000 on turnover up 29% to £86.2m. More stable market conditions for most of the year led to a recovery in margins while volumes were increased again to over 200m litres from 170m litres last year. There was a promising first contribution from Carmarthenshire-based G Thomas and Sons, the business acquired in October 2000.



Group Operating Profit

Retail

The weather of 2000/2001, which was the wettest for 350 years, was not helpful for garden-centred activities. Both plants and other products found demand low with consequent effects on sales and margins. Across the board, we believe our performance was at least as good as the market generally but, nevertheless, operating profits were down to £596,000 from £693,000 last time on sales which were 14% higher (including a full year of Wheatcroft Garden Centre) at £13.2m. The planteria at Rivendell has been enlarged substantially and helped to attract more customers when the weather finally improved in May.

Priorities for 2001/2002

We have invested in each of the businesses in recent years, both in fixed assets and in working capital, and we can see scope for performance improvement without further heavy capital commitments at present. We plan to reap the benefits of the first full year of the 2000/2001 expansions to capacity and will continue, where possible, to acquire good quality businesses which fit our existing operations.

Our objective is to generate reliable earnings growth which will permit attractive dividend returns to shareholders whose preference is for yield underpinned by a proven, well-managed group of complementary activities which share common roots.

Graham Scott, Chief Executive
9 August 2001

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Agriculture

David Warrington
Managing Director

NWF Agriculture is a major supplier of products and services to cattle and sheep farmers in an area centred on Cheshire and extending northwards to Southern Scotland, westwards to all of Wales, eastwards to Lincolnshire and southwards to the Midlands.

The core activity is the manufacture of around 200,000 tons per annum of compound animal feeds at the Group's main site at Wardle. This volume has grown dramatically in recent years as market share has been gained. There are four extrusion press lines in the feed mill which has been continuously updated to the highest standards of quality, efficiency, compliance and traceability. A separate plant, doubled in size in 2000/01, produces some 30,000 tons of simpler blended feeds per year.

NWF Agriculture is a major distributor of fertilisers and markets further ranges of feeds, seeds and silage additives to farmers. A milk quota broking service is provided which encourages the migration of milk production into our trading area. The extensive field staff is available, with access to the latest technology, to advise farmers on the complex problems of milk and meat production and on the optimal balance of choices for the farm enterprise.

www.nwfagriculture.co.uk

Distribution

Mike Guest
Managing Director

The Distribution business operates under the trading name of Boughey Distribution which has its own fleet of rigid and articulated vehicles and trailers based at the 30 acre Group site at Wardle, Cheshire. The site can store around 50,000 pallets in ambient warehousing which is primarily used for the storage of goods prior to daily order-picking for delivery by Boughey vehicles, mainly in mixed loads, as part of the modern efficient grocery distribution chain.

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 one hundred customers, domestic manufacturers and importers, and the products are delivered nationally to the full range of supermarket, wholesale and speciality outlets.

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

www.boughey.co.uk

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Fuels

Kevin Kennerley
Managing Director

NWF Fuels is a major supplier of heating and automotive liquid fuels to homes, businesses and service stations. It is the largest independent Authorised Distributor for Texaco in Britain and also holds an Authorised Distributorship with Conoco.

The company has a wide spread of sales locations, the majority having their own storage tanks, at Bangor (Gwynedd), Dyserth (Denbighshire), Wardle (Cheshire), Manchester, Leaton (Shropshire), Stoke-on-Trent (Staffordshire), Yate (Gloucestershire), Boston (Lincolnshire), Nottingham, Melton Mowbray (Leicestershire) and Ammanford (Carmarthenshire). In certain localities, the trading names of Knutsford Domestic Fuel Oil, J W Keep Fuel Oils, Bassett Fuels, TRP Fuels, Malpas Oils, G Thomas & Sons and Dragon Petroleum are used.

Each location has its own tanker fleet for deliveries to homes, farms, factories, hauliers, contractors and other users. The geographical coverage extends coast to coast through central England and Wales.

An increasing number of independent retail petrol stations are supplied by NWF Fuels under contract. A full marketing support package is provided including the use, as appropriate, of branding under the Texaco, NWF or Dragon signs.

www.nwffuels.co.uk

Retail

Ian Barnes
Managing Director

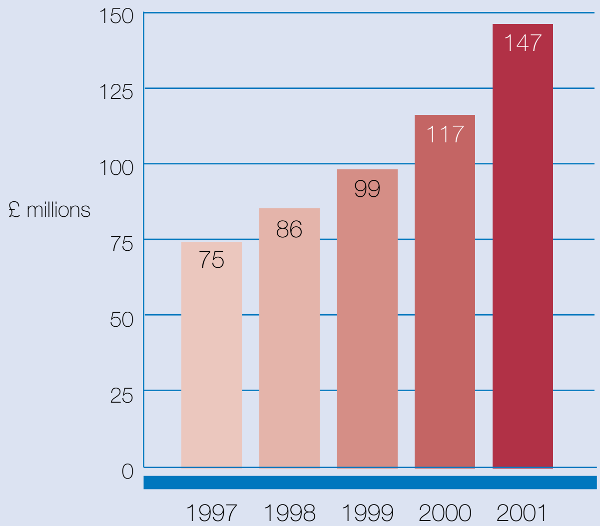
The Retail business operates in eight locations: Wardle (Cheshire), Whitchurch (Shropshire), Market Drayton (Shropshire), Wrexham (North Wales), Douglas (Isle of Man), Melton Mowbray (Leicestershire), Widnes (Cheshire) and Nottingham.

The first six are traditional Country Stores whose origins are in offering ranges of professional products for farmers and other countryside businesses such as feeds, fertilisers, fencing, tools, workwear and other essentials. These items are increasingly being complemented by ranges for all who live in or visit the country including petfoods, equine products, country clothing, gardening requisites and much more.

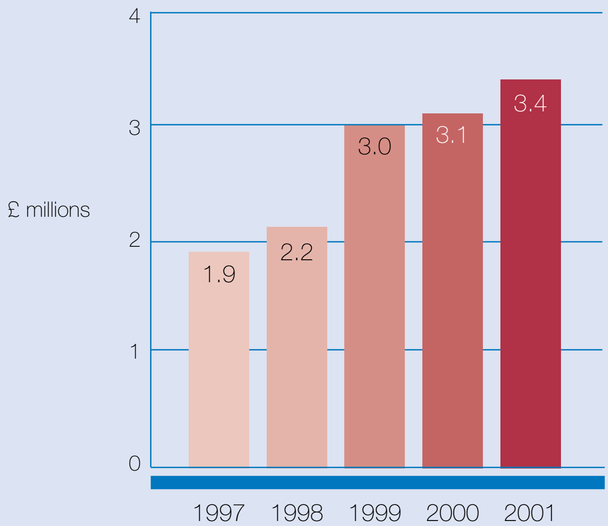
The last two are significantly sized garden centres: Rivendell near Widnes and Wheatcroft near Nottingham. Each has extensive car parking space and has both covered and outside retail areas. Customer facilities at both include attractive restaurants. Their product ranges cover wide varieties of plants, garden requisites of all types, clothing and many other leisure products. Rivendell, in addition, is a major plant-growing nursery in its own right propagating from seed in a series of glasshouse buildings and outside standing areas.

www.nwfretail.co.uk

Five year performance record

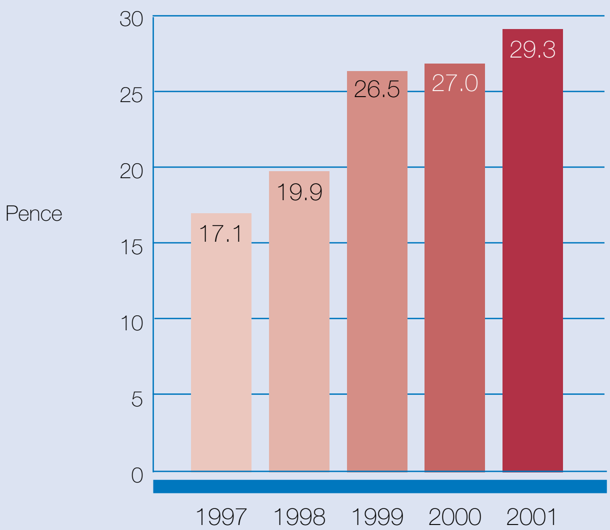


Turnover



Profit before tax

(pre-exceptional items — 1999 only)



Earnings per share

(pre-exceptional items — 1999 only)

Dividends per share

Registered office and advisers

Registered Office	NWF Group plc Wardle, Nantwich, Cheshire CW5 6BP Telephone: 01829 260260 Fax: 01829 261042 E-mail: nwf@nwf.co.uk Website: http://www.nwf.co.uk
Registrars	Northern Registrars Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA
Nominated Adviser and Nominated Broker	Old Mutual Securities Limited 1 St James's Square, Manchester M2 6DN
Auditors	PricewaterhouseCoopers 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW
Bankers	National Westminster Bank PLC Manchester Corporate Business Centre, PO Box 546, 100 Barbirolli Square, Lower Mosley Street, Manchester M60 2FT
Solicitors	Brabner Holden Banks Wilson 1 Dale Street, Liverpool L2 2ET

Board of directors

From Left to Right:
Graham Scott, Alan Fulker, Roy Willis, Tony Stanton, Michael Cookson, Mark Hudson, Mike Guest

Non-Executive Directors

Roy Willis *Chairman*

Joined the Board in 1980. Chairman since September 1997. A successful dairy farmer with extensive further business and public interests. Age 64.

Mark Hudson

Vice-Chairman, Chairman of Audit Committee, Senior Independent Non-Executive Director

Joined the Board in 1985. An agricultural business adviser and dairy farmer. Vice-Chairman of the CLA Executive. Age 54.

Tony Stanton OBE

Chairman of Remuneration Committee

Joined the Board in 1993. Extensive distribution industry experience at Board level and a former President of the Freight Transport Association. Age 68.

The Audit Committee and Remuneration Committee comprise the non-executive directors only.

Executive Directors

Graham Scott *Chief Executive*

Alan Fulker *Finance Director*

Michael Cookson *Company Secretary*

Mike Guest

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 May 2001.

Principal activities

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

Results and dividends

The profit after tax for the year ended 31 May 2001 amounted to £2,314,000 (2000: £2,136,000).

The directors recommend a final dividend for the year of 7.9p per share which, if approved at the Annual General Meeting, will be payable on 1 November 2001. Together with the interim dividend paid during the year of 3.2p per share this will result in a total dividend of 11.1p per share (2000: 10.2p) amounting to £877,000 (2000: £806,000), leaving a retained profit of £1,437,000 (2000: £1,330,000) to be transferred to reserves.

Business review and future developments

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

Purchase of business

The Group acquired G Thomas and Sons, a fuel distribution business in Carmarthenshire, in October 2000 for a consideration of £671,000.

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.

Directors and their interests

The directors holding office at the year end and their interests in the share capital of the company at 31 May 2001 and 31 May 2000 were as follows:

	Ordinary shares		Share options	
	2001	2000	**2001**	2000
M. D. Cookson	**120,712**	120,712	**—**	5,555
A. E. Fulker	**105,230**	105,230	**—**	7,309
M. J. Guest	**76,212**	76,212	**—**	4,385
M. H. Hudson	**163,020**	163,020	**—**	—
G. R. Scott	**14,000**	12,400	**100,000**	107,309
A. G. Stanton	**22,000**	22,000	**—**	—
J. R. Willis	**172,552**	172,552	**—**	—

Directors' report

(continued)

Directors and their interests (continued)

The only changes in share options were 24,558 share options issued at £2.36 per share under the Group's Save As You Earn Scheme which lapsed during the year.

The remaining 100,000 share options at £2.35 per share are exercisable up to 10 August 2005.

Mr A. E. Fulker and Mr J. R. Willis retire by rotation at the forthcoming Annual General Meeting, and, being eligible, will submit themselves for re-election.

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, 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
M. D. Cookson, Secretary
9 August 2001

Wardle
Nantwich
Cheshire
CW5 6BP

Registered no: 2264971

Corporate governance statement

The Board has voluntarily adopted the "Guidance for Smaller Quoted Companies" (the "Guidance") issued by the Quoted Companies Alliance. The Guidance interprets the requirements of "The Combined Code of Best Practice" for smaller quoted companies. The Combined Code is intended to be a comprehensive guide to corporate governance embracing the work of the Hampel Committee and the Cadbury and Greenbury Committees which went before it.

The Board considers the Group was in compliance with the Guidance throughout the financial year. Details of how the Group operates in the principal areas of corporate governance are summarised below.

Board of directors

The Board currently comprises four executive and three independent non-executive directors. The roles of Chairman and Chief Executive are separated. The Chief Executive, supported by the executive directors, 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.

Audit committee

The Audit Committee consists of the non-executive directors chaired by Mr M. H. Hudson and meets twice a year with additional meetings as required.

The Audit Committee currently has standard terms of reference in place which have been formally approved by the Board.

The Audit Committee 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 non-executive directors, chaired by Mr A. G. Stanton. 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.

The service contracts of executive directors require two years' notice. The Remuneration Committee considers that service contracts of this duration are necessary to attract and retain directors of appropriate calibre and experience.

Non-executive directors

The Guidance provides that non-executive directors should be appointed for specific terms and reappointment should not be as a matter of course. The non-executive directors have received appointment letters setting out their terms of reappointment and all directors are subject to retirement by rotation every 3 or 4 years and their re-election is a matter for the shareholders.

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 used within the business and for publication and that assets are safeguarded. 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 misstatements or loss.

The key features of the internal control systems which have been established are as follows:

Control environment

The Group's control environment is operated by the Group's 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)

Major corporate information systems

The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results to budgets which are 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 and resources for the foreseeable future.

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

The Board has reviewed the effectiveness of the systems of internal control within the Group and has put in place applicable financial control procedures and consistent accounting policies to ensure the integrity of the Group's financial statements. There is also a mechanism in place for the external auditors to report to the Audit Committee and the Board and to give their views on the controls and accounting policies within the Group.

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 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 2001 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.

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.

Report of the independent auditors

We have audited the financial statements on pages 18 to 35.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and financial statements. As described on page 16, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Directors' Report and financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 of the state of the affairs of the Company and of the Group at 31 May 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
9 August 2001

Consolidated profit and loss account

for the year ended 31 May 2001

	Note	2001 £'000	2000 £'000
Turnover	2	147,187	117,128
Cost of sales		(134,459)	(106,639)
Gross profit		12,728	10,489
Trading costs	3	(8,631)	(6,933)
Operating profit	2	4,097	3,556
Interest payable	6	(693)	(468)
Profit on ordinary activities before taxation	4	3,404	3,088
Taxation	7	(1,090)	(952)
Profit after taxation		2,314	2,136
Equity dividends	8	(877)	(806)
Retained profit transferred to reserves	20	1,437	1,330
Earnings per share	9		
Basic and diluted		29.3p	27.0p

There were no recognised gains or losses other than the profit for both years.

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

The notes on pages 24 to 35 form part of these financial statements.

Consolidated balance sheet

at 31 May 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Intangible assets	13		705		152
Tangible assets	10		17,324		14,522
			18,029		14,674
Current assets					
Stocks	14	4,943		4,736	
Debtors	15	19,281		15,207	
Cash and bank balances		21		18	
		24,245		19,961	
Creditors: amounts falling due within one year	16	(24,050)		(19,387)	
Net current assets			195		574
Total assets less current liabilities			18,224		15,248
Creditors: amounts falling due after more than one year	17		(4,180)		(2,684)
Provisions for liabilities and charges					
Pension provision	22		(133)		(151)
Deferred taxation	18		(625)		(564)
Net assets			13,286		11,849
Capital and reserves					
Equity share capital	19		1,975		1,975
Reserves					
Share premium	20		520		520
Revaluation reserve	20		1,651		1,677
Capital reserve	20		213		213
Profit and loss account	20		8,927		7,464
Total equity shareholders' funds			13,286		11,849

The financial statements on pages 18 to 35 were approved by the Board of directors on 9 August 2001 and were signed on its behalf by:

J. R. Willis
A. E. Fulker
Directors

The notes on pages 24 to 35 form part of these financial statements.

Parent company balance sheet

at 31 May 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Tangible assets	10		9,491		7,195
Investments in subsidiary undertakings	11		9,222		9,222
			18,713		16,417
Current assets					
Debtors	15	70		137	
Cash and bank balances		1,342		1,223	
		1,412		1,360	
Creditors: amounts falling due within one year	16	(5,847)		(5,245)	
Net current liabilities			(4,435)		(3,885)
Total assets less current liabilities			14,278		12,532
Creditors: amounts falling due after more than one year	17		(4,080)		(2,684)
Provisions for liabilities and charges					
Pension provision	22		(1)		(3)
Deferred taxation	18		(144)		(103)
Net assets			10,053		9,742
Capital and reserves					
Equity share capital	19		1,975		1,975
Reserves					
Share premium	20		520		520
Revaluation reserve	20		1,651		1,677
Capital reserve	20		213		213
Profit and loss account	20		5,694		5,357
Total equity shareholders' funds			10,053		9,742

The financial statements on pages 18 to 35 were approved by the Board of directors on 9 August 2001 and were signed on its behalf by:

J. R. Willis
A. E. Fulker — Directors

The notes on pages 24 to 35 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 May 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Net cash inflow from operating activities	(a)		4,368		4,170
Returns on investments and servicing of finance					
Interest paid			(670)		(457)
Taxation					
Corporation tax paid			(1,068)		(1,153)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,759)		(1,651)	
Sale of tangible fixed assets		361		307	
Net cash outflow from capital expenditure			(4,398)		(1,344)
Acquisitions					
Acquisition of business	12	(421)		(498)	
Deferred payment for businesses acquired in prior years		(650)		(950)	
Net cash outflow from acquisitions			(1,071)		(1,448)
Equity dividends paid			(814)		(766)
Net cash outflow before financing			(3,653)		(998)
Financing					
Medium term loan received			2,500		—
Medium term loan repayment			(466)		(500)
Decrease in cash in the year	(b)		(1,619)		(1,498)

The notes on pages 24 to 35 form part of these financial statements.

Consolidated cash flow statement notes

for the year ended 31 May 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
(a) Reconciliation of operating profit to net cash inflow from operating activities					
Operating profit			4,097		3,556
Goodwill amortisation			24		5
Depreciation charge			1,808		1,661
Profit on sale of tangible fixed assets			(115)		(141)
Increase in stocks		(168)		(760)	
Increase in debtors		(4,074)		(2,023)	
Increase in creditors		2,814		1,889	
Decrease in pension provision		(18)		(17)	
			(1,446)		(911)
Net cash inflow from operating activities			4,368		4,170

	Note	2001 £'000	2000 £'000
(b) Reconciliation of net cash flow to movement in net debt			
Decrease in cash		(1,619)	(1,498)
Cash inflow from increase in debt		(2,500)	—
Cash outflow from decrease in debt		466	500
Change in net debt resulting from cash flows		(3,653)	(998)
Net debt at 31 May 2000		(7,273)	(6,275)
Net debt at 31 May 2001	(c)	(10,926)	(7,273)

	At 31 May 2000 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 May 2001 £'000
(c) Analysis of net debt				
Cash and bank balances	18	3	—	21
Bank overdraft	(4,791)	(1,622)	—	(6,413)
	(4,773)	(1,619)	—	(6,392)
Debt due within one year	(466)	466	(454)	(454)
Debt due after one year	(2,034)	(2,500)	454	(4,080)
Total	(7,273)	(3,653)	—	(10,926)

Note of historical cost profits

	Group		Parent company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Profit on ordinary activities before tax	3,404	3,088	1,307	1,053
Depreciation on revaluation surplus	26	26	26	26
Historical cost profit on ordinary activities before tax	3,430	3,114	1,333	1,079
Historical cost retained profit for the year	1,463	1,356	337	232

Reconciliation of movements in equity shareholders' funds

	Group		Parent company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Profit after taxation	2,314	2,136	1,188	1,012
Dividends	(877)	(806)	(877)	(806)
Net addition to equity shareholders' funds	1,437	1,330	311	206
Opening equity shareholders' funds	11,849	10,519	9,742	9,536
Closing equity shareholders' funds	13,286	11,849	10,053	9,742

Notes to the financial statements

for the year ended 31 May 2001

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, but include some past revaluations of freehold land and buildings, and in accordance with applicable Accounting Standards.

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: the results of discontinued activities are included up to the effective date of termination. Goodwill arising on the acquisition of subsidiary undertakings or businesses is amortised over its expected useful life. Prior to 1999 goodwill was written off against reserves in the year of acquisition.

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.

Distribution costs

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

Tangible fixed assets

Tangible fixed assets are stated at cost. In accordance with FRS15, which was first adopted last year, the book values of certain assets which were the subject of past revaluations have been retained as permitted by the transitional arrangements. Depreciation is calculated to write off the cost of fixed assets over their useful economic life on a straight-line basis as follows:

Freehold and long leasehold buildings	50 years
Garden centre and greenhouses	13 years
Short leasehold buildings	Over the life of the lease
Plant and machinery	3 to 20 years
Cars	4 years
Commercial vehicles	6 to 10 years

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 represents the amount required to allow for the effect of certain items of income and expenditure being attributable for tax purposes to periods different from those in which charges or credits are recorded in the accounts. Provision for deferred taxation is made at the rate at which these timing differences are expected to reverse where the directors have concluded, on the basis of reasonable assumptions, that it is probable that the liability will crystallise in the foreseeable future.

Pensions

Pension costs are charged against profits over the estimated remaining service lives of employees (see Note 22).

Leased assets

Hire costs in respect of operating leases are charged against profits during the year in which they are incurred.

2 Segmental information

Business	Turnover 2001 £'000	Turnover 2000 £'000	Operating profit 2001 £'000	Operating profit 2000 £'000	Net operating assets 2001 £'000	Net operating assets 2000 £'000
Agriculture	38,816	29,767	1,270	1,100	8,735	7,044
Distribution	8,990	8,968	1,125	1,342	9,670	6,765
Fuels	86,158	66,843	1,106	421	3,314	3,055
Retail	13,223	11,550	596	693	4,508	5,291
	147,187	117,128	4,097	3,556	26,227	22,155

The total figures for Fuels in 2001 include the following amounts relating to a business acquisition during the year: Turnover £3,587,000; Operating profit £23,000. The net operating assets of the acquisition are no longer separately distinguishable from those of the existing Fuels business.

Net operating assets exclude corporation tax, deferred taxation, dividends, deferred acquisition creditors, cash, borrowings and capitalised goodwill.

All of the Group's turnover is derived from continuing operations within the United Kingdom and the Isle of Man.

3 Trading costs

	2001 £'000	2000 £'000
Administrative expenses	8,607	6,928
Goodwill amortisation	24	5
	8,631	6,933

4 Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	1,808	1,661
Auditors' remuneration:		
Audit	54	55
Non-audit services	33	95
Staff costs (including directors):		
Wages and salaries	9,007	8,404
Social security costs	773	708
Other pension costs	266	236
Operating lease rentals:		
Land and buildings	484	204
Other	666	459

The average number of persons employed by the Group during the year was:	Number	Number
Agriculture	104	97
Distribution	186	167
Fuels	80	71
Retail	217	162
	587	497

The parent company audit fee included in the above total was £5,000 (2000: £6,000).

Notes to the financial statements

for the year ended 31 May 2001 (continued)

5 Remuneration of directors

	2001 £'000	2000 £'000
Fees	57	55
Salaries and benefits	368	334
Performance related bonuses	43	41
	468	430

The bonus element of directors' remuneration is based on Group or subsidiary profit performance.

Highest paid director:	2001 £'000	2000 £'000
Salary and benefits	138	122
Performance related bonus	18	3
	156	125

At 31 May 2001, the highest paid director had an accrued pension of £8,983 under defined benefit schemes (2000: £7,314).

	Number	Number
Number of directors with retirement benefits accruing under defined benefit schemes	4	4

Details of directors' options to subscribe for ordinary shares in the Company are provided in the Directors' Report.

6 Interest payable

	2001 £'000	2000 £'000
Bank interest payable	693	468

7 Taxation

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000: 30%)	1,053	949
Deferred tax	54	23
	1,107	972
Prior year — current tax	(24)	(22)
— deferred tax	7	2
	1,090	952

8 Equity dividends

	2001 £'000	2000 £'000
Interim paid 3.2p per share (2000: 3.1p)	253	245
Final proposed 7.9p per share (2000: 7.1p)	624	561
	877	806

9 Earnings per share

	Basic earnings per share 2001	Basic earnings per share 2000	Diluted basic earnings per share 2001	Diluted basic earnings per share 2000
Earnings attributable to shareholders (£'000)	2,314	2,136	2,314	2,136
Weighted average number of shares in issue during the year (000's)	7,901	7,901	7,901	7,901
Dilutive effect of share options (000's)	—	—	16	16
Adjusted weighted average number of shares in issue during the year (000's)	7,901	7,901	7,917	7,917
Earnings per ordinary share (pence)	29.3	27.0	29.3	27.0

10 Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Cars and commercial vehicles £'000	Total £'000
Cost					
At 1 June 2000	10,035	304	9,463	5,738	25,540
Additions	2,631	1	1,334	835	4,801
Acquisition of business (note 12)	35	—	5	15	55
Disposals	(351)	(15)	(262)	(294)	(922)
At 31 May 2001	**12,350**	**290**	**10,540**	**6,294**	**29,474**
Depreciation					
At 1 June 2000	1,573	44	5,851	3,550	11,018
Charge for the year	255	11	917	625	1,808
Disposals	(156)	(2)	(246)	(272)	(676)
At 31 May 2001	**1,672**	**53**	**6,522**	**3,903**	**12,150**
Net book amount					
At 31 May 2001	**10,678**	**237**	**4,018**	**2,391**	**17,324**
At 31 May 2000	8,462	260	3,612	2,188	14,522

Following the adoption of FRS15 last year, included in cost above are freehold land and buildings of £7,390,000 revalued in 1995.

The historical cost amounts of Group freehold land and buildings at 31 May 2001 are: £11,106,000 (2000: £8,791,000) cost; £2,079,000 (2000: £2,006,000) accumulated depreciation; £9,027,000 (2000: £6,785,000) net book value.

Finance costs capitalised in the year amounted to £42,005 (2000: £Nil) at an interest rate of 7.125%.

Parent company	Freehold land and buildings £'000	Plant and machinery £'000	Cars and commercial vehicles £'000	Total £'000
Cost				
At 1 June 2000	7,826	309	70	8,205
Additions	2,412	26	37	2,475
Group transfers	—	—	11	11
Disposals	(1)	—	(38)	(39)
At 31 May 2001	**10,237**	**335**	**80**	**10,652**
Depreciation				
At 1 June 2000	705	238	67	1,010
Charge for the year	152	18	8	178
Group transfers	—	—	11	11
Disposals	—	—	(38)	(38)
At 31 May 2001	**857**	**256**	**48**	**1,161**
Net book amount				
At 31 May 2001	**9,380**	**79**	**32**	**9,491**
At 31 May 2000	7,121	71	3	7,195

Following the adoption of FRS15 last year, included in cost above are freehold land and buildings of £7,390,000 revalued in 1995.

The historical cost amounts of parent company freehold land and buildings at 31 May 2001 are: £8,993,000 (2000: £6,582,000) cost; £1,264,000 (2000: £1,138,000) accumulated depreciation; £7,729,000 (2000: £5,444,000) net book value.

Finance costs capitalised in the year amounted to £42,005 (2000: £Nil) at an interest rate of 7.125%.

Notes to the financial statements

for the year ended 31 May 2001 (continued)

11 Investments in subsidiary undertakings

Cost and net book amount	Parent company 2001 £'000
At 1 June 2000	9,222
Movements in the year	—
At 31 May 2001	**9,222**

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

Company	Business activity
NWF Agriculture Holdings Limited	Holding Company — Agriculture operations
NWF Distribution Holdings Limited	Holding Company — Distribution operations
NWF Fuels Holdings Limited	Holding Company — Fuel operations
NWF Retail Holdings Limited	Holding Company — Retail operations
R N Bolton Limited	Non-trading
Dragon Petroleum 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
NWF Fuels Limited	Fuel distribution
NWF Retail Limited	Retail country stores
Rivendell Garden Centre Limited	Sale of plants and garden products
Rivendell Nurseries Limited	Plant production and sales
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, an agricultural retail operation, which is registered and operates in the Isle of Man.

12 Purchase of business

In October 2000, the Group acquired G Thomas and Sons, a fuels distribution business based in Carmarthenshire, for a consideration (including costs) of £671,000. The book value of net assets acquired equated to the fair value.

	2001 £'000
Consideration:	
Cash	421
Deferred, payable in year ended 31 May:	
2002	150
2003	100
	671
Less:	
Net assets acquired:	
Fixed assets	55
Stock	39
	94
Goodwill	577

13 Intangible assets

Group	Goodwill £'000
Cost	
At 1 June 2000	157
Addition	577
At 31 May 2001	**734**
Amortisation	
At 1 June 2000	(5)
Charge for the year	(24)
At 31 May 2001	**(29)**
Net book amount	
At 31 May 2001	**705**
At 31 May 2000	152

The addition to goodwill in the year relates to the acquisition referred to in note 12 above and is being amortised over 20 years, being the period over which the directors consider the Group will benefit from that goodwill.

Notes to the financial statements

for the year ended 31 May 2001 (continued)

14 Stocks

	Group 2001 £'000	Group 2000 £'000
Raw materials and consumables	270	284
Finished goods and goods for resale	4,673	4,452
	4,943	4,736

15 Debtors

	Group		Parent company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	18,083	14,280	—	—
Amounts owed by Group undertakings	—	—	18	69
Other debtors	1,198	927	52	68
	19,281	15,207	70	137

16 Creditors: amounts falling due within one year

	Group		Parent company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft	6,413	4,791	—	—
Bank loan	454	466	454	466
Trade creditors	13,222	10,834	—	—
Amounts owed to Group undertakings	—	—	3,712	3,317
Corporation tax	721	760	16	40
Other taxes and social security costs	329	211	20	16
Accruals and deferred income	1,487	1,114	371	195
Deferred acquisition costs	800	650	650	650
Proposed dividend	624	561	624	561
	24,050	19,387	5,847	5,245

The bank overdraft is repayable on demand and interest is charged at 1.125% above the National Westminster Bank base rate.

The term loan of £454,000 is at a fixed interest rate of 7.513% and is repayable in monthly instalments during the next 12 months.

17 Creditors: amounts falling due after more than one year

	Group		Parent company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Medium term bank loans:				
Repayable within: 1–2 years	**739**	454	**739**	454
2–5 years	**2,591**	1,580	**2,591**	1,580
5–7 years	**750**	—	**750**	—
	4,080	2,034	**4,080**	2,034
Deferred acquisition payments:				
1–2 years	**100**	650	**—**	650
	4,180	2,684	**4,080**	2,684

There are two term loans, one loan of £1,580,000 is at a fixed rate of 7.513% repayable in thirty-six monthly instalments commencing June 2002. The second term loan of £2,500,000 is at a variable interest rate of 1.25% above National Westminster Bank base rate and repayable in ten half-yearly instalments commencing in March 2003.

The deferred acquisition payments in creditors falling due within one year and after more than one year relate to the acquisition of Rivendell Nurseries Limited and G Thomas and Sons. They do not bear interest and are repayable as follows:

	£'000
On 1 June 2001	800
On 1 June 2002	100
	900

Deferred acquisition payments amounting to £650,000 are secured by way of a first fixed charge on the freehold property of the parent company at Wardle, Nantwich, Cheshire.

The bank overdrafts and term loans amounting to £10,947,000 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 subject to the first charge referred to above.

Notes to the financial statements

for the year ended 31 May 2001 (continued)

18 Deferred taxation

	Provision		Full potential liability	
	2001	2000	2001	2000
Group	£'000	£'000	£'000	£'000
Tax on capital gains rolled over	83	83	238	238
Timing differences between capital allowances claimed and depreciation provided	542	481	802	481
	625	564	1,040	719
Parent company				
Tax on capital gains rolled over	83	83	238	238
Timing differences between capital allowances claimed and depreciation provided	61	20	61	20
	144	103	299	258

The movement in the deferred tax provision during the year of £61,000 has been charged to the profit and loss account (Note 7).

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

19 Equity share capital

	2001 Number (000)	2000 Number (000)	2001 £'000	2000 £'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	7,901	7,901	1,975	1,975

The total number of options granted under the Company's approved share option schemes and outstanding at 31 May 2001 amounted to 116,000 shares (2000: 222,094 shares). These options are exercisable in the period up to 10 August 2005 at prices ranging from £1.19 to £2.35 per share.

20 Reserves

Group	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 June 2000	520	1,677	213	7,464
Retained profit for the year	—	—	—	1,437
Transfer from revaluation reserve	—	(26)	—	26
At 31 May 2001	**520**	**1,651**	**213**	**8,927**

Cumulative goodwill written off directly against Group reserves to date amounts to £5,870,000 (2000: £5,870,000).

Parent company	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 June 2000	520	1,677	213	5,357
Retained profit for the year	—	—	—	311
Transfer from revaluation reserve	—	(26)	—	26
At 31 May 2001	**520**	**1,651**	**213**	**5,694**

The parent company has not presented its own profit and loss account as permitted by Section 230 (1), of the Companies Act 1985.

21 Commitments for capital expenditure

	2001 £'000	2000 £'000
Contracts placed	**633**	2,577

Notes to the financial statements

for the year ended 31 May 2001 (continued)

22 Pension costs

The Group operates a 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.

Contributions to the scheme have been determined by a qualified actuary using the projected unit method.

The most recent valuation was at 1 January 1999. The valuation at that date showed that the market value of the scheme's assets was £14,686,000 and that the actuarial value of these assets represented 121% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries. It was assumed that the investment return would be 2% higher than the rate of annual salary increase. Allowance has been made for increases in pensions in payment in line with Limited Price Indexation, up to a maximum of 5% per annum.

The pension charge for this scheme for the year was £260,000 (2000: £233,000) after crediting £18,000 (2000: £17,000) reducing the pension provision which was £133,000 in the Group financial statements at 31 May 2001 (2000: £151,000) and £1,000 in the parent company financial statements at 31 May 2001 (2000: £3,000). The pension provision arises from the amortisation of the surplus in the scheme which is being recognised over 16 years, the average remaining service lives of employees.

One of the companies within the Group also operates a money purchase scheme and contributions to this scheme in the year amounted to £6,000 (2000: £3,000).

23 Related party transactions

Mr M. H. Hudson and Mr J. R. Willis have purchased, in the normal course of business and under normal terms and conditions, goods to the value of £42,000 (2000: £53,000) and £21,000 (2000: £94,000) respectively as customers of the Group in the year ended 31 May 2001.

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

24 Contingent liabilities

The Group has given a guarantee to First National Bank in respect of any default on loans made by the bank to customers to assist in purchasing from the Group. The maximum amount of the guarantee is £100,000. Bank loans outstanding at 31 May 2001 were £152,000 and no defaults had been advised at that date.

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 2001 to £10,947,000 (2000: £7,291,000).

25 Annual commitments under operating leases

The Group is committed at 31 May 2001 to making annual payments on operating leases with the following expiry dates:

	Land and buildings £'000	Other £'000
Within one year	—	62
Within 2 to 5 years inclusive	20	525
Over 5 years	534	251
	554	838

26 Financial instruments

Net financial liabilities

The book value, fair value and interest rate profile of the Group's net financial liabilities, other than short-term debtors and creditors, were as follows:

At 31 May 2001	Total book value £'000	Total fair value £'000	Fixed interest rate	Fixed interest rate period
Floating rate overdraft	6,413	6,413		
Floating rate term loan	2,500	2,500		
Fixed rate term loans repayable:				
— By May 2002	454	456	7.513%	Over one year
— By May 2005	1,580	1,621	7.513%	Between two and five years
No interest:				
— Cash at bank and in hand	(21)	(21)		
— Deferred acquisition payment more than one year	100	93		
	11,026	11,062		

At 31 May 2000	Total book value £'000	Total fair value £'000	Fixed interest rate	Fixed interest rate period
Floating rate overdraft	4,791	4,791		
Fixed rate term loans repayable:				
— By May 2001	466	466	7.513%	Over one year
— By May 2005	2,034	2,022	7.513%	Between two and five years
No interest:				
— Cash at bank and in hand	(18)	(18)		
— Deferred acquisition payment more than one year	650	603		
	7,923	7,864		

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

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

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 main risk arising from the Group's financial instruments is interest rate risk. The Board reviews and agrees its policies for managing this risk. This policy has remained unchanged during the financial year.

The Group monitors its exposure to interest rate risk primarily through sensitivity analysis. On the basis of the Group's analysis, it is estimated that a rise of one percentage point in interest rates on floating rate borrowings would have reduced 2001 profit before tax by approximately £77,000.

The Group has an overall bank overdraft facility of £10.25 million, of which £6,413,000 had been drawn at 31 May 2001. The bank overdraft is repayable on demand and facilities are subject to annual review. There are no other undrawn committed facilities. Interest on the floating rate overdraft is payable at base rate plus 1.125%.

Notice of annual general meeting

Notice is hereby given that the 130th Annual General Meeting of NWF Group plc will be held at the **Swan Hotel, 50 High Street, Tarporley, Cheshire on Thursday, 27 September 2001 at 10.30 a.m.** for the following purposes:

1. To receive the Report of the Directors and the Accounts for the year to 31 May 2001.
2. To declare a final dividend.
3. To re-elect Mr A. E. Fulker as a Director of the Company in accordance with Article 24 of the Articles of Association of the Company.
4. To re-elect Mr J. R. Willis as a Director of the Company in accordance with Article 24 of the Articles of Association of the Company.
5. To reappoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.
6. To consider and, if thought fit, to pass the following Resolutions:

Ordinary Resolution

(i) THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 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 £2,500,000 during the period commencing on the date of the passing of this Resolution and expiring on 26 September 2006 (both dates inclusive) 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.

Special Resolution

(ii) THAT during the period ending 26 September 2002 the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot, issue, grant options or rights over or otherwise dispose of unissued shares of the Company pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution No. 6 (i) as if Section 89 (1) of the Act did not apply to any such allotment, issue, option or right in such manner and to such persons at such times, at such consideration and otherwise as the Directors in their absolute discretion may think fit.

Wardle
Nantwich
Cheshire CW5 6BP

By Order of the Board
M. D. Cookson, Secretary
3 September 2001

Explanatory Note — Resolution 6

Resolutions passed at the Annual General Meeting last year authorised the Directors to allot further shares during the period up to 27 September 2005, and to allot such shares otherwise than to existing shareholders during the period up to 26 September 2001. Resolution 6 simply extends such authorities to 26 September 2006 and 26 September 2002 respectively. This allows the Directors some flexibility in the issue of shares generally, for example in the financing of new business opportunities or the granting of options, and is normal practice for a company of the size of NWF Group plc.

A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and (on a poll) to vote in his or her place. A proxy need not be a Member of the Company. A proxy form is enclosed. Instructions for use are shown on the form.

Financial calendar

Annual general meeting	27 September 2001
Final dividend paid	1 November 2001
Preliminary announcement of half year results	Early February 2002
Publication of half year results	Mid-February 2002
Interim dividend paid	1 May 2002
Financial year end	31 May 2002
Preliminary announcement of full year results	Early August 2002
Publication of full year Report and Accounts	Early September 2002

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