

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2005

NWF Group plc ("NWF"), the diversified sales and distribution business, today announces its preliminary results for the year ended 31 May 2005.

Commenting on the results, Roy Willis, Chairman said: "This has been an important year in the development of NWF. We have made significant acquisitions in Feeds and Garden Centres, in Distribution we have leased a major warehouse and obtained planning permission for expansion at our Wardle site and we have exited from our rural Country Stores activity.

"We had until last year experienced seven years of average compound double-digit growth and I feel confident that this year's investments have paved the way for the resumption of further profitable growth within the Group."

Financial highlights (comparative figures for year to 31 May 2004):

- Turnover increased by 19% to £236m (2004: £199m)
- Profit before taxation and loss on disposal of business of £4.2m (2004: £5.2m)
- Basic earnings per share 34.5p (2004: 43.1p)
- Dividend per share for the year increased by 2.5% to 16.7p (2004: 16.3p)

Divisional highlights:

- **Distribution** – 32% increase in turnover reflecting the full use of capacity at Wardle and Winsford and the introduction of Deeside, which was full from February onwards; planning permission granted for 50% expansion of Wardle site
- **Feeds** – Operating profit increased to £1.72m due to raw material and operational efficiencies; acquired Devon based feed milling company JGW Thomas & Son Ltd
- **Fuels** – 24% increase in operating profit to £2.56m through organic growth
- **Garden Centres** – exited Country Stores and acquired Victoria garden centre in Yorkshire

On the outlook for the current year, Graham Scott, Chief Executive, commented: "We are confident about returning to our growth path in 2005 / 06. The last year has set the scene for increasingly full utilisation of both old and new assets."

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

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NWF Group plc

Chairman's Statement

Key points for 2004/05:

- turnover up 19% to £236m (2004: £199m)
- profit before taxation and loss on disposal of business of £4.2m (2004: £5.2m)
- strong years for the Feeds and Fuels businesses
- significant investments in Distribution, Feeds and Garden Centres
- disposal of Country Stores
- full year dividend per share increased by 2.5% to 16.7p (2004: 16.3p)

This has been an important year in the development of NWF. We have made significant acquisitions in Feeds and Garden Centres, in Distribution we have leased a major warehouse and obtained planning permission for expansion at our Wardle site and we have exited from our rural Country Stores activity. Trading was affected in Distribution by the start-up costs of the new Deeside warehouse and we experienced a poor year in garden retail combined with a number of non-recurring costs associated with the restructuring of this division. We had until last year experienced seven years of average compound double-digit growth and I feel confident that this year's investments have paved the way for the resumption of further profitable growth within the Group.

Cash flows and funding

The Group generated £2.7m cash (2004: £8.1m) from operating activities and there was a net cash outflow after financing of £1.1m (2004: £0.3m inflow). The uses of funds included £2.7m of net capital expenditure (2004: £3.0m) and £5.7m in net acquisition payments (2004: £1.4m) including deferred payments of £0.4m (2004: £0.5m) relating to previous transactions. Despite significant investment, interest cover for the year was 5.9 times (2004: 10.5 times) and year-end gearing was 73% (2004: 42%).

Dividend

We propose a final dividend per share of 12.4 pence (2004: 12.1 pence), bringing the total for the year to 16.7 pence. This represents an increase of 2.5% on last year's total of 16.3 pence and this is covered 2.1 times (2004: 2.6 times). Subject to shareholder approval, the final dividend will be paid on 1 November 2005 to shareholders on the register at the close of business on 19 August 2005. The shares will trade ex-dividend on 17 August 2005.

Trading results

Group turnover increased by 19% to £236m (2004: £199m). Including the £1.1m benefit of releasing certain historic provisions no longer required, operating profit was £5.1m (2004: £5.7m) and profit before taxation and loss on disposal of business was £4.2m (2004: £5.2m). The loss on disposal of business of £0.2m related to the sale of all five UK Country Stores and the closure of the Isle of Man Country Store.

Two of our four businesses, **Feeds** and **Fuels**, moved ahead of last year despite difficult market conditions in both cases. In **Distribution** and **Garden Centres**, as mentioned above, non-recurring items associated with restructuring contributed almost entirely in the first case and partially in the second case to dips in divisional operating profit. It is a tribute to the underlying strength of the Group that we can normally weather one or two businesses experiencing a downturn although this time the combined adverse variances outweighed the favourable ones.

Acquisitions, divestments and investments

A 19,500 pallet warehouse at Deeside, Chester, was leased in July 2004. In September, our Country Store on the Isle of Man was closed and in November the remaining five Country Stores were sold. At the same time, Victoria Garden Centre in Yorkshire was acquired. In December, JGW Thomas & Son Ltd, a feed milling company in Devon, was acquired. Finally, new finished product outloading bins at the Wardle feed mill added some 150% to storage capacity.

Customers, colleagues and shareholders

My thanks go as always to all of our business partners and customers and also to our entire management team and staff for continuing to build a very successful Group.

Outlook for the current year

Our settled strategy is to continue with the profitable growth of all four businesses and the investments made in 2004/05 will stand us in good stead. In the current financial year we expect to see full year benefits from each of the expansions described above and we are confident that the particular events which led to some diseconomies last year are now behind us.

I will comment on first quarter trading at the Annual General Meeting on 30 September but the indications from the early weeks of the new financial year are in line with our expectations.

Roy Willis

Chairman

8 August 2005

NWF Group plc

Chief Executive's Review

Group

We have seen an unprecedented level of development in the Group this year. Significant foundations for further growth have been put in place in three of the businesses and our former Retail business has been streamlined into Garden Centres alone. Operating profits did not reach last year's levels in two of the divisions but our expectations are that both will recover in the current financial year.

Distribution

This has been a busy year with turnover rising by 32% to £22.0m reflecting the full use of capacity at Wardle and Winsford and the introduction of Deeside which was full from February onwards. Operating profit was £1.05m, including a £0.14m provision release, (2004: £1.59m), the reduction being due almost entirely to start-up costs at Deeside and associated knock-on effects at Wardle where double handling of Deeside products took place. Winsford performed very well through the year. Planning permission was granted for the building of three 12,500 pallet warehouses at Wardle, an expansion of nearly 50% on the current capacity of some 76,500 pallets across three sites. Our intention is to progress this project further in the coming months.

Feeds

The Feeds division improved its operating result to £1.72m, including a £0.36m provision release, from £1.28m last year on like for like similar volumes of around 300,000 tonnes but once again with increased market share. Turnover, excluding the acquisition of JGW Thomas & Son, was £48.1m (2004: £49.8m) indicating a slight drop in world commodity prices year on year. The Wardle feed mill had its best-ever year with a recovery from the previous year's poor raw material position combined with efficiencies within the mill arising from the recent raw material and finished product bin investments. JGW Thomas is performing to expectation, contributing £5.0m from 35,000 tonnes to sales in addition to the above figures, and should contribute well to next year's results. A small facility for trans-shipping products has been established near Ayr.

Fuels

NWF Fuels had another remarkable year, turning in a 24% increase in operating profit of £2.56m, including a £0.56m provision release, (2004: £2.07m). Turnover rose by 27% to £145.5m on a volume increase of 6%, a reflection of the sustained high price levels of oil products during the year. This performance is particularly noteworthy in that it is truly organic from existing depots

with, unusually, no acquisitions being made during the year. Diesel road fuel was the main product to see growth, partly as a result of the number of service stations under contract rising to 90 and increasing emphasis on fuel card marketing.

Garden Centres

This division has been renamed to reflect the focus of the business following the exit from the Country Stores activity in the year. With four large garden centres operating in the new financial year, we are looking for improved performance from this division as gardening and leisure are still growth markets in spite of a general retail downturn at present. Divisional turnover for the year was £15.1m (2004: £17.3m) including the Country Stores and Victoria Garden Centre for parts of the year. The three existing garden centres saw a turnover decline of 2.6% with thinner margins particularly resulting from Spring weather conditions. The divisional operating loss was £287,000 (2004: £785,000 profit) which includes a reversal in year-on-year contribution from the Country Stores of £394,000 and is after charging £224,000 costs of closing the Isle of Man Country Store.

Outlook for 2005/06

We are confident about returning to our growth path in 2005/06. The last year has set the scene for increasingly full utilisation of both old and new assets: Distribution expects a full year of all three warehouse locations operating at capacity and we will also give consideration to the building programme at Wardle, Feeds will continue to improve efficiency in the North West while developing its recently acquired mill in the South West, Fuels aims to extend its sequence of very good performances from its current depots while continuing to appraise opportunities for further geographical expansion, and Garden Centres will concentrate on its four large sites to ensure that they maximise their profit potential and we will also bring forward proposals for adding to this business.

Graham Scott
Chief Executive
 8 August 2005

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2005 CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Note | 2005 | 2004 |
|---|------|------------------|------------------|
| | | £'000 | £'000 |
| TURNOVER | 1 | 235,648 | 198,770 |
| Cost of sales before provisions release | 1 | (219,298) | (181,111) |
| Release of provisions no longer required | | 349 | - |
| COST OF SALES | | (218,949) | (181,111) |
| GROSS PROFIT | | 16,699 | 17,659 |
| Administrative expenses before provisions release | 1 | (12,364) | (11,944) |
| Release of provisions no longer required | | 717 | - |
| ADMINISTRATIVE EXPENSES | | (11,647) | (11,944) |
| OPERATING PROFIT | 1 | 5,052 | 5,715 |
| LOSS ON DISPOSAL OF BUSINESS: | 2 | | |

| | | | |
|--|---|--------------|---------|
| Surplus over net tangible assets | | 595 | - |
| Less: goodwill resurrected on disposal | | (780) | - |
| | | (185) | - |
| Bank interest payable | | (850) | (546) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 4,017 | 5,169 |
| Taxation on ordinary activities | 3 | (1,268) | (1,740) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 2,749 | 3,429 |
| Equity dividends | | (1,330) | (1,298) |
| RETAINED PROFIT FOR THE YEAR | | 1,419 | 2,131 |
| Earnings per share | | | |
| Basic | 4 | 34.5p | 43.1p |
| Diluted | 4 | 33.5p | 42.0p |

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

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PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2005 CONSOLIDATED BALANCE SHEET

| | 2005 | | 2004 | |
|--|-----------------|---------------|-----------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Intangible assets | | 7,300 | | 3,348 |
| Tangible assets | | 23,591 | | 18,610 |
| | | 30,891 | | 21,958 |
| CURRENT ASSETS | | | | |
| Stocks | 5,372 | | 5,899 | |
| Debtors: | | | | |
| Due within one year | 29,251 | | 22,516 | |
| Due after more than one year | 592 | | - | |
| Cash and bank balances | 36 | | 25 | |
| | 35,251 | | 28,440 | |
| CREDITORS - Amounts falling due within one year | (28,525) | | (25,696) | |
| NET CURRENT ASSETS | | 6,726 | | 2,744 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 37,617 | | 24,702 |

| | | |
|---|---------------|---------------|
| CREDITORS - Amounts falling due after more than one year | (15,012) | (4,353) |
| PROVISIONS FOR LIABILITIES AND CHARGES | (120) | (97) |
| Pension provision | (837) | (809) |
| Deferred taxation | | |
| NET ASSETS | 21,648 | 19,443 |
| CAPITAL AND RESERVES | | |
| Share capital | 1,991 | 1,990 |
| Share premium | 541 | 536 |
| Revaluation reserve | 1,446 | 1,572 |
| Other reserves | 302 | 302 |
| Profit and loss account | 17,368 | 15,043 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 21,648 | 19,443 |

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2005 CONSOLIDATED CASH FLOW STATEMENT

| Note | 2005 | | 2004 | |
|--|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 5 | 2,706 | | 8,096 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (863) | | (520) |
| Interest paid | | | | |
| TAXATION | | | | |
| Corporation tax paid | | (1,519) | | (1,949) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | (2,790) | | (3,183) | |
| | 98 | | 139 | |
| Purchase of tangible fixed assets | | | | |
| Sale of tangible fixed assets | | | | |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (2,692) | | (3,044) |
| ACQUISITIONS AND DISPOSALS | (5,330) | | (765) | |
| Acquisition of businesses | 58 | | (160) | |
| Cash / (bank overdraft) acquired with business | (400) | | (509) | |
| Deferred payment for | 1,561 | | - | |

businesses acquired in prior
years
Disposal of business

| | | |
|---|----------------|----------------|
| NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS | (4,111) | (1,434) |
| EQUITY DIVIDENDS PAID | (1,305) | (1,195) |
| NET CASH OUTFLOW BEFORE FINANCING FINANCING | (7,784) | (46) |
| Medium term loan received | 9,000 | 1,400 |
| Medium term loan repayments | (2,315) | (1,026) |
| Hire purchase finance repayments | (46) | (26) |
| Shares issued for cash consideration including premium | 6 | 1 |
| (DECREASE) / INCREASE IN CASH IN THE YEAR | (1,139) | 303 |

NWF Group plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2005 NOTES

1. SEGMENTAL INFORMATION

| Business | Turnover | | Operating profit | | Net operating assets | |
|----------------|----------------|---------|------------------|-------|----------------------|--------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Distribution | 22,000 | 16,683 | 1,054 | 1,586 | 12,092 | 9,803 |
| Feeds | 53,090 | 49,837 | 1,722 | 1,278 | 10,469 | 8,690 |
| Fuels | 145,486 | 114,969 | 2,563 | 2,066 | 7,850 | 5,466 |
| Garden Centres | 15,072 | 17,281 | (287) | 785 | 9,752 | 6,604 |
| | 235,648 | 198,770 | 5,052 | 5,715 | 40,163 | 30,563 |

The following provisions which are no longer needed have been released and are included within the 2005 operating profit figures disclosed above: Distribution £85,000 (cost of sales) and £55,000 (administrative expenses); Feeds £362,000 (administrative expenses); Fuels £264,000 (cost of sales) and £300,000 (administrative expenses).

Net operating assets exclude corporation tax, deferred taxation, dividends, deferred acquisition debtors and creditors, cash, borrowings and intergroup balances.

2. LOSS ON DISPOSAL OF BUSINESS

Following a strategic decision to exit the Country Store sector of the Retail market, the Group closed its store in the Isle of Man during September 2004. This resulted in £224,000 operating costs being incurred during the year, and an exceptional provision of £11,000 exists at year end for costs still to be incurred. In November 2004 the Group disposed of its UK Country Stores business to Countrywide Farmers plc for a consideration of £2,153,000 (of which £592,000 is deferred until November 2006), which resulted in a surplus over net tangible assets sold of £606,000.

As a result of the above, goodwill amounting to £780,000, which had been transferred directly to reserves in previous years on the acquisition of certain Country Stores, has been resurrected through this year's profit and loss account.

3. TAXATION

| | 2005 | 2004 |
|--|--------------|-------|
| | £'000 | £'000 |
| UK Corporation tax at 30% (2004 - 30%) | 1,273 | 1,673 |
| Deferred tax (credit) / charge | (8) | 107 |
| | 1,265 | 1,780 |
| Prior year | | |
| - current tax charge / (credit) | 97 | (18) |
| - deferred tax credit | (94) | (22) |
| | 1,268 | 1,740 |

4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit after tax for the financial year £2,749,000 (2004: £3,429,000), divided by 7,961,890 ordinary shares being the weighted average number of ordinary shares in issue (2004 - 7,960,633).

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 238,000 (2004 - 204,000) dilutive ordinary shares in respect of outstanding share options.

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

| | 2005 | | 2004 | |
|--|-------|-------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| Operating profit before provision releases | 3,986 | | 5,715 | |
| | 1,066 | | - | |

Provision releases (note 1)

| | | | |
|--|----------------|----------------|---------|
| | | 5,052 | 5,715 |
| Goodwill amortisation | | 300 | 175 |
| Depreciation charge | | 2,515 | 2,260 |
| Profit on sale of tangible assets | | (24) | (95) |
| Decrease / (increase) in stocks | 287 | | (581) |
| Increase in debtors | (5,907) | | (1,329) |
| Increase in creditors | 460 | | 1,959 |
| Increase / (decrease) in pension provision | 23 | | (8) |
| | | (5,137) | 41 |
| Net cash inflow from operating activities | | 2,706 | 8,096 |

6. ANALYSIS OF NET DEBT

| | At 31 May 2004 | Cash flow | Other non-cash changes | At 31 May 2005 |
|------------------------------------|----------------------|-----------|------------------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash and bank balances | 25 | 11 | - | 36 |
| Bank overdraft | (2,681) | (1,150) | - | (3,831) |
| | (2,656) | (1,139) | - | (3,795) |
| Debt due within one year | (1,065) | 1,065 | (600) | (600) |
| HP liabilities due within one year | (45) | 46 | (46) | (45) |
| Debt due after one year | (4,250) | (7,750) | 600 | (11,400) |
| HP liabilities due after one year | (103) | - | 46 | (57) |
| Total | (8,119) | (7,778) | - | (15,897) |

7. FINANCIAL CALENDAR

| | |
|-------------------------------|-------------------|
| Annual Report to be published | 31 August 2005 |
| Annual General Meeting | 30 September 2005 |
| Dividend: | |
| - ex-dividend date | 17 August 2005 |
| - record date | 19 August 2005 |
| - payment date | 1 November 2005 |

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 financial statements which, for the year

ended 31 May 2004, have been delivered, and, for the year ended 31 May 2005 will be delivered, to the Registrar of Companies. Both carry an unqualified audit report.

The financial statements for the year ended 31 May 2005 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 2004.

After 31 August, 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

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