

Dee Valley Group plc

Interim Results For The Half Year Ended 30 September 2006

Financial Highlights	2006 (26 weeks) £000	2005 (26 weeks) £000
Turnover	9,329	9,139
Pre-tax profit	2,905	2,740
Earnings per share	43.5p	42.2p
Recommended interim dividend per ordinary share	16.0p	15.4p

Chairman's Statement

The Group has made a solid start to the year, with profit before depreciation and finance costs for the first six months increasing by 1.9% compared to the corresponding period last year, on a turnover growth of 2.1%. Profit before tax increased by 6.0% whilst earnings per share increased by 3.1%.

Operating costs in the Water Company increased by £174,000 in the half year, the majority of which can be attributed to the increased cost of power.

Investment expenditure for the half-year doubled to £4.5 million compared to the same period last year, reflecting the progress achieved on the Boughton treatment works refurbishment project. The first section of these works is on target to be operational in the spring of 2007.

Despite experiencing very high demand for water during the early summer, the Water Company was able to maintain supplies to customers without restrictions for the seventeenth year in succession.

The Board announces an interim dividend of 16.0 pence per ordinary share (2005 – 15.4 pence per ordinary share). The increase of 3.9% is in line with the Group's policy of at least maintaining the level of dividends in real terms until 2010.

Despite additional finance costs of approximately £900,000 arising from higher loan indexation and interest charges in the second half-year, the Board expects full-year profit before tax to be in line with market expectations.

Graham Scott
Chairman
1 December 2006

Group Income Statement Unaudited
26 weeks ended 30 September 2006

	Notes	2006 (26 weeks) £000	2005 (26 weeks) £000	Year to 31.03.06 £000
Revenue – continuing operations		9,329	9,139	18,317
Other income		807	723	1,426
Work performed by the Group and capitalised		467	212	1,126
Raw materials and consumables used		(232)	(220)	(483)
Employee benefits expense		(2,595)	(2,703)	(5,069)
Other expenses		(2,539)	(2,014)	(5,021)
Profit before depreciation and finance costs		5,237	5,137	10,296
Depreciation		(1,501)	(1,408)	(2,949)
Finance costs		(831)	(989)	(2,288)
Profit before tax		2,905	2,740	5,059
Income tax expense	7	(888)	(787)	(1,520)
Profit for the period				
Continuing operations		2,017	1,909	3,460
Discontinued operations		-	44	79
	5	2,017	1,953	3,539
Basic earnings per ordinary share	8	43.5p	42.2p	76.4p

**Group Statement of Recognised Income
and Expense Unaudited**
26 weeks ended 30 September 2006

	2006 (26 weeks) £000	2005 (26 weeks) £000	Year to 31.03.06 £000
Actuarial gain (net of deferred tax) on defined benefit pension scheme	391	51	465
Net income recognised directly in equity	391	51	465
Profit for the financial period	2,017	1,953	3,539
Total recognised income and expense for the period	2,408	2,004	4,004

Group Balance Sheet Unaudited

	Notes	30 September 2006 £000	30 September 2005 £000	31 March 2006 £000
ASSETS				
Non-current assets				
Goodwill		8,315	8,315	8,315
Property, plant and equipment		66,265	62,336	63,854
Investments		2	2	2
		<hr/> 74,582	<hr/> 70,653	<hr/> 72,171
Current assets				
Inventories		156	174	114
Trade receivables		3,864	4,222	2,074
Other receivables		818	1,683	223
Cash and cash equivalents	3	6,333	5,415	5,142
		<hr/> 11,171	<hr/> 11,494	<hr/> 7,553
Total assets		<hr/> 85,753	<hr/> 82,147	<hr/> 79,724
LIABILITIES				
Current liabilities				
Trade and other payables		13,494	13,046	9,471
Borrowings	3	1,250	-	-
Current tax liabilities		276	494	944
		<hr/> 15,020	<hr/> 13,540	<hr/> 10,415
Non-current liabilities				
Borrowings	3	39,136	38,228	38,894
Deferred tax		13,538	13,536	12,763
Retirement benefit obligations		1,501	2,534	2,057
		<hr/> 54,175	<hr/> 54,298	<hr/> 53,714
Total liabilities		<hr/> 69,195	<hr/> 67,838	<hr/> 64,129
Net assets		<hr/> 16,558	<hr/> 14,309	<hr/> 15,595
EQUITY				
Share capital		232	232	232
Fair value and other reserves		8,004	7,755	7,919
Retained earnings		8,322	6,322	7,444
Total equity	4	<hr/> 16,558	<hr/> 14,309	<hr/> 15,595

Group Cash Flow Statement Unaudited
26 weeks ended 30 September 2006

	Notes	2006 (26 weeks) £000	2005 (26 weeks) £000	Year to 31.03.06 £000
Profit before tax		2,905	2,740	5,059
Adjustments for:				
Depreciation		1,501	1,408	2,949
Loss on disposal of assets		-	-	522
Finance costs		831	989	2,288
		5,237	5,137	10,818
(Increase)/decrease in inventories		(42)	(1)	59
(Increase)/decrease in trade and other receivables		(2,361)	(3,217)	99
Increase/(decrease) in trade and other payables		4,093	2,982	(1,412)
Cash generated from operations		6,927	4,901	9,564
Interest paid		(709)	(756)	(1,535)
Tax paid		(946)	(385)	(613)
Net cash from operating activities		5,272	3,760	7,416
Cash flows from investing activities				
Purchase of property, plant and equipment		(3,944)	(1,970)	(5,185)
Proceeds from sale of plant and equipment		-	-	15
Interest received		107	113	261
Net cash used in investing activities		(3,837)	(1,857)	(4,909)
Cash flows from financing activities				
Proceeds from short-term borrowings		1,250	-	-
Repayment of B shares		(49)	(29)	(192)
Equity dividends paid		(1,445)	(1,389)	(2,103)
Net cash used in financing activities		(244)	(1,418)	(2,295)
Net increase in cash and cash equivalents		1,191	485	212
Cash and cash equivalents at beginning of period	2	5,142	4,930	4,930
Cash and cash equivalents at end of period	2	6,333	5,415	5,142

Notes to the Accounts

1. Accounting Policies – Basis of Preparation

This Interim Report for the period ended 30 September 2006 uses accounting policies consistent with those adopted in the 2006 Annual Report. This Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

Statutory consolidated financial statements for the Group for the year ended 31 March 2006, on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

2. Cash and cash equivalents

	2006	2005	Year to 31.03.06
Notes	£000	£000	£000
Cash in hand and balances with banks	(68)	(435)	(111)
Short term investments	6,401	5,850	5,253
	<u>6,333</u>	<u>5,415</u>	<u>5,142</u>

3. Analysis of changes in net debt

	At 1 April 2006	Cash Flow	Loan Indexation	At 30 September 2006
	£000	£000	£000	£000
Cash and cash equivalents	5,142	1,191	-	6,333
Short-term borrowings	-	(1,250)	-	(1,250)
Long-term borrowings	(38,894)	-	(242)	(39,136)
	<u>(33,752)</u>	<u>(59)</u>	<u>(242)</u>	<u>(34,053)</u>

4. Statement of changes in equity

	2006	2005	Year to 31.03.06
	£000	£000	£000
At beginning of period	15,595	13,694	13,694
Profit for the financial period	2,017	1,953	3,539
Actuarial gain (net of deferred tax) on defined benefit pension scheme	391	51	465
Dividends paid	(1,445)	(1,389)	(2,103)
At end of period	<u>16,558</u>	<u>14,309</u>	<u>15,595</u>

5. Discontinued operations

	2006	2005	Year to 31.03.06
	£000	£000	£000
Revenue	-	-	-
Operating costs	-	63	84
Profit before tax	-	63	84
Taxation	-	(19)	(5)
Profit after tax	<u>-</u>	<u>44</u>	<u>79</u>

6. **Dividends**

	2006	2005	2006	2005
	Pence per share	Pence per share	£000	£000
Amounts recognised as distributions to equity holders in the period:				
Final dividend for the year	31.2p	30.0p	1,445	1,389
Interim dividend for the half year	16.0p	15.4p	741	713

The interim dividend was approved by the Board on 1 December 2006 but was not included as a liability as at 30 September 2006, in accordance with IAS10 'Events after the balance sheet date'.

The interim dividend is payable on 9 January 2007 to shareholders on the register at the close of business on 15 December 2006.

7. The charge for corporation tax is an estimate based on the anticipated effective rate of tax for the year to 31 March 2007.

8. Earnings per ordinary share have been calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The profit attributable to ordinary shareholders for the half year ended 30 September 2006 was £2,017,000 (half year ended 30 September 2005 - £1,953,000).

The number of ordinary shares used in the calculation of earnings per share in 2006 and 2005 was 4,632,170.

9. This Report is being sent to all shareholders and is available to the public at the Company's Registered Office – Packsaddle, Wrexham Road, Rhostyllen, Wrexham LL14 4EH.
The Report will also be available on the Company's website: www.deevalleygroup.com

Enquiries:

Bryn Bellis (Managing Director)
David Guest (Finance Director)

Telephone:

01978 846946

