



National Foods Limited
A.B.N. 65 004 486 631

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Melbourne VIC 3004

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ANNOUNCEMENT
THE AUSTRALIAN STOCK EXCHANGE LIMITED
29 August 2003
For Immediate Release

Strong Performance for F03, Positive Earnings Outlook

F03 FULL YEAR RESULTS

\$m	30 June 2003	30 June 2002	Change
Sales	1225	1096	+12%
EBIT	94.9	83.6	+14%
Interest	7.5	6.8	
Equity Accounted Joint Venture	-1.4	-2.5	
Tax	25.9	23.3	
Net Profit	60.1	51.1	+18%
Earnings Per Share - weighted (cents)	20.6	17.9	+15%
Full Year Divided Per Share (cents)	19.5	16.5	+18%

National Foods Limited today announced **a net profit of \$60.1 million** for the F03 year, **an increase of 18%** over the prior year.

Revenue grew by 12% to \$1225 million, while Earnings Before Interest and Tax increased by 14% to \$94.9 million.

"Cash flow was \$58 million, evidence of the company's continuing strong cash generation ability. In the near future we expect that operational capital expenditure will be maintained below depreciation levels and therefore our free cash flow will continue to be strong," Managing Director Peter Margin said today.

"We think this is a very strong result overall. It vindicates our strategy of pursuing competitive advantage through being the lowest cost processor in the industry, maintaining our unique national supply capability, and the continuing development of our portfolio of leading brands.

"The company has performed well with strong market share positions, improved margins and operational productivity.

"A highlight for the year was the turn around of the company's King Island business. This business was acquired in the second half of F02 and the company has moved quickly to integrate the business and deliver synergy savings and operational efficiencies. As a result the business delivered a significant EBIT contribution for the F03 year.

"The two year contract to supply house brand milk to Woolworths stores nationwide, the largest food contract ever awarded in Australia, was successfully implemented during the year. The new contract is contributing strongly to operational efficiency and earnings.

"The company recently announced its intention to acquire from Bonlac Foods Limited its flavoured milk plant at Cobden in Victoria. This acquisition will enable the further development of high value flavoured milk products, particularly those which can be distributed at ambient temperature. The company will be able to leverage its strong flavoured milk brands into new distribution channels creating significant new distribution and marketing opportunities," Mr Margin said.

Subsequent to year end, the company announced the appointment of Chief Operating Officer, Peter Margin, to succeed Max Ould as Managing Director following Mr Ould's retirement on 24 July 2003.

Mr Ould led the company with great distinction for seven years. He restructured and refocussed the business into the most profitable entity in the Australian dairy industry and steered the company through the turbulence of dairy industry deregulation.

DIVIDEND

Directors have declared a final fully franked dividend of 11 cents per share, payable on 29 September 2003. This brings the full year dividend to 19.5 cents per share fully franked, an increase of 18% over the prior year.

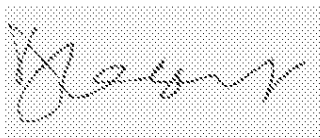
BALANCE SHEET

National Foods' balance sheet remains very strong with net debt of \$31.1 million and a gearing ratio of 7.1%.

OUTLOOK

"The company will be maintaining its focus on delivering shareholder value improvement through the continuing pursuit of supply chain excellence and product innovation, growth through the impulse beverage and gourmet foods businesses, and the re-engineering of core business processes," Mr Margin said.

"We believe that, based on current indications, continued double digit earnings growth is achievable for the current financial year, reinforcing National Foods' position as the most profitable and efficiently managed entity in the industry," Mr Margin concluded.



David Lambert
Company Secretary

National Foods Limited is one of Australia's largest dairy companies, listed on the Australian Stock Exchange with leading brands and market shares in all categories. It is Australia's only national milk company with brands such as the Pura™ range of milks, and Classic, Farmers Union™, Big M and Masters™ flavoured milks. It is the market leader in fresh dairy foods where its brands include Yoplait, Le Rice, Fruche™, Divine Classic and YoGo™. National Foods also operates in the specialty cheese and gourmet foods market through brands such as King Island Dairy, Timboon, Tilba, South Cape and Superior Gold.

For further information contact:

Ian Greenshields,
Group General Manager Corporate Affairs
03 9234 4151 or 0419 344 811

Appendix 4E

Preliminary final report

Name of entity:

NATIONAL FOODS LIMITED

ABN:	Half yearly (tick)	Preliminary final (tick)	Financial year ended ('current period')
65 004 486 631		✓	30 JUNE 2003

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Extracts from this report for announcement to the market (see note 1).				\$A 000
Revenues from operating activities	up	12%	to	1,225,048
Profit (loss) from ordinary activities after tax attributable to members (item 1.22)	up	18%	to	60,126
Profit (loss) from extraordinary items after tax attributable to members (item 2.5(d))	N/A			-
Net profit (loss) for the period attributable to members (item 1.11)	up	18%	to	60,126
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend (Preliminary final report only - item 15.4)	11.0 c		11.0 c	
Previous corresponding period (Preliminary final report - item 15.5)	9.50 c		9.50 c	
+Record date for determining entitlements to the dividend,	19 September 2003			

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (see items 1.23-1.25)	1,230,975	1,111,596
1.2 Expenses from ordinary activities (see items 1.26 & 1.27)	(1,136,099)	(1,028,010)
1.3 Borrowing costs	(7,473)	(6,758)
1.4 Share of net profits (losses) of associates and joint venture entities (see item 16.7)	(1,433)	(2,484)
1.5 Profit (loss) from ordinary activities before tax	85,970	74,344
1.6 Income tax on ordinary activities (see note 4)	(25,844)	(23,266)
1.7 Profit (loss) from ordinary activities after tax	60,126	51,078
1.8 Profit (loss) from extraordinary items after tax (see item 2.5)	-	-
1.9 Net profit (loss)	60,126	51,078
1.10 Net profit attributable to outside +equity interests	-	-
1.11 Net profit (loss) for the period attributable to members	60,126	51,078
Non-Owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves	-	-
1.13 Net exchange differences recognised in equity	(435)	1,198
1.14 Initial adjustments from adoption of revised accounting standard	26,457	-
1.15 Initial adjustments from UIG transitional provisions	-	-
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	26,022	1,198
1.17 Total changes in equity not resulting from transactions with owners as owners	26,022	1,198

Earnings per security (EPS)	Current period	Previous corresponding period
1.18 Basic EPS	20.6 cents	17.9 cents
1.19 Diluted EPS	20.6 cents	17.9 cents

Notes to the condensed consolidated statement of financial performance

Profit/(loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	60,126	51,078
1.21 Less (plus) outside +equity interests	-	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	60,126	51,078

Revenue and expenses from ordinary activities

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from operating activities	1,225,048	1,096,271
1.24 Interest revenue	-	-
1.25 Other relevant revenue	5,927	15,325
Total revenue	1,230,975	1,111,596
1.26 Details of relevant expenses:		
Cost of sales	(713,554)	(666,683)
Selling, distribution and administration expenses	(415,194)	(354,386)
Amortisation of intangibles	(7,351)	(6,941)
Borrowing costs expensed	(7,473)	(6,758)
Share of net loss of associate accounted for using the equity method	(1,433)	(2,484)
Total relevant expenses	(1,145,005)	(1,037,252)
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	35,563	33,270

Consolidated retained profits

1.30 Retained profits (accumulated losses) at the beginning of the financial period	109,882	106,194
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	60,126	51,078
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	26,457	-
1.34 Dividends and other equity distributions paid or payable	(52,539)	(47,390)
1.35 Retained profits (accumulated losses) at end of financial period	143,926	109,882

Intangible items

<i>Consolidated - current period</i>				
	Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside +equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1 Amortisation of goodwill	7,351	-	-	7,351
2.2 Amortisation of other intangibles	-	-	-	-
2.3 Total amortisation of intangibles	7,351	-	-	7,351

Comparison of half year profits <i>(Preliminary final report only)</i>		Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year		28,643	25,080
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year		31,483	25,998
3.3 Total		60,126	51,078

Condensed consolidated statement of financial position

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets			
4.1 Cash	16,536	14,525	9,387
4.2 Receivables	101,788	108,035	128,654
4.3 Inventories	43,391	46,027	50,504
4.4 Other (provide details if material)	1,211	5,263	7,845
4.5 Total current assets	162,926	173,850	196,390
Non-current assets			
4.6 Receivables	4,937	4,890	5,436
4.7 Investments (equity accounted)	3,443	3,162	4,078
4.8 Other investments	14	13	13
4.9 Other property, plant and equipment (net)	288,271	304,271	295,792
4.10 Intangibles (net)	186,312	195,852	192,800
4.11 Tax assets	11,565	8,361	12,744
4.12 Total non-current assets	494,542	516,549	510,863
4.13 Total assets	657,468	690,399	707,253
Current liabilities			
4.14 Payables	115,534	117,218	112,979
4.15 Interest bearing liabilities	45,000	101,126	108,086
4.16 Tax liabilities	10,740	7,343	7,345
4.17 Provisions exc. tax liabilities	21,289	56,887	25,655
4.18 Other (provide details if material)	-	-	-
4.19 Total current liabilities	192,563	282,574	254,065
Non-current liabilities			
4.20 Interest bearing liabilities	2,886	2,886	2,886
4.21 Tax liabilities	13,154	11,748	13,519
4.22 Provisions exc. tax liabilities	5,205	1,865	5,633
4.23 Other (provide details if material)	-	-	-
4.24 Total non-current liabilities	21,245	16,499	22,038
4.25 Total liabilities	213,808	299,073	276,103
4.26 Net assets	443,660	391,326	431,150
Equity			
4.27 Capital/contributed equity	297,621	278,896	289,511
4.28 Reserves	2,113	2,548	3,384
4.29 Retained profits (accumulated losses)	143,926	109,882	138,255
4.30 Equity attributable to members of the parent entity	443,660	391,326	431,150

Consolidated statement of cash flows

	Current period - \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1 Receipts from customers	1,232,846	1,107,454
7.2 Payments to suppliers and employees	(1,088,067)	(996,425)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	-	3
7.5 Interest and other costs of finance paid	(7,473)	(6,758)
7.6 Income taxes paid	(22,973)	(19,319)
7.8 Other (provide details if material)	1,590	2,187
7.9 Net operating cash flows	115,923	87,142
Cash flows related to investing activities		
7.10 Payment for purchase of property, plant and equipment	(24,715)	(31,458)
7.11 Proceeds from sale of property, plant and equipment	2,314	8,276
7.12 Payment for purchases of investments	(1,714)	-
7.13 Payments for purchase of businesses	(1,676)	(79,155)
7.14 Proceeds from the sale of businesses	2,023	4,859
7.15 Loans repaid by other entities	-	-
7.16 Other (provide details if material)	-	-
7.17 Net investing cash flows	(23,768)	(97,478)
Cash flows related to financing activities		
7.18 Proceeds from issues of ordinary shares	6,069	5,971
7.19 Proceeds from borrowings	-	37,968
7.20 Repayment of borrowings - net	(56,126)	-
7.21 Dividends paid	(39,702)	(34,170)
7.22 Other (provide details if material)	(396)	(769)
7.23 Net financing cash flows	(90,155)	9,000
7.24 Net increase / (decrease) in cash held	2,000	(1,336)
7.25 Cash at beginning of period (see <i>Reconciliation of cash</i>)	14,525	15,795
7.26 Exchange rate adjustments to item 7.25	11	66
7.27 Cash at end of period (see <i>Reconciliation of cash</i>)	16,536	14,525

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

n/a

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period - \$A'000	Previous corresponding period - \$A'000
8.1	Cash on hand and at bank	16,536	14,525
8.2	Deposits at call	-	-
8.3	Bank overdraft	-	-
8.4	Other (provide details)	-	-
8.5	Total cash at end of period (item 7.27)	16,536	14,525

Other notes to the condensed financial statements

Ratios		Current period	Previous corresponding period
Profit before tax / revenue			
9.1	Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	7.0%	6.7%
Profit after tax / +equity interests			
9.2	Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity at the end of the period	13.6%	13.1%

Earnings per security (EPS)

10.1 Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows:

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
	Current Period \$A000	Previous Corresponding Period \$A000
Earnings used in calculating basic and diluted earnings per share	60,126	51,078
Weighted average number of ordinary shares used in calculating basic earnings per share	291,858,757	285,429,156
Effect of dilutive securities:		
Share options	681,513	303,656
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	292,540,270	285,732,812

NTA backing		Current period	Previous corresponding period
11.1	Net tangible asset backing per +ordinary security	\$ 0.87	\$ 0.68

Dividends

15.1	Date the dividend (distribution) is payable	26 September 2003
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	19 September 2003
15.3	If it is a final dividend, has it been declared?	Yes

Dividend Amount per security

		Amount per security	Franked amount per security at 30% tax (see note 4)	Amount per security of foreign source dividend
	<i>(Preliminary final report only)</i>			
15.4	Final dividend: Current year	11.0 c	11.0 c	n/a
15.5	Previous year	9.50 c	9.50 c	n/a
	<i>(Half yearly and preliminary final reports)</i>			
15.6	Interim dividend: Current year	8.50 c	8.50 c	n/a
15.7	Previous year	7.00 c	7.00 c	n/a

Preliminary final report - final dividend (distribution) on all securities

	Current period - \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities <i>(each class separately)</i>	32,397 ¹	27,147
15.11 Preference +securities <i>(each class separately)</i>	-	-
15.12 Other equity instruments <i>(each class separately)</i>	-	-
15.13 Total	32,397	27,147

¹ Final dividend to be declared is not included in the provision for dividends account in the Statement of Financial Position in accordance with Australian Accounting Standards.

The +dividend or distribution plans shown below are in operation.

National Foods Shareholders Dividend Reinvestment Plan will apply to the final dividend.
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Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':		Current period - \$A'000	Previous corresponding period - \$A'000
16.1	Profit (loss) from ordinary activities before tax	(1,363)	(2,484)
16.2	Income tax on ordinary activities	-	-
16.3	Profit (loss) from ordinary activities after tax	(1,363)	(2,484)
16.4	Extraordinary items net of tax	-	-
16.5	Net profit (loss)	(1,363)	(2,484)
16.6	Adjustments	(70)	-
16.7	Share of net profit (loss) of associates and joint venture entities	(1,433)	(2,484)

Equity accounted associates

Percentage of ownership interest held at end of period:		Current period – A\$'000	Previous corresponding period - \$A'000
16.8	Vitasoy Australia Products Pty Ltd	49%	49%

Segment reporting

National Foods Limited and its Controlled Entities operates predominantly in Australia. More than 90% of revenue, profit from ordinary activities and segment assets relate to operations in Australia. The consolidated entity is focused on the domestic dairy sector and the business is now managed as an integrated activity with a substantial amount of costs being shared across the operating infrastructure. Accordingly the Directors believe the group is continuing to operate within one business segment – dairy products.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of accounts preparation

- 19.1 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Please refer to commentary attached

- 19.2 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in the Appendix or in attachments, with financial effect quantified (if possible).

Please refer to commentary attached

- 19.3 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

The directors are of the opinion that the company will be able to pay fully franked dividends for at least the next financial year.

- 19.4 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits. National Foods Limited and its Controlled Entities have applied the revised accounting standards AASB 1028 "Employee Benefits" and AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002. The net effect on the opening retained earning was a decrease of \$26,457k the major component related to dividends. Dividends are now recognised at the time they are declared which meant that the final dividend for the previous financial year was adjusted. Further detailed explanation will be provided in the companies Annual Report.

19.5 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Nil

19.6 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last +annual report.

Nil

19.7 Control gained or loss of control of entities having material effect.

Nil

Annual meeting

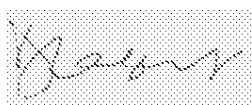
(Preliminary final report only)

The annual meeting will be held as follows:

Place	Park Hyatt, Melbourne
Date	20 November 2003
Time	10.00 am
Approximate date the +annual report will be available	17 October 2003

Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report is based on accounts which have been audited.
4. The entity has a formally constituted audit committee.



Sign here:

Date: 29 August 2003

David Lambert
Company Secretary