



FOR IMMEDIATE RELEASE

10 SEPTEMBER 2008

**Thorntons PLC**

**Announcement of Preliminary Results**

Thorntons Plc (the Company) today announced its preliminary results for the 52 weeks ended 28 June 2008.

Key points

- **Profit before tax rose by 19.6% to £8.5 million (2007: £7.1 million)**
- Revenue increased by 11.9% to £208.1 million (2007: £186.0 million)
- Earnings per share increased 13.8% to 9.1p (2007: 8.0p)
- Recommended final dividend of 4.85p (2007: 4.85p)
- Consistent sales growth across all channels

Mike Davies, Thorntons Chief Executive, said:

We are pleased to be able to report continuing good sales growth. Underpinning this growth is the strategy we have been implementing to return Thorntons to sustainable, long term profitability by investing in the brand, developing innovative products, modernising the in-store environment as well as attracting and retaining the best people.

Our success in all four channels is encouraging and will continue to provide us with a solid platform from which to present our evolving range of quality products to new and loyal customers.

The Board is pleased with the continuing progress of the Company during the first few weeks of the new financial year.

Thorntons will issue its trading statement for the first 14 weeks of its current financial year on 8 October 2008.

Ends

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## Chairman's statement

I am pleased to report that Thorntons continues to make good progress and that, despite tougher market conditions, sales rose by 11.9%, profit before taxation was up by 19.6 % and earnings per share by 13.8%. Sales have increased across all channels: our own stores, franchise stores, commercial customers and Thorntons Direct. We have now delivered steady growth for seven consecutive quarters.

Underpinning this growth is the strategy we have been implementing to return Thorntons to sustainable, long term profitable growth by:

- Investing in the brand to give it greater relevance and a more premium feel
- Developing innovative new products
- Modernising the in-store environment
- Further expanding our Commercial and Direct business
- Attracting and retaining the best people

We remain committed to expanding our own store portfolio as well as the number of franchise stores, despite a more challenging economic environment which affects the property market. Our success in all four channels is encouraging and will continue to provide us with a solid platform from which to present our continually evolving range of quality products to new and loyal customers.

The Group's balance sheet remains strong. Operating cash flow before working capital movements improved by £2.1m to £21.9m which, together with our committed banking facilities, enables us to fund the continuing expansion of the business.

The progress we have made during the past year would not have been possible without the hard work and commitment of all our staff and I would like to take this opportunity to thank them for all their efforts.

Since the year end, on 1 August 2008, Dominic Prendergast stepped down from the Board. I would like to thank him for his contribution to the business over the past seven years and wish him well for the future.

We have a highly experienced team, whose focus it is to continue to implement our growth strategy. Thorntons' prospects are good and I remain optimistic about the its future. We are well placed to meet the challenges we face and to achieve our financial goal of long term sustainable growth in earnings per share, supported by a strong balance sheet.

The Board has recommended a final dividend of 4.85p per share which, subject to shareholder approval, will be paid on 28 November 2008.

John von Spreckelsen  
Chairman  
9 September 2008

## Chief Executive's report

The past year has seen continued growth for Thorntons. Sales rose by 11.9% to £208.1m surpassing the £200m mark for the first time, with growth in all channels. Profit before tax increased by 19.6% to £8.5m.

This performance improvement has been achieved by focusing on the five point strategy outlined in the Chairman's statement.

- Investment in the brand

Thorntons has a very loyal customer base with a very strong brand franchise. Our challenge is to give the brand a broader appeal and we have made good progress during the year. Our TV commercial, aired before Christmas, helped improve overall perception of the brand and went on to win a silver and a bronze award at the 2008 British Television Advertising Awards. Our product innovation and store improvements, detailed below, as well as numerous other activities have all played a part in rejuvenating the brand and consumers have noticed and appreciated the changes. In July 2008 Superbrands published its official ranking of the UK's top 500 brands for 2008/09 and I am delighted to report that Thorntons jumped from 81<sup>st</sup> to 18<sup>th</sup> place and now ranks as the UK's number one brand in the Food, Chocolate and Confectionery category.

- Developing innovative new products

There has been a steady stream of successful innovation during the year starting with the relaunch of our flagship Continental range last Autumn. We increased the choice of chocolates with new recipes, as well as reintroducing some old favourites and succeeded in arresting the long term decline of the Continental range and growing the brand by 5%. Thorntons Moments, a product designed to be shared by the family or as an informal gift, was launched in the Spring and has performed ahead of our expectations.

The new designs for our seasonal ranges at Christmas, Valentine's Day, Mother's Day and Easter all delivered improved sales. With a view to reducing our reliance on Christmas and Easter we have improved our ice cream offering, introducing two new flavours for sale in our own stores. We have also launched a new ice cream stick which comes in two delicious flavours: Toffee Temptation and Chocolate Trio. They are available in our own stores, supermarkets and convenience stores.

Looking ahead, we have a new range of luxury chocolate blocks and a super premium box of chocolates coming out this Autumn together with a product pipeline packed with exciting ideas for the next three years.

- Modernising the in-store environment

Whilst we have continued to improve the look of our current estate, the most notable achievements during the year were the design of the new store concept and the improvement to our infrastructure with the specification of a new Electronic Point of Sale (EPOS) system.

The new concept has been designed to give the stores a more contemporary feel and create a more exciting shopping experience, making our wonderful products the heroes of the store. Since the year end, the first three new stores opened in Kingston upon Thames, Reading and Bluewater in August with further openings expected in September in Nottingham and Edinburgh. We will closely monitor the performance of these stores until after Christmas before we decide what further actions to take.

We have begun to replace our EPOS equipment which is expected to be completed before Christmas. Our current equipment is more than ten years old and no longer compatible with today's chip and pin or cashless payment systems. The capital cost of this project is over £4m, spread over two years. The new system will help to reduce customer waiting time significantly in the peak Christmas season as well as providing us with more user friendly and valuable sales information.

- Further expanding our Commercial and Direct businesses

A key part of our long term strategy is to make our products available to more customers throughout the country. Other retailers and our website will play an important role in achieving this. Our own stores and Franchisees offer customers a wide range of products and individual service with the added benefits of personalised gift wrapping or icing of messages, whereas the supermarkets and convenience stores provide the benefits of wider availability of a narrower range. The Thorntons Direct business offers the ultimate choice in product personalisation and the benefit of 24/7 shopping and delivery to even the remotest location. All have a vital role to play and I am very pleased that we have delivered growth across all four channels.

- Attracting and retaining the best people

Our people are key to the success of our growth strategy. In Retail we have improved the competitiveness of our pay and benefits package and provided more training to both Store Managers and Sales Assistants. As a result we have colleagues who are better able to provide customers with an enjoyable shopping experience and excellent customer service as well as seeing reduced staff turnover.

On the supply side we followed last year's successful implementation of the 'Regrading Programme' with substantial changes to the shift patterns and can now operate 24/7 on many of our production lines. I am pleased to say that these changes involved extensive consultations with our staff and were implemented with their full support.

Finally, we have begun to implement programmes to develop our Managers internally, creating career opportunities and internal succession opportunities. The recently announced promotions of Lysanne McCallion to Director of Retail and of Hannah Legg, who joins the Executive Team as Head of Thorntons Direct, are good examples of these changes. I am also pleased to welcome Sarah Riley who joined us in August as Director of Human Resources replacing Carmel Brown. Carmel left us in July 2008 to pursue a change of career and I would like to thank her for her contribution to Thorntons and wish her good luck in her new endeavour.

## **Operational performance**

### **Own stores**

Our own retail stores performed well this year with overall and like-for-like growth in every quarter resulting in sales of £135.1m and a 4.6% growth for the year. The retail estate increased by a net 11 stores to 379 as a result of 14 openings and 3 closures as we continue to address a small number of poorly performing stores. We remain committed to our goal of reaching 400 stores. While we have made progress, the current uncertainties in the property market may have an impact on the timing. We will closely monitor the situation and take advantage of opportunities for good sites as they arise.

### **Franchise stores**

The Franchise business grew by 14.5% to £14.9m in the year with a net increase of 32 stores. We now have 250 stores and are making good progress towards the medium term target of 300. I would like to express my thanks to Franchisees for their ongoing commitment and dedication to the Thorntons brand. We appreciate their candid feedback and suggestions for improvement and the fact that 40% of the independent store openings in the course of the financial year came from existing Franchisees opening additional stores with us is a testament to their loyalty.

### **Commercial sales**

The Commercial business rose 33.8% to £49.5m and is becoming an increasingly important part of the business, generating nearly a quarter of our sales. All the major multiples are customers and Thorntons is now the undisputed brand leader in what AC Nielsen defines as the 'Unlaid Box Chocolate Category' with a market share of 22% (AC Nielsen). The launch of Thorntons Moments into the twist wrap category has also proved to be a success and made a significant contribution to the sales growth in the Commercial channel.

Thorntons Direct

Finally, our Direct business which includes the consumer, online and corporate end user businesses continued last year's trend with sales of £8.6m, which represents growth of 26.6% for the full year. Product innovation, increasing the size of our customer database, improving conversion rates and delivery accuracy have all contributed to the success of this channel.

### **Supply chain**

The performance of our supply chain continues to improve. Customer service levels increased to 95%, up from 94% last year and 88% the previous year.

The most significant impact on the supply side of the business this year has undoubtedly been the substantial increases in raw material prices and energy costs. As has been widely reported, dairy product prices rose by more than 70% at one point during the year before dropping back down again. Chocolate prices have risen 40% year on year and the market continues to be volatile and difficult to predict. Energy price increases have also been challenging. We have, however, succeeded in absorbing the high input costs by improving productivity and increasing prices, thus restoring profitability. We expect input costs to remain high during the current financial year but we are well placed to mitigate the likely impact through increased pricing across all our product ranges.

### **Outlook**

Despite the uncertain general economic environment and the challenges faced by all retailers, I am confident about Thorntons' progress and prospects.

During the course of the last year we have developed a long term plan with the following goals:

- To be recognised as the UK's leading premium chocolate brand. Given the recent %Superbrands+ report, arguably we already are but we will not be complacent as more remains to be done to consolidate this position.
- To increase our share of the UK chocolate market by more than 50%. Our sales today represent approximately 6% of the total market and we believe there are many opportunities for growth as we realise our new product pipeline and expand into new categories.
- To increase our all year round business and reduce our financial dependency on Christmas and Easter. Our new ice cream products are good examples of this strategy.
- To improve our operating profit margin. During the last few years our profit as a percentage of sales has hovered around the 4% mark and we believe that this can be improved through innovation, product design, pricing and productivity improvements.
- To grow internationally through the selective development of export sales. This is a longer term goal as our priority is to grow and improve performance in the UK first. Nevertheless, lead times can be long and we feel it is right to include this goal in the development of our long term plans.

Thorntons is continuing with its progress during the first weeks of the new financial year. I strongly believe we will continue to improve our performance overall as long as we remain close to our traditional values of high quality products and innovation and place our customers at the forefront of our thinking.

Mike Davies  
Chief Executive  
9 September 2008

## Finance Director's report

### Profits and tax

Operating profit improved by 16.7% to £10.3m (2007: £8.9m) compared with a growth in sales of 11.9%. Cost of sales (49.5%) and operating expenses (46.1%) together remained at the same percentage of sales as last year which allowed the benefit of the sales increase to flow through to the bottom line. Finance costs increased only marginally as improved working capital management during the year mitigated the adverse effect of interest rate rises since August last year. As a result, profit before taxation (PBT) improved by 19.6% to £8.5m.

The tax charge for the year of £2.4m represents 28.4% of PBT compared with last year's unusually low tax charge of 25.2%, which included a one-off £0.5m credit (7.1% of PBT) due to the effect of the reduction in the standard rate of corporation tax from 30% to 28% on the deferred tax provision. The total tax charge this year includes a £0.3m credit (3.3% of PBT) arising from finally agreeing, in principle, the tax due for prior financial years. If allowance is made for the prior year tax credit the underlying current year tax charge is 31.6% which, as in previous years, is higher than the effective statutory rate of 29.5%. This is due to an historic element of capital investment for which no tax allowances are available.

The Finance Act 2008 was passed shortly after the year end and included legislation phasing out the benefit of industrial buildings allowances, which are deductible for tax purposes, over a period of four years. This change has a minimal effect on the 2007/08 tax charge but will generate a one-off deferred tax charge in 2008/09 of approximately £2.9m (which is a non-cash item). Once the tax allowances are fully phased out, the Group's annual tax cash cost will increase by some £250,000 which will be mitigated by the reduction in the corporation tax rate from 30% to 28% effective from 1 April 2008.

### Shareholder returns and dividends

Basic earnings per share have increased from 8.0p to 9.1p, an increase of over 13%. If we exclude the one-off tax credit due to tax rate changes worth 0.8p included in last year's comparative earnings per share, the underlying increase in earnings per share is 26%.

Dividends paid in the year amounted to 6.8p per share. An interim dividend of 1.95p was paid during the financial year and the Board is recommending a final dividend of 4.85p at the Annual General Meeting on 23 October 2008 to be paid to shareholders in November 2008. The total dividend in respect of the year's earnings amounts, therefore, to 6.8p.

### Cash and debt

Cash generated from operations before taxation declined from £16.1m last year to £14.0m this year. Whilst operating cash flow improved from £19.8m to £21.9m, the improvement was offset by £7.9m of adverse working capital movement including the effect of pension scheme liability changes. The adverse working capital movement included (i) a build-up of stocks in anticipation of higher sales in the next financial year which were only partially funded by higher trade creditors, (ii) increased debtors due to the increase in commercial and franchise credit sales in the last quarter of the year and (iii) the effect of the continuing payments made to reduce the Group's pension deficit.

Cash invested in fixed assets amounted to £7.5m (2006/07: £8.3m), of which £1.8m (2007/08: £3.2m) was funded through finance leasing. The net balance sheet addition to fixed assets of £7.9m was slightly more than the cash figure and included £4.5m of expenditure on either improving or adding to the retail estate with the balance being invested in new product tooling, manufacturing and IT improvements.

The Group benefited from having renegotiated its committed banking facilities for a three year period on favourable terms shortly before the effects of the credit crunch adversely affected the banking market.

## Business performance

The Board continues to apply the following key performance indicators in order to measure progress towards achieving shareholder value:

- Net sales growth . the year-on-year increase in sales revenue excluding any impact from acquisitions or disposals
- Like-for-like sales growth . the change in the sales of our own shops which are open for trading for corresponding periods comparing the current year with the previous year
- Gross return on sales . gross margin as a percentage of net sales revenue
- Profit before tax . current year profit before tax compared with the previous year
- Operating cash flow . cash generated from operations before working capital movements, taxation, asset investment and financing activities

Performance against these was as follows:

	2008	2007	2006
Net sales growth	11.9%	5.3%	(5.9)%
Like-for-like sales growth	2.9%	0.8%	(3.7)%
Gross return on sales	50.5%	53.7%	52.0%
Profit before tax	£8.5m	£7.1m	£5.2m
Operating cash flow	£21.9m	£19.8m	£18.0m

A review of each of the above is included under the appropriate heading elsewhere in this report.

## Sales

The Group's sales are made through a number of channels whose performances are summarised below:

	2008 £m	2007 £m	% increase
Own Stores	135.1	129.2	4.6%
Franchise	14.9	13.0	14.5%
Commercial	49.5	37.0	33.8%
Thorntons Direct	8.6	6.8	26.6%
Total	208.1	186.0	11.9%

The sales figures for 2007/08 are for a 52 week year compared with a 53 week year in 2006/07. If the 53rd week's sales of £2.3m are excluded from the 2006/07 reported figures the reported sales growth improves to 13.3%.

A detailed review of the sales performance by channel is included in the Chief Executive's report.

## Margins

The gross margin improved by £5.1m driven by the growth in sales offset by a decline in percentage margins from 53.7% last year to 50.5% this year. The decline in margin was due to a number of factors including the change in the proportion of sales through the various channels (which is largely mitigated by the lower costs of serving the faster growing channels), improving the product offering and the effect of absorbing the significant raw material cost increases experienced this year until new sales pricing implemented in the second half of the year offset the effect of cost increases.

## Costs

Operating expenses have grown by £4.0m representing a growth of 4.4% which is significantly less than the sales growth of 11.9%. As a consequence, operating expenses have decreased from 49.4% of sales last year to 46.1% of sales and have offset the decline in gross profit percentage.

A large part of the overall increase in operating expenses represents the operating costs of expanding the number of shops in the retail estate and investing in new franchisees. The remainder of the increase in operating expense includes the effects of inflation on payroll costs together with higher distribution costs related to the higher volume of sales.

Profits on asset (mainly property) disposals declined from £353,000 last year to £143,000 in the current year.

### **Other operating income**

There has been a 41.0% improvement in other operating income from £0.8m to £1.1m which is mainly due to increased sales by existing licensees of Thorntons branded products and to the addition of a new range of ice cream products sold by a new licensee.

### **Pensions**

The IAS 19 pension scheme deficit has increased from £15.4m last year to £16.0m at the end of the current financial year. The discount rate for the scheme's liabilities has increased significantly since last year from 5.5% to 6.3% in line with market trends and has reduced the cost of future liabilities by £3.5m. However, the general decline in the value of equity markets has led to a reduction in the scheme's asset valuation of £3.0m which offsets most of the actuarial gain on liabilities leaving the deficit impacted by the ongoing service cost.

The Company continues to inject funds into the scheme in order to reduce the scheme deficit over time. Deficit reduction payments totalled £1.7m during the year.

### **Information Systems**

Significant progress was made during the year on defining and specifying new shop till systems which are required to replace our current systems as they are over ten years old and obsolescent. The first pilot shop implementation took place in August 2008 and we plan to complete the rest of the estate before the Christmas season in order to benefit from the faster response times of the new system which will help to reduce queuing in our shops at peak times.

Other projects undertaken during the year included upgrading Thornton Direct's systems in order to comply with current credit card security standards, completing the Company's chip and pin project and upgrading the communications network capability at Thornton Park.

John Wall  
Finance Director  
9 September 2008

**Consolidated income statement**  
**52 weeks ended 28 June 2008**

	<b>52 weeks ended 28 June 2008 £'000</b>	53 weeks ended 30 June 2007 £000
<b>Revenue</b>	<b>208,122</b>	185,989
Cost of sales	<b>(103,017)</b>	(86,022)
<b>Gross profit</b>	<b>105,105</b>	99,967
Operating expenses	<b>(95,918)</b>	(91,923)
Other operating income	<b>1,139</b>	808
<b>Operating profit</b>	<b>10,326</b>	8,852
Finance income	<b>45</b>	61
Finance costs	<b>(1,901)</b>	(1,832)
<b>Profit before taxation</b>	<b>8,470</b>	7,081
Taxation	<b>(2,402)</b>	(1,785)
<b>Profit attributable to equity shareholders</b>	<b>6,068</b>	5,296
<b>Earnings per share</b>		
Basic	<b>9.1p</b>	8.0p
Diluted	<b>9.0p</b>	7.9p

All activities in both the current and previous year relate to continuing operations.

**Dividend per share**

	<b>Note</b>	<b>2008</b>	2007
Proposed final dividend		<b>4.85p</b>	4.85p
Impact on shareholders' funds (£000)	<b>2</b>	<b>3,247</b>	3,235
Total dividend in respect of the year		<b>6.80p</b>	6.80p
Impact on shareholders' funds (£000)	<b>2</b>	<b>4,562</b>	4,536
Paid in the year		<b>6.80p</b>	6.80p
Impact on shareholders' funds (£000)	<b>2</b>	<b>4,550</b>	4,512

**Consolidated statement of recognised income and expense**  
**52 weeks ended 28 June 2008**

	<b>52 weeks ended 28 June 2008 £'000</b>	53 weeks ended 30 June 2007 £'000
Actuarial (loss)/gain recognised in the defined benefit pension	<b>(2,148)</b>	1,510
Movement of deferred tax on actuarial loss/(gain)	<b>601</b>	(453)
Effect of reduction in tax rate	<b>—</b>	(342)
<b>Net (expense)/income recognised directly in equity</b>	<b>(1,547)</b>	715
Profit attributable to equity shareholders	<b>6,068</b>	5,296
<b>Total recognised income attributable to equity shareholders for the financial period</b>	<b>4,521</b>	6,011

**Consolidated balance sheet at 28 June 2008**

	Note	2008 £'000	2007 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		4,786	5,950
Property, plant and equipment		64,084	66,378
Investment in subsidiaries		0	.
		<b>68,870</b>	<b>72,328</b>
<b>Current assets</b>			
Inventories		24,307	18,202
Trade and other receivables		15,155	12,628
Cash and cash equivalents		1,088	2,858
		<b>40,550</b>	<b>33,688</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(22,014)	(19,859)
Borrowings		(24,057)	(22,577)
Current tax liabilities		(984)	(1,418)
Provisions for liabilities		(122)	(181)
		<b>(47,177)</b>	<b>(44,035)</b>
<b>Net current liabilities</b>		<b>(6,627)</b>	<b>(10,347)</b>
<b>Non-current liabilities</b>			
Borrowings		(5,295)	(6,692)
Deferred tax liabilities		(2,750)	(2,512)
Retirement benefit obligations		(15,965)	(15,417)
Other non-current liabilities		(2,612)	(1,996)
Provisions for liabilities		(586)	(478)
		<b>(27,208)</b>	<b>(27,095)</b>
<b>Net assets</b>		<b>35,035</b>	<b>34,886</b>
<b>Shareholders' equity</b>			
Ordinary shares	3	6,835	6,811
Share premium	3	13,750	13,551
Retained earnings	3	14,450	14,524
<b>Total equity attributable to parent's equity holders</b>		<b>35,035</b>	<b>34,886</b>

**Consolidated cash flow statement**  
**52 weeks ended 28 June 2008**

	<b>52 weeks ended 28 June 2008 £'000</b>	53 weeks ended 30 June 2007 £000
Cash flows from operating activities	<b>11,481</b>	14,600
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	<b>262</b>	400
Purchase of property, plant and equipment	<b>(5,680)</b>	(5,030)
Net cash used in investing activities	<b>(5,418)</b>	(4,630)
<b>Cash flows from financing activities</b>		
Net proceeds from issue of ordinary shares	<b>223</b>	748
Interest paid	<b>(1,831)</b>	(1,849)
Interest received	<b>37</b>	25
Capital element of finance lease rental payments	<b>(3,712)</b>	(4,526)
Borrowings advanced	<b>2,000</b>	3,000
Dividends paid	<b>(4,550)</b>	(4,512)
Net cash used in financing activities	<b>(7,833)</b>	(7,114)
<b>Net (decrease)/increase in cash and cash equivalents and bank overdrafts</b>	<b>(1,770)</b>	2,856
Cash and cash equivalents at beginning of period	<b>2,858</b>	2
Cash and cash equivalents at end of period	<b>1,088</b>	2,858

## Notes to the Preliminary Announcement

### 1 Basis of Preparation

This preliminary announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the years ended 28 June 2008 and 30 June 2007 has been extracted from the consolidated financial statements on which the auditors have given unqualified opinions and which do not contain statements under Sections 237(2) or 273(3) of the Companies Act 1985. The announcement has been agreed with the company's auditors for release.

The financial information included in this preliminary announcement does not include all the disclosures required by International Financial Reporting Standard (IFRS) or the Companies Act 1985 and accordingly it does not itself comply with IFRS or the Companies Act 1985.

The group's financial statements for the year ended 28 June 2008 will be delivered to the Registrar of Companies following the Companies Annual General Meeting.

The group prepares its annual consolidated financial statements in accordance with IFRS and its interpretations issued by the International Accounting Standards Board as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. There are no material differences between the accounting policies adopted for use in the preparation of the consolidated financial statements for the year ended 28 June 2008 and the financial information included in this preliminary announcement and the accounting policies disclosed in the 2007 Annual Report and Financial Statements, copies of which are available on Thorntons PLC website, [www.thorntons.co.uk](http://www.thorntons.co.uk).

These consolidated financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments and share based payments which are recognised at fair value.

This preliminary announcement will be published on the company's website, in addition to the paper version. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 2 Ordinary Dividends

	<b>2008</b>	2007
	<b>£'000</b>	£000
Final dividend paid for the 53 weeks ended 30 June 2007 of 4.85p (52 weeks ended 24 June 2006: 4.85p)	<b>3,235</b>	3,211
Interim dividend paid in respect of the 52 weeks ended 28 June 2008 of 1.95p (53 weeks ended 30 June 2007: 1.95p)	<b>1,315</b>	1,301
<b>Amounts recognised as distributions to equity holders</b>	<b>4,550</b>	4,512

In addition, the Directors are proposing a final dividend in respect of the year ended 28 June 2008 of 4.85p per share which will absorb an estimated £3.2m of shareholders' funds. It will be paid on 28 November 2008 to shareholders who are on the register of members on 31 October 2008.

The trusts operating the Long Term Incentive Plan Scheme (LTIP 2007) have fully waived dividends on the 504,610 shares (2007: 504,610) held at 28 June 2008 and all but 0.01p per share on the 905,070 (2007: 921,586) shares held in respect of the 2001 Executive Share Option Scheme.

### 3 Statement of changes in shareholders' equity

Group	Share capital £000	Share premium £000	Retained earnings £000	Total £'000
<b>At 25 June 2006</b>	<b>6,724</b>	<b>12,890</b>	<b>12,340</b>	<b>31,954</b>
Total recognised income and expense	0	0	6,011	<b>6,011</b>
New share capital issued	87	661	0	<b>748</b>
Share-based payment credit	0	0	291	<b>291</b>
Effect of tax on share option movement	0	0	303	<b>303</b>
Movement in investment in own shares	0	0	91	<b>91</b>
Dividends	0	0	(4,512)	<b>(4,512)</b>
<b>At 30 June 2007</b>	<b>6,811</b>	<b>13,551</b>	<b>14,524</b>	<b>34,886</b>
Total recognised income and expense	0	0	4,521	<b>4,521</b>
New share capital issued	24	199	0	<b>223</b>
Share-based payment charge	0	0	447	<b>447</b>
Effect of tax on share option movement	0	0	(510)	<b>(510)</b>
Movement in investment in own shares	0	0	18	<b>18</b>
Dividends	0	0	(4,550)	<b>(4,550)</b>
<b>At 28 June 2008</b>	<b>6,835</b>	<b>13,750</b>	<b>14,450</b>	<b>35,035</b>

### 4 Reconciliation of movement in net debt

Group	2008 £'000	2007 £000
(Decrease)/Increase in cash and cash equivalents	<b>(1,770)</b>	2,856
Cash flows from decrease in debt	<b>1,712</b>	1,526
Change in net debt resulting from cash flow	<b>(58)</b>	4,382
Inception of new finance leases	<b>(1,795)</b>	(3,222)
Movement in net debt in the period	<b>(1,853)</b>	1,160
Net debt at beginning of period	<b>(26,411)</b>	(27,571)
Net debt at end of period	<b>(28,264)</b>	(26,411)