



# NEWS RELEASE

15 May 2006

Robert Wiseman Dairies PLC

Preliminary Results 2006

## FINANCIAL HIGHLIGHTS

- Volumes of liquid milk sold up 14.2% to 1.38 billion (2005 : 1.21 billion)
- Turnover increased by 16.2% to £568.6 million (2005 : £489.2 million)
- Operating profit up 9.6% to £27.5 million (2005 : £25.1 million)
- Profit before tax up 6.0% to £26.7 million (2005 : £25.2 million)
- Adjusted earnings per share\* up 11.7% to 25.35p per share (2005 : 22.70p)
- Basic earnings per share down 10.7% to 25.35p (2005 : 28.38p)
- Dividend for year increased by 12.5% to 9.00p (2005 : 8.00p)
- Strong cash generation from operations of £43.5 million (2005 : £38.5 million)
- Net Debt at year end remains low at £2.5 million (2005 : £0.7 million)

## OPERATIONAL HIGHLIGHTS

- Planning permission granted on 9 May for new dairy at Bridgwater
- Dairies running well with processing efficiency improvements of 10% year-on-year
- Selling price increase achieved to help recover exceptional inflationary costs
- Increased investment in NPD , including “The One” (low fat milk), “Pure” (extended shelf life milk for Tesco), and a snack pack “Disney” milk
- “Puriti”, our own brand extended shelf life milk, to be launched Summer 2006
- Supplies start to One Stop business from June 2006 and increased volumes with Somerfield
- Acquisition of Definitely Devon extends customer base in the West Country
- The Group continues to pay a premium price to direct farmer suppliers - 0.5ppl above competitors for year to March 2006

Alan Wiseman, Chairman, commented:

“Given the period of change within the business we are pleased with the financial results for the Group.

Against a backdrop of high oil costs, we remain optimistic about the outlook for our business, and look to a period of further stability within the sector and to maintaining the recovery in our operating margins in the period ahead. We are delighted with the recent news that planning permission has been granted for our new dairy in Bridgwater and that our sixth dairy is now firmly on track for opening in Autumn 2007.”

\* Excluding the one-off tax credit and related interest credit in 2005

- ends -

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## **ROBERT WISEMAN DAIRIES PLC**

### **ANNUAL RESULTS FOR THE 52 WEEKS ENDED 1 APRIL 2006**

#### **CHAIRMAN'S STATEMENT**

##### **RESULTS**

I am pleased to report that our sales volumes for the year were up by 14.2% to 1.38 billion litres (2005 : 1.21 billion litres), with our business having benefited from a period of greater stability in terms of supply to the major retailers. Revenue rose 16.2% to £568.6 million (2005 : £489.2 million) and was assisted by a selling price increase in January 2006 to help offset higher oil, energy and plastic costs.

The increased selling prices helped margins recover slightly in the second half-year and operating profits for the year were ahead by 9.6% to £27.5 million (2005 : £25.1 million). Operating profit per litre for the full year was 2.00p per litre (2005 : 2.08p) and although this is still low in comparison to our historic performance, we are encouraged that it is an improvement on the first half-year of 1.81p per litre. After taking account of higher finance costs, profit before tax rose 6.0% to £26.7 million (2005 : £25.2 million).

Earnings per share, adjusted to exclude the effect of a one-off tax credit, were up 11.7% to 25.35p (2005 : 22.7p). Earnings per share benefited from the lower number of shares in issue during the year (72.8 million compared to 75.9 million in 2005) as a result of the Group's share buy back programme. Basic earnings per share declined 10.7% to 25.35p per share (2005 : 28.38p). This decline was a result of last year benefiting from a one-off tax credit, which contributed 5.68p per share.

The Group's strong cash flow was demonstrated again with cash generated from operations of £43.5 million (2005 : £38.5 million). This has resulted in net debt at the end of the year being only £2.5 million (2005 : £0.7 million), a reduction of £8.4 million from the position at the half-year.

##### **DIVIDEND**

The Board has recommended a final dividend of 6.60p per share (2005 : 5.80p) which, together with the interim dividend, will result in a total dividend of 9.00p per share (2005 : 8.00p), an increase of 12.5% over last year. The dividend cover at 2.8 times is similar to last year (2.8 times) if last year's one-off tax credit is excluded. The dividend is payable on 21 September 2006 to shareholders on the register at 25 August 2006.

## **NEW DAIRY**

The Group is pushing ahead with the development of a new state-of-the-art dairy in the South West of England. The site identified is located at the Regional Rural Business Centre, just off Junction 24 of the M5 at Bridgwater, Somerset. Planning permission for the development was granted on 9 May 2006. We are extremely grateful for the encouragement and assistance shown to us by Sedgemoor District Council in developing our plans.

Following the strong organic growth of our major customers, assisted by the continued decline of doorstep deliveries in England and Wales, and additionally the acquisition of the Definitely Devon business totalling circa 20 million litres per annum, our volumes serviced in the South West are now approaching 200 million litres per annum, in line with the planned first phase capacity of the new dairy.

We are confident this new dairy will be successfully utilised and, once open, will take pressure off our existing English dairies and free up capacity to cope with organic growth. The timetable for completion of the first phase is Autumn 2007 and orders have been placed for both processing and filling equipment, with an initial capacity of 200 million litres per annum at a cost of £46 million.

## **BOARD AND SENIOR MANAGEMENT**

Our PLC Board was strengthened last year with the appointment of Martyn Mulcahy and David Dobbins as Group Operations and Group Commercial Directors respectively. On 1 September 2005, the Board was further strengthened with the appointment of Beverley Hodson as a Non-Executive Director.

We regularly review our senior management team and I am pleased to report the following appointments to our Operational Board. Graeme Jack, currently Managing Director of Trimedia in Scotland, is joining us to take on the new role of Communications Director. In addition, Douglas Laing is being promoted to the post of Risk Management & Strategic Planning Director. Both these appointments are effective from 1 July 2006. Gerard Sweeney, currently Finance Director of the Operational Company, will in addition to his existing role also assume the role of Company Secretary to the PLC and subsidiary companies following our AGM on 6 July 2006.

## **STAFF**

The year has seen many challenges for the Group and I am delighted with the response from our growing workforce. Our staff continue to demonstrate the culture of customer service that has been instilled in the business since it was founded by my father almost sixty years ago and they have the Board's sincere thanks for their commitment and efforts.

## **OUTLOOK**

Against a backdrop of high oil costs, we remain optimistic about the outlook for our business, and look to a period of further stability within the sector and to maintaining the recovery in our operating margins in the period ahead. We are delighted with the recent news that planning permission has been granted for our new dairy in Bridgwater and that our sixth dairy is now firmly on track for opening in Autumn 2007.

**ALAN W WISEMAN**

Chairman

15 May 2006

## **BUSINESS & FINANCIAL REVIEW**

### **COMMERCIAL**

As a result of strong trading from our major multiples, sales volumes for the second half-year were 690 million litres. This marginally exceeded the first half-year (687 million litres) with the increased contracts with Sainsbury's and Tesco, which commenced in early 2005, more than offsetting the Morrisons loss in October 2005.

We have been successful in securing additional business from June 2006 when we will commence supplies to One Stop, a chain of over 500 convenience stores in England and Wales. We have also successfully secured additional Somerfield stores during the last six months, benefiting from its acquisition programme including stores sold by Morrisons and garage forecourts sold by Texaco.

Margins recovered during the second half-year due to our selling prices increasing in January 2006. This increase was necessary to help clawback the considerable increased costs encountered during 2005.

The Group recognises the importance of innovation, both in terms of packaging and product development. Substantial investment has taken place in this area in recent years, with product launches including "the One", our low fat milk product, "Pure", an extended shelf-life milk (ESL) for Tesco and, more recently, a "Disney" snack pack milk for children. These complement our own Wiseman "Black and White" brands and Fresh "N" Lo, the first semi skimmed milk brand to be launched in the UK, which celebrates its twenty-fifth anniversary this year.

We continue to explore opportunities for new products in conjunction with our customers and are excited about future plans, which include the forthcoming Summer launch of "Puriti", our own brand ESL milk. Our reputation is growing in this area due to our high standards of quality and service, coupled with our ability to provide cost effective solutions.

The middle ground sector remains as competitive as ever, with some minor volume losses being offset by gains including sole supply to the Bestway/Batley Group. The Definitely Devon acquisition further extended the customer base of the Group and also allowed us to increase our presence with the Co-op, including supplies to Plymouth Co-op for the first time.

Bulk cream selling prices weakened in the second half-year in comparison to the first half, with the expectation that prices will fall further given the scheduled cuts in support prices in July 2006 linked to CAP reform.

Demand for organic milk continues to grow and there has been some evidence in the last six months of demand outstripping supply. We have renegotiated our supply contract from 1 April 2006 with OMSCO, the main organic milk supplier in the United Kingdom, which will result in us being in a stronger position to meet anticipated future growth in this market.

## **DAIRIES**

As a result of strong sales, our dairies have been running at record production levels. The dairies responded well to the challenge and efficiencies have surpassed all previous performance levels, showing a 10% improvement on the previous year.

Our English dairies processed some 940 million litres last year, an increase of 25% over the previous year.

In Scotland, stopping production for ASDA and Morrisons in January and October 2005 respectively, resulted in a decline of 5% in volume processed to 410 million litres. Our decision to reduce our cost base by cutting back on the hours operated by our Scottish dairies has proved successful and, at Aberdeen, altering throughput to a single shift pattern from December 2005 has reduced the dairy's cost base accordingly.

Investment in our core dairies, which we consider to be the most efficient and well invested in the industry, continues to be a high priority. Since our Droitwich dairy opened in March 2001, we have spent a total of £32 million in respect of our dairy operations.

The exciting plans for a new dairy at Bridgwater outlined above have the potential to complete our requirements for processing capacity in Great Britain for the foreseeable future.

Substantial increases in utility and plastic costs were experienced, as highlighted in our Interim Statement in November 2005, but these have now stabilised and our electricity and gas contracts are committed for the calendar year. However, concerns remain that further inflationary increases are in the pipeline if oil costs remain at over \$60 per barrel for any considerable period of time.

## **DISTRIBUTION**

The new depot at Northampton opened on time and within budget in November 2005 and is already within our top five depots in terms of volume distributed. The total investment in vehicles, buildings and plant in our depots over the last five years is some £65 million.

Like our dairies, our depots, particularly in England, have coped admirably with record sales volumes over the last twelve months. The new Tesco and Sainsbury's business, with its bias to the South of England, has seen some dramatic volume increases at our southern depots. Our Taunton and Bristol operations have seen an increase in volumes distributed of over 100% during the last twelve month period. Conversely, as we outlined, in Scotland we have scaled back our operations in line with reduced volumes.

Expenditure on IT systems to improve efficiency continues, with current projects including handheld technology for our drivers and Radio Frequency Identification (RFID) to automatically track and trace deliveries to our customers and further improve supply chain performance. Trials on RFID technology with Tesco are taking place at present and potential returns on investment are being calculated. Investment in IT systems throughout the Group since 2001 totals £10 million.

## **MILK PROCUREMENT**

Our record on milk prices paid to suppliers is second to none within the industry, with various league tables confirming this over both most recent and longer periods of time. During the last financial year we calculate the premium we have paid to farmers over our major competitors to be over 0.5p per litre. This premium was narrowed slightly in March, when we regrettably had no choice but to trim our milk buying price to reflect lower returns from our sales of bulk cream.

We keep a regular dialogue with the NFU and NFUS and are committed, where possible, after consultation with our major customers, to embracing changes to contract terms with our direct farms in line with their "vision document" recommendations.

Competitiveness necessitates that we keep our price within realistic touch of our opposition, whose milk procurement has varying terms and conditions depending on the sector served, and who can often access raw milk supplies at a considerable discount to the prices we pay.

We continue to forge relationships, not just with our direct suppliers, but also with the milk co-operatives and have recently increased our supply contract volumes with First Milk for the forthcoming year. Haulage rationalisation within the supply chain remains an area with scope for savings and improved efficiencies. We have recently commenced a review to evaluate the potential benefits of rationalising ex-farm haulage with First Milk.

Construction of a new £5 million milk haulage depot at Market Drayton for our fleet of ex-farm tankers and trunkers will commence in June 2006. This is expected to be operational in October 2006 and will allow us to improve the efficiency and cost effectiveness of our ex-farm haulage operations in England and Wales.

## FINANCIAL REVIEW 2006

### Overview

Given the period of change and the significant cost pressures within the business in the last twelve months, we are pleased with the financial results of the Group. We believe that the recovery in the margin generated in the second half of the year leaves us well placed to deal with the challenges that lie ahead in the coming year.

Below is the comparison of 2006 with 2005 under IFRS.

	<b>2006</b>	<b>2005</b>
Turnover – volume (million litres)	1,377	1,206
Turnover - £ millions	568.6	489.2
Operating profit - £ millions	27.5	25.1
Operating profit – ppl	2.00	2.08
EPS (pence)	25.35	28.38
Adjusted EPS * (pence)	25.35	22.70
Cash generated from operations - £ millions	43.5	38.5

\* *Excluding the one-off tax credit and related interest credit in 2005*

The growth in turnover of 16.2% on milk volumes up 14.2% reflects the impact of the cost recovery increase in the second half of the year. Whilst operating profit was up 9.6%, operating margin fell from 5.1% to 4.8% due to further increases in oil related costs such as diesel and plastic resin costs. The impact of losing the Morrisons business on our financial results was minimised by actions taken in both Production and Distribution, along with the increased volumes from existing customers.

## Interest

After removing the prior year benefit from the release of interest accrued in respect of prior tax returns of £0.5 million, then the movement in total finance costs is only £18,000. Interest cover is very high and represents over 33 times cover (2005 : 31 times excluding the release of interest on prior year tax returns)

## Tax

The effective tax rate was 31.0% (2005 : 14.6%). The 2005 tax charge benefited from a one-off tax credit of £3.9 million, as a result of agreement being reached with the tax authorities on matters relating to previous years tax returns. Excluding this one-off credit, the 2005 underlying tax rate was 31%.

## Earnings Per Share ("EPS")

Basic EPS in the current year fell by 10.7% to 25.35p (2005 : 28.38p). Excluding the impact of the prior year one-off tax credit, the adjusted EPS increased by 11.7% to 25.35p (22.70p).

## Balance Sheet Review

We have continued to invest in the business with total capital expenditure in the year of £24.7 million, making our total capital expenditure since 2001 £107 million. In the current year we have continued to invest heavily in vehicles, with a further £9 million spent. We have also invested £8.6 million in land and buildings, the majority of which related to the new depot at Northampton, plus some additional land we acquired adjacent to our dairy at Trafford Park, Manchester.

Goodwill has increased as a result of the acquisition of the trade of Definitely Devon Limited in March 2006.

Inventories have remained consistent, with a slight increase in finished goods due to the higher throughput than the prior year. Trade and other receivables have increased by £9.9 million, principally due to the increase in trade debtors of £7.6 million and prepayments and accrued income of £1.7 million. The increase in trade debtors is due to the higher sales volumes and the timing of year-end receipts with debtors' days increasing to 25.6 (2005 : 24.1).

The asset held for sale is the land at Chester-le-Street, which is currently being marketed. The prior year property held for sale was the Edinburgh depot, which was disposed of in the current year for £0.7 million.

Trade and other payables have moved due to an increase in trade creditors of £6.5 million. This is simply due to the timing of payments and the increased levels of expenditure.

During the year the Group continued buying back its shares, with 3.5 million shares acquired at a cost of £9.1 million (2005 : 6.1 million shares at a cost of £14.4 million).

Overall net assets increased by £5.2 million to £119.3 million.

### Cash Flow and Net Debt

The Group's strong operational cash generation increased in the year with cash flows generated from operations in the current year of £43.5 million (2005 : £38.5 million). This has assisted the Group in funding the capital investment plan previously discussed, resulting in a net cash inflow of £12.1 million (2005 : £12.5 million) before financing activities. The purchase of our shares, dividend payments and loan repayments contributed to a £15.7 million outflow in financing activities (2005 : £20.6 million).

Net debt at the year-end of £2.5 million (2005 : £0.7 million) remains exceptionally low, with gearing at only 2% (2005 : 1%). Net debt will rise over the next couple of years as a result of the Group's capital expenditure programme, including the new Bridgwater dairy.

### Pensions

The Group operates its current pension arrangements on a defined contribution basis. All staff have access to a Group Personal Pension Plan and we currently have a membership in this scheme of over 1,700 employees. The only exposure to a defined benefits scheme arose from the acquisition of Aberdeen Milk Company Limited in May 1999, which had a closed final salary scheme. The valuation under the IAS 19 accounting basis showed a deficit before the related deferred tax asset in the scheme at 1 April 2006 of £0.5 million (2 April 2005 : £1.0 million). The movement in the current year arose principally as a result of a re-assessment of the mortality rates and applicable discount rates that caused a significant increase in the deficit, but was mitigated by the Group contributing a one-off additional payment of £0.9 million. The normal contribution to the scheme has remained at £185,000 per annum since October 2003, in order to assist the scheme in meeting its Minimum Funding Requirements. On the advice of the scheme actuary, this normal contribution is being increased to £240,000 per annum from 2 April 2006.

## Change in Accounting Policies

During the year ended 1 April 2006 the Company adopted International Financial Reporting Standards for the first time. Full details of the adjustments on transition were published in September and November 2005 and can be found at [www.wiseman-dairies.co.uk](http://www.wiseman-dairies.co.uk), our award winning website.

## Summary

The Group is in excellent shape, with margins showing some recovery in the second half-year and gearing low, allowing scope to fund the expansion of the Group's capacity and associated capital expenditure programme from a strong base.

**ROBERT T WISEMAN**

Chief Executive

**WILLIAM G KEANE**

Group Finance Director

15 May 2006

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## **ROBERT WISEMAN DAIRIES PLC**

### **CONSOLIDATED INCOME STATEMENT**

**For the year ended 1 April 2006**

	Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Continuing operations</b>			
Revenue		568,564	489,168
Cost of sales		(429,883)	(373,400)
<b>Gross profit</b>		<u>138,681</u>	<u>115,768</u>
Selling and distribution costs		(93,730)	(74,389)
Administrative expenses		(18,069)	(16,842)
Other operating income		613	540
<b>Other operating expenses (net)</b>		<u>(111,186)</u>	<u>(90,691)</u>
<b>Operating profit</b>		27,495	25,077
Investment income		52	422
Finance costs		(821)	(278)
<b>Profit before tax</b>		<u>26,726</u>	<u>25,221</u>
Tax	1	(8,276)	(3,670)
<b>Profit for the year from continuing operations</b>		<u>18,450</u>	<u>21,551</u>
<b>Earnings per ordinary share</b>	2		
Basic earnings per share		25.35p	28.38p
Diluted earnings per share		<u>24.69p</u>	<u>27.32p</u>

### **CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

**For the year ended 1 April 2006**

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Profit for the period</b>	<u>18,450</u>	<u>21,551</u>
Actuarial losses on defined benefit plans	(432)	(27)
Tax on items taken directly to equity	94	(504)
Net expense recognised directly in equity	<u>(338)</u>	<u>(531)</u>
<b>Total recognised income and expense for the period</b>	<u>18,112</u>	<u>21,020</u>

**CONSOLIDATED BALANCE SHEET as at 1 April 2006**

	1 April 2006 £000	2 April 2005 £000
	Notes	
<b>Non-current assets</b>		
Property, plant and equipment	150,119	146,228
Goodwill	3,270	2,797
Intangible assets	176	-
	<u>153,565</u>	<u>149,025</u>
<b>Current assets</b>		
Inventories	7,037	6,826
Trade and other receivables	44,559	34,708
Cash and cash equivalents	4,732	8,317
	<u>56,328</u>	<u>49,851</u>
Assets held for sale	1,258	600
<b>Total assets</b>	<u>211,151</u>	<u>199,476</u>
<b>Current liabilities</b>		
Trade and other payables	(65,431)	(58,309)
Borrowings and interest rate swaps	(2,291)	(2,374)
Current tax liabilities	(8,448)	(7,206)
	<u>(76,170)</u>	<u>(67,889)</u>
<b>Non-current liabilities</b>		
Borrowings and interest rate swaps	(5,024)	(6,678)
Retirement benefit obligation	(518)	(1,048)
Deferred tax liabilities	(10,181)	(9,792)
	<u>(15,723)</u>	<u>(17,518)</u>
<b>Total liabilities</b>	<u>(91,893)</u>	<u>(85,407)</u>
<b>Net assets</b>	<u>119,258</u>	<u>114,069</u>
<b>Equity</b>		
Called-up share capital	7,219	7,492
Share premium account	24,414	22,503
Special reserve	4,062	4,062
Merger reserve arising on consolidation	(3,872)	(3,872)
Capital redemption reserve	1,731	1,382
ESOP reserve	(207)	(560)
Retained earnings	85,911	83,062
<b>Total equity</b>	<u>119,258</u>	<u>114,069</u>
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**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 1 April 2006**

	Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Operating activities</b>			
Cash generated from operations	4	43,542	38,476
Interest paid		(821)	(646)
Income taxes paid		(6,711)	(6,406)
<b>Net cash from operating activities</b>		<b>36,010</b>	<b>31,424</b>
<b>Investing activities</b>			
Interest received		31	369
Purchase of property, plant and equipment		(24,534)	(20,919)
Purchase of intangible assets		(204)	-
Purchase of a business		(473)	(291)
Proceeds from sale of property, plant and equipment		1,300	1,864
Proceeds from disposal of intangible assets		9	24
<b>Net cash used in investing activities</b>		<b>(23,871)</b>	<b>(18,953)</b>
<b>Financing activities</b>			
Issue of ordinary share capital		1,057	2,542
Purchase of own shares		(9,098)	(14,391)
Dividends paid		(5,968)	(5,610)
New loans		5,000	5,000
Repayment of loans		(6,715)	(8,011)
Capital element of finance lease payment		-	(115)
<b>Net cash used in financing activities</b>		<b>(15,724)</b>	<b>(20,585)</b>
Net decrease in cash and cash equivalents		<b>(3,585)</b>	<b>(8,114)</b>
Cash and cash equivalents at start of year		8,317	16,431
<b>Cash and cash equivalents at end of year</b>		<b>4,732</b>	<b>8,317</b>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

### Year ended 1 April 2006

#### 1. Tax on profit on ordinary activities

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Current tax:		
UK Corporation tax	7,643	7,129
Adjustment in respect of prior year tax computations	150	(3,949)
Total Current tax:	<u>7,793</u>	<u>3,180</u>
Deferred tax:		
Current year	483	490
Total tax	<u>8,276</u>	<u>3,670</u>

The prior year tax credit of £3,949,000 arose further to reaching agreement with tax authorities on matters relating to prior year tax returns. There was also a related interest accrual release of £367,000 (after tax).

#### 2. Earnings per ordinary share

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Profit from continuing operations - basic EPS earnings	18,450	21,551
Effect of tax credit	-	(4,316)
Adjusted EPS earnings	<u>18,450</u>	<u>17,235</u>

#### Number of shares

Number of shares – basic earnings per share	72,768,783	75,924,823
Potential dilutive ordinary shares re share options	1,964,593	2,960,505
Number of shares – diluted earnings per share	<u>74,733,376</u>	<u>78,885,328</u>

The number of shares above represents the weighted average number of ordinary shares in issue in the period.

#### Earnings per ordinary share

Adjusted earnings per share	25.35p	22.70p
Effect of tax credit	-	5.68p
Basic earnings per share	<u>25.35p</u>	<u>28.38p</u>
Diluted earnings per share	<u>24.69p</u>	<u>27.32p</u>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)

### 3. Reconciliation of movements in shareholders' equity

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Total recognised income and expense	18,112	21,020
Dividends	(5,968)	(5,611)
New share capital subscribed (net of expenses)	1,987	4,429
Purchase of ordinary shares	(9,098)	(14,391)
Contribution for purchase of shares by ESOP	(929)	(2,507)
Share based payment	1,076	628
Goodwill sold, previously written off to reserves	9	24
Net movement on shareholders' equity	5,189	3,592
Opening shareholders' equity	114,069	110,477
Closing shareholders' equity	119,258	114,069

### 4. Notes to the cash flow statement

#### a) Reconciliation of operating profit to cash generated by operations

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Operating profit	27,495	25,077
Depreciation of property, plant and equipment	18,807	16,993
Share based payment charges	1,076	542
Defined benefit pension scheme	-	(29)
Gain on sale of tangible fixed assets	(120)	(98)
Amortisation of deferred income	(10)	(9)
Increase in stock	(211)	(522)
(Increase)/decrease in debtors	(9,852)	1,913
Increase/(decrease) in creditors	6,357	(5,391)
Cash generated from operations	43,542	38,476

#### b) Reconciliation of net cash flow to movement in net debt

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Decrease in cash and cash equivalents	(3,585)	(8,114)
Cash outflow from decrease in net debt and lease financing	1,715	3,126
Movement in net debt in the period	(1,870)	(4,988)
Net (debt)/funds at beginning of period	(672)	4,316
Net debt at end of period	(2,542)	(672)

## **5. Abridged financial information**

The financial information in this document does not comprise the Company's statutory accounts. Statutory accounts for the year ended 2 April 2005 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The auditors have given an unqualified opinion on the accounts for the year ended 1 April 2006 which will be delivered to the Registrar of Companies following the Annual General Meeting. The financial statements were approved by the Board of Directors on 15 May 2006.

This is the first year that the Group has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 2 April 2005 and the date of transition to IFRS was 4 April 2004.