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Company Ukrproduct Group Ltd
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UKRPRODUCT GROUP LTD ('UKRPRODUCT' OR 'UKRPRODUCT GROUP')

Preliminary Results for the year ended 31 December 2006

Ukrproduct Group Ltd is a leading Ukraine-based producer and distributor of branded dairy foods.

Highlights (2005 – in brackets, as reported and alternate prior year figure*)

- Sales: £35.1 million (£39.9 million); (£39.9 million*)
- EBITDA: £2.8 million (£3.5 million); (£2.9 million*)
- PBT: £1.2 million (£2.3 million); (£1.8 million*)
- Net profit: £1.1 million (£2.0 million); (£1.4 million*)
- Gross margin: 20.7 % (16.9%); (16.9%*)
- Basic earnings per share: 2.6p (5.0); (3.6p*)
- Proposed final dividend of 0.51p per share giving 0.61p for the full year
- Maintained market position in core segments of processed cheese and packaged butter
- Asset base modernised and prepared for upmarket product initiatives

** The results of the prior year 2005 benefited from the foreign exchange gain on translation differences of £0.6 million. As a result of the change in accounting estimate (please refer to Note 1), there is no comparable income in the current year 2006. The comparable figures for EBITDA, PBT and net profit adjusted for this item show the alternate prior year figures to reflect the underlying trading performance of the business.*

Numbers rounded up. For the complete numbers please refer to the Financial Statements.

Commenting on the 2006 results, Iryna Yevets, Chief Executive of Ukrproduct Group Ltd., said:

“In 2006, Ukrproduct Group combatted the adverse consequences of the Russian import ban on Ukrainian dairy products and finished the year with good operating profit and a strong balance sheet. In an extremely challenging environment, we strengthened the Group’s asset base, retained its market-leading positions and preserved the Group’s core distribution capability. By improving the quality of earnings, we believe that foundations have been built for healthy organic growth in the future.”

For further information:

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CHAIRMAN'S STATEMENT

Results

In the context of the challenging environment, I am pleased to announce the Group's annual results for 2006. Sales were £35.1 million, down from £39.9 million in the previous year. On a comparable basis, EBITDA is reported at £2.8 million, as against £3.5 million (£2.9 million (See Note 1)) in the previous year. Profit before tax was £1.2 million compared to £2.3 million (£1.8 million (See Note 1)) in 2005. Significantly, gross profit margin improved to 20.7% from 16.9% in 2005.

As one of Ukraine's leading dairy producers, we are ingrained in the fabric of the country's business environment. As a significant food exporter, we are also dependent on world markets and international politics. Imposed in January 2006, the Russian import ban on Ukrainian dairy products was as much a political decision as it was a turning point for the entire dairy industry of Ukraine. Under huge pricing pressure and a massive transfer of value to the consumers, Ukrproduct Group successfully resisted the industry-wide price reductions. I am delighted to confirm that this strategy has worked well – the Group can report trading results for 2006 that are broadly in line with the pre-crisis results for 2005.

Dividends

The Group is committed to a balanced dividend policy whereby the shareholders are rewarded in line with the trading performance while a balance between reinvesting profits and dividend distributions is maintained. As a result, the Board is recommending a final dividend payment of 0.51 pence per ordinary share for the year ended 31 December 2006 which would lead to 0.61 pence per ordinary share for the full year. If approved at the AGM, the final dividend will be paid on 29 June 2007 to shareholders on the register as at 1 June 2007.

Strategy

Ukrproduct Group continued with its strategy of developing and retaining its market position in two core product segments – processed cheese and packaged butter. These will be supplemented soon by hard cheese – a product that we expect will play a key role in expanding the Group's range and in helping to retain and expand the customer base.

The Group's manufacturing capability remains one of the most up-to-date in Ukraine; a significant amount of capital expenditure was dedicated this year to both building the new hard cheese plant and to improving the existing asset base to ensure high quality of the product offering. The largest single asset put into operation in 2006 was the new skimmed milk powder (SMP) production facility – this is a timely addition to the Group's existing SMP capacity in the midst of a very favourable price trend in the world market.

Brands remain the backbone of our business but it is true to say that this year they have had to withstand a number of challenges. Intense price pressure, a glut of substitute products in the market and more discerning consumers have all combined to provide for the most challenging trading environment in years. Under these conditions, the Group's premier brands such as "Our Dairyman" retained their leading market positions and substantially improved margins. We are dedicated to strengthening our core brands, as well as cautiously nurturing new brands in hard cheese.

Our distribution network, as in prior years, played a key role in supporting the Group's sales. While retail chains develop dynamically in Ukraine, the more traditional channels of distribution, such as open-air markets, continue to play a material role in selling the Group's products. Our distribution subsidiaries throughout Ukraine provide valuable services, and supply the Group's executives with quality feedback on most recent developments. We are satisfied with the current distribution arrangements and in the future we shall be making every effort to make sure that this distribution structure is supported and maintained.

Since becoming a public company in 2005, the Group has undergone a substantial transformation and is now a vertically integrated, pan-Ukrainian operator with a significant asset base and leading

domestic market shares in processed cheese and packaged butter. We are also encouraged by our established export operations.

On behalf of the Board, it is with pride and confidence that I congratulate everyone at the Group for their steadfast achievements in what was a very trying business environment last year. Success is built by people and for people – I am extremely confident that the coming years will see the significant results of our joint effort.

Jack Rowell
Chairman

24 April 2007

Note 1: In brackets are comparable alternate prior year figures adjusted for the foreign exchange gain on translation differences.

CHIEF EXECUTIVE'S STATEMENT

Introduction

Much as we are used to the vibrant nature of Ukraine's business environment, 2006 proved exceptionally volatile by any measure. The year started with introduction by the Russian veterinary authorities, of what effectively became an import ban on Ukrainian dairy products. Remaining in force throughout the year, the ban was the year-defining event. It most profoundly affected the Ukrainian manufacturers of hard cheese; in particular, those who traditionally supplied close to 100% of their output to Russia. Suddenly deprived of the long-accustomed access to the Russian market, these manufacturers dramatically increased supply into the Ukraine domestic market resulting in substantially reduced prices for hard cheeses. Although Ukrproduct Group did not produce hard cheese or export to Russia at the time, the indirect effects of significant oversupply were felt by the Group almost immediately. Some of the surplus in hard cheese was re-processed into soft cheese thus flooding the Group's core markets and putting intense price pressure on its entire product range. Product substitution effect also had a negative impact: given the plentiful supply of low-priced (albeit often low-quality) hard cheese, some customers switched from processed cheese in favour of hard cheese.

In their totality, by mid-year all these developments caused a significant deterioration of the business environment for the entire dairy industry in Ukraine. In the first six months of the year, basic product prices remained low and the determination of dairy producers to maintain sales volumes added to pricing pressures. In this situation, Ukrproduct Group, albeit better positioned than some of its competitors to withstand these pressures, was unable to prevent the first monthly operating loss in its history in May. Moreover, further margin compression resulted in June and July.

As an immediate response to these pressures, a cost rationalisation programme was launched, resulting by September in a significant improvement of the Group's financial position and a leaner cost base. In parallel, as a matter of business principle, the Board adopted a strategy of maintaining margins at the sake of volume sales, in particular, by reducing its presence at open-air markets which traditionally had been a high volume outlet for processed cheese and butter but at margins lower than those achievable in other areas. In the remainder of the year, our strategy proved successful and, despite lower sales volumes for processed cheese, margins and volumes in every other product were maintained. In particular, sales of packaged butter finished the year at a similar volume to the previous year and at better margins. Our emphasis, at all times, on quality found favour with consumers who, encouragingly, appear to be prepared to pay a higher price for a better quality product. Throughout the entire year, sales of skimmed milk powder ("SMP"), our third major product, remained strong although depressed world prices impacted upon margins in the first half. The second half, however, proved reasonably successful as the concurrent droughts in the US and Australia reduced the supply of SMP to the world market and lead to increased prices.

As a result of these developments, the Group's sales of £35.1 million in 2006 were below those of 2005. However, we believe the quality of sales and earnings have been substantially enhanced and, as

a consequence of our firm decision to preserve profitability, gross margins have improved at the gross level to 20.9% in 2006 from 16.9% in the previous year.

Overall, it is my firm belief that not only did we finish 2006 in much better financial shape than an overwhelming majority of competitors in Ukraine but we also managed to achieve greater efficiencies throughout the entire business of the Group.

Operating review

In the 2005 Annual Report, we noted “slowing GDP growth and weaker consumer spending” in Ukraine. Subsequently, the economy appeared to gather steam but, by the middle of the year it was clear that food consumption was not going to recover to the levels observed in 2003-2005; consecutive increases in gas and electricity prices and accumulation of mortgage and personal debts combined to put pressure on consumers’ food budgets.

Against this background for food consumption, we are pleased with the production and sales of the Group. Production of processed cheese was 12,800 tonnes (2005: 14,700 tonnes) while output of packaged butter remained stable at 9,200 tonnes in both 2006 and 2005. Production of milk powder also increased during the year totalling over 4,000 tonnes (2005: 3,700 tonnes).

During the year, operating developments of the Group continued according to plan.

Notwithstanding the challenging business environment, the capital expenditure programme continued as planned. The majority of expenditure was deployed in the building of a new hard-cheese plant at the site of one of our operating plants, Starkon. The hard-cheese plant is scheduled to become fully operational in May 2007, with trial batches coming off in June and full capacity likely to be achieved by the end of the year. When fully operational, the plant will be producing up to 3,600 tonnes of hard cheese annually. Encouragingly, the trading environment and timing for our entry into the domestic hard cheese market appears very favourable for the Group as small-scale manufacturers are increasingly being put out of business by a combination of high raw milk prices, inadequate product quality and an inability to reach customers efficiently. With our national network, we believe the Group is much better positioned to mitigate these factors and to capitalise on the opportunities that the hard cheese segment offers.

Another important capital expenditure item was the installation, in December 2006, of the new SMP dryer at the Starkon plant. The timing of its installation proved fortunate as, by the end of 2006, world SMP prices recovered. The new SMP dryer has nearly doubled the Group’s SMP production capacity and, most importantly, allowed the Group to produce an output of excellent quality with broader customer acceptance. At the beginning of 2007, the new installation was running at full capacity and is expected to provide the Group with further significant sales in 2007.

As in the previous year, the Group’s distribution capability was a cornerstone of our performance in 2006. We made selective investments in our distribution subsidiaries which, in turn, provided the guidance and support to the Group’s sales team in strengthening relationships with leading retailers. We are seeing the results of our continuing efforts as retailers are keen to retain and support pan-Ukrainian food manufacturers. At this stage of development, the organised retail chains in Ukraine are keenly interested in securing a reliable supply of quality foods to their stores. The directors of the company are aiming for Ukrproduct Group to be a partner of choice for such retailers.

Prospects

The Board believes that the Group’s core markets in Ukraine of processed cheese and packaged butter have reached a certain level of maturity. Consumption-only driven growth has moderated and is unlikely to deliver substantial benefits to the Group. The board is looking for future growth by expanding the Group’s market share in traditional products, entering adjacent markets and exploiting opportunities outside of Ukraine. We are keen to pursue all these routes.

Domestically in Ukraine, our market share in processed cheese and packaged butter should remain intact. Although still challenged by low-quality, low-price producers, we are observing a gradual return to more normal trading patterns. Stable quality and predictability of supply from Ukrproduct Group remain the major factors of attraction for emerging retail chains.

Over the years, Ukrproduct Group has paid particular attention to building a *vertically integrated operation* to maintain the stability of sales and profitability, notwithstanding the fluctuations in the operating environment. Our industrial assets are now capable of producing all semi-processed materials required for production of processed cheese and butter; with the launch of the hard-cheese plant we will extend the value-added chain into reprocessing of whey and production of whey powder. Various stages of our value-added process help the Group to remain a balanced dairy producer thus securing the overall stability of business.

Another important aspect of our business is *customer differentiation*. When developing the Group's distribution capability in the years of fast growth, we have always kept in mind various customer segments and distribution channels. Some of these channels, such as independent distributors, have been – and largely remain – reliable partners; their margins are determined by their ability to deliver agreed sales targets with planned margins. Some other channels, such as open-air markets and small shops, have proved more of a challenge from the viewpoint of cost of service and margins. Recognising differences in customer requirements, we have divided our product trademarks among various distribution channels. Such trademarks as “Our Dairyman” and “Kremlin” will only be supplied to the retail distribution channels whereas “People's Product”, “Nash CyrOK” and “Divogray” will be channelled through open-air markets. This division allows the Group to cater to different customer audiences and maintain a cost-effective balance between customer value and profitability.

Our *brand portfolio* is another important facet of our business. We believe our brands preserve our sales base and secure profit margins by ensuring customer recognition and delivering a price premium over comparable products. During times of intense price pressure, our brands such as “Our Dairyman” have maintained volumes and the margins. Two new brands will be introduced with the launch of our own hard cheese production in May this year. These brands will be positioned in the quality segment of the market.

Outlook

Following the events of 2006, the executive team intends to put a renewed emphasis on the development of branded quality products for the medium and high-income consumers. For the first time in the Group's history, our major new initiative – the entry into the hard cheese market – will be specifically intended for high-end customers. In our other core segments, we are following a similar approach and are keen to move products upwards both in terms of customer value and price. Our approach is balanced; we are conscious that dairy products are staple food for the majority of the population, thus any upmarket initiative must be based on the strength and recognition of our core brands. Importantly, the upmarket product segments have very high entry barriers as capital expenditure and quality requirements are substantial. Over recent years, we have conducted a substantial modernisation programme of the Group's plants resulting in a solid asset base. We believe that we are well-positioned to capitalise on the growing taste for quality foods among Ukrainian consumers.

On the basis of our expertise in launching new products and building dairy plants, we are currently working on an expansion programme for the next five years.

2006 was a significant test of the Group's ability to progress in a fast-changing, demanding business environment. Our response to this test gives us confidence for the future.

Iryna Yevets
Chief Executive Officer

24 April 2007

FINANCIAL REVIEW

Results

Sales are reported at £35.1 million compared with £39.9 million for 2005. By segment, processed cheese accounted for 36% of sales or £12.7 million; butter for 33% or £11.6 million and milk powders

for 20% or £7.0 million with the balance made up by third-party products and services. EBITDA for the year was £2.8 million versus £3.5 million (£2.9 million (See Note 2)) in 2005. Profit before taxes (PBT) was £1.2 million compared to £2.3 million (£1.8 million (See Note 2)) with net profit of £1.1 million versus £2.0 million (£1.4 million (See Note 2)) in 2005. Gross profit margin increased from 16.9% in 2005 to 20.7% in the year under review.

Profitability was adversely affected by a significant increase in the depreciation charge. In 2006, this amounted to £1.4 million compared to £0.9 million in 2005 and was a reflection of the substantial increase in the Group's asset base.

Product segments

The following table shows the gross and PBT margins for 2005 and 2006.

Product / Year	Cheese		Butter		Milk powders	
	2006	2005	2006	2005	2006	2005
Gross margin, %	24.1	23.3	24.7	14.8	12.3	11.4
PBT margin, %	5.0	9.6	10.1	3.7	9.2	9.5

The gross margin in cheese improved slightly as a result of the executive decision to preserve profitability by restricting the sales volumes. In butter, the dramatic improvement in margins is mostly attributable to a greater production of the own butter with higher margins. In milk powders, the margins essentially remained stable.

Cash flow and capital expenditure

The net cash flow from operating activities during the year was £3.8 million versus a net outflow of £1.2 million in 2005. This reflected a decrease in trade receivables and inventory; the former reflecting the tighter credit terms and the latter, the reduction in the inventory stored due to the improved availability of semi-processed dairy materials. The underlying cash generation of the Group remained strong thus allowing the Group to carry on with the planned capital expenditure of £4.5 million. The main investments were made at the Starkon plant – the installation of the new SMP dryer - and building works and equipment for the hard-cheese plant.

Bank facilities

The Group has a working capital facility of up to £4.5 million provided by Ukraine OTP bank at interest rates fixed in both Hryvna and US Dollar. Overdraft facilities of up to £0.5 million are also available to the Group from various banks in Ukraine. The facility is renewable in May 2008 and has various clauses protecting the Group from the occurrence of unexpected events. Further funding for working capital needs and project finance, if necessary, is available from either the principal bankers or other banking institutions in Ukraine.

Earnings per share

The basic earnings per share (EPS) in the year were 2.6 pence as compared to 5.0 pence (3.6 pence²) in 2005. The basic EPS has been calculated by dividing net profit attributable to ordinary shareholders by the time-weighted average number of shares in issue throughout the year. The diluted earnings per share were 2.6 pence for the year versus 4.8 pence (3.4 pence²) in 2005.

Dividends

In view of the Group's positive trading performance and strong cash generation, the Board is recommending a final dividend of 0.51 pence per ordinary share for the year ended 31 December 2006 which would lead to 0.61 pence per ordinary share for the full year (2005: 0.85 pence). If approved at the AGM, the final dividend will be paid on 29 June 2007 to shareholders on the register as at 1 June 2007.

Dmitry Dragun
Chief Financial Officer

24 April 2007

Note 2: In brackets are comparable alternate prior year figures adjusted for the foreign exchange gain on translation differences.

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2006 £ '000	Year ended 31 December 2005 (restated) £ '000
Revenue	3	35,053	39,962
Cost of Sales		-27,805	-33,194
Gross profit		7,248	6,768
Other operating income		–	594
Administrative expenses		-2,720	-2,167
Selling and distribution expenses		-2,616	-2,084
Other operating expenses		-477	-563
Profit from operations		1,435	2,548
Finance income		–	41
Finance expense		-237	-244
Profit before taxation		1,198	2,345
Income tax expense		-119	-337
Profit for the year		1,079	2,008
Attributable to:			
Equity holders		1,095	2,003
Minority interest		-16	5
		1,079	2,008
Earnings per share:			
Basic	4	2.6	5.0
Diluted	4	2.6	4.8

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2006 £ '000	As at 31 December 2005 (restated) £ '000
Assets			
Non-Current Assets			
Property, Plant and equipment	4	10,865	9,528
Intangible assets		1,237	1,333
Financial assets		244	97
Deferred tax assets		42	90
Total non-current assets		12,388	11,048
Current assets			
Inventories		2,650	4,523
Trade and other receivables		3,710	4,013
Other financial assets		116	357
Cash and cash equivalents		159	453
Total Current assets		6,635	9,346
Total assets		19,023	20,394
Equity and liabilities			
Equity attributable to equity holders			
Share capital		4,121	4,121
Other reserves		4,181	5,200
Retained earnings		4,141	3,815
Total equity attributable to equity holders of the parent		12,443	13,136
Minority interest		199	246
Total equity		12,642	13,382
Liabilities			
Non-Current Liabilities			
Long-term loans		102	152
Deferred tax liabilities		767	989
Total Non-Current Liabilities		869	1,141
Current Liabilities			
Bank loans and overdrafts		3,146	3,042
Trade and other payables		1,953	2,606
Current portion of long term liabilities		389	67
Current income tax liabilities		24	156
Total Current Liabilities		5,512	5,871
Total equity and liabilities		19,023	20,394

These financial statements were approved and authorised for issue by the Board of Directors on April 20, 2007.

Iryna Yevets, CEO _____

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2006 £ '000	Year ended 31 December 2005 (restated) £ '000
Cash flows from operating activities			
Net profit before taxation		1,198	2,345
Adjustments for:			
Exchange difference		20	-594
Depreciation and amortisation		1,359	892
Loss on disposal of non-current assets		16	-
Interest expense		237	244
Interest income		-	-41
Share based payments		19	76
(Increase) / decrease in inventories		1,396	-1,507
(Increase) / decrease in trade and other receivables		159	-1,026
(Decrease) in trade and other payables		-577	-990
Cash (used by)/generated from operations		3,827	-601
Interest paid		-237	-244
Interest received		-	41
Income tax paid/(refunded)		259	-384
Net cash (used in)/generated by operating activities		3,849	-1,188
Cash flows from investing activities			
Payments for property, plant and equipment		-4,551	-3,480
Payments for investments (net of cash acquired)		-169	-1 283
Proceeds from sale of property, plant and equipment		35	-
Proceeds from sale of investments		-	-
Net cash used in investing activities		-4,685	-4,763
Cash flows from financing activities			
Net proceeds/(repayments) from long term borrowing		-34	-99
Proceeds / (repayments) from issue of bonds		357	-964
Proceeds from issue of shares		-	5,158
Cash paid on liquidation of Ukrproduct Group plc		-	-12
Dividends paid	5	-247	-148
Net proceeds from short term borrowing		511	1,656
Loans repaid (issued)		25	197
Net cash generated by/(used in) financing activities		612	5,788
Net increase/(decrease) in cash and cash equivalents		-224	-163
Effect of exchange rate changes and restatements on cash and cash equivalents		-70	316
Cash and cash equivalents at the beginning of the year		453	300
Cash and cash equivalents at the end of the year		159	453

1. Change in accounting estimate

Effective from 1 January 2006, the Group changed the accounting estimate of intra-group loans. In the previously reported periods, such loans gave rise to the currency exchange differences that were recorded in the Income Statement. From 1 January 2006, intra-group loans are accounted for as investments in the Ukrainian subsidiaries and reflected in equity reserves. Had the estimate been changed on 1 January 2005, the net income for year 2005 would have been £1,438,000. The impact on the current year 2006 was an exchange loss of £283,000.

2. Prior year adjustment

In November 2005, the Group acquired Letichiv and Jhmerinka plants. IFRS 3 requires the Purchase Price Allocation (PPA) exercise to be performed within 12 months from the date of acquisition. Such exercise was performed by an independent valuer Uvecon within the period of twelve months from the date of acquisition. The corresponding Adjustment to reflect the effects of the PPA exercise on Balance Sheet as at 31 December 2005 was made in the accounts. There was no effect of the prior year adjustment on Income Statement and Cash Flow Statement.

	2005 (as previously reported) £ '000	Adjustment £ '000	2005 (restated) £ '000
Assets			
Non-Current Assets			
Property, Plant and equipment	9,034	494	9,528
Intangible assets	1,551	-218	1,333
Investments	97		97
Deferred tax assets	90		90
Total non-current assets	10,772		11,048
Current assets			
Inventories	4,523		4,523
Trade and other receivables	4,068	-56	4,012
Other Financial Assets	358		358
Cash and cash at bank	453		453
Total Current assets	9,402		9,346
Total assets	20,174		20,394
Equity capital and reserves attributable to equity holders			
Share capital	4,121		4,121
Other reserves	5,192	8	5,200
Retained earnings	3,815	-	3,815
Minority interest	186	60	246
Total equity	13,314		13,382
Liabilities			
Non-Current Liabilities			
Long-term loans	152		152
Deferred tax liabilities	837	152	989
Total Non-Current Liabilities	989		1,141
Current Liabilities			
Bank loans and overdrafts	3,042		3,042
Trade and other payable	2,606		2,606
Current portion of long term liabilities	67		67
Current income tax liabilities	156		156
Total Current Liabilities	5,871		5,871
Total equity and liabilities	20,174		20,394

3. Segment information

At 31 December 2006, the Group was organised on a worldwide basis into three main business segments:

- (1) Cheese;
- (2) Butter; and
- (3) Milk powders

The segment results for the year ended 31 December 2006 are as follows:

£ '000	Cheese	Butter	Milk powders	Total dairy	Services	Other	Un- allocat ed	Total
Sales, Total	33,399	40,206	16,572	90,177	3,625	6,196	–	99,998
Sales to internal customers	20,655	28,550	9,536	58,741	2,734	3,470	–	64,945
Sales to external customers	12,744	11,656	7,036	31,436	891	2,726	–	35,053
Gross profit	3,075	2,878	866	6,819	171	258	–	7,248
Administrative expenses	-1,088	-796	-189	-2,073	-40	–	-607	-2,720
Selling and distribution expenses	-1,347	-909	-32	-2,288	-45	–	-283	-2,616
Other operating income / expenses	–	–	–	–	–	–	-457	-457
Income / loss from exchange differences	–	–	–	–	–	–	-20	-20
Profit before interest and taxation	640	1,173	645	2,458	86	258	-1,367	1,435
Interest expenses	–	–	–	–	–	–	-237	-237
Interest income	–	–	–	–	–	–	–	–
Profit before taxation	640	1,173	645	2,458	86	258	-1,604	1,198
Taxation	–	–	–	–	–	–	-119	-119
Profit after taxation	640	1,173	645	2,458	86	258	-1,723	1,079
Segment assets	9,237	4,627	2,549	16,413	198	807	–	17,418
Unallocated corporate assets	–	–	–	–	–	–	1,563	1,563
Unallocated deferred tax	–	–	–	–	–	–	42	42
Consolidated total assets	9,237	4,627	2,549	16,413	198	807	1,604	19,023
Segment Liabilities	584	565	208	1,357	57	349	–	1,763
Unallocated corporate liabilities	–	–	–	–	–	–	3,851	3,851
Unallocated deferred tax	–	–	–	–	–	–	767	767
Consolidated total liabilities	584	565	208	1,357	57	349	4,618	6,381
Other segment information:								
Depreciation	775	351	131	1,257	34	–	68	1,359
Capital expenditure	2,259	480	1,293	4,032	36	–	28	4,096

The basis of pricing of the inter-segment transfers is the current market price at which the goods could be bought on the spot market externally but not lower than the full production costs plus the accompanying transport expenses.

4. Earnings per share

Basic earnings per share has been calculated by dividing net profit attributable to the ordinary shareholders (profit for the year) by the weighted average number of shares in issue. The diluted earnings per share take

into account the potential exercise of all options and warrants in existence and in the money at the date of this report. The options were granted to the Directors of the Company on 31 January, 2005 and are exercisable until 11 February 2009 at the price of £0.57. The warrants were granted to the Company's Brokers on 31 January 2005 and are exercisable until 31 January 2008 at the price of £ 0.535.

	31 December 2006	31 December 2005
Net profit attributable to ordinary shareholders, £'000	1,095	2,003
Weighted number of ordinary shares in issue	41,214,953	39,924,465
Basic earnings per share, pence	2.6	5.0
Weighted number of WH Ireland warrants in the money	–	1,152,974
Weighted number of Directors' option shares in the money	–	807,082
Diluted average number of shares	41,214,953	41,884,521
Diluted earnings per share, pence	2.6	4.8

Although no potentially dilutive instruments existed at 31 December 2006, the company has 1,302,896 share warrants issued to the nominated broker WH Ireland exercisable until 11 February 2008 at a price 53.5 pence and 912,028 share options issued to the Directors exercisable until 11 February 2009 at a price 57 pence.

5. Dividends

As at 20 April 2007, the Board of Directors proposed the final dividend payment of 0.51 pence per ordinary share for the year ended 31 December 2006 which would lead to 0.61 pence per ordinary share for the full year. If approved at the AGM, the final dividend will be paid on 29 June 2007 to the shareholders on the register as at 1 June 2007. No tax consequences for the Group will arise out of this transaction as the Group's parent company is an entity registered under the Jersey laws.

£ '000	Year ended 31 December 2006	Year ended 31 December 2005
Final dividend for 2005 of 0.50 pence (2004 – nil) per ordinary share proposed and paid during the year relating to the previous year's results	206	–
Interim dividend of 0.10 pence (2005 – 0.35 pence) per ordinary share paid during the year	41	148
Total	247	148

The directors are proposing a final dividend of 0.51 pence (2005 – 0.50 pence) per share totalling £210,000 (2005: £206,000). This dividend has not been accrued at the balance sheet date.

END

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