

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2003

NWF Group plc ("NWF"), today announces record results for the year ended 31 May 2003.

Commenting on the results, Roy Willis, Chairman said: "I am very pleased to be able to report to shareholders that the Group has again performed well with a sixth successive year of increased profits and dividends. This has resulted from growth in all four areas of our activities, demonstrating the underlying strength of our strategy of promoting progress in several sectors."

Financial Highlights:

- turnover up 9% to £169m (2002: £155m)
- record pre-tax profit, up 20 % to £5.05m (2002: £4.21m)
- increased profits again from all four businesses
- basic earnings per share up to 42.6p (2002: 36.7p)
- dividend per share increased again to 14.8p (2002: 13.0p)
- six years of compound double-digit growth

On the outlook for the coming year Roy Willis added: "My colleagues and I are confident that the Group can continue on its path of generating excellent returns for shareholders."

Graham Scott, Chief Executive, commented: "There are growth opportunities in all of our businesses. In every year, we aim to run each business at its maximum capacity but also to bring forward plans to raise the capability of the business, as we have done consistently in the past, by investment, acquisition or cold start as appropriate."

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NWF Group plc

Report & Accounts 2003

Chairman's Statement

Financial highlights for 2003:

- turnover up 9% to £169m (2002: £155m)
- record pre-tax profit, up 20 % to £5.05m (2002: £4.21m)
- increased profits again from all four businesses
- basic earnings per share up to 42.6p (2002: 36.7p)
- dividend per share increased again to 14.8p (2002: 13.0p)
- six years of compound double-digit growth

I am very pleased to be able to report to shareholders that the Group has again performed well with a sixth successive year of increased profits and dividends. Pre-tax profits increased by 20% to £5.05m (2002: £4.21m) on a turnover which was up by 9% to £169m (2002: £155m). Basic earnings per share increased 16% to 42.6p (2002: 36.7p). This has resulted from growth in all four areas of our activities, demonstrating the underlying strength of our strategy of promoting progress in several sectors.

Trading results

Operating results showed record levels in each activity. The **Distribution** division had a year of full warehousing utilisation with corresponding levels of transport and handling work. Our **Feeds** business increased market share again and expanded its geographical territory. The **Fuels** division had an outstanding year and turned in the best-ever performance by a NWF business. The **Retail** division performed well in aggregate with the garden centres in particular outperforming the previous year.

Cash flows and funding

The Group generated £8.7m cash (2002: £6.8m) from operating activities and net cash flow was £1.8m (2002: £1.6m). The uses of funds included £2.2m of net capital expenditure (2002: £1.3m) and £0.8m (2002: £2.3m) in acquisition payments as investments in the future ability of the Group to sustain and grow earnings. Interest cover for the year remained very comfortable at 10.8 times (2002: 7.5 times). Year-end gearing fell to 46% from 69% at the end of 2002.

Acquisitions and investments

The Group acquired T Splitt, a fuel business in Burnley, in January 2003 and will use this opportunity to rearrange the operating boundaries of our Cheshire and Lancashire fuel depots. Capital expenditure in the year has again related mainly to vehicles for the various businesses and to a number of IT and operational projects. The Feeds business is establishing a blending and distribution base in Cumbria.

Dividend

At the Annual General Meeting, we intend to propose a final dividend of 10.8 pence per share (2002: 9.4 pence per share), bringing the total for the year to 14.8 pence per share. This represents an increase of 13.8% on last year's total of 13.0 pence per share. This total dividend for the year would have a cover of 2.9 times post-tax earnings (2002: 2.8 times). Shareholders will have seen their annual dividend rise by a factor of 4½ times from 3.35p per share ten years ago. Subject to shareholder approval at the forthcoming AGM of the Company, the final dividend will be paid on 1 November 2003 to shareholders on the register at the close of business on 22 August 2003. The shares will trade ex-dividend on 20 August 2003.

Outlook for the current year

My colleagues and I are confident that the Group can continue on its path of generating excellent returns for shareholders. In common with many other companies, we face sharply increasing costs in areas such as pensions and insurances which have been taken into account in formulating our plans for the year. The **Distribution** division will continue to optimise its use of facilities centred on Wardle. **Feeds** has plans in place for consolidating new territories. **Fuels** will seek to move on again from this year's gains. **Retail** is aiming to benefit from organic improvements to existing garden centres while looking for other opportunities to enhance performance.

Customers, colleagues and shareholders

As I noted in my Interim Statement, Tony Stanton retired in November 2002 after nine years service as a non-executive director. Tony brought extremely valuable experience and judgement to the affairs of the company for which we thank him and wish him well in retirement.

Finally, my thanks for a splendid year go to all members of the NWF community – to both customers and suppliers for their business partnerships, to all of my colleagues (now numbering some 750) for their successful efforts and to shareholders old and new who have supported the Group through this financial year.

J Roy Willis
Chairman
11 August 2003

Chief Executive's Review

The Group

The Group has had another very successful year with most of the businesses improving their operating margins and with all achieving individual record profits. Overall, Group sales rose 9% from £154.7m to £168.6m. Within this, Feeds sales value fell slightly on a higher physical volume of sales, due to lower world prices for feed ingredients, while the underlying higher cost of oil drove Fuels turnover even higher than its higher physical volume would indicate. Some £58m of Fuels turnover consists of Excise Duty, a point to consider when comparing sales-based ratios. Retail turnover included a first full year of Dukeries Garden Centre.

Distribution

Boughey Distribution ran at or above capacity, by temporary use of offsite storage, during the year. Sales increased by 12% from £12.6m to £14.1m. Operating profit increased by 10% from £1.318m to £1.447m as a result of optimised utilisation of the division's warehousing capacity and improved operating procedures. The balance of income moved towards warehousing and handling rather than transportation and the packing activity was a little quieter than in the previous year. Investment is in train to upgrade Boughey's garage facilities to the advantage of all of the Group's Wardle-based vehicles. Chris Foster, one of our warehouse managers, won the UK Warehousing Association's 2003 "Warehouseperson of the Year" award.

Feeds

NWF Agriculture raised its volume and market share of cattle feeds yet again with total sales of compound feeds and feed blends at some 268,000 tonnes, 11% higher than in 2002 (2002: 241,000 tonnes). Over 95% of the products were manufactured at Wardle. Sales value was lower at £43.6m (2002: £44.1m) on this higher sales volume. Operating profit was up 1% at £1.426m from £1.408m in the prior year. We have extended our sales force coverage and have established a satellite operation in Kirkbride, Cumbria, which will improve distribution to customers both sides of the Border. Most local deliveries of compound feeds, together with the production of feeds blends using plant transferred from Wardle, will be based on this site. The blending plant at Wardle will be replaced by a larger unit which will be able to satisfy the growing demand in the remainder of NWF's territory for blended feeds.

Fuels

NWF Fuels had an outstanding year with volumes 7% higher at 230 million litres (2002: 215 million litres) with increases in each of the product categories. Sales value was £94.6m (2002: £84.3m) an increase of 12%, indicating the strong oil price during the year, particularly in the first quarter of 2003. The division's operating profit was an NWF record at £1.716m, an increase of 22% from £1.408m last year. Particular progress was made in developing our trade with retail garages and there are now 84 sites under contract within the Group. The business of T Splitt, which was acquired in January 2003, has allowed us to move our activity around Manchester to a new base in Burnley.

Retail

The Retail business saw turnover rise by 18% to £16.3m from £13.8m. Like-for-like sales in the three Garden Centres were 7% up on the previous year with both Christmas and Spring trading proving satisfactory. Operating profit for Retail increased by 36% to £0.977m from £0.720m driven by the Garden Centres with a particular contribution from the first full year of Dukeries, acquired in late April 2002. The Group is currently developing the indoor retail area at Wheatcroft Garden Centre, which will more than double this site's existing indoor space. In addition, a new

canopied area will be added to the present planteria to allow improved customer access. The new space, with its associated product ranges, will be ready for the 2003 Christmas season.

Outlook for 2003/2004

There are growth opportunities in all of our businesses. In every year, we aim to run each business at its maximum capacity but also to bring forward plans to raise the capability of the business, as we have done consistently in the past, by investment, acquisition or cold start as appropriate. In **Distribution**, we will consider how best to provide further warehousing capacity by extending our own Wardle site or by obtaining facilities in the locality. In **Feeds**, we will utilise the investments being made in raw materials storage at the feed mill and in blending capacity at Wardle and in Cumbria. Our feed mill took from 1980 to 1998 to manufacture its first million tonnes and we delivered our two-millionth tonne of compound feeds in July 2003, testament to the acceleration of our feed volume. In **Fuels**, we will consolidate recent moves and seek further territorial expansion to add to the steps already taken in recent years. In **Retail**, there are improvements in train at existing Garden Centres and we will review further steps to expand and improve the returns in this business. The Chairman has, however, already alluded to the increased costs faced by the whole Group in the new year, particularly those associated with employees.

In this new financial year, Group trading performance is in line with expectations in what is normally the quietest quarter of our year.

Graham Scott
Chief Executive
11 August 2003

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PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2003 CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2003	2002
	£'000	£'000
TURNOVER	168,553	154,741
Cost of sales	(151,842)	(140,513)
GROSS PROFIT	16,711	14,228
Administrative expenses	(11,145)	(9,374)
OPERATING PROFIT	5,566	4,854
Interest payable	(517)	(648)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5,049	4,206
Taxation	(1,658)	(1,300)
PROFIT AFTER TAXATION	3,391	2,906
Equity dividends	(1,178)	(1,035)
RETAINED PROFIT TRANSFERRED TO RESERVES	2,213	1,871
Earnings per share		
Basic	42.6p	36.7p
Diluted	41.9p	36.7p

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

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	2003	2002
	£'000	£'000
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	3,391	2,906
PRIOR YEAR ADJUSTMENT	-	(178)
TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT	3,391	2,728

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PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2003 CONSOLIDATED BALANCE SHEET

	2003		2002	
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets		2,954		2,634
Tangible assets		17,411		17,158
		20,365		19,792
CURRENT ASSETS				
Stocks	5,317		5,256	
Debtors	19,625		18,887	
Cash and bank balances	23		218	
	24,965		24,361	
CREDITORS - Amounts falling due within one year	(22,984)		(22,399)	
NET CURRENT ASSETS		1,981		1,962
TOTAL ASSETS LESS CURRENT LIABILITIES		22,346		21,754
CREDITORS - Amounts falling due after more than one year		(4,215)		(5,741)
PROVISIONS FOR LIABILITIES AND CHARGES		(105)		(113)
Pension provision		(715)		(802)
Deferred Taxation				
NET ASSETS		17,311		15,098
CAPITAL AND RESERVES				
EQUITY SHARE CAPITAL		1,990		1,990
RESERVES				
Share premium		535		535
Revaluation reserve		1,598		1,624
Other reserves		302		302
Profit and loss account		12,886		10,647
TOTAL EQUITY		17,311		15,098

SHAREHOLDERS' FUNDS



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PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2003 CONSOLIDATED CASH FLOW STATEMENT

	2003		2002	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		8,727		6,753
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(543)		(695)
Interest paid				
TAXATION				
Corporation tax paid		(1,631)		(1,082)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(2,263)		(1,348)	
Purchase of tangible fixed assets	109		39	
Sale of tangible fixed assets				
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(2,154)		(1,309)
ACQUISITIONS AND DISPOSALS	(616)		(1,657)	
Acquisition of businesses	-		178	
Cash acquired with businesses	(187)		(800)	
Deferred payment for businesses acquired in prior year				
NET CASH OUTFLOW FOR ACQUISITIONS		(803)		(2,279)
EQUITY DIVIDENDS PAID		(1,066)		(911)
NET CASH INFLOW BEFORE FINANCING		2,530		477
FINANCING				
Medium term loan received		-		1,600
Medium term loan repayments		(739)		(454)
Shares issued for consideration including premium		-		19
INCREASE IN CASH IN THE YEAR		1,791		1,642

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PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2003 NOTES

TAXATION

	2003	2002
	£'000	£'000
UK Corporation tax at 30% (2002 - 30%)	1,758	1,345
Deferred tax	(81)	8
	1,677	1,353
Prior year - current tax	(13)	(38)
- deferred tax	(6)	(15)
	1,658	1,300

SEGMENTAL INFORMATION

Business	Turnover		Operating profit		Net operating assets	
	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Distribution	14,071	12,565	1,447	1,318	9,296	9,257
Feeds	43,555	44,134	1,426	1,408	7,410	7,998
Fuels	94,645	84,260	1,716	1,408	4,301	3,962
Retail	16,282	13,782	977	720	4,757	5,233
	168,553	154,741	5,566	4,854	25,764	26,450

EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax for the financial year divided by 7,960,241 ordinary shares being the weighted average number of ordinary shares in issue (2002 - 7,918,652). Earnings per ordinary share is adjusted to a fully diluted basis by adding to the weighted number of shares in issue, in the calculation, the weighted average number of 135,000 (2002 - 9,000) diluted ordinary shares in respect of outstanding share options.

**RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	2003		2002	
	£'000	£'000	£'000	£'000
Operating profit		5,566		4,854
Goodwill amortisation		143		53
Depreciation charge		2,038		1,879
Loss/(profit) on sale of tangible assets	(56)	11	238	(34)
Increase/(decrease) in stocks	(738)		477	
Increase/(decrease) in debtors	1,771		(694)	
Increase/(decrease) in creditors	(8)		(20)	
Decrease in pension provision				
		969		1
Net cash inflow from operating activities		8,727		6,753

ANALYSIS OF NET DEBT

	At 31 May 2002	Cash flow	Other non- cash changes	At 31 May 2003
	£'000	£'000	£'000	£'000
Cash and bank balances	218	(195)	-	23
Bank overdraft	(4,968)	1,986	-	(2,982)
	(4,750)	1,791	-	(2,959)
Debt due within one year	(739)	739	(1,026)	(1,026)
Debt due after one year	(4,941)	-	1,026	(3,915)
Total	(10,430)	2,530	-	(7,900)

FINANCIAL CALENDAR

Annual Report to be published	1 September 2003
Annual General Meeting	25 September 2003
Dividend:	
- to be paid	1 November 2003
- ex-dividend	20 August 2003
- record date for shareholders	22 August 2003

Annual Report: This preliminary announcement does not form the Group's statutory accounts. The figures shown in this release have been extracted from the Group's full financial statements which, for the year ended 31 May 2002, have been delivered, and for the year ended 31 May 2003 will be delivered to the Registrar of Companies. Both carry an unqualified audit report.

The financial statements for the year ended 31 May 2003 have been prepared in accordance with applicable accounting standards, using the same accounting policies as set out in the Annual Report for the year ended 31 May 2002.

After 1 September, copies of the Annual Report can be obtained from the Company's registered office at Wardle, Nantwich, Cheshire, CW5 6BP or viewed on the Company's Website:
www.nwf.co.uk