

NWF GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2004

NWF Group plc ("NWF"), the diversified sales and distribution business, today announces record preliminary results for the year ended 31 May 2004.

Commenting on the results, J Roy Willis, Chairman said: "Once again I am delighted to report to shareholders that the Group has achieved record results in sales, profits and dividends with a seven year double-digit compound average growth rate on all of these measures."

Financial Highlights (comparative figures for year to 31 May 2003):

- Turnover increased by 18% to £199m (2003: £169m)
- Pre tax profit up to £5.17m (2003: £5.05m)
- Basic earnings per share up to 43.1p (2003: 42.6p)
- Dividend per share for the year increased by 10% to 16.3p (2003: 14.8p)

Divisional Highlights:

- **Distribution** - 19% increase in sales and lease of warehouses at Winsford and Deeside near Chester (post year-end), raising storage capacity by 70%
- **Feeds** - 11% volume growth in feeds and blends and investment in vehicles, upgrade to the Wardle blending plant and new raw material bins, raising capacity of the feed mill to 250,000 tonnes per annum
- **Fuels** - 20% increase in operating profit to a record £2.07m and acquisition of Fuel Oil Supply Co Limited
- **Retail** - 9.5% increase in garden centre sales and successful extension at Wheatcroft

On the outlook for the current year, Graham Scott, Chief Executive, commented: "We intend to continue with our well-proven strategy. Each business has scope for further expansion and opportunities for such steps will be explored as well as extracting optimum organic performance improvement from the facilities we already have."

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

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NWF Group plc

Chairman's Statement

Financial highlights for 2004:

- turnover up 18% to £199m (2003: £169m)

- another record pre-tax profit at £5.17m (2003: £5.05m)
- basic earnings per share up to 43.1p (2003: 42.6p)
- dividend per share increased by 10% to 16.3p (2003: 14.8p)
- seven years double-digit compound average growth
- investments for further growth in train

Once again I am delighted to report to shareholders that the Group has achieved record results in sales, profits and dividends with a seven year double-digit compound average growth rate on all of these measures. Turnover rose by 18% from £169m to £199m. Pre-tax profits increased by 2.4% to £5.2m, a notable success given, as I indicated last year, that we have had to absorb sharply increased pensions and insurances costs. Basic earnings per share increased to 43.1 pence per share (2003: 42.6 pence).

Cash flows and funding

The Group generated £8.1m cash (2003: £8.7m) from operating activities and net cash flow after financing was £0.3m (2003: £1.8m). The uses of funds included £3.0m of net capital expenditure (2003: £2.2m) and £1.4m in acquisition payments (2003: £0.8m) as investments in the Group's future ability to maintain and grow earnings. Interest cover for the year remained comfortable at 10.5 times (2003: 10.8 times) and year-end gearing was 42% (2003: 46%).

Dividend

We propose a final dividend of 12.1 pence per share (2003: 10.8 pence per share), bringing the total for the year to 16.3 pence per share. This represents an increase of 10% on last year's total of 14.8 pence per share and is covered 2.6 times by post-tax earnings (2003: 2.9 times). Subject to shareholder approval, the final dividend will be paid on 1 November 2004 to shareholders on the register at the close of business on 20 August 2004. The shares will trade ex-dividend on 18 August 2004.

Trading results

All four businesses performed well during the year against their individual market circumstances. **Distribution** has markedly increased its business base by leasing warehouses at Winsford and, since the year-end at Deeside near Chester, which have raised storage capacity by 70%. As reported at the half year, **Feeds** had a slow start to the year because of high raw material costs but recovered well in the second half. **Fuels** has built its business even further and returned another record profit for a Group activity. **Retail** saw good growth from its garden centres and most of its country stores.

Acquisitions and investments

The Group acquired Fuel Oil Supply Co Limited, a fuel distributor based in Nottinghamshire and Warwickshire, in October 2003. Investments have included racking and other equipment for the leased Distribution warehouse in Winsford, vehicles for Feeds and Fuels, raw material storage and an upgrade to the Wardle blending plant for Feeds and a major extension to the Wheatcroft garden centre.

Outlook for the current year

Our plans for 2004/05 are to progress our strategy of building the profitability of all four businesses. We expect to see full utilisation of the **Distribution** warehousing space in the second half. **Feeds** will have a full year of new raw material bins and, from late Autumn, new finished product storage bins. **Fuels** will benefit from a full year's trading from the Fuel Oil Supply acquisition. **Retail** expects to benefit from a full year of the Wheatcroft garden centre expansion.

Customers, colleagues and shareholders

We have welcomed Rob Andrew as Company Secretary and Paul Grundy as Finance Director Designate in the second half of last year. Paul will become Group Finance Director on 1

September 2004, in succession to Alan Fulker who has decided to retire early. Mike Guest will replace Graham Scott as Chief Executive on 1 December 2004 when Graham reaches retirement age. Mike's own successor as Managing Director of Boughey Distribution will be Keith Forster, currently Finance Director of Boughey. We have seen increases in both shareholder and employee numbers in the year and, on behalf of the Board, I welcome them all to NWF and thank once again all of our colleagues and business partners for another fruitful year in our ongoing development. I will comment on first quarter trading at the Annual General Meeting on 1 October but the indications from the opening weeks have been that all businesses are performing satisfactorily.

J Roy Willis
Chairman
9 August 2004

NWF Group plc

Chief Executive's Review

The Group

The Group has had yet another successful year, adding to our now seven-year track record of increasing sales, profits and dividends. As ever, the divisional balance of results reflects the circumstances of the individual markets in the year. In both Feeds and Fuels, for example, world commodity prices were high and unstable leading to both opportunities and challenges. Nevertheless, our strategy of developing four businesses has once again underpinned the growth of the total Group.

Distribution

Distribution had a very strong year with investment in off-site warehousing to accommodate the growing circle of customers. Sales increased by 19% from £14.1m to £16.7m while operating profit rose 10% from £1.45m to £1.59m. In September 2003, at the request of Tesco, we leased a warehouse in Winsford in which we mirror the Wardle consolidation activity on a Tesco-dedicated basis. Further growth in business caused us to lease a warehouse at Deeside near Chester from August 2004. This will be occupied initially by HP Foods products, to be joined in the course of the year by other suppliers. Planning permission is being sought for the Wardle site to allow us to consider a medium-term warehouse building programme.

Feeds

Feeds ended the first half-year with operating profit nearly £300,000 lower than the corresponding period in the previous financial year but managed to recover to a full-year result of £1.28m against £1.43m last time, a reduced difference of £148,000. Sales were £49.8m (2003: £43.6m), driven by firmer raw material costs and by 11% volume growth in feeds and blends to just under 300,000 tonnes (2003: 268,000 tonnes). The year has seen investment in vehicles, an upgrade to the Wardle blending plant and new raw material bins which will raise the capacity of the country's already highest-volume ruminant compound feed mill to around 250,000 tonnes per annum. Further finished product bins will be installed in the Autumn which will benefit service and margins.

Fuels

Fuels moved forward again this year, raising volume sales of product by 17% to 268 million litres (2003: 230 million litres), equivalent to a turnover of £115.0m (2003: £94.6m). Note that the majority of turnover in Fuels is represented by Excise Duty which distorts both its own and the Group's margin on sales. The business surpassed its record operating profit of last year (£1.72m) by reporting a 20% uplift to £2.07m. Progress was particularly made in road fuels and the number of contracted garages rose in the year from 84 to 88. Fuel Oil Supply Co Limited, which operates

out of terminals near Nottingham and Birmingham, was acquired in October 2003 and has been progressively bedded-in during the financial year.

Retail

Retail sales increased by 6% from £16.3m to £17.3m. Garden centre sales were up 9.5%, a performance which compares favourably with other reported figures in this sector. Total operating profit was, however, held back to £0.79m (2003: £0.98m), mainly by losses of £0.17m at Managrakem, our country store on the Isle of Man. This business was acquired in 1997 but the market on the island has subsequently collapsed and disposal of the operation is being pursued. The extension at Wheatcroft garden centre has proved to be very successful and will serve as a model for expansion elsewhere.

Outlook for 2004/2005

We intend to continue with our well-proven strategy. Each business has scope for further expansion and opportunities for such steps will be explored as well as extracting optimum organic performance improvement from the facilities we already have. In **Distribution**, we will seek to fill all three warehousing sites while evaluating the case for building at Wardle should planning permission be granted. The **Feeds** business has new capacity potential to exploit and is actively working with its customers on their own development plans in the dairy industry. **Fuels** is expected to continue to deliver exceptional returns while continuing to consider moves into further territories. **Retail** will invest in enhancements at our three large garden centres to consolidate their positions as the premier sites in their catchment areas.

Graham Scott

Chief Executive

9 August 2004

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2004 CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | 2004 | 2003 |
|--|----------------|-----------|
| | £'000 | £'000 |
| TURNOVER | 198,770 | 168,553 |
| Cost of sales | (181,111) | (151,842) |
| GROSS PROFIT | 17,659 | 16,711 |
| Administrative expenses | (11,944) | (11,145) |
| OPERATING PROFIT | 5,715 | 5,566 |
| Interest payable | (546) | (517) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5,169 | 5,049 |
| Taxation on ordinary activities | (1,740) | (1,658) |
| PROFIT AFTER TAXATION | 3,429 | 3,391 |
| Equity dividends | (1,298) | (1,178) |

| | | |
|--|--------------|-------|
| RETAINED PROFIT TRANSFERRED TO RESERVES | 2,131 | 2,213 |
| <hr/> | | |
| Earnings per share | | |
| Basic | 43.1p | 42.6p |
| Diluted | 42.0p | 41.9p |

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

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2004 CONSOLIDATED BALANCE SHEET

| | 2004 | | 2003 | |
|---|----------|---------|----------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Intangible assets | | 3,348 | | 2,954 |
| Tangible assets | | 18,610 | | 17,411 |
| | | <hr/> | | <hr/> |
| | | 21,958 | | 20,365 |
| CURRENT ASSETS | | | | |
| Stocks | 5,899 | | 5,317 | |
| Debtors | 22,516 | | 19,625 | |
| Cash and bank balances | 25 | | 23 | |
| | <hr/> | | <hr/> | |
| | 28,440 | | 24,965 | |
| CREDITORS - Amounts falling due within one year | (25,696) | | (22,984) | |
| | <hr/> | | <hr/> | |
| NET CURRENT ASSETS | | 2,744 | | 1,981 |
| | | <hr/> | | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 24,702 | | 22,346 |
| CREDITORS - Amounts falling due after more than one year | | (4,353) | | (4,215) |
| | | <hr/> | | <hr/> |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | |
| Pension provision | | (97) | | (105) |
| Deferred taxation | | (809) | | (715) |
| | | <hr/> | | <hr/> |
| NET ASSETS | | 19,443 | | 17,311 |
| | | <hr/> | | <hr/> |

CAPITAL AND RESERVES

| | | |
|---|---------------|--------|
| EQUITY SHARE CAPITAL | 1,990 | 1,990 |
| RESERVES | | |
| Share premium | 536 | 535 |
| Revaluation reserve | 1,572 | 1,598 |
| Other reserves | 302 | 302 |
| Profit and loss account | 15,043 | 12,886 |
| | <hr/> | <hr/> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 19,443 | 17,311 |
| | <hr/> | <hr/> |

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2004 CONSOLIDATED CASH FLOW STATEMENT

| | 2004 | | 2003 | |
|--|---------|----------------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 8,096 | | 8,727 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest paid | | (520) | | (543) |
| TAXATION | | | | |
| Corporation tax paid | | (1,949) | | (1,631) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | | |
| Purchase of tangible fixed assets | (3,183) | | (2,263) | |
| Sale of tangible fixed assets | 139 | | 109 | |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (3,044) | | (2,154) |
| ACQUISITIONS AND DISPOSALS | | | | |
| Acquisition of businesses | (765) | | (616) | |
| Bank overdraft acquired with business | (160) | | - | |
| Deferred payment for businesses acquired in prior year | (509) | | (187) | |
| NET CASH OUTFLOW FOR ACQUISITIONS | | (1,434) | | (803) |
| EQUITY DIVIDENDS PAID | | (1,195) | | (1,066) |
| NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING | | (46) | | 2,530 |
| FINANCING | | | | |
| Medium term loan received | | 1,400 | | - |
| Medium term loan repayments | | (1,026) | | (739) |
| HP finance repayments | | (26) | | - |
| Shares issued for consideration | | 1 | | - |

including premium

**INCREASE IN CASH IN THE
YEAR**

303

1,791

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2004 NOTES

TAXATION

| | | 2004 | 2003 |
|--|----------------|-------|-------|
| | | £'000 | £'000 |
| UK Corporation tax at 30% (2003 - 30%) | | 1,673 | 1,758 |
| Deferred tax | | 107 | (81) |
| | | 1,780 | 1,677 |
| Prior year | - current tax | (18) | (13) |
| | - deferred tax | (22) | (6) |
| | | 1,740 | 1,658 |

SEGMENTAL INFORMATION

| Business | Turnover | | Operating profit | | Net operating assets | |
|--------------|----------|---------|------------------|-------|----------------------|--------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Distribution | 16,683 | 14,071 | 1,586 | 1,447 | 9,803 | 9,296 |
| Feeds | 49,837 | 43,555 | 1,278 | 1,426 | 8,690 | 7,410 |
| Fuels | 114,969 | 94,645 | 2,066 | 1,716 | 3,933 | 4,301 |
| Retail | 17,281 | 16,282 | 785 | 977 | 4,789 | 4,757 |
| | 198,770 | 168,553 | 5,715 | 5,566 | 27,215 | 25,764 |

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

EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax for the financial year divided by 7,960,633 ordinary shares being the weighted average number of ordinary shares in issue (2003 - 7,960,241).

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 204,000 (2003 - 135,000) dilutive ordinary shares in respect of outstanding share options.

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

| | 2004 | | 2003 | |
|---|----------------|--------------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| Operating profit | | 5,715 | | 5,566 |
| Goodwill amortisation | | 175 | | 143 |
| Depreciation charge | | 2,260 | | 2,038 |
| (Profit)/loss on sale of tangible assets | | (95) | | 11 |
| Increase in stocks | (581) | | (56) | |
| Increase in debtors | (1,329) | | (738) | |
| Increase in creditors | 1,959 | | 1,771 | |
| Decrease in pension provision | (8) | | (8) | |
| | | 41 | | 969 |
| Net cash inflow from operating activities | | 8,096 | | 8,727 |

ANALYSIS OF NET DEBT

| | At 31 May 2003 | On acquisition | Cash flow | Other non-cash changes | At 31 May 2004 |
|------------------------------------|----------------------|-------------------|-----------|------------------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and bank balances | 23 | - | 2 | - | 25 |
| Bank overdraft | (2,982) | - | 301 | - | (2,681) |
| | (2,959) | - | 303 | - | (2,656) |
| Debt due within one year | (1,026) | - | 1,026 | (1,065) | (1,065) |
| HP liabilities due within one year | - | (45) | 26 | (26) | (45) |
| Debt due after one year | (3,915) | - | (1,400) | 1,065 | (4,250) |
| HP liabilities due after one year | - | (129) | - | 26 | (103) |
| Total | (7,900) | (174) | (45) | - | (8,119) |

FINANCIAL CALENDAR

| | |
|-----------------------------------|------------------|
| Annual Report to be published | 1 September 2004 |
| Annual General Meeting | 1 October 2004 |
| Dividend: | |
| - to be paid | 1 November 2004 |
| - ex-dividend | 18 August 2004 |
| - record date for shareholders | 20 August 2004 |

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 2003, have been delivered, and, for the year ended 31 May 2004 will be delivered, to the Registrar of Companies. Both carry an unqualified audit report.

The financial statements for the year ended 31 May 2004 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 2003.

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