

DEE VALLEY GROUP plc

Announcement of Preliminary Results
For the Year Ended 31st March 2004

Highlights

	<u>2004</u>	<u>2003</u>
Turnover on continuing operations (£000)	16,658	16,472
Operating profit on continuing operations (£000)	6,213	5,982
Profit on ordinary activities before taxation (£000)	4,326	3,058
Earnings per ordinary share (pence)	66.5	55.9
Adjusted earnings per ordinary share (pence) (Note 1)	66.5	79.7
Dividend per ordinary share (pence)	44.0	42.0

Note 1

Excludes exceptional items and profit on disposal of discontinued operations

Enquiries

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Chairman's Statement

In the year ended 31st March 2004, turnover on continuing operations increased to £16.7 million. Operating profit on continuing operations increased by 4% to £6.2 million, whilst group operating profit benefited from the realisation of energy debts and rose by 20% to £6.5 million.

The Board proposes a final dividend of 29.5p per ordinary share, payable on 26th July 2004. Together with the interim dividend of 14.5p, the total dividend for the year will amount to 44.0p per ordinary share (2003 - 42.0p per share).

Gross capital expenditure in the year reached £9.8 million. The Board anticipates that the target expenditure allowed by the Regulator for the five years to 2005 will be achieved.

A great deal of management time has been expended during the year on the preparations for the Periodic Review of Charges later this year. It is appropriate therefore to thank all employees for their hard work and dedication to the Group.

During the year, there were a number of changes made to the Board. Bryn Bellis, formerly Group Engineering Director, has been appointed Managing Director with effect from 1st April 2004. Graham Scott has rejoined the Board as a non-executive director. Graham is currently Chief Executive of NWF Group plc, a local AIM-listed company. Andrew Bird has also joined the Board as a non-executive director. Andrew has strong local contacts and is a director of a property company based in Chester.

This is my last Chairman's Statement. After 35 years' service, including 17 years as Chairman, I have reached the age set by the Board for retirement and therefore will not seek re-election at the forthcoming Annual General Meeting. At their next meeting following the A.G.M. it is the Board's intention to elect Graham Scott as Chairman in my stead. I would like to place on record my thanks to all my colleagues, past and present, for their support and wise counsel over the years, and to wish the Group a successful future.

B. S. Jenkins
Chairman

Group Profit and Loss Account
For the Year Ended 31st March 2004

	<u>2004</u>	<u>2003</u>
	£000	£000
Turnover		
Continuing operations	16,658	16,472
Discontinued operations	-	1,900
	<hr/> 16,658	<hr/> 18,372
Operating costs	(11,368)	(14,095)
Other operating income	1,183	1,134
	<hr/>	<hr/>
Operating profit		
Continuing operations	6,213	5,982
Discontinued operations	260	(571)
	<hr/> 6,473	<hr/> 5,411
Exceptional items	-	(1,432)
Profit on disposal of discontinued operations	-	162
Net interest payable	(2,147)	(1,083)
	<hr/>	<hr/>
Profit on ordinary activities before taxation		
Tax on profit on ordinary activities	(1,118)	(381)
	<hr/>	<hr/>
Profit on ordinary activities after taxation		
Dividends - ordinary shares	(2,038)	(1,944)
- B shares	(130)	(87)
	<hr/>	<hr/>
Retained profit for the financial year		
	1,040	646

	<u>2004</u>	<u>2003</u>
Earnings per ordinary share	66.5p	55.9p
Adjustment for exceptional items	-	26.8p
Adjustment for profit on disposal of discontinued operations	-	(3.0)p
	<hr/>	<hr/>
Adjusted earnings per ordinary share	66.5p	79.7p

Statement of Total Recognised Gains and Losses for the year ended 31st March 2004

There are no recognised gains and losses other than the profit for these two financial years

Group Balance Sheet
As At 31st March 2004

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
FIXED ASSETS		
Tangible assets	42,739	37,026
Investments	2	2
	<hr/> 42,741	<hr/> 37,028
CURRENT ASSETS		
Stocks	146	210
Debtors - amounts falling due within one year	2,386	2,736
Debtors - amounts falling due after one year	2,868	3,084
Short term investments	6,421	8,125
Cash at bank and in hand	49	38
	<hr/> 11,870	<hr/> 14,193
CREDITORS		
Amounts falling due within one year	(10,699)	(9,404)
	<hr/>	<hr/>
NET CURRENT ASSETS	<hr/> 1,171	<hr/> 4,789
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 43,912	<hr/> 41,817
	<hr/>	<hr/>
Creditors - amounts falling due after one year	(36,694)	(35,623)
Provision for liabilities and charges	(5,526)	(5,095)
	<hr/> 1,692	<hr/> 1,099
CAPITAL AND RESERVES		
Called up share capital	3,308	3,755
Capital redemption reserve	28,888	28,441
Merger reserve	(40,630)	(40,630)
Profit and loss account	10,126	9,533
	<hr/>	<hr/>
SHAREHOLDERS' FUNDS	<hr/> 1,692	<hr/> 1,099

Group Cash Flow Statement
For the Year Ended 31st March 2004

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
Operating profit	6,473	5,411
Depreciation	1,102	1,000
Depreciation of infrastructure assets	1,994	1,945
Profit on disposal of discontinued operations	-	162
Loss on disposal of fixed assets	10	-
Exceptional items	-	(1,432)
Decrease in stocks	64	120
Decrease in debtors	566	4,461
Increase in creditors	1,154	2,310
Net cash flow from operating activities	<u>11,363</u>	<u>13,977</u>
Returns on investments and servicing of finance		
Interest and dividends received	277	238
Interest paid	(1,353)	(825)
Net cash flow from returns on investments and servicing of finance	<u>(1,076)</u>	<u>(587)</u>
Taxation	<u>(590)</u>	<u>(658)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,297)	(2,965)
Infrastructure renewals	(3,535)	(2,501)
Disposal of tangible fixed assets	13	314
Net cash flow from capital expenditure and financial investment	<u>(8,819)</u>	<u>(5,152)</u>
Equity dividends paid	<u>(2,098)</u>	<u>(2,959)</u>
Net cash flow before use of liquid resources and financing	<u>(1,220)</u>	<u>4,621</u>
Management of liquid resources		
Short term investments	-	(7,673)
Maturity of short term investments	1,704	-
	<u>1,704</u>	<u>(7,673)</u>
Financing		
Redemption of share capital	(447)	(28,454)
Index-linked loan	-	35,000
Increase in cash	<u>37</u>	<u>3,494</u>

Analysis of Net Debt

	<u>At 1st</u> <u>April 2003</u> <u>£000</u>	<u>Cash Flow</u> <u>£000</u>	<u>Other</u> <u>£000</u>	<u>At 31st</u> <u>March</u> <u>2004</u> <u>£000</u>
Cash at bank and in hand	38	11	-	49
Bank overdraft	(336)	26	-	(310)
		37		
Debt due after one year	(35,623)	-	(1,071)	(36,694)
Current asset investments	8,125	(1,704)	-	6,421
	(27,796)	(1,667)	(1,071)	(30,534)

Segmental Analysis by Class of Business

Year ended 31st March 2004	<u>Continuing Operations</u> <u>£000</u>	<u>Discontinued Operations</u> <u>£000</u>	<u>Total 2004</u> <u>£000</u>
Turnover			
Water supply & related activities	16,658	-	16,658
Other	-	774	774
Inter-segment turnover	-	(774)	(774)
Total Turnover	16,658	-	16,658
Operating Profit			
Water supply & related activities	6,213	-	6,213
Other activities	-	260	260
Total Operating Profit	6,213	260	6,473
Net Assets Employed			
Water supply & related activities			5,670
Other			(3,978)
			1,692

Year Ended 31st March 2003	<u>Continuing Operations</u> £000	<u>Discontinued Operations</u> £000	<u>Total 2003</u> £000
Turnover			
Water supply & related activities	16,472	-	16,472
Other	4,412	1,900	6,312
Inter-segment turnover	(4,412)	-	(4,412)
Total Turnover	16,472	1,900	18,372
Operating Profit			
Water supply & related activities	5,982	-	5,982
Other activities	-	(571)	(571)
Total Operating Profit	5,982	(571)	5,411
Net Assets Employed			
Water supply & related activities			5,035
Other			(3,936)
			1,099

Notes

1. The Board of Directors approved this preliminary announcement on 7th June 2004.
2. The Board recommends a final dividend of 29.5p per Ordinary Share and Non-Voting Ordinary Share, making a total for the year of 44.0p. The final dividend of 29.5p is payable on 26th July 2004 to shareholders on the register at close of business on 2nd July 2004.

3. Taxation	<u>2004</u>	<u>2003</u>
Analysis of charge in the year	<u>£000</u>	<u>£000</u>
Current year tax		
UK Corporation tax @ 30%	900	694
Adjustment for prior years	<u>(213)</u>	<u>(386)</u>
	<u>687</u>	<u>308</u>
Deferred tax		
Temporary timing differences	951	299
Increase in discount	<u>(520)</u>	<u>(226)</u>
	<u>431</u>	<u>73</u>
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Tax on profit on ordinary activities	1,118	381
	=====	=====

4. Earnings per ordinary share have been calculated on the basis of the weighted average number of ordinary shares in issue during the year of 4,632,170 (2003 - 4,632,170) and earnings attributable to the ordinary shares of £3,078,000 (2003 - £2,590,000).
5. The results for the year ended 31st March 2004 are not full accounts within the meaning of Section 240 of the Companies Act 1985. The Company's auditors have not yet made a report on the statutory accounts for that year under Section 235 of the Companies Act 1985. The statutory accounts will be delivered to the Registrar of Companies in due course.

The results for the year ended 31st March 2003 have been extracted from the statutory accounts for that period, which have been filed with the Registrar of Companies. The report of the auditors was unqualified.

6. The Annual Report and Accounts will be despatched to shareholders on 22nd June 2004, from which date further copies will be available from the Company's Registered Office: Packsaddle, Wrexham Road, Rhostyllen, Wrexham LL14 4EH.

The Annual Report and Accounts will also be made available on the Company's website: www.deevalleygroup.com