DEE VALLEY GROUP plc

Announcement of Unaudited Preliminary Results
Year Ended 31 March 2008

HIGHLIGHTS

	2008	**Restated 2007**
CONTINUING OPERATIONS		
Revenue (£000)	19,013	18,613
Profit before depreciation and finance costs (£000)	9,992	9,870
Profit before tax (£000)	3,958	4,437
Profit after tax (£000)	3,774	3,146
Basic earnings per ordinary share (pence)	81.5	67.9
Total dividend per ordinary share (pence)	52.7	48.7

Comparative figures have been restated for a change in accounting policy on the recognition of measured revenue (note 6).

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CHAIRMAN'S STATEMENT

In the year ended 31 March 2008, revenue from continuing operations increased by 2.1% to £19.0 million, which was less than the average increase in charges of 4.1% allowed by the water industry regulator, Ofwat. This difference can be attributed to a combination of a higher number of unmeasured household customers switching to metered billing and a downturn in demand compared to the previous year, which was partly due to the wetter summer months of 2007.

Profit before depreciation and finance costs increased by 1.2% to £10.0 million aided by a reduction in wholesale power costs and lower demand for water. However, this was offset by losses on disposal of assets at Boughton treatment works together with the costs of the application for an interim determination of the "K" factor (see below) and of the forthcoming Periodic Review.

Profit before tax reduced by 10.8% to £4.0 million primarily as a result of increased loan indexation charges and an increase in depreciation of £278,000. Of this depreciation, almost 85% related to expenditure at Boughton, as described below. Earnings per share increased by 19.8% to 81.6p, reflecting the lower deferred tax charge in the year arising from the reduction in the rate of corporation tax from April 2008.

Total capital expenditure during the year amounted to £8.9 million, of which the extensive modernisation of the Boughton treatment works accounted for £5.4 million. This major project has now been substantially completed and is producing excellent water quality with improved reliability and capacity.

The substantial completion of the work at Boughton has resolved that potentially significant financial risk which was facing the Group and has allowed the Board to return to its progressive dividend policy. Accordingly, subject to approval at the Annual General Meeting, it is proposed to pay a final dividend for the year of 35.8 pence per ordinary share, making a total dividend for the year of 52.7 pence per ordinary share, an increase of 8.2%. The final dividend will be paid on 1 August 2008 to shareholders on the register at close of business on 4 July 2008.

During the year, an application was made to Ofwat for an increase in charges for the remaining two years of the current five-year regulatory period. The application was in respect of increases in costs outside the control of the Water Company. In December 2007, the Regulator determined that charges would be allowed to increase above those allowed at the Periodic Review in 2004 as follows:

	2008/09	**2009/10**
Original Determination of K	0.6%	-0.7%
Revised Determination of K	5.0%	1.3%

In December 2007, the Water Company published its "Strategic Direction Statement", a 25-year plan to provide a reliable supply of safe drinking water at an affordable price to customers. A copy is available on the Group's website: www.deevalleygroup.com. During the development of this plan, consultations were undertaken with a wide range of stakeholders.

Work has now commenced on the next Periodic Review, which will determine the maximum prices that the Company can charge over the five-year period commencing April 2010. This work will entail the submission of a draft business plan in August followed by a final business plan in April 2009.

During the year Dee Valley Water maintained levels of service to customers at the high levels achieved in the previous year. Once again water was supplied without restrictions and leakage levels were further reduced. These achievements would not have been possible without the hard work and dedication of our employees to whom my thanks go once again.

Graham Scott
Chairman

Operating and Financial Review

The Group's operating company is Dee Valley Water plc ("DVW"), a licensed water company operating within an area of 831 square kilometres in North East Wales and Cheshire. It supplies potable and non-potable water to 107,000 households and 8,300 commercial, industrial and business customers.

The main source of water is the River Dee, which provides 81% of the raw water abstracted with a further 14% from a network of eight impounding reservoirs and the remaining 5% from underground sources.

DVW is a water-only company and as such does not supply sewerage services, although it does bill customers for these services on behalf of the providers.

Water is treated to the very high standards stipulated at six water treatment works and is distributed through a network of almost 2,000 kilometres of pipes, varying in size from 800 millimetres down to 65 millimetres in diameter. The age of the pipe network reflects the historic roots of the Company, with some pipes laid in the 1860s still in use today.

As a monopoly water supplier within its area, DVW is subject to strict financial, quality and environmental controls through three systems of regulation. Ofwat regulates the financial side of the business as well as ensuring that the performance of the Company, both in terms of the levels of service provided to customers and agreed outputs, is achieved. The Drinking Water Inspectorate regulates the quality of water supplied, whilst the Environment Agency controls the interface with the environment, ensuring in particular that abstractions and discharges to and from water bodies are within licensed limits.

Financial regulation undertaken by Ofwat is achieved by a system of quinquennial periodic reviews of investment and operating requirements, from which it sets the maximum annual charges for water services for the following five years. Maximum charges are set by the Regulator on the basis that they are sufficient for an efficiently run company to adequately remunerate its investors.

When setting charges, the Regulator has to make certain assumptions about cost demands that are outside the control of the Water Company. Where these assumptions are subsequently proved by events to be incorrect, and where the effect is sufficiently material, the Company can ask the Regulator to revisit the charges set at any time within the quinquennium. This is known as an Interim Determination of K or "IDoK".

During the year, DVW applied to Ofwat for an IDoK based on cost increases that were outside its direct control. These increases were as a result of:

- a greater number of unmeasured customers switching to measured charging than originally assumed;
- higher levels of bad and doubtful debts;
- higher charges levied by the Environment Agency for abstraction of water; and
- additional costs of security.

After due consideration of the Company's application, Ofwat subsequently changed the level of charges that the company is allowed to set for the two remaining charging years of the current quinquennium. The original and revised annual increases ("Ks") are applied annually in addition to the increase in the Retail Prices Index.

Year	2005-06	2006-07	2007-08	2008-09	2009-10
Original K (%)	5.7	-1.4	0.2	0.6	-0.7
Revised K (%)	5.7	-1.4	0.2	5.0	1.3

OPERATIONAL PERFORMANCE

Key performance indicators measuring the operational performance of DVW are those specified by Ofwat and comprise the following:

- Number of properties suffering low water pressure
- Number of properties affected by unplanned and prolonged interruptions to supply
- Number of properties affected by water restrictions
- Speed of response to billing contacts
- Speed of response to written complaints
- Meter reading performance
- Quality of response to telephone contacts
- Drinking water quality
- Environmental impact (pollution incidents)
- Leakage

Although measured and monitored separately, each of the above indicators is weighted and combined by Ofwat to give an Overall Performance Assessment (OPA) score. The OPA score for the year ended 31 March 2007 was 281 out of a possible maximum of 288. For the year ended 31 March 2008 the OPA score is expected to match that achieved in the previous year.

In addition to the above, DVW produces a number of departmental performance indicators associated with the quality of customer service, health and safety issues, water resource prospects and performance of the asset base.

CAPITAL INVESTMENT

Over the five-year period commencing April 2005, Dee Valley Water is planning capital expenditure of approximately £28 million, the majority of which is associated with the maintenance of and extension to the current asset base.

The largest single project is an investment of £13.6 million on the modernisation and refurbishment of the Boughton treatment works. This works supplies potable water to households and businesses in and around the city of Chester.

The investment at Boughton has entailed the complete replacement of filtration plant with modern, automated filters and the upgrading of other parts of the works to modern standards. Substantial completion of the works has now been achieved and the new plant is producing a higher quality of water and has substantially more capacity than the old filtration works.

In addition to the above, a total of 10.8 kilometres of water mains have been replaced in order to maintain the serviceability of the network, 2,419 water meters have been installed at the request of customers and 1,000 new households have been connected to the network.

FINANCIAL REVIEW

During the year, revenue from continuing operations increased by 2.1% to £19.0 million. Charges for the year were increased by 4.1%, being inflation of 3.9% plus a K factor of 0.2%. Revenue was lower than expected owing to a combination of a higher number of meter optants and a reduction in measured consumption averaging 6.8% per property.

Profit before depreciation and finance costs increased by £122,000 (1.2%). Operating cost savings of £290,000, of which 73% related to electricity, were offset by cost increases of £683,000. These mainly comprised wages and salaries, loss on disposal of assets and costs associated with the Interim Determination of K and the 2009 Periodic Review, which amounted to over £200,000 in the year. The above three factors comprised 96% of the increase in operating costs.

Despite the increase in profit before depreciation and finance costs, profit before tax declined by 10.8% to £3,958,000 as a result of higher depreciation and finance costs. Of the increase in depreciation of £278,000, £231,000 related to the new works at Boughton. Net finance costs increased by £323,000 (12.7%), over 80% of which arose on loan indexation following the increase in the Retail Prices Index over the relevant period.

The overall tax charge for the year is at a low rate of 4.6% compared to 29.1% in 2007. Although the current tax charge is similar to the previous year, the deferred tax charge shows a substantial reduction. In particular, the temporary differences due to accelerated capital allowances have been adjusted to reflect the decrease in the corporation tax rate from 30% to 28% with effect from 1 April 2008. In addition, the deferred tax charge has been adjusted to reflect the change in accounting policy on measured revenue accruals.

The reduction in profit before tax is more than offset by the lower tax charge, leading to an increase of 19.8% in earnings per share.

Cash and cash equivalents (as defined for cash flow purposes) declined by £1.8 million in the year, although this represented a cash flow improvement of almost £1.0 million on the corresponding figure for 2007. The major factors in the improvement were lower capital expenditure (£1.2 million) and lower tax paid (£0.9 million – see above), offset by a lower increase in working capital of £1.1 million.

The financing of capital expenditure is through retained earnings and drawings under the revolving credit facility. This facility of £9 million is committed until 2010 and the drawdown period can be as low as 14 days, giving the Group the ability to maximise the use of internal cash flows to finance capital expenditure. DVW's capital expenditure is expected to reduce significantly in 2009 and 2010, and it is therefore anticipated that the majority of the additional borrowings will be repaid by 2010.

The majority of the Group's borrowings are at a fixed rate, although there is some exposure to the Retail Prices Index as a result of the index-linked nature of the long-term borrowings. The interest rate on drawings under the revolving credit facility is fixed at the time of drawdown. It is anticipated that the Group will have surplus cash at certain times during 2008/09, which will be invested at around base rate, thereby partly mitigating the interest exposure on the drawdown under the revolving credit facility.

The Group's treasury policy is to finance its operations by a combination of retained profits and long and short-term borrowings. Despite the high level of capital expenditure during the year, the Group was able to utilise its internal cash flow as the primary source of financing, with drawdowns under the revolving credit facility limited to those necessary to meet the covenants on the index-linked long-term borrowings.

The Group's capital structure was established in 2002 following a Scheme of Arrangement and return of funds to shareholders. Prior to 2002, the Group had been ungeared for a number of years. In setting price limits in 1999, Ofwat assumed a level of gearing higher that that of DVW, to its relative disadvantage. At the 2004 Price Review, Ofwat assumed a gearing level of 55% debt and 45% equity, and DVW's gearing exceeded this figure. In addition, the index-linked nature of the loan was beneficial to DVW in that, at the last Price Review, Ofwat assumed that all interest was paid as incurred rather than being deferred and added to the loan. In view of the stable and predictable nature of DVW's cash flows, the Board considers that a high level of gearing is both appropriate and financially efficient.

Other than the accrual of measured revenue, there has been no change in accounting policies during the year. In respect of the carrying value of long-life assets, the Directors continue to believe that the asset lives are appropriate and similar to those adopted by comparator companies.

The assumptions underlying the calculation of the liabilities of the Deferred Benefit Pension Scheme represent the current central estimates recommended by the Group's actuarial advisors.

Covenants and Key Performance Indicators (KPIs)

There are three main financial covenants relating to the index-linked loan. These are:

Regulatory Asset Ratio
The balance outstanding on borrowings, less cash balances, divided by DVW's Regulatory Capital Value as published by Ofwat. This covenant has a maximum operating level of 86%.

Cash-Based Interest Cover Ratio
Operating cash flow divided by interest paid. This ratio has a minimum level of 1.5.

Operating Account Reserve
Cash and overdraft facilities less assessed working capital requirement based on turnover. The minimum level is 0.

Of the three measures above, the Regulatory Asset Ratio is considered to be a key performance indicator. At 31 March 2008, the Regulatory Asset Ratio stood at 76.9% and was calculated as follows:

	£000
Non-current borrowings (note 5)	41,700
Current borrowings under revolving credit facility (note 5)	6,000
Less interest payable on non-current borrowings	
in next 6 months	(762)
Net indebtedness for covenant purposes	46,938
Divided by:	
Regulated Capital Value of DVW in 07/08 prices	
- as published by Ofwat in April 2008	61,019

The most recent report to the lender, dated 31 March 2008 and covering the period up to 31 March 2010, showed no actual or potential breach of any of the above three financial covenants.

The Group's financial models include a high inflation scenario. As RPI increases, the additional indexation is added to the loan and charged to the Group Income Statement. However, since the Regulatory Capital Value also increases by the same index, the Regulatory Asset Ratio is not significantly affected. If inflation increases, the additional indexation charged to the Group Income Statement tends to reduce the earnings per share and dividend cover. The Group has set its dividend policy cognisant of this risk.

Management also utilises other financial KPIs such as:

Operating costs v. budget

Net cash flow v. budget

Capital expenditure v. budget

Historic trends in debtor days and debt segments

RISKS

The risks inherent in the operation of the Water Company are well understood and control measures have been developed and are in place to mitigate them. The major area of concern is that associated with the changing environment in which the Company operates, in particular the potential risks associated with extreme climatic events such as major flooding. The Company's resilience to such major events is currently being reviewed.

Risks are reviewed annually and presented to the Board using a traffic light system. These annual reviews are used to address newly-identified and assessed risks where they are deemed to be unacceptable.

Financial risks are described in more detail in the section above.

ENVIRONMENT

DVW's aim is to reduce, as far as possible, the negative effects of its operations on the environment. Water abstraction from rivers is kept to a minimum by ensuring that leakage levels are maintained at the lowest economic level. Leakage targets are currently being reviewed, taking account of both social and carbon costs.

DVW is constantly reviewing its ability to re-use material that would otherwise have been taken to landfill. Agreements are already in place with local authorities for the on site treatment and reuse of excavated material. Recycleable material is now being segregated from normal waste with a consequent reduction in disposal costs.

The treatment and distribution of water requires significant power. The Company aims to minimise energy use by ensuring that equipment is maintained at high levels of efficiency.

In conjunction with the Environment Agency, work continues on assessing the impact of raw water abstractions on the natural habitats of species native to the River Dee. The likely conclusion is that the Company's abstractions have no significant effect.

RELATIONSHIPS

Customers

As a small, locally based water supplier, DVW's relationship with customers is key to its overall performance and sets it apart from larger suppliers.

DVW aims to provide a personal service in all aspects of its dealings with customers, ensuring that all complaints are dealt with in a fair and prompt manner. Customers telephoning the Company are offered direct contact with knowledgeable employees and timed appointments are also made available when there is a need to visit their premises. This applies throughout the customer base from large industrial to single household customers.

During the year 344 written customer complaints were received, representing 2.86 complaints per 1,000 properties (2007 - 2.25). The industry average is 8.03 complaints per 1,000 properties. The increase in the number of complaints cannot be ascribed to any particular issue although the number of complaints from measured customers increased in line with the increasing number of measured households.

The Consumer Council for Water (Wales) audits the quality of responses to written complaints. During the year, 96% of responses were rated as "good" and 4% were rated as "acceptable". This result is a significant improvement on the previous year's performance, when 87% of responses were rated as "good".

Employees

DVW has well-developed policies covering all aspects of its relationship with employees. The aim is to be able to recruit and retain employees with a broad range of skills, experience and background and to provide them with opportunities to enhance and develop their skills by training, so equipping them with the tools required to be successful in their roles within the Company.

DVW monitors, measures and investigates all accidents in the workplace and these are discussed with employee representatives at quarterly meetings of the Health and Safety Committee. They are also discussed at monthly management meetings attended by directors.

Employees' attendance at work is monitored continually as a measure of general health, morale and motivation.

The number of reportable accidents during the year reduced from 9 to 3, and the associated lost time decreased from 228 to 47 days.

Employee absences owing to ill health amounted to 2.3% of available working days compared to 4.2% in the previous year. Procedures for dealing with absence resulting from ill health have recently been reviewed and updated.

Regulatory

DVW has developed a good relationship with the industry regulators. It also works closely with local authorities on matters such as planning and highways.

Suppliers

The majority of specialist water industry materials are purchased through a consortium with other water utilities, which affords DVW and other members of the consortium both additional purchasing power and a sharing of the cost of administration. In general relationships with suppliers remain very good.

GROUP INCOME STATEMENT
for the year ended 31 March 2008

	2008 £000	Restated 2007 £000
CONTINUING OPERATIONS		
Revenue	19,013	18,613
Other income	1,669	1,554
Raw materials and consumables used	(536)	(517)
Employee benefits expense	(3,978)	(3,873)
Other operating costs	(6,176)	(5,907)
Profit before depreciation and finance costs	**9,992**	**9,870**
Depreciation	(3,165)	(2,887)
Finance income	2,531	2,352
Finance costs	(5,400)	(4,898)
Profit before tax	**3,958**	**4,437**
Taxation	(184)	(1,291)
Profit for the period on continuing operations	**3,774**	**3,146**
Profit for the period on discontinued operations	8	7
Profit for the period	**3,782**	**3,153**
Basic and diluted earnings per ordinary share:		
Continuing operations	81.5p	67.9p
Discontinued operations	0.1p	0.2p
Total	**81.6p**	**68.1p**
Dividends:		
Interim paid	16.9p	16.0p
Final proposed	35.8p	32.7p
Total	**52.7p**	**48.7p**

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 31 March 2008

	2008 £000	Restated 2007 £000
Actuarial gain on defined benefit pension scheme	2,496	1,980
Deferred tax on actuarial gain	(699)	(594)
Net income recognised directly in equity	1,797	1,386
Profit for the period	3,782	3,153
Total recognised income and expense for the period	**5,579**	**4,539**
Impact of restatement of measured income accrual (note 6)	698	-

GROUP BALANCE SHEET
as at 31 March 2008

	Group 2008 £000	Restated Group 2007 £000	Company 2008 £000	Company 2007 £000
ASSETS				
Non-Current Assets				
Goodwill	5,381	5,381	-	-
Property, plant and equipment	74,531	70,026	-	-
Retirement benefit surplus	2,471	-	-	-
Investments	2	2	32,365	32,365
	82,385	75,409	32,365	32,365
Current Assets				
Inventories – raw materials and consumables	136	143	-	-
Trade receivables	2,277	1,860	-	-
Other receivables	1,480	1,319	2,333	2,707
Cash and cash equivalents	6,771	4,967	-	-
	10,664	8,289	2,333	2,707
TOTAL ASSETS	**93,049**	**83,698**	**34,698**	**35,072**
LIABILITIES				
Current Liabilities				
Borrowings	8,244	4,950	2,093	2,377
Trade and other payables	8,914	8,156	-	-
Current tax liabilities	38	63	-	-
	17,196	13,169	2,093	2,377
Non-Current Liabilities				
Borrowings	41,700	40,166	-	-
Deferred tax	15,278	14,638	-	-
Retirement benefit obligations	-	130	-	-
	56,978	54,934	-	-
TOTAL LIABILITIES	**74,174**	**68,103**	**2,093**	**2,377**
NET ASSETS	**18,875**	**15,595**	**32,605**	**32,695**
EQUITY				
Share capital	232	232	232	232
Other reserves	5,500	5,215	29,873	29,588
Retained earnings	13,143	10,148	2,500	2,875
TOTAL EQUITY	**18,875**	**15,595**	**32,605**	**32,695**

GROUP CASH FLOW STATEMENT
for the year ended 31 March 2008

	2008 £000	Restated 2007 £000
Cash flows from operating activities		
Profit before taxation	3,970	4,447
Adjustments for:		
Depreciation	3,165	2,887
Loss on disposal of assets	309	146
Net finance costs	2,869	2,546
	10,313	10,026
Decrease/(increase) in inventories	7	(29)
(Increase) in trade & other receivables	(560)	(52)
Increase in trade & other payables	758	1,292
Increase in retirement benefit obligations	125	212
Cash generated from operations	10,643	11,449
Interest paid	(1,704)	(1,624)
Tax paid	(290)	(1,143)
Net cash from operating activities	8,649	8,682
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,985)	(9,220)
Proceeds from sale of plant and equipment	6	15
Interest received	139	191
Net cash used in investing activities	(7,840)	(9,014)
Cash flows from financing activities		
Repayment of B shares	(285)	(230)
Equity dividends paid	(2,299)	(2,186)
Net cash used in financing activities	(2,584)	(2,416)
Net (decrease) in cash and cash equivalents	(1,775)	(2,748)
Cash and cash equivalents at beginning of period	2,394	5,142
Cash and cash equivalents at end of period	**619**	**2,394**

Cash and cash equivalents comprise:

Demand deposits	6,689	4,860
Cash at bank and in hand	82	107
Drawings under revolving credit facility	(6,000)	(2,500)
Bank overdrafts	(152)	(73)
	619	**2,394**

Reconciliation of Movements in Capital and Reserves

	Share Capital £000	Capital Redemption Reserve £000	Merger Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2006 (as previously reported)	232	29,358	(32,316)	7,943	7,444	12,661
Restatement of revenue (note 6)	-	-	-		581	581
Balance at 1 April 2006 (as restated)	232	29,358	(32,316)	7,943	8,025	13,242
Redemption of B shares (held as current liabilities)	-	230	-	-	(230)	-
Profit for the period	-	-	-	-	3,153	3,153
Actuarial gain (net of deferred tax) on defined benefit pension scheme	-	-	-	-	1,386	1,386
Dividends paid	-	-	-	-	(2,186)	(2,186)
Balance at 1 April 2007 (as restated)	232	29,588	(32,316)	7,943	10,148	15,595
Redemption of B Shares (held as current liabilities)	-	285	-	-	(285)	-
Profit for the period	-	-	-	-	3,782	3,782
Actuarial gain (net of deferred tax) on defined benefit pension scheme	-	-	-	-	1,797	1,797
Dividends paid	-	-	-	-	(2,299)	(2,299)
Balance at 31 March 2008	232	29,873	(32,316)	7,943	13,143	18,875

Notes

1. The Board of Directors approved this preliminary announcement on 2 June 2008.

2. The Board recommends a final dividend of 35.8p per Ordinary Share and Non-Voting Ordinary Share, making a total for the year of 52.7p. The final dividend of 35.8p is payable on 1 August 2008 to shareholders on the register at close of business on 4 July 2008.

3. **Taxation**

Analysis of charge in the period	**2008 £000**	**2007 £000**
Current year tax		
Current tax expense: continuing operations	(66)	278
: discontinued operations	4	3
Adjustment for prior periods	305	(22)
Current tax charge	243	259
Deferred tax		
Temporary differences:		
Accelerated capital allowances	194	998
Retirement benefits	46	(16)
Adjustment for prior periods	(299)	50
	(59)	1,032
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Total tax expense	184	1,291

4. Basic and diluted earnings per ordinary share (EPS) have been calculated on the basis of the weighted average number of ordinary shares in issue during the year of 4,632,170 (2007 – 4,632,170)

The net profit for the period used in the calculation of EPS was as follows:

	2008 £000	2007 £000
Continuing operations	3,774	3,146
Discontinued operations	8	7
	3,782	3,153

5. **Group Borrowings**

	2008 £000	2007 £000
Current		
Drawings under revolving credit facility	6,000	2,500
B shares	2,092	2,377
Bank overdrafts	152	73
	8,244	4,950
Non-Current		
3.5% Irredeemable Consolidated Debenture Stock	99	99
3.635% Secured Index-Linked Loan 2032:		
Principal	35,000	35,000
Indexation	6,601	5,067
	41,700	40,166

6. **Change in Accounting Policy and Restatement**

Measured Revenue

During the year, the policy on recognition of measured revenue was changed to bring it into line with that adopted by companies in the same sector and in the regulatory accounts. Measured revenue now includes an estimate of amounts unbilled at 31 March in addition to amounts billed during the year.

The change in accounting policy has the following impact on these financial statements:

	2008 £000	2007 £000
Income Statement		
Increase in revenue	143	167
Increase in profit before tax	143	167
Increase in basic earnings per share	2.2p	2.5p
Balance Sheet		
Increase in retained earnings	799	698

7. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2008 or 2007 but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The auditors, KPMG Audit plc, have reported on the 2007 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for 2008 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.