

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2006

NWF Group plc ("NWF"), the diversified sales and distribution business, today makes the preliminary announcement of its audited results for the year ended 31 May 2006.

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

Financial Highlights (comparative figures for year to 31 May 2005):

- Turnover increased by 24% to £293 m (2005: £236 m)
- Pre tax profit before goodwill amortisation up 33% to £6.0 m (2005: £4.5m)
- Pre tax profit increased by 32% to £5.5 m (2005: £4.2 m)
- Basic earnings per share up 16% to 41.7p (2005: 36.1p)
- Dividend per share for the year increased by 7.8% to 18.0p (2005:16.7p)
- All four businesses' underlying performances ahead of last year
- Preparations underway for major warehouse development

Divisional Highlights:

- **Distribution** - turnover up by 24% to £27m with £2.1m record operating profit from high storage demand at all locations
- **Feeds** - another year of market share gains and became firmly established as a national player; turnover increased by 35% to £72m
- **Fuels** - outstanding year in difficult market; turnover up 22% to £178m and operating profit increase of 8% to £2.8m
- **Garden Centres** - £0.3m operating profit; turnaround of £0.6m from 2005 loss of £0.3m. Continued expansion of number of large sites

Graham Scott, Chief Executive, added: "It has been rewarding to see that the return to growth in profitability that we envisaged a year ago has indeed taken place. The 2005 results were somewhat distorted by one-off restructuring and start-up costs and by the release of certain historic provisions. These factors now lie behind us in reporting 2006 which can be taken as a new base year for continuing progress."

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NWF Group plc

Preliminary results for the year ended 31 May 2006

Chairman's Statement

Key points for 2006:

- **Turnover up 24% to £293m (2005: £236m)**
- **Profit before taxation and goodwill amortisation increased by 33% to £6.0m (2005: £4.5m)**
- **Profit before taxation increased by 32% to £5.5m (2005: £4.2m)**
- **Basic earnings per share up 16% to 41.7p (2005: 36.1p)**
- **Full year dividend per share increased by 7.8% to 18.0p (2005: 16.7p)**
- **All four businesses' underlying performances ahead of last year**
- **Preparations underway for major warehouse development**

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

Results

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

Prior year comparatives in this statement and elsewhere in the preliminary results have been restated where applicable to reflect the adoption for the first time of FRS 17 (pensions) and FRS 21 (dividends unapproved at the balance sheet date).

Cash flows and funding

The Group generated £9.1m (2005: £2.7m) net cash from operating activities and the net cash outflow before financing reduced to £1.9m (2005: £7.8m outflow). £5.7m (net of expenses) was raised by an equity placing in December 2005 as part funding for the Wardle warehouse development project. Uses of funds included £2.7m of net capital expenditure (2005: £2.7m) and £4.1m in acquisition payments (2005: £5.7m) including deferred payments of £1.0m (2005: £0.4m) relating to previous transactions. Despite significant investment, interest cover (excluding FRS 17 finance cost) for the year was 6.2 times (2005: 6.4 times) and year end gearing was 46% (2005: 87%).

Dividend

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

Trading results

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

Acquisitions and investments

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

Customers, suppliers, shareholders and colleagues

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

Outlook for the current year

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

J Roy Willis

Chairman

8 August 2006

NWF Group plc

Preliminary results for the year ended 31 May 2006

Chief Executive's Review

The Group

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

As was the case for our interim results, the Group has adopted for the first full year the financial reporting standards relating to pensions (FRS 17) and dividends unapproved at the balance sheet date (FRS 21). Where applicable, comparatives referred to below have been restated to reflect the impact of these standards.

Distribution

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

Feeds

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

Fuels

In a period of high world prices for oil products, the Fuels business achieved another outstanding result. Demand was firm throughout the year with volumes rising 12% to 320m litres (2005: 285m litres). Turnover increased by 22% from £145.5m to £178.2m and operating profit rose from £2.6m to £2.8m, an increase of 7% which translates to a 36% increase before the effect of last year's provision release. Broadland Fuels Ltd, based initially at three locations near Norwich, was acquired in August and has proved to be a successful step into a new rural area. This was followed, after the year end, by the acquisition of Browns of Burwell in Suffolk which will extend our coverage in East Anglia.

Garden Centres

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

Outlook for 2006/07

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

Graham Scott

Chief Executive

8 August 2006

NWF GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2006 £' 000	2005 * Restated £' 000
TURNOVER	1	292,873	235,648
Cost of sales before provisions release		(270,229)	(219,298)
Release of provisions no longer required	1	-	349
COST OF SALES		(270,229)	(218,949)
GROSS PROFIT		22,644	16,699
Administrative expenses before provisions release		(15,922)	(12,015)
Release of provisions no longer required	1	-	717
ADMINISTRATIVE EXPENSES		(15,922)	(11,298)
OPERATING PROFIT	1	6,722	5,401
LOSS ON DISPOSAL OF BUSINESS:			
Surplus over net tangible assets		-	595
Less: goodwill resurrected on disposal		-	(780)
Bank interest payable		(1,088)	(850)
Other finance costs \square FRS17		(127)	(181)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,507	4,185
Taxation on ordinary activities	2	(1,958)	(1,312)
PROFIT FOR THE FINANCIAL YEAR		3,549	2,873
Earnings per share			
Basic	3	41.7p	36.1p
Diluted	3	40.8p	35.0p

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

* Prior year comparative restatement where applicable to reflect the adoption of FRS 17 (pensions) and FRS 21 (dividends unapproved at the balance sheet date) - see note 6.

NWF GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2006

CONSOLIDATED BALANCE SHEET

	2006	2006	2005	2005
			*	*
			Restated	Restated
	£' 000	£' 000	£' 000	£' 000
FIXED ASSETS				
Intangible assets		9,285		7,300
Tangible assets		<u>25,005</u>		<u>23,591</u>
		34,290		30,891
CURRENT ASSETS				
Stocks	7,094		5,372	
Debtors	39,515		29,843	
Cash and bank balances		<u>945</u>		<u>36</u>
		47,554		35,251
CREDITORS - Amounts falling due within one year				
		<u>(34,646)</u>		<u>(27,537)</u>
NET CURRENT ASSETS		12,908		7,714
TOTAL ASSETS LESS CURRENT LIABILITIES		47,198		38,605
CREDITORS - Amounts falling due after more than one year		(15,219)		(15,012)
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation		<u>(1,112)</u>		<u>(837)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		30,867		22,756
Pension liability		<u>(3,223)</u>		<u>(4,403)</u>
NET ASSETS INCLUDING PENSION LIABILITY		27,644		18,353
CAPITAL AND RESERVES				
Equity share capital		2,285		1,991
Share premium		6,231		541
Revaluation reserve		1,421		1,446

Other reserves	302	302
Profit and loss account	<u>17,405</u>	<u>14,073</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	<u>27,644</u>	<u>18,353</u>

* Prior year comparative restatement where applicable to reflect the adoption of FRS 17 (pensions) and FRS 21 (dividends unapproved at the balance sheet date) - see note 6.

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**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY
2006**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2006	2006	2005	2005
		£' 000	£' 000	£' 000	£' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	4		9,111		2,706
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid			(1,210)		(863)
TAXATION					
Corporation tax paid			(1,598)		(1,519)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(2,822)		(2,790)	
Sale of tangible fixed assets		99		98	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE ACQUISITIONS AND DISPOSALS			(2,723)		(2,692)
Acquisition of businesses		(3,050)		(5,330)	
(Bank overdraft) / cash acquired with business		(25)		58	
Deferred payment for businesses acquired in prior years		(1,030)		(400)	
Disposal of business		-		1,561	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS			(4,105)		(4,111)
EQUITY DIVIDENDS PAID			(1,421)		(1,305)
NET CASH OUTFLOW BEFORE FINANCING FINANCING			(1,946)		(7,784)
Medium term loan received			2,000		9,000

Medium term loan repayments	(1,300)	(2,315)
Hire purchase finance repayments	(161)	(46)
Shares issued for cash consideration including premium	5,983	6
INCREASE / (DECREASE) IN CASH IN THE YEAR	<u>4,576</u>	<u>(1,139)</u>

NWF GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2006

NOTES

1. SEGMENTAL INFORMATION

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

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

2. TAXATION

	2006	2005 Restated
	£'000	£'000
UK Corporation tax at 30% (2005 - 30%)	1,819	1,273
Deferred tax charge	80	36
	1,899	1,309
Prior year - current tax (credit) / charge	(58)	97
- deferred tax charge / (credit)	117	(94)
Total tax charge	1,958	1,312

3. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax for the financial year of £3,549,000 (2005: £2,873,000 restated), divided by 8,520,000 ordinary shares being the weighted average number of ordinary shares in issue (2005 - 7,962,000).

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 169,000 (2005 - 238,000) dilutive ordinary shares in respect of outstanding share options.

4. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

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

5. ANALYSIS OF NET DEBT

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

6. ACCOUNTING POLICIES

The financial statements for the year ended 31 May 2006 have been prepared in accordance with applicable accounting standards, using the same principal accounting policies as set out in the Annual Report for the year ended 31 May 2005 with the following exceptions:

For the financial year beginning on 1 June 2005, the Group has adopted the new Financial Reporting Standard FRS21 ("Events after the balance sheet date") and also implemented in full the requirements of FRS17 ("Retirement benefits") where previously the Group had only adopted the required transitional disclosure requirements. The comparative figures for the year ended 31 May 2005 have been restated to reflect the impact of these two standards as detailed below.

The adoption of FRS 21 means that the Group no longer recognises dividends approved after the balance sheet date as a liability within the financial period to which they relate. As a consequence, the opening reserves at 1 June 2005 have been increased by £988,000 (2004: £963,000) and the retained profit for the year ended 31 May 2006 has increased by £236,000 (2005: £25,000).

The full implementation of FRS 17 requires the deficit within the Group's defined benefit pension scheme to be recognised on the balance sheet net of the related deferred tax asset. As a result, the opening reserves at 1 June 2005 have been reduced by £4,283,000 (2004: £3,469,000). For the year ended 31 May 2006, staff costs have reduced by £128,000 (2005: £349,000), interest payable and similar charges have increased by £127,000 (2005: £181,000), profit for the year has therefore increased by £1,000 (2005: £124,000) and total recognised gains and losses have increased by £1,179,000 (2005: £982,000 decrease).

The Group has also complied with the presentation requirements of FRS 25 ("Financial Instruments: Disclosure and Presentation"); accordingly, dividends paid are no longer disclosed on the face of the profit and loss account but as a distribution out of profit and loss reserves.

7. FINANCIAL CALENDAR

Annual Report to be published	23 August 2006
Annual General Meeting	26 September 2006
Dividend:	
- ex-dividend date	16 August 2006
- record date	18 August 2006
- payment date	1 November 2006

8. 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 audited financial statements which, for the year ended 31 May 2005, have been delivered, and, for the year ended 31 May 2006 will be delivered, to the Registrar of Companies. Both carry an unqualified audit report.

After 23 August 2006, 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