

Nu Horizons

Objectives:

- **The objectives of this case exercise are to measure liquidity, performance and financial risks.**
 - **Measure profits [performance] for Nu Horizons over the past four years. [compare your answers to the solution notes] [note the charge for the impairment of goodwill is never tax deductible]**
 - **Measure static and dynamic liquidity for Nu Horizons over the past four years.**
 - **Calculate Accounts Receivable, Inventory and Accounts Payable days**
 - **Calculate Operating Working Capital**
 - **Calculate Working Capital**
 - **Calculate the Sufficiency of Cash Flow for each of the past four years individually and then for the four years cumulatively**
 - **Comment on the liquidity of Nu Horizons over the past four years**
 - **Measure financial risks for Nu Horizons over the past four years, using synthetic debt ratings methodology**
 - **Comment on the trend in income, share price and operating cash flow over the past four years.**
 - ***Does the level and trend of profits, liquidity and solvency provide a consistent financial picture of the firm?***
- ***SOLUTION NOTES ARE ATTACHED***

Nu Horizons Electronics Corp is engaged in the distribution of and supply chain services for high technology active and passive electronic components. Active components distributed by the Company, principally to OEMs in the United States, include mainly commercial semiconductor products such as memory chips, microprocessors, digital and linear circuits, microwave, RF and fiber-optic components, transistors and diodes. Passive components distributed by NIC, principally to OEMs and other distributors nationally, consist of a high technology line of chip and leaded components including capacitors, resistors and related networks.

The Company's common stock is traded on the NASDAQ National Market System under the symbol "NUHC". The following table sets forth, for the periods indicated, the high and low closing prices for the Company's common stock as reported by the NASDAQ National Market System.

FISCAL YEAR 2000:	HIGH	LOW
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First Quarter	\$ 3.97	\$ 2.50
Second Quarter	5.55	3.53
Third Quarter	6.33	4.37
Fourth Quarter	11.67	5.83
FISCAL YEAR 2001:		
First Quarter	\$ 16.50	\$ 9.25
Second Quarter	22.68	10.67
Third Quarter	21.25	7.88
Fourth Quarter	13.37	6.56

	High	Low
FISCAL YEAR 2002:		
First Quarter	\$ 12.51	\$ 8.98
Second Quarter	11.23	8.39
Third Quarter	9.22	7.75
Fourth Quarter	10.92	8.50
FISCAL YEAR 2003:		
First Quarter	\$ 10.00	\$ 8.35
Second Quarter	9.25	6.35
Third Quarter	7.20	4.98
Fourth Quarter	7.11	4.85
FISCAL YEAR 2004:		
First Quarter (Through May 1, 2003)	\$ 5.45	\$ 4.16

The Company has never paid a cash dividend on its common stock.

SELECTED FINANCIAL DATA:

	For The Year Ended February 28, 2003		For The Year Ended February 28, 2002		For The Year Ended February 28, 2001		For The Year Ended February 29, 2000		For The Year Ended February 28, 1999	
INCOME STATEMENT DATA:										
Continuing Operations										
Net sales	\$	302,080,809	\$	281,912,508	\$	634,009,953	\$	364,069,562	\$	243,514,672
Gross profit on sales		55,228,068		60,222,426		139,502,597		76,456,311		53,016,248
Gross profit percentage		18.3%		21.4%		22.0%		21.0%		21.8%
Net income (loss) before provision for income taxes and minority interests		(2,309,743)		(2,797,157)		58,515,268		20,694,140		7,668,406
Net income (loss)		(2,511,638)		(2,762,566)		33,561,085		11,903,786		4,608,127
Net income (loss) from discontinued operations		—		4,982,242*		1,791,000		(205,000)		(63,296)
Total net income	\$	(2,511,638)	\$	2,219,676	\$	35,352,085	\$	11,698,786	\$	4,544,831

* Includes gain on sale of unit

	February 28, 2003		February 28, 2002		February 28, 2001		February 29, 2000		February 28, 1999	
BALANCE SHEET DATA:										
Working capital	\$	116,792,079	\$	120,790,159	\$	201,732,737	\$	106,903,383	\$	71,343,379
Total assets		148,099,189		151,318,461		247,830,999		136,625,266		94,340,725
Long-term debt		252,832		2,731,598		85,181,496		38,307,319		22,377,852
Shareholders' equity		123,999,341		126,473,177		124,361,211		75,461,183		56,337,068

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Fiscal Year 2003 versus 2002 and 2002 versus 2001

Results of Continuing Operations:

Net sales for the year ended February 28, 2003 increased approximately 7.2%. Management attributes this increase in sales for the period to the core semiconductor and passive component distribution business, which has recently experienced a moderate increase in demand.

Net sales for the year ended February 28, 2002 decreased approximately 56%. Management attributes this decrease in sales for the period to the core semiconductor and passive component distribution business, which experienced substantially decreased demand.

Liquidity and Capital Resources:

Fiscal Year 2003 versus 2002

The Company ended its 2003 fiscal year with working capital and cash aggregating approximately \$116,792,000 and \$31,346,000 respectively, as compared to approximately \$120,790,000 and \$2,690,000 respectively, at February 28, 2002. The Company's current ratio at February 28, 2003, was 6.2:1 as compared to 6.8:1 at February 28, 2002. The Company believes that its financial position at February 28, 2003, will enable it to take advantage of any new opportunities that may arise.

On October 18, 2000, the Company entered into a new unsecured revolving line of credit with six banks, as amended, which currently provides for maximum borrowings of \$80,000,000, previously the line was \$120,000,000. There were no borrowings at February 28, 2003. As of the end of both fiscal years, the Company was in compliance with all the required covenants.

Off-Balance Sheet Arrangements:

As of February 28, 2003 the Company had no off-balance sheet arrangements to report.

Contractual Obligations:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Long Term Obligations	\$ —	\$ —	\$ —	\$ —	\$ —
Capital Lease Obligations	405,000	256,000	149,000	—	—
Operating Lease Obligations	11,894,000	3,148,000	5,301,000	2,560,000	885,000
Purchase Obligations	—	—	—	—	—
Minority Interest	1,182,000	—	—	—	1,182,000
Total	\$ 13,481,000	\$ 3,404,000	\$ 5,450,000	\$ 2,560,000	\$ 2,067,000

Independent Auditors' Report

To The Board of Directors and Shareholders

Nu Horizons Electronics Corp.

Melville, New York

We have audited the accompanying consolidated balance sheets of Nu Horizons Electronics Corp. and subsidiaries as of February 28, 2003 and 2002, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the three years in the period ended February 28, 2003. Our audits also included the financial statement schedule listed in the index at Item 15(a). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, referred to above, present fairly in all material respects, the financial position of Nu Horizons Electronics Corp. and subsidiaries at February 28, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, the financial statement schedule listed in the index at Item 15(a) presents fairly, in all material respects, the information required to be set forth therein.

/s/ LAZAR LEVINE & FELIX LLP
LAZAR LEVINE & FELIX LLP

New York, New York

May 5, 2003

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 28, 2003		February 28, 2002	
- ASSETS -				
CURRENT ASSETS:				
Cash	\$	31,345,616	\$	2,689,978
Accounts receivable—net of allowance for doubtful accounts of \$4,083,590 and \$4,445,901 for 2003 and 2002, respectively		39,092,343		40,018,469
Inventories		66,073,022		95,076,198
Prepaid expenses and other current assets		2,952,665		3,726,568
TOTAL CURRENT ASSETS		139,463,646		141,511,213
PROPERTY, PLANT AND EQUIPMENT—NET		5,150,499		6,145,476
OTHER ASSETS:				
Subordinated note receivable		2,000,000		2,000,000
Other assets		1,485,044		1,661,772
	\$	148,099,189	\$	151,318,461
- LIABILITIES AND SHAREHOLDERS' EQUITY -				
CURRENT LIABILITIES:				
Accounts payable	\$	16,732,172	\$	13,637,730
Accrued expenses		5,939,395		7,083,324
TOTAL CURRENT LIABILITIES		22,671,567		20,721,054
LONG-TERM LIABILITIES:				
Revolving credit line		—		2,500,000
Deferred income taxes		252,832		231,598
TOTAL LONG-TERM LIABILITIES		252,832		2,731,598
MINORITY INTEREST IN SUBSIDIARIES		1,182,449		1,392,632
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Preferred stock, \$1 par value, 1,000,000 shares authorized; none issued or outstanding		—		—
Common stock, \$.0066 par value, 50,000,000 shares authorized; 16,663,817 and 16,609,005 shares issued and outstanding for 2003 and 2002, respectively		109,981		109,619
Additional paid-in capital		42,925,545		42,600,827
Retained earnings		81,498,759		84,010,397
Other accumulated comprehensive income (loss)		(541,944)		(247,666)
TOTAL SHAREHOLDERS' EQUITY		123,992,341		126,473,177
	\$	148,099,189	\$	151,318,461

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Year Ended					
	February 28, 2003		February 28, 2002		February 28, 2001	
NET SALES	\$	302,080,809	\$	281,912,508	\$	634,009,953
COSTS AND EXPENSES:						
Cost of sale		246,852,741		221,690,082		494,507,356
Operating expenses		57,439,743		60,377,685		76,125,482
Impairment of goodwill		—		1,124,636		—
Interest expense		98,068		1,517,262		4,861,847
		304,390,552		284,709,665		575,494,685
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTERESTS		(2,309,743)		(2,797,157)		58,515,268
Provision (credit) for income taxes		(539,927)		(503,742)		24,110,598
INCOME (LOSS) BEFORE MINORITY INTERESTS		(1,769,816)		(2,293,415)		34,404,670
Minority interest in earnings of subsidiary		741,822		469,151		843,585
INCOME (LOSS) FROM CONTINUING OPERATIONS		(2,511,638)		(2,762,566)		33,561,085
DISCONTINUED OPERATIONS:						
Income from operations of contract manufacturing subsidiary disposed of—net of income taxes		—		798,735		1,791,000
Gain on sale of contract manufacturing subsidiary—net of income taxes		—		4,183,507		—
		—		4,982,242		1,791,000
NET INCOME (LOSS)	\$	(2,511,638)	\$	2,219,676	\$	35,352,085

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares	Common Stock	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Loan To Esop	Total Shareholders' Equity
Balance at February 29, 2000	10,018,652	\$ 66,122	\$ 29,455,741	\$ 46,438,636	\$ —	\$ (499,316)	\$ 75,461,183
Three-for-two stock split	5,437,364	35,887	(35,887)	—	—	—	—
Exercise of stock options	1,045,824	6,903	7,310,016	—	—	—	7,316,919
Income tax benefit from stock options exercised	—	—	5,068,745	—	—	—	5,068,745
Repayment from ESOP	—	—	—	—	—	340,472	340,472
Foreign currency translation	—	—	—	—	821,807	—	821,807
Net income	—	—	—	35,352,085	—	—	35,352,085
Balance at February 28, 2001	16,501,840	108,912	41,798,615	81,790,721	821,807	(158,844)	124,361,211
Exercise of stock options	107,165	707	490,616	—	—	—	491,323
Income tax benefit from stock options exercised	—	—	311,596	—	—	—	311,596
Repayment from ESOP	—	—	—	—	—	158,844	158,844
Foreign currency translation	—	—	—	—	(1,069,473)	—	(1,069,473)
Net income	—	—	—	2,219,676	—	—	2,219,676
Balance at February 28, 2002	16,609,005	109,619	42,600,827	84,010,397	(247,666)	—	126,473,177
Exercise of stock options	54,812	362	246,439	—	—	—	246,801
Income tax benefit from stock options exercised	—	—	78,279	—	—	—	78,279
Foreign currency translation	—	—	—	—	(294,278)	—	(294,278)
Net (loss)	—	—	—	(2,511,638)	—	—	(2,511,638)
Balance at February 28, 2003	16,663,817	\$ 109,981	\$ 42,925,545	\$ 81,498,759	\$ (541,944)	\$ —	\$ 123,992,341

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended					
	February 28, 2003		February 28, 2002		February 28, 2001	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:						
Cash flows from operating activities:						
Cash received from customers	\$	303,006,935	\$	358,499,244	\$	637,588,990
Cash paid to suppliers and employees		(271,254,844)		(275,441,710)		(659,196,422)
Interest paid		(98,068)		(1,517,262)		(5,559,847)
Income taxes paid		(67,652)		(2,987,904)		(29,847,868)
Net cash provided (used) by operating activities		31,586,371		78,552,368		(57,015,147)
Cash flows from investing activities:						
Capital expenditures		(383,255)		(1,393,184)		(4,330,953)
Proceeds from sale of subsidiary		—		29,563,000		—
Net assets of subsidiary sold		—		(18,217,706)		—
Expenses related to sale of subsidiary		—		(3,606,122)		—
Net cash provided (used) by investing activities		(383,255)		6,345,988		(4,330,953)
Cash flows from financing activities:						
Borrowings under revolving credit line		6,700,000		81,300,000		210,775,000
Repayments under revolving credit line		(9,200,000)		(163,800,000)		(163,575,000)
Proceeds from exercise of stock options		246,801		802,919		12,385,664
Net cash (used) by financing activities		(2,253,199)		(81,697,081)		59,585,664
Effect of exchange rate changes		(294,279)		(1,069,473)		821,807
Net increase (decrease) in cash and cash equivalents		28,655,638		2,131,802		(938,629)
Cash and cash equivalents, beginning of year		2,689,978		558,176		1,496,805
Cash and cash equivalents, end of year	\$	31,345,616	\$	2,689,978	\$	558,176

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For The Year Ended					
	February 28, 2003		February 28, 2002		February 28, 2001	
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
NET (LOSS) INCOME	\$	(2,511,638)	\$	2,219,676	\$	35,352,085
Adjustments:						
Gain on sale of subsidiary		—		(4,183,507)		—
Depreciation and amortization		1,378,233		1,416,235		2,007,864
Impairment of goodwill		—		1,124,636		—
Contribution to ESOP (compensation)		—		158,844		340,472
Bad debt provision		—		86,982		2,793,468
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable		926,126		54,850,081		(33,039,963)
Decrease (increase) in inventories		29,003,176		40,047,471		(65,579,273)
Decrease (increase) in prepaid expenses and other current assets		773,903		4,230,329		(5,907,296)
Decrease (increase) in other assets		176,728		(2,045,742)		(404,463)
Increase (decrease) in accounts payable and accrued expenses		1,950,513		(19,703,700)		10,528,757
Increase (decrease) in income taxes		99,513		50,102		(3,949,071)
Increase in minority interest		(210,183)		300,961		842,273
Net cash provided by (used in) operating activities	\$	31,586,371	\$	78,552,368	\$	(57,015,147)

Results of Operations:

Fiscal Year 2001 versus 2000 and Fiscal Year 2000 versus 1999

Net sales for the year ended February 28, 2001 increased 77%. Management attributes this increase in sales for the period to the core semiconductor and passive component distribution business, which experienced substantially increased demand.

Net sales for the year ended February 29, 2000 increased approximately 50%. Management attributes this increase in sales for the period entirely to the core semiconductor distribution business which experienced substantially increase demand. Management believes that the ability to generate greater market penetration to a larger account base coupled with an increased focus on fewer product lines, contributed to the substantial increase in sales performance.

Independent Auditors' Report

To The Board of Directors and Shareholders Nu Horizons Electronics Corp.
Melville, New York

We have audited the accompanying consolidated balance sheets of Nu Horizons Electronics Corp. and subsidiaries as of February 28, 2001 and February 29, 2000, and the consolidated statements of income, changes in shareholders' equity and cash flows for the three years in the period ended February 28, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, referred to above, present fairly in all material respects, the financial position of Nu Horizons Electronics Corp. and subsidiaries at February 28, 2001 and February 29, 2000, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ LAZAR LEVINE & FELIX LLP

LAZAR LEVINE & FELIX LLP

New York, New York
May 7, 2001

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

-ASSETS-

	February 28, 2001	February 29, 2000
CURRENT ASSETS:		
Cash	\$ 558,176	\$ 1,496,805
Accounts receivable - net of allowance for doubtful accounts of \$5,931,541 and \$3,447,072 for 2001 and 2000, respectively	94,955,532	64,709,037
Inventories	135,123,669	69,544,396
Prepaid expenses and other current assets	7,725,014	1,817,718
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TOTAL CURRENT ASSETS	238,362,391	137,567,956
PROPERTY, PLANT AND EQUIPMENT - NET (Note 3)	9,799,151	7,319,138
OTHER ASSETS:		
Costs in excess of net assets acquired - net	1,281,560	1,438,484
Other assets (Note 4)	1,616,030	1,211,567
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	\$251,059,132	\$147,537,145
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-LIABILITIES AND SHAREHOLDERS' EQUITY-		

CURRENT LIABILITIES:		
Accounts payable	\$ 31,987,944	\$ 20,558,054
Income taxes payable	-	3,623,248
Accrued expenses	8,436,810	9,337,943
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TOTAL CURRENT LIABILITIES	40,424,754	33,519,245
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LONG-TERM LIABILITIES:		
Deferred income taxes (Note 8)	181,496	507,319
Revolving credit line (Notes 5)	85,000,000	37,800,000
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TOTAL LONG-TERM LIABILITIES	85,181,496	38,307,319
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MINORITY INTEREST (Note 7)	1,091,671	249,398
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COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 11)		
SHAREHOLDERS' EQUITY (Note 6):		
Preferred stock, \$1 par value, 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock, \$.0066 par value, 20,000,000 shares authorized; 16,501,840 and 10,018,652 shares issued and outstanding for 2001 and 2000, respectively	108,912	66,122
Additional paid-in capital	41,798,615	29,455,741
Retained earnings	81,790,721	46,438,636
Other accumulated comprehensive income	821,807	-
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	124,520,055	75,960,499
Less: loan to ESOP (Note 9)	158,844	499,316
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	124,361,211	75,461,183
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	\$251,059,132	\$147,537,145
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NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEAR ENDED		
	FEBRUARY 28, 2001	FEBRUARY 29, 2000	FEBRUARY 28, 1999
NET SALES	\$670,628,953	\$379,238,562	\$253,872,325
COSTS AND EXPENSES:			
Cost of sales (Note 11)	522,619,356	299,998,251	198,836,003
Operating expenses	80,899,482	56,032,525	45,170,606
Interest expense	5,559,847	2,837,646	2,243,161
Interest income	-	-	(1,603)
	609,078,685	358,868,422	246,248,167
INCOME BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTERESTS	61,550,268	20,370,140	7,624,158
Provision for income taxes (Note 8)	25,354,598	8,528,909	3,079,327
INCOME BEFORE MINORITY INTERESTS	36,195,670	11,841,231	4,544,831
Minority interest in earnings of subsidiary (Note 7)	843,585	142,445	-
NET INCOME	\$ 35,352,085	\$ 11,698,786	\$ 4,544,831

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	LOAN TO ESOP	TOTAL SHAREHOLDERS' EQUITY
Balance at February 28, 1998	8,753,076	\$ 57,770	\$19,042,230	\$33,532,009	\$ -	\$(1,089,964)	\$ 51,542,045
Repayment from ESOP	-	-	-	-	-	250,192	250,192
Net income	-	-	-	4,544,831	-	-	4,544,831
Balance at February 28, 1999	8,753,076	57,770	19,042,230	38,076,840	-	(839,772)	56,337,068
Stock dividend distributed	437,638	2,888	3,334,102	(3,336,990)	-	-	-
Exercise of stock options	4,388	29	25,844	-	-	-	25,873
Conversion of subordinated convertible notes	823,550	5,435	7,053,565	-	-	-	7,059,000
Repayment from ESOP	-	-	-	-	-	340,456	340,456
Net income	-	-	-	11,698,786	-	-	11,698,786
Balance at February 29, 2000	10,018,652	66,122	29,455,741	46,438,636	-	(499,316)	75,461,183
Three-for-two stock split	5,437,364	35,887	(35,887)	-	-	-	-
Exercise of stock options	1,045,824	6,903	7,310,016	-	-	-	7,316,919
Income tax benefit from stock options exercised	-	-	5,068,745	-	-	-	5,068,745
Repayment from ESOP	-	-	-	-	-	340,472	340,472
Foreign currency translation	-	-	-	-	821,807	-	821,807
Net income	-	-	-	35,352,085	-	-	35,352,085
Balance at February 28, 2001	16,501,840	\$108,912	\$41,798,615	\$81,790,721	\$821,807	\$ (158,844)	\$124,361,211

NU HORIZONS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED		
	FEBRUARY 28, 2001	FEBRUARY 29, 2000	FEBRUARY 28, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
Cash flows from operating activities:			
Cash received from customers	\$ 637,588,990	\$ 355,352,590	\$ 248,540,451
Cash paid to suppliers and employees	(659,196,422)	(368,622,165)	(236,336,921)
Interest received	-	-	1,602
Interest paid	(5,559,847)	(2,837,646)	(2,243,161)
Income taxes paid	(29,847,868)	(4,134,402)	(1,359,716)
Net cash provided (used) by operating activities	(57,015,147)	(20,241,623)	8,602,255
Cash flows from investing activities:			
Capital expenditures	(4,330,953)	(1,691,765)	(2,031,604)
Net cash (used) by investing activities	(4,330,953)	(1,691,765)	(2,031,604)
Cash flows from financing activities:			
Borrowings under revolving credit line	210,775,000	95,785,000	43,950,000
Repayments under revolving credit line	(163,575,000)	(72,885,000)	(54,350,000)
Proceeds from exercise of stock options	12,385,664	25,873	-
Net cash provided (used) by financing activities	59,585,664	22,925,873	(10,400,000)
Effect of exchange rate changes	821,807	-	-
Net (decrease) increase in cash and cash equivalents	(938,629)	992,485	(3,829,349)
Cash and cash equivalents, beginning of year	1,496,805	504,320	4,333,669
Cash and cash equivalents, end of year	\$ 558,176	\$ 1,496,805	\$ 504,320

	FOR THE YEAR ENDED		
	FEBRUARY 28, 2001	FEBRUARY 29, 2000	FEBRUARY 28, 1999
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Net income	\$ 35,352,085	\$ 11,698,786	\$ 4,544,831
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	2,007,864	1,660,345	1,417,509
Bad debts	2,793,468	1,097,338	762,500
Contribution to ESOP (compensation)	340,472	340,456	250,192
Changes in assets and liabilities:			
(Increase) in accounts receivable	(33,039,963)	(23,885,972)	(5,331,874)
(Increase) in inventories	(65,579,273)	(24,430,502)	(1,109,004)
(Increase) decrease in prepaid expenses and other current assets	(5,907,296)	537,537	2,481,752
(Increase) in other assets	(404,463)	(72,746)	(136,095)
Increase in accounts payable and accrued expenses	10,528,757	8,852,022	5,734,987
(Decrease) in income taxes	(3,623,248)	3,391,863	-
Increase in minority interest	842,273	249,398	-
(Decrease) increase in deferred taxes	(325,823)	319,852	(12,543)
Total adjustments	(92,367,232)	(31,940,409)	4,057,424
Net cash provided (used) by operating activities	\$(57,015,147)	\$(20,241,623)	\$ 8,602,255

Adjusted Income Statement		Nu Horizons				C.S.	C.S.	C.S.	C.S.
Line		Adjusted	Adjusted	Adjusted	Adjusted	Adjusted	Adjusted	Adjusted	Adjusted
#		2002	2001	2000	1999	2002	2001	2000	1999
1	Revenue	302,080,809	281,912,508	634,009,953	379,238,562	100.0%	100.0%	100.0%	100.0%
2	Cost of Sales	(246,852,741)	(221,690,082)	(494,507,356)	(299,998,251)	(81.7%)	(78.6%)	(78.0%)	(79.1%)
3	Selling and Administrative	(57,439,743)	(60,377,685)	(76,125,482)	(56,032,525)	(19.0%)	(21.4%)	(12.0%)	(14.8%)
4	Operating Profit	(2,211,675)	(155,259)	63,377,115	23,207,786	(0.7%)	(0.1%)	10.0%	6.1%
5	Interest Income	0	-	-	-				
6	EBIT	(2,211,675)	(155,259)	63,377,115	23,207,786				
7	Interest Expense Gross	(98,068)	(1,517,262)	(4,861,847)	(2,837,646)				
8	EBT	(2,309,743)	(1,672,521)	58,515,268	20,370,140	1			
9	Tax Provision	539,927	503,742	(24,110,598)	(8,528,909)				
10	Net Income before segregated items [ROA]	(1,769,816)	(1,168,779)	34,404,670	11,841,231				
11	Minority Interest	(741,822)	(469,151)	(843,585)	(142,445)				
12	Income from discontinued Operations	0	4,982,242	1,791,000	-				
13	Income before item below [Income for ROE]	(2,511,638)	3,344,312	35,352,085	11,698,786				
14	Unusual Items	0	(1,124,636)	-	-				
15	Net Income	(2,511,638)	2,219,676	35,352,085	11,698,786				
16	EBITDA	(833,442)	1,260,976	65,384,979	24,868,131	-0.3%	0.4%	10.3%	6.6%

Nu Horizons	2002	2001	2000	1999
Accounts Receivable Days	47	86	45	61
Inventory Days	118	187	74	83
<i>Inventory days using year end inventory</i>	96	154	98	83
Accounts Payables Days	22	37	19	25
Net Trade Cycle	165	273	120	145
Net Cash Cycle	143	236	101	120
Working Assets	108,118,030	138,821,235	237,804,215	136,071,151
Working Liabilities	22,671,567	20,721,054	40,424,754	33,519,245
Operating Working Capital	85,446,463	118,100,181	197,379,461	102,551,906
<i>Change in Operating Working Capital</i>	32,653,718	79,279,280	(94,827,555)	NA
Operating Working Capital/Sales	28%	42%	31%	27%
Relative length of cash cycle	moderately long	very long	long	moderately long
Working Capital	116,792,079	120,790,159	197,937,637	104,048,711

<i>row #</i>	<u><i>Nu Horizons</i></u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>Total</u>	<u>Average</u>
1	Net Income	(2,511,638)	2,219,676	35,352,085	11,698,786	46,758,909	11,689,727
2	Depreciation & Amortization	1,378,233	1,416,235	2,007,864	1,660,345	6,462,677	1,615,669
3	Other Non Operating Adjustments	(210,183)	(2,599,066)	856,922	909,706	(1,042,621)	(260,655)
4	Funds From Operations [Long Run Operating Cash Flows]	(1,343,588)	1,036,845	38,216,871	14,268,837	52,178,965	13,044,741
5	Reported Cash From Operations	31,586,371	78,552,368	(57,015,147)	(20,241,623)	32,881,969	8,220,492
6	<i>Balance Sheet Management</i>	32,929,959	77,515,523	(95,232,018)	(34,510,460)	(19,296,996)	(4,824,249)
7	Capital Expenditures	(383,255)	(1,393,184)	(4,330,953)	(1,691,765)	(7,799,157)	(1,949,789)
8	Dividends	0	0	0	0	0	0
9	Mandatory Capital Spending	(1,378,233)	(2,007,864)	(1,660,345)	(1,660,345)	(6,706,787)	(1,676,697)
10	<u><i>Free Cash Flow to Lenders</i></u>	<u>31,203,116</u>	<u>77,159,184</u>	<u>(61,346,100)</u>	<u>(21,933,388)</u>	<u>25,082,812</u>	<u>6,270,703</u>
11	<u><i>Free Cash Flow in the Long Run</i></u>	<u>(2,721,821)</u>	<u>(971,019)</u>	<u>36,556,526</u>	<u>12,608,492</u>	<u>45,472,178</u>	<u>11,368,045</u>
12	Borrowings	(2,500,000)	(82,500,000)	47,200,000	22,900,000	(14,900,000)	(3,725,000)
13	Equity [issuances or purchases]	246,801	802,919	12,385,664	25,873	13,461,257	3,365,314
14	Other Investing	(294,279)	6,669,699	821,807	0	7,197,227	1,799,307
15	Change in Cash	28,655,638	2,131,802	(938,629)	992,485	30,841,296	7,710,324