5 February 2008

NWF GROUP PLC INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2007

NWF Group plc ("NWF"), the diversified sales and distribution business, today announces interim results for the six months ended 30 November 2007.

Commenting on the results, Mark Hudson, Chairman said: "Trading conditions in the first six months have been difficult for NWF. Whilst turnover increased throughout all four divisions in the period, significant pressure on margins and high interest costs associated with recent major capital expansion projects led to a significant reduction in profit before taxation at the Group level compared to the previous half year.

"Despite challenging and in some cases unusual market conditions all four businesses have profitable track records and experienced management teams. We have continued to invest significantly during the period under review which has, we believe, positioned the Group for future growth."

Financial highlights: (these results are presented under International Financial Reporting Standards (IFRS) as adopted by the EU, including the restatement of prior period comparatives figures, for the first time in line with previous announcements):

- Turnover increased by 10.9% to £172.7 million (2006: £155.7 million)
- Operating profit down 38.2% to £2.1 million (2006: £3.4 million)
- Profit before taxation of £0.8 million (2006: £2.5 million)
- Basic earnings per share 1.2 pence (2006: 3.7 pence*)
- Interim dividend maintained at 1.0 pence (2006: 1.0 pence*)
- Net assets rose by 8.4% to £29.8 million (2006: £27.5 million)
- Net cash outflow before financing £13.3 million (2006: outflow £11.1 million)

* Restated to take into account the effect of a four-for-one bonus issue of shares in October 2007.

Divisional highlights:

- **Distribution**: turnover up 8.3% to £15.7 million (2006: £14.5 million) with operating profit of £574,000 (2006: £958,000) and significant new capacity now on stream.
- **Feeds**: turnover rose by 9.6% to £41.2 million (2006: £37.6 million) with operating profit of £1,232,000 (2006: £1,087,000) at a time of unprecedented increases and volatility in key input commodities.
- **Fuels**: turnover increased 12.8% to £105.7 million (2006: £93.7 million) with operating profits of £561,000 (2006: £1,026,000) as increases in oil prices have placed pressure on margins.
- **Garden Centres**: turnover increased 2.0% to £10.1 million (2006: £9.9 million) with an operating loss of £231,000 (2006: profit £360,000) resulting from poor summer weather, a slow start to Christmas trading and the build up of sales at the new Ashton Park centre.

On the outlook for the coming months Mark Hudson added: "After a testing first six months the Board remains confident of a significant increase in performance in the second half of the financial year. We are steadily bringing in new Distribution customers, however additional transition costs and some customers commencing later than expected will result in significantly lower than planned operating profit in Distribution in the current financial year. Feeds and Fuels are currently performing well and we expect this trend to continue. The outlook for Garden Centres remains cautious given the retail and general economic outlook. I look forward to updating shareholders further at the full year stage."

For further information please visit *www.nwf.co.uk* or contact:

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Chairman's Statement

Trading conditions in the first six months have been difficult for NWF. Whilst turnover increased throughout all four divisions in the period, significant pressure on margins and high interest costs associated with recent major capital expansion projects led to a significant reduction in profit before taxation at the Group level compared to the previous half year.

Despite challenging and in some cases unusual market conditions all four businesses have profitable track records and experienced management teams. We have continued to invest significantly during the period under review which has, we believe, positioned the Group for future growth.

Results

Group revenue for the six months to 30 November 2007 increased by 10.9% from £155.7 million to £172.7 million. Operating profit fell to £2.1 million (2006: £3.4 million). Pre-tax profit was £0.8 million (2006: £2.5 million).

Basic earnings per share was 1.2 pence (2006: 3.7 pence) and diluted earnings per share reduced from 3.6 pence to 1.2 pence.

Net assets rose by 8.4% to £29.8 million (2006: £27.5 million). The significant capital expenditure during the period of £4.8 million (2006: £8.4 million) related principally to the investment in Distribution warehousing at Wardle. This, together with an £8.5 million (2006: £3.0 million) absorption of working capital that arose mainly from significant raw material price increases, contributed to an overall cash outflow before financing of £13.3 million (2006: £11.1 million). As a result gearing at the period end increased to 182% (2006: 131%).

As we have previously announced these results are presented under International Financial Reporting Standards (IFRS), as adopted by the European Union, for the first time and include a description of the Group's revised accounting policies and an explanation of the effects of adopting IFRS on equity, profits and cash flow. In addition, the prior period comparative figures for earnings per share and dividends per share have been restated to take into account the effect of a four-for-one bonus issue of shares in October 2007.

Dividend

The Board has approved an unchanged interim dividend per share of 1.0 pence (2006: 1.0 pence). This will be paid on 1 May 2008 to shareholders on the register on 28 March 2008. The shares will trade ex-dividend on 26 March 2008.

Operations

Distribution

Turnover during the period increased by 8.3% to £15.7 million as some of the new capacity created at Wardle was utilised, however operating profit reduced by 40.1% from £958,000 to £574,000.

This has been a period of major capital investment in Distribution, with three new warehouses commissioned at Wardle delivering an additional 60,000 pallet spaces (now bringing total capacity to 130,000). The new warehouses were commissioned later than originally planned and this has resulted in non-value added movement of stock around the Wardle site and sub-optimal use of labour and transport, which is reflected in the fall in operating profit. New customers are constantly coming on stream, with 25,000 of the additional 60,000 pallet spaces filled by the end of November. The remainder of the additional capacity will be utilised during 2008. Some customers are coming in later than anticipated and the transition costs are higher than forecast. We therefore expect lower than planned profitability in the Distribution business in the current financial year.

Feeds

During the six months under review the Feeds division saw ruminant feeding patterns affected in June and July as a result of wet weather and unprecedented increases and volatility in raw material costs. The division has focused on delivering price increases to keep in line with higher raw material costs.

Turnover rose by 9.6% to £41.2 million and operating profit increased 13.3% from £1,087,000 to £1,232,000. This was despite total tonnage falling by 2%. Blended volumes continue to grow and further investment has taken place to increase our capacity in this market.

Fuels

Turnover increased by 12.8% to £105.7 million on a volume increase of 6.8% to 168.5 million litres. Operating profit was £561,000 compared to £1,026,000 in 2006, a reduction of 45.3%.

The Fuels division has been impacted by the significant increases in oil prices throughout the period, resulting in customers seeking competitive prices to mitigate the higher costs. The result was a considerable amount of margin pressure, as we retained customers and increased sales in what remains a challenging market.

The experienced management team has focused on improving operational performance across all depots and is continually striving to deliver best practice across the business.

Garden Centres

The division operated six destination garden centres during the half year, including Ashton Park which opened in March 2007. Turnover increased 2.0% to £10.1 million (2006: £9.9 million), of which Ashton Park accounted for £0.9 million, with like for like sales down 7% on prior year. The operating loss of £231,000 compared to an operating profit of £360,000 in 2006.

The loss resulted from a number of adverse factors. We witnessed very poor, severely weather affected sales in June and July, coupled with a gradual build up of sales at the newly opened Ashton Park centre. The start of Christmas trading was also slower than expected, as retail consumer confidence remained low. However, it is worth noting that our Garden Centres are expected to make the majority of their annual profits in the second half of the Group's financial year.

Board

Richard Whiting succeeded Graham Scott as Chief Executive on 1 November 2007. I would like to take this opportunity to thank Graham for his significant contribution to the Group's success over the last 12 years. The transition has been a smooth one and we look forward to further years of success under Richard's leadership.

Outlook and future prospects

After a testing first six months the Board remains confident of a significant increase in performance in the second half of the financial year. We are steadily bringing in new Distribution customers, however additional transition costs and some customers commencing later than expected will result in significantly lower than planned operating profit in Distribution in the current financial year. Feeds and Fuels are currently performing well and we expect this trend to continue. The outlook for Garden Centres remains cautious given the retail and general economic outlook. I look forward to updating shareholders further at the full year stage.

Mark Hudson
Chairman
5 February 2008

NWF GROUP PLC
CONDENSED GROUP INCOME STATEMENT
HALF YEAR ENDED 30 NOVEMBER 2007

	Half year to 30 Nov 2007	Half year to 30 Nov 2006 (restated)	Year to 31 May 2007 (restated)
	£m	£m	£m
Revenue (note 3)	**172.7**	155.7	320.4
Operating expenses	**(170.6)**	(152.3)	(312.3)
Operating profit (note 3)	**2.1**	3.4	8.1
Finance costs	**(1.3)**	(0.9)	(1.8)
Profit before income tax	**0.8**	2.5	6.3
Income tax expense	**(0.2)**	(0.8)	(2.1)
Profit for the period	**0.6**	1.7	4.2
Earnings per share (note 4)			
Basic	1.2p	3.7p	9.1p
Diluted	1.2p	3.6p	8.9p
Proposed dividend per share	1.0p	1.0p	3.9p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
HALF YEAR ENDED 30 NOVEMBER 2007

	Half year to 30 Nov 2007	Half year to 30 Nov 2006 (restated)	Year to 31 May 2007 (restated)
	£m	£m	£m
Actuarial gain on pension scheme	-	-	1.0
Movements on deferred tax relating to pension liability	-	-	(0.3)
Net income recognised directly in equity	-	-	0.7
Profit for the period	**0.6**	1.7	4.2
Total income recognised for the period	**0.6**	1.7	4.9

All of the Group's activities are derived from current operations.

The notes on pages 7 to 21 form an integral part of these condensed consolidated half yearly financial statements.

NWF GROUP PLC
GROUP BALANCE SHEET
AS AT 30 NOVEMBER 2007

	30 Nov 2007	30 Nov 2006 (restated)	31 May 2007 (restated)
	£m	£m	£m
Assets			
Non current assets			
Property, plant and equipment	**57.0**	43.1	53.7
Intangible assets	**10.2**	10.1	10.1
Deferred income tax assets	**1.0**	1.4	1.1
	68.2	54.6	64.9
Current assets			
Inventories	**9.6**	7.7	8.1
Trade and other receivables	**47.9**	40.9	39.9
Derivative financial instruments	**1.7**	0.3	0.2
Cash and cash equivalents	**0.1**	0.1	0.1
	59.3	49.0	48.3
Total assets	**127.5**	103.6	113.2
Liabilities			
Current liabilities			
Trade and other payables	**(37.1)**	(32.6)	(36.7)
Current income tax liabilities	**(0.4)**	(0.8)	(1.0)
Borrowings	**(24.2)**	(10.9)	(10.0)
Derivative financial instruments	**(1.3)**	(0.2)	-
	(63.0)	(44.5)	(47.7)
Non current liabilities			
Trade and other payables	**-**	(0.6)	(0.6)
Borrowings	**(29.9)**	(25.2)	(30.0)
Deferred income tax liabilities	**(1.4)**	(1.3)	(1.3)
Retirement benefit obligations	**(3.4)**	(4.5)	(3.5)
	(34.7)	(31.6)	(35.4)
Total liabilities	**(97.7)**	(76.1)	(83.1)
Net assets	**29.8**	27.5	30.1
Shareholders' equity (note 5)			
Ordinary shares	**11.7**	2.3	2.3
Share premium	**-**	6.2	6.2
Other reserves	**-**	0.3	0.3
Retained earnings	**18.1**	18.7	21.3
Total shareholders' equity	**29.8**	27.5	30.1

The notes on pages 7 to 21 form an integral part of these condensed consolidated half yearly financial statements.

NWF GROUP PLC
CONDENSED GROUP CASH FLOW STATEMENT
HALF YEAR ENDED 30 NOVEMBER 2007

	Half year to 30 Nov 2007	Half year to 30 Nov 2006 (restated)	Year to 31 May 2007 (restated)
	£m	£m	£m
Cash flows from operating activities			
Profit before income tax	**0.8**	2.5	6.3
Depreciation	**1.9**	1.7	3.4
Finance costs	**1.3**	0.9	1.8
(Increase) / decrease in working capital	**(8.5)**	(3.0)	1.4
Other	**(0.1)**	(0.2)	(0.1)
Cash (used in)/generated from operations	**(4.6)**	1.9	12.8
Interest paid	**(1.7)**	(0.9)	(2.4)
Income tax paid	**(0.9)**	(0.9)	(1.9)
Net cash (used in)/generated from operating activities	**(7.2)**	0.1	8.5
Cash flows from investing activities			
Purchase of property, plant and equipment	**(4.8)**	(8.4)	(20.1)
Proceeds from sale of property, plant and equipment	**0.1**	0.1	0.2
Purchase of intangible assets	**(0.1)**	(0.2)	(0.2)
Acquisitions, net of cash acquired	**-**	(1.5)	(1.6)
Deferred acquisition payments	**(1.3)**	(1.8)	(1.8)
Deferred disposal proceeds	**-**	0.6	0.6
Net cash used in investing activities	**(6.1)**	(11.2)	(22.9)
Net cash outflow before financing	**(13.3)**	(11.1)	(14.4)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	**0.5**	**-**	**-**
Term loan and HP finance movements	**(0.1)**	0.9	(0.2)
Medium term loan received	**-**	-	6.0
Dividends paid to Company's shareholders	**(1.3)**	(1.1)	(1.7)
Net cash (used in)/generated from financing activities	**(0.9)**	(0.2)	4.1
Net decrease in cash and cash equivalents	**(14.2)**	(11.3)	(10.3)
Cash, cash equivalents and bank overdrafts at beginning of period	**(9.6)**	0.7	0.7
Cash, cash equivalents and bank overdrafts at end of period	**(23.8)**	(10.6)	(9.6)

The notes on pages 7 to 21 form an integral part of these condensed consolidated half yearly financial statements.

Notes to condensed consolidated half yearly financial statements

1. General information

NWF Group plc ('the Company') is a company incorporated and domiciled in the UK. The principal activities of NWF Group plc and its subsidiaries (together 'the Group') are the warehousing and distribution of ambient groceries, the manufacture and sale of animal feeds, the distribution of fuel oils and the operation of large retail garden centres.

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

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

These interim financial statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results to 30 November 2007 are neither audited nor reviewed by the Group's auditors. Statutory accounts for the year ended 31 May 2007 were approved by the Board of Directors on 14 August 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2. Basis of preparation of financial statements

For the year ended 31 May 2007 and previous accounting periods, the Group prepared its audited full year and unaudited interim financial statements under United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

From 31 May 2008, the Group is required to prepare its published financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and implemented in the United Kingdom, as well as those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The date of transition to IFRS for the Group was 1 June 2006 and the Group has prepared its opening IFRS balance sheet as at that date.

This interim report has been prepared in accordance with the principal accounting policies described in Appendix 1. The IFRS and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations that will be applicable as at 31 May 2008, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this report; however, no significant differences are expected between the accounting policies adopted in preparing this report and those that will be adopted in the financial statements for the year ended 31 May 2008.

The comparative figures shown in this report have been restated to reflect the new accounting policies under IFRS. Reconciliations and explanations of the effects of adopting the new policies on the Group's equity, profits and cash flows are also provided in Appendix 2.

This interim report has also been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and liabilities (including derivative financial instruments) at fair value through the income statement.

This interim report does not comply with IAS 34 "Interim Financial Reporting", as is currently permissible under the rules on the Alternative Investment Market ("AIM").

3. Segmental information

	Half year to 30 Nov 2007	Half year to 30 Nov 2006 (restated)	Year to 31 May 2007 (restated)
	£m	£m	£m
Turnover			
Distribution	**15.7**	14.5	27.0
Feeds	**41.2**	37.6	81.5
Fuels	**105.7**	93.7	190.4
Garden Centres	**10.1**	9.9	21.5
	172.7	155.7	320.4
Operating profit			
Distribution	**0.6**	0.9	1.4
Feeds	**1.2**	1.1	2.1
Fuels	**0.5**	1.0	3.3
Garden Centres	**(0.2)**	0.4	1.3
	2.1	3.4	8.1
Net assets			
Distribution	**23.5**	10.8	23.9
Feeds	**9.9**	8.9	9.0
Fuels	**8.7**	7.0	8.1
Garden Centres	**21.8**	20.7	21.5
Unallocated	**(2.1)**	0.2	0.2
	61.8	47.6	62.7

4. Earnings per share

The calculation of basic earnings per share for the half year to 30 November 2007 is based on profit after taxation of £0.6m (2006: £1.7m) and on 46.9 million (2006: 45.7 million) ordinary shares, representing the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share for the half year is based on the figures shown above amended for the weighted average dilutive effect (nil shares) of share options outstanding through the period (2006: 1.0 million shares).

The numbers of shares and share options stated above have been adjusted in all periods to take into account the effect of the bonus issue of shares referred to in Note 5 below.

5. Shareholders' funds and statement of changes in equity

	Ordinary share capital	Share premium	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m
At 1 June 2006	**2.3**	**6.2**	**0.3**	**18.1**	**26.9**
Profit for the period	-	-	-	1.7	1.7
Dividend paid to shareholders	-	-	-	(1.1)	(1.1)
At 30 November 2006	**2.3**	**6.2**	**0.3**	**18.7**	**27.5**
Profit for the period	-	-	-	2.5	2.5
Dividend paid to shareholders	-	-	-	(0.6)	(0.6)
Actuarial gain on pension scheme	-	-	-	1.0	1.0
Deferred income tax charge on actuarial movement	-	-	-	(0.3)	(0.3)
At 31 May 2007	**2.3**	**6.2**	**0.3**	**21.3**	**30.1**
Profit for the period	-	-	-	0.6	0.6
Dividend paid to shareholders	-	-	-	(1.3)	(1.3)
Ordinary shares issued	-	0.4	-	-	0.4
Bonus issue of shares (see below)	9.4	(6.6)	(0.3)	(2.5)	-
At 30 November 2007	**11.7**	**-**	**-**	**18.1**	**29.8**

On 4 October 2007 the Company's shareholders approved a bonus issue of four new ordinary shares of 25 pence each ("New Ordinary Shares") for each existing ordinary share held by a shareholder on the share register at the close of business on 4 October 2007. This resulted in the issue of 37.5 million New Ordinary Shares with a total nominal value of £9.4m. In order to effect the bonus issue, £9.4m was capitalised from reserves, comprising £6.6m from Share Premium, £0.3m from Other Reserves and £2.5m from Retained Earnings.

6. Critical accounting estimates and judgements

The Group makes a number of estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the current and next financial years are referred to below.

Carrying value of goodwill

The Group tests annually whether or not goodwill has suffered any impairment, in accordance with the accounting policy described in section 1.8 of Appendix 1. The recoverable amounts of the relevant cash-generating units have been determined based on value on use calculations, which in turn require the use of estimates.

Pension scheme valuation assumptions

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

7. Interim report

Copies of the Interim Report are due to be sent to shareholders on 8 February 2007. Further copies may be obtained from the Company Secretary at NWF Group plc, Wardle, Nantwich, Cheshire, CW5 6BP, or from the Company's website at www.nwf.co.uk.

8. 2008 financial calendar

Interim dividend paid	1 May 2008
Financial year end	31 May 2008
Preliminary announcement of full year results	Mid August 2008
Publication of Annual Report and Accounts	Early September 2008
Annual General Meeting	2 October 2008
Final dividend paid	3 November 2008

Appendix 1

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

1.1 IFRS exemptions

The Group has taken advantage of the following exemptions on transition to IFRS, as permitted by paragraph 13 of IFRS 1, “First Time Adoption of IFRS”:-

(a) The requirements of IFRS 3, “Business Combinations” have not been applied to business combinations that occurred before the date of transition to IFRS (1 June 2006)

(b) The carrying values of some of the Group’s freehold land and buildings are based on previously adopted valuations under UK GAAP and these have now been taken as deemed cost on transition to IFRS.

1.2 Basis of consolidation

The consolidated Group financial statements incorporate the financial statements of NWF Group plc and entities controlled by NWF Group plc (its “subsidiaries”). Control is achieved where NWF Group plc has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Group companies. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets acquired, the difference is recognised directly in the income statement.

All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Accounting policies of subsidiary companies have been amended where necessary to ensure consistency of policies adopted within the Group.

1.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The primary segments operated by the Group are as follows:-

Distribution	• warehousing and distribution of clients' ambient grocery and other products to supermarket and other retail distribution centres
Feeds	• manufacture and sale of animal feeds and other agricultural products
Fuels	• sale of domestic heating, industrial and road fuels
Garden Centres	• operation of large retail garden centres

Segmental information is included in note 3 to the consolidated half yearly results.

In relation to segmental net assets, the assets of the segments include property, plant and equipment, intangible assets, assets under finance leases, inventories, trade and other receivables, other current assets and cash and cash equivalents. Segment liabilities include retirement benefit obligations, trade creditors, accruals and other liabilities relating to the provision of goods and services, but exclude borrowings, finance lease liabilities, other liabilities of a financing nature and taxation liabilities.

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

1.4 Revenue recognition

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

Distribution

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

Feeds, Fuels and Garden Centres

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

Interest income

Interest income on short term deposits is recognised as it accrues.

1.5 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

1.6 Dividend distribution

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

1.7 Property, plant and equipment

Certain freehold land and buildings are stated at deemed cost in accordance with the exemption on transition to IFRS permitted by IFRS 1. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Cost comprises the purchase price and any directly attributable costs. Subsequent costs are included in the asset's carrying value, or recognised as a separate asset, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any provision for impairment in value. Depreciation is provided on a straight line basis to write down assets to their residual value evenly over the estimated useful lives of the assets from the date of acquisition by the Group.

Land is not depreciated. Depreciation on other assets is calculated, using the straight line method, to allocate their cost to their residual values over their useful economic lives within the following ranges:

- Freehold and long leasehold buildings 13 – 50 years
- Plant, machinery and equipment 3 – 10 years
- Commercial vehicles 6 – 10 years
- Motor vehicles 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

1.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trademarks and licences

Acquired trademarks and licences are stated at historical cost, less accumulated amortisation. Historical cost comprises the purchase price and any directly attributable costs.

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated, using the straight line method, to allocate the cost of trademarks and licences over their estimate useful lives (10 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 – 5 years).

1.9 Impairment of non-financial assets

Assets that have an indefinite life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and its value in use.

1.10 Inventories

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

Net realisable value comprises the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Provision is made for obsolete, slow moving or defective items where appropriate.

1.11 Trade receivables

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

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

1.12 Derivative financial instruments

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

The Group has not designated any derivatives as hedging instruments during the period under review. As a result, changes in the fair value of derivative instruments are recognised immediately in the income statement.

1.13 Cash and cash equivalents

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

1.14 Trade payables

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

1.15 Borrowings

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

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

1.16 Employee benefits – pension obligations

Group companies operate various pension schemes, including defined contribution and defined benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity and where the Group has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit scheme is a pension scheme that is not a defined contribution scheme; typically, defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, length of service or remuneration.

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

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

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

1.17 Provisions

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

1.18 Leases

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

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

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

1.19 Share capital

Ordinary shares are classified as equity.

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

Appendix 2

Explanation of transition to IFRS

The tables below show the impact of IFRS on:-

(a) the consolidated income statements for the year ended 31 May 2007 (date of last UK GAAP statements) and the six months ended 30 November 2006 (half year end comparative period) and

(b) the consolidated balance sheets as at 1 June 2006 (date of transition to IFRS), 31 May 2007 (date of last UK GAAP statements) and 30 November 2006 (half year end comparative period).

The main areas of these financial statements impacted by the transition to IFRS are detailed below.

In relation to cash flow reporting, under UK GAAP the Group has previously reported its cash flows in accordance with FRS 1 (Revised 1996) 'Cash Flow Statements'. The objectives and principles of this standard are similar to those set out in the equivalent IFRS standard, IAS 7 'Cash Flow Statements'. Other than differences in respect of classification of cash flow items, reporting under IAS 7 has had no significant effect on the reported net cash flows for the year ended 31 May 2007 (date of last UK GAAP statements) and the six months ended 30 November 2006 (half year end comparative period).

Group income statement **Year ended 31 May 2007**	**UK GAAP**	**(1)**	**(2)**	**(3)**	**(4)**	**IFRS**
	£m	£m	£m	£m	£m	£m
Revenue	320.4					320.4
Operating expenses	(313.3)	0.4	0.5		0.1	(312.3)
Operating profit	7.1	0.4	0.5		0.1	8.1
Finance costs	(1.2)	(0.7)			0.1	(1.8)
Profit before income tax	5.9	(0.3)	0.5		0.2	6.3
Income tax expense	(2.1)	0.1	(0.1)			(2.1)
Profit for the year	3.8	(0.2)	0.4		0.2	4.2

Adjustments

(1) Income statement effects of accounting for certain property leases, previously classified as operating leases, as finance leases in accordance with IAS 17 'Leases'. The net present value of attributable lease payments has been capitalised and depreciated over the period of the lease, with finance charges allocated to accounting periods so as to produce a constant periodic interest rate.
(2) Reversal of amortisation of goodwill previously charged under FRS 10 'Goodwill and Intangible Assets'; in accordance with IFRS 3 'Business Combinations' goodwill is no longer amortised but tested annually for impairment.
(3) Not applicable.
(4) Movement in fair values of certain derivative financial instruments, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Group income statement
Half year ended 30 November 2006

	UK GAAP	(1)	(2)	(3)	(4)	IFRS
	£m	£m	£m	£m	£m	£m
Revenue	155.7					155.7
Operating expenses	(152.8)	0.2	0.3			(152.3)
Operating profit	2.9	0.2	0.3			3.4
Finance costs	(0.6)	(0.3)				(0.9)
Profit before income tax	2.3	(0.1)	0.3			2.5
Income tax expense	(0.8)					(0.8)
Profit for the period	1.5	(0.1)	0.3			1.7

Adjustments

(1) Income statement effects of accounting for certain property leases, previously classified as operating leases, as finance leases in accordance with IAS 17 'Leases'. The net present value of attributable lease payments has been capitalised and depreciated over the period of the lease, with finance charges allocated to accounting periods so as to produce a constant periodic interest rate.
(2) Reversal of amortisation of goodwill previously charged under FRS 10 'Goodwill and Intangible Assets'; in accordance with IFRS 3 'Business Combinations' goodwill is no longer amortised but tested annually for impairment.
(3) Not applicable.
(4) Not applicable.

Group balance sheet
As at 1 June 2006

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

Adjustments

(1) The buildings elements of certain property leases, previously classified as operating leases, are now treated as finance leases in accordance with IAS 17 'Leases'. The net present value of attributable lease payments has been capitalised and depreciated over the period of the lease, with finance charges allocated to accounting periods so as to produce a constant periodic interest rate.
(2) Not applicable.
(3) Deferred tax adjustments comprising:-
- (a) Reclassification of deferred tax asset arising on defined pension scheme deficit as non current asset, in accordance with IAS 19 'Employee Benefits' (offset against deficit value under FRS 17 'Retirement Benefits')
- (b) In accordance with IAS 12 'Income Taxes', additional deferred tax liability arising on certain property, plant and equipment included as a result of the acquisition of shares in subsidiary companies in previous periods.

(4) Miscellaneous other adjustments, principally comprising reclassification of computer software from property, plant and equipment to intangible assets.

Group balance sheet
As at 31 May 2007

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

Adjustments

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

(2) Reversal of amortisation of goodwill previously charged under FRS 10 'Goodwill and Intangible Assets'; in accordance with IFRS 3 'Business Combinations' goodwill is no longer amortised but tested annually for impairment.

(3) Deferred tax adjustments comprising:-

(a) Reclassification of deferred tax asset arising on defined pension scheme deficit as non current asset in accordance with IAS 19 'Employee Benefits' (offset against deficit value under FRS 17 'Retirement Benefits')

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

(4) Miscellaneous other adjustments, principally comprising:-

(a) Reclassification of computer software from property, plant and equipment to intangible assets

(b) Recognition of certain derivative financial instruments at fair value, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Group balance sheet
As at 30 November 2006

	UK GAAP	(1)	(2)	(3)	(4)	IFRS
	£m	£m	£m	£m	£m	£m
Assets						
Non current assets						
Property, plant and equipment	33.5	9.9			(0.3)	43.1
Intangible assets	9.5		0.3		0.3	10.1
Deferred income tax assets	-			1.4		1.4
	43.0	9.9	0.3	1.4	-	54.6
Current assets						
Inventories	7.7					7.7
Trade and other receivables	41.0	(0.1)				40.9
Derivative financial instruments	-				0.3	0.3
Cash and cash equivalents	0.1					0.1
	48.8	(0.1)			0.3	49.0
Total assets	91.8	9.8	0.3	1.4	0.3	103.6
Liabilities						
Current liabilities						
Trade and other payables	(32.6)					(32.6)
Current income tax liabilities	(0.8)					(0.8)
Borrowings	(10.9)					(10.9)
Derivative financial instruments	-				(0.2)	(0.2)
	(44.3)				(0.2)	(44.5)
Non current liabilities						
Trade and other payables	(0.6)					(0.6)
Borrowings	(14.7)	(10.5)				(25.2)
Deferred income tax liabilities	(1.2)	0.2		(0.3)		(1.3)
Retirement benefit obligations	(3.2)			(1.3)		(4.5)
	(19.7)	(10.3)		(1.6)		(31.6)
Total liabilities	(64.0)	(10.3)		(1.6)	(0.2)	(76.1)
Net assets	27.8	(0.5)	0.3	(0.2)	0.1	27.5
Total shareholders' equity	27.8	(0.5)	0.3	(0.2)	0.1	27.5

Adjustments

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

(2) Reversal of amortisation of goodwill previously charged under FRS 10 'Goodwill and Intangible Assets'; in accordance with IFRS 3 'Business Combinations' goodwill is no longer amortised but tested annually for impairment.

(3) Deferred tax adjustments comprising:-

- (a) Reclassification of deferred tax asset arising on defined pension scheme deficit as non current asset in accordance with IAS 19 'Employee Benefits' (offset against deficit value under FRS 17 'Retirement Benefits')
- (b) In accordance with IAS 12 'Income Taxes', additional deferred tax liability arising on certain property, plant and equipment included as a result of the acquisition of shares in subsidiary companies in previous periods.

(4) Miscellaneous other adjustments, principally comprising:-

- (a) Reclassification of computer software from property, plant and equipment to intangible assets
- (b) Recognition of certain derivative financial instruments at fair value, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.