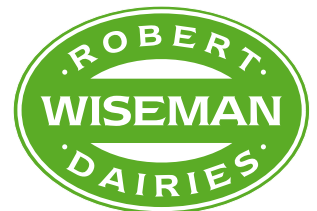
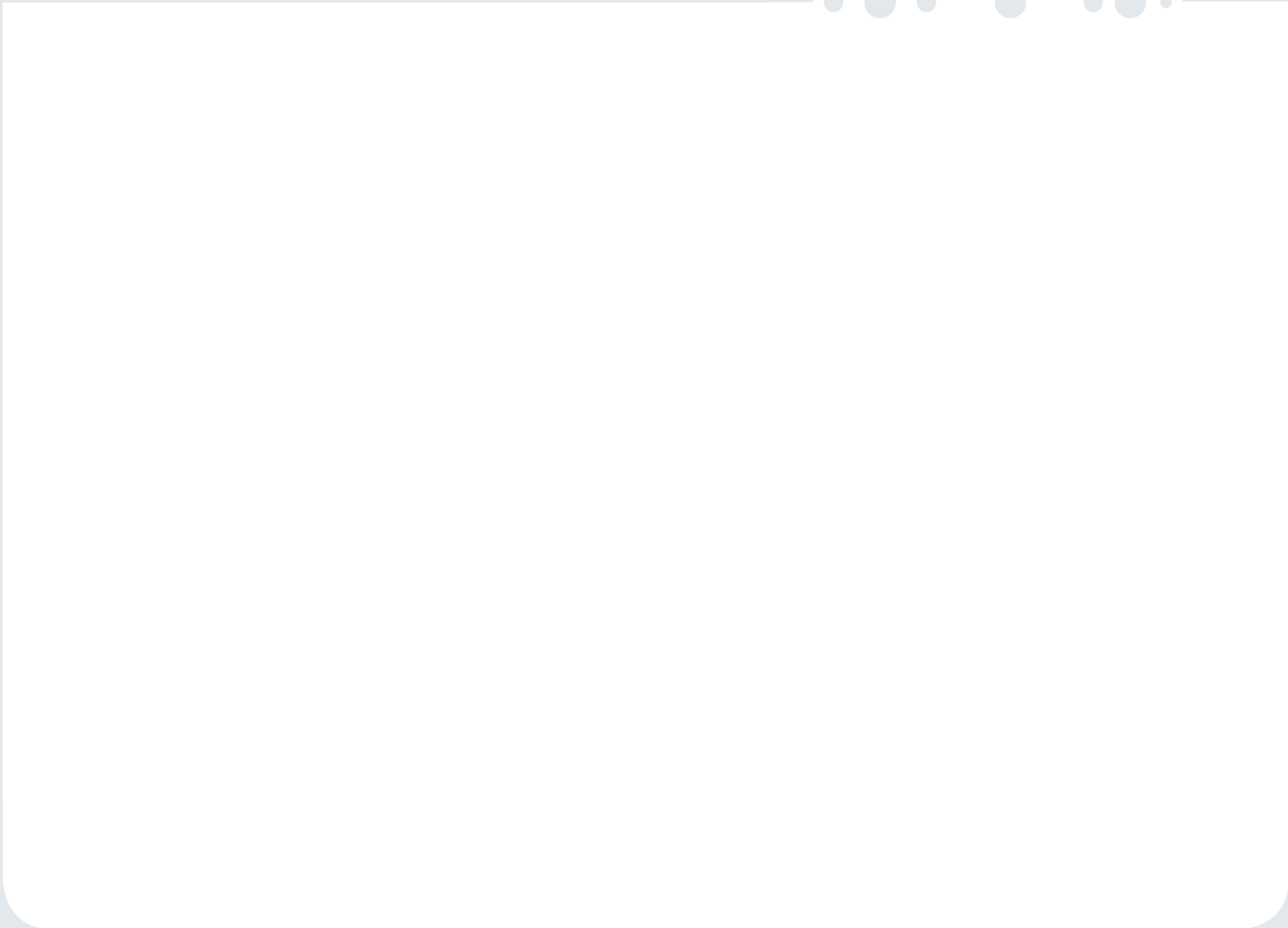


# Clearly confident







## Robert Wiseman Dairies procures, processes and delivers liquid milk to customers throughout the UK

### Financial Highlights

- Volumes of liquid milk sold up 14.2% to 1.38 billion litres (2005: 1.21 billion)
- Turnover increased by 16.2% to £568.6 million (2005: £489.2 million)
- Operating profit up 9.6% to £27.5 million (2005: £25.1 million)
- Profit before tax up 6.0% to £26.7 million (2005: £25.2 million)
- Adjusted earnings per share\* up 11.7% to 25.35p per share (2005: 22.70p)
- Basic earnings per share down 10.7% to 25.35p per share (2005: 28.38p)
- Dividend for year increased by 12.5% to 9.00p (2005: 8.00p)
- Strong cash generation from operations of £43.5 million (2005: £38.5 million)
- Net debt at year end remains low at £2.5 million (2005: £0.7 million)

### Operational Highlights

- Planning permission granted on 9 May for new dairy at Bridgwater
- Dairies running well with processing efficiency improvements of 10% year-on-year
- Selling price increase achieved to help recover exceptional inflationary costs
- Increased investment in NPD, including 'the One' (low fat milk), 'Pure' (extended shelf life milk for Tesco) and a snack pack 'Disney' milk
- 'Puriti', our own brand extended shelf life milk, to be launched Summer 2006
- Supplies start to One Stop business from June 2006 and increased volumes with Somerfield
- Acquisition of Definitely Devon extends customer base in the West Country
- The Group continues to pay a premium price to direct farmer suppliers – 0.5ppl above competitors for year to March 2006

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\*Excluding the one-off tax credit and related interest credit in 2005

# Chairman's Statement

## RESULTS

I am pleased to report that our sales volumes for the year were up by 14.2% to 1.38 billion litres (2005: 1.21 billion litres) with our business having benefited from a period of greater stability in terms of supply to the major retailers. Revenue rose 16.2% to £568.6 million (2005: £489.2 million) and was assisted by a selling price increase in January 2006 to help offset higher oil, energy and plastic costs.

The increased selling prices helped margins recover slightly in the second half-year and operating profits for the year were ahead by 9.6% to £27.5 million (2005: £25.1 million). Operating profit per litre for the full year was 2.00p per litre (2005: 2.08p) and although this is still low in comparison to our historic performance, we are encouraged that it is an improvement on the first half-year of 1.81p per litre. After taking account of higher finance costs, profit before tax rose 6.0% to £26.7 million (2005: £25.2 million).

Earnings per share, adjusted to exclude the effect of a one-off tax credit, were up 11.7% to 25.35p (2005: 22.7p). Earnings per share benefited from the lower number of shares in issue during the year (72.8 million compared to 75.9 million in 2005) as a result of the Group's share buy back programme. Basic earnings per share declined 10.7% to 25.35p per share (2005: 28.38p). This decline was a result of last year benefiting from a one-off tax credit, which contributed 5.68p per share.

The Group's strong cash flow was demonstrated again with cash generated from operations of £43.5 million (2005: £38.5 million). This has resulted in net debt at the end of the year being only £2.5 million (2005: £0.7 million), a reduction of £8.4 million from the position at the half-year.

## DIVIDEND

The Board has recommended a final dividend of 6.60p per share (2005: 5.80p) which, together with the interim dividend, will result in a total dividend of 9.00p per share (2005: 8.00p), an increase of 12.5% over last year. The dividend cover at 2.8 times is similar to last year (2.8 times) if last year's one-off tax credit is excluded. The dividend is payable on 21 September 2006 to shareholders on the register at 25 August 2006.

## NEW DAIRY

The Group is pushing ahead with the development of a new state-of-the-art dairy in the South West of England. The site identified is located at the Regional Rural Business Centre, just off Junction 24 of the M5 at Bridgwater, Somerset. Planning permission for the development was granted on 9 May 2006. We are extremely grateful for the encouragement and assistance shown to us by Sedgemoor District Council in developing our plans.

Following the strong organic growth of our major customers, assisted by the continued decline of doorstep deliveries in England and Wales, and additionally the acquisition of the Definitely Devon business totalling circa 20 million litres per annum, our volumes serviced in the South West are now approaching 200 million litres per annum, in line with the planned first phase capacity of the new dairy.

We are confident this new dairy will be successfully utilised and, once open, will take pressure off our existing English dairies and free up capacity to cope with organic growth. The timetable for completion of the first phase is Autumn 2007 and orders have been placed for both processing and filling equipment, with an initial capacity of 200 million litres per annum at a cost of £46 million.

## BOARD AND SENIOR MANAGEMENT

Our PLC Board was strengthened last year with the appointment of Martyn Mulcahy and David Dobbins as Group Operations and Group Commercial Directors respectively. On 1 September 2005, the Board was further strengthened with the appointment of Beverley Hodson as a Non-Executive Director.

We regularly review our senior management team and I am pleased to report the following appointments to our Operational Board. Graeme Jack, currently Managing Director of Trimedia in Scotland, is joining us to take on the new role of Communications Director. In addition, Douglas Laing is being promoted to the post of Risk Management and Strategic Planning Director. Both these appointments are effective from 1 July 2006. Gerard Sweeney, currently Finance Director of the Operational Company, will in addition to his existing role also assume the role of Company Secretary to the PLC and subsidiary companies following our AGM on 6 July 2006.

## STAFF

The year has seen many challenges for the Group and I am delighted with the response from our growing workforce. Our staff continue to demonstrate the culture of customer service that has been instilled in the business since it was founded by my father almost sixty years ago and they have the Board's sincere thanks for their commitment and efforts.

## OUTLOOK

Against a backdrop of high oil costs, we remain optimistic about the outlook for our business and look to a period of further stability within the sector and to maintaining the recovery in our operating margins in the period ahead. We are delighted with the recent news that planning permission has been granted for our new dairy in Bridgwater and that our sixth dairy is now firmly on track for opening in Autumn 2007.



**ALAN W WISEMAN**  
Chairman  
15 May 2006







Martyn Mulcahy Group Operations Director

From the farm to the fridge  
We have opened our new £8m Northampton depot delivering improved service levels, increased efficiency and lower operating costs despite the external pressures faced over the year

Robert Wiseman Dairies  
KEY PERFORMANCE INDICATOR

### Dairy efficiency

2006

67.9%

2005

61.8%

Robert Wiseman Dairies  
KEY PERFORMANCE INDICATOR

### Delivery accuracy

2006

99.8%

2005

99.8%

## The milkman delivers

Every day we process 4 million litres of milk into 300 different products. These products vary in numerous ways such as milk and cream types, size, labelling and packaging i.e. plastic bottles or carton bottles. They are then delivered fresh across the nation to over 13,000 locations in our famous black and white liveried fleet, which now stands at over 1,200 vehicles.





David Dobbins Group Commercial Director

The partner of choice  
Growing our market share  
requires constant attention  
to the basics, offering the  
best product and the best  
service at the best price

Robert Wiseman Dairies  
KEY PERFORMANCE INDICATOR

### Sales volume growth

2006

14.2%

2005

4.5%

## Innovation in action

We are constantly working with our customers to further develop the milk category to meet the requirements of increasingly discerning consumers. We continue to invest in brand products such as 'the One' and Fresh'n'Lo whilst developing new products such as Extended Shelf Life milk and a snack pack 'Disney' milk. We are also looking to further develop packaging formats such as our current introduction of a new 750ml carton bottle.



# Business and Financial Review



Robert Wiseman Chief Executive

Robert Wiseman Dairies

KEY PERFORMANCE INDICATOR

## Operating profit

2006

2.00ppl

2005

2.08ppl

This Business and Financial Review ('BFR') has been prepared by the Board of Robert Wiseman Dairies PLC ('the Company') solely for the members of Robert Wiseman Dairies PLC.

Throughout this review the Board makes forward looking statements. Such statements are by their nature inherently predictive, speculative and involve risk and uncertainty as they relate to events and circumstances that are expected to occur, based on the knowledge and information available to the Directors at the date this BFR was prepared. As one would expect, and as demonstrated by recent experience, the predicted events and circumstances may differ significantly from actual events and circumstances over the next year. The Board does not intend to update any of the forward looking statements contained in the BFR during the course of the financial year ending 31 March 2007 but it shall reconsider these statements in the preparation of the BFR for next year. This is without prejudice to the Company's obligations to issue statements to the market.

This BFR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Robert Wiseman Dairies PLC and its subsidiary undertakings when viewed as a whole.

The BFR discusses the following areas:

- Long term strategy and business objectives
- Business review 2006
  - Commercial
  - Dairies
  - Distribution
  - Milk Procurement
- Financial review 2006
- Principal risks and uncertainties
- Resources

## LONG TERM STRATEGY AND BUSINESS OBJECTIVES

Robert Wiseman Dairies PLC procures, processes and delivers liquid milk to customers throughout the UK. A detailed analysis of current operations is set out in the Business review 2006 section below.

There are seven key elements to the Group's strategy for meeting its objective to be the largest and most respected liquid milk processing group in the UK:

- Organic growth
- Investment in facilities, new product development and technology
- Investment in people
- Maintaining our relationship with farmers
- Maintaining high levels of customer service
- Attaining UK wide coverage
- Adding value to our shareholders

We monitor our performance against the strategy by means of key performance indicators ('KPIs').

	2006	2005
<b>Commercial</b>		
Sales volume growth per annum	14.2%	4.50%*
<b>Operational</b>		
Dairy efficiency	67.92%	61.85%
Delivery accuracy	99.8%	99.8%
<b>Financial</b>		
Operating profit – ppl	2.00	2.08
Adjusted earnings per share growth	11.7%	(15.1%)

Volume is the volume of litres of milk sold in each period. This is calculated directly by the sales system. \*In calculating the 2005 growth, the 2004 volume figures are amended to show 52 weeks instead of 53 weeks, on a pro rata basis.

Dairy efficiency is an internal measurement of the machine efficiency of the polybottle filling equipment in our three main dairies, which account for 93% of Group production.

Delivery accuracy is the order fulfilment % of deliveries to all of our customers and is calculated by dividing the number of units delivered to and accepted by the customer by the number of units ordered by the customer. This measurement excludes delivery failures which have occurred due to the failure of third parties to supply the product to the Group for onward delivery to the customer as we have no control over this situation.

Operating Profit – ppl is the average operating profit generated by each litre of milk sold and is calculated by dividing Operating Profit, as disclosed in the Income Statement, by the number of litres of milk sold in the period. This KPI is measured and reviewed each month.

Adjusted earnings per share is calculated by dividing Profit for the period from continuing operations (as adjusted to remove the effect of one off items which have a significant distorting effect, such as the prior year one off tax credit) by the weighted average number of shares in issue for the period. In the current year there are no such adjustments.

#### BUSINESS REVIEW 2006 COMMERCIAL

As a result of strong trading from our major multiples, sales volumes for the second half-year were 690 million litres. This marginally exceeded the first half-year (687 million litres) with the increased contracts with Sainsbury's and Tesco, which commenced in early 2005, more than offsetting the Morrisons loss in October 2005.

We have been successful in securing additional business from June 2006 when we will commence supplies to One Stop, a chain of over 500 convenience stores in England and Wales. We have also successfully secured additional Somerfield stores during the last six months, benefiting from its acquisition programme including stores sold by Morrisons and garage forecourts sold by Texaco.

Margins recovered during the second half-year due to our selling prices increasing in January 2006. This increase was necessary to help claw back the considerable increased costs encountered during 2005.

The Group recognises the importance of innovation, both in terms of packaging and product development. Substantial investment has taken place in this area in recent years, with product launches including 'the One', our low fat milk product, 'Pure', an extended shelf-life milk (ESL) for Tesco and, more recently, a 'Disney' snack pack milk for children. These complement our own Wiseman 'Black and White' brands and Fresh 'N' Lo, the first semi skimmed milk brand to be launched in the UK, which celebrates its twenty-fifth anniversary this year.

We continue to explore opportunities for new products in conjunction with our customers and are excited about future plans, which include the forthcoming Summer launch of 'Puriti', our own brand ESL milk. Our reputation is growing in this area due to our high standards of quality and service, coupled with our ability to provide cost effective solutions.

The middle ground sector remains as competitive as ever, with some minor volume losses being offset by gains including sole supply to the Bestway/Batley Group. The Definitely Devon acquisition further extended the customer base of the Group and also allowed us to increase our presence with the Co-op, including supplies to Plymouth Co-op for the first time.

Bulk cream selling prices weakened in the second half-year in comparison to the first half, with the expectation that prices will fall further given the scheduled cuts in support prices in July 2006 linked to CAP reform.

Demand for organic milk continues to grow and there has been some evidence in the last six months of demand outstripping supply. We have renegotiated our supply contract from 1 April 2006 with OMSCO, the main organic milk supplier in the United Kingdom, which will result in us being in a stronger position to meet anticipated future growth in this market.

#### DAIRIES

As a result of strong sales, our dairies have been running at record production levels. The dairies responded well to the challenge and efficiencies have surpassed all previous performance levels, showing a 10% improvement on the previous year.

## Clearly progressing

We continue to explore opportunities for new products in conjunction with our customers and are excited about future plans

# Business and Financial Review

## Clearly well managed

Given the period of change and the significant cost pressures within the business in the last twelve months, we are pleased with the financial results of the Group

Our English dairies processed some 940 million litres last year, an increase of 25% over the previous year.

In Scotland, stopping production for ASDA and Morrisons in January and October 2005 respectively, resulted in a decline of 5% in volume processed to 410 million litres. Our decision to reduce our cost base by cutting back on the hours operated by our Scottish dairies has proved successful and, at Aberdeen, altering throughput to a single shift pattern from December 2005 has reduced the dairy's cost base accordingly.

Investment in our core dairies, which we consider to be the most efficient and well invested in the industry, continues to be a high priority. Since our Droitwich dairy opened in March 2001, we have spent a total of £32 million in respect of our dairy operations.

The exciting plans for a new dairy at Bridgwater outlined above have the potential to complete our requirements for processing capacity in Great Britain for the foreseeable future.

Substantial increases in utility and plastic costs were experienced, as highlighted in our Interim Statement in November 2005, but these have now stabilised and our electricity and gas contracts are committed for the calendar year. However, concerns remain that further inflationary increases are in the pipeline if oil costs remain at over \$60 dollars per barrel for any considerable period of time.

### DISTRIBUTION

The new depot at Northampton opened on time and within budget in November 2005 and is already within our top five depots in terms of volume distributed. The total investment in vehicles, buildings and plant in our depots over the last five years is some £65 million.

Like our dairies, our depots, particularly in England, have coped admirably with record sales volumes over the last twelve months. The new Tesco and Sainsbury's business, with its bias to the South of England, has seen some dramatic volume increases at our southern depots. Our Taunton and Bristol operations have seen an increase in volumes distributed of over 100% during the last twelve month period. Conversely, as we outlined, in Scotland we have scaled back our operations in line with reduced volumes.

Expenditure on IT systems to improve efficiency continues, with current projects including handheld technology for our drivers and Radio Frequency Identification (RFID) to automatically track and trace deliveries to our customers and further improve supply chain performance. Trials on RFID technology with Tesco are taking place at present and potential returns on investment are being calculated. Investment in IT systems throughout the Group since 2001 totals £10 million.

### MILK PROCUREMENT

Our record on milk prices paid to suppliers is second to none within the industry, with various league tables confirming this over both most recent and longer periods of time. During the last financial year we calculate the premium we have paid to farmers over our major competitors to be 0.5p per litre. This premium was narrowed slightly in March, when we regrettably had no choice but to trim our milk buying price to reflect lower returns from our sales of bulk cream.

We keep regular dialogue with the NFU and NFUS and are committed, where possible, after consultation with our major customers, to embracing changes to contract terms with our direct farms in line with their 'vision document' recommendations.

Competitiveness necessitates that we keep our price within realistic touch of our opposition, whose milk procurement has varying terms and conditions depending on the sector served, and who can often access raw milk supplies at a considerable discount to the prices we pay.

We continue to forge relationships, not just with our direct suppliers, but also with the milk co-operatives and have recently increased our supply contract volumes with First Milk for the forthcoming year. Haulage rationalisation within the supply chain remains an area with scope for savings and improved efficiencies. We have recently commenced a review to evaluate the potential benefits of rationalising ex-farm haulage with First Milk.

Construction of a new £5.0 million milk haulage depot at Market Drayton for our fleet of ex-farm tankers and trunks will commence in June 2006. This is expected to be operational in October 2006 and will allow us to improve the efficiency and cost effectiveness of our ex-farm haulage operations in England and Wales.



Billy Keane Group Finance Director

## FINANCIAL REVIEW 2006

### Overview

Given the period of change and the significant cost pressures within the business in the last twelve months, we are pleased with the financial results of the Group. We believe that the recovery in the margin generated in the second half of the year, leaves us well placed to deal with the challenges that lie ahead in the coming year.

Below is the comparison of 2006 with 2005 under IFRS.

	2006	2005
Turnover – volume (million litres)	<b>1,377</b>	1,206
Turnover (£ millions)	<b>568.6</b>	489.2
Operating profit (£ millions)	<b>27.5</b>	25.1
Operating profit (ppl)	<b>2.00</b>	2.08
EPS (pence)	<b>25.35</b>	28.38
Adjusted EPS* (pence)	<b>25.35</b>	22.70
Cash generated from operations (£ millions)	<b>43.5</b>	38.5

\* Excluding the one-off tax credit and related interest credit in 2005

The growth in turnover of 16.2% on milk volumes up 14.2% reflects the impact of the cost recovery increase in the second half of the year. Whilst operating profit was up 9.6%, operating margin fell from 5.1% to 4.8% due to further increases in oil related costs such as diesel and plastic resin costs. The impact of losing the Morrisons business on our financial results was minimised by actions taken in both Production and Distribution, along with the increased volumes from existing customers.

### Interest

After removing the prior year benefit from the release of interest accrued in respect of prior tax returns of £0.5 million, then the movement in total finance costs is only £18,000. Interest cover is very high and represents over 33 times cover (2005: 31 times excluding the release of interest on prior year tax returns).

### Tax

The effective tax rate was 31.0% (2005: 14.6%). The 2005 tax charge benefited from a one-off tax credit of £3.9 million, as a result of agreement being reached with the tax authorities on matters relating to previous years' tax returns. Excluding this one-off credit, the 2005 underlying tax rate was 31%.

### Earnings Per Share ('EPS')

Basic EPS in the current year fell by 10.7% to 25.35p (2005: 28.38p). Excluding the impact of the prior year one-off tax credit, the adjusted EPS increased by 11.7% to 25.35p (22.70p).

### Balance Sheet Review

We have continued to invest in the business with total capital expenditure in the year of £24.7 million, making our total capital expenditure since 2001 £107 million. In the current year we have continued to invest heavily in vehicles, with a further £9 million spent. We have also invested £8.6 million in land and buildings, the majority of which related to the new depot at Northampton, plus some additional land we acquired adjacent to our dairy at Trafford Park, Manchester.

Goodwill has increased as a result of the acquisition of the trade of Definitely Devon Limited in March 2006.

Inventories have remained consistent, with a slight increase in finished goods due to the higher throughput than the prior year. Trade and other receivables have increased by £9.9 million, principally due to the increase in trade debtors of £7.6 million and prepayments and accrued income of £1.7 million. The increase in trade debtors is due to the higher sales volumes and the timing of year-end receipts with debtors' days increasing to 25.6 (2005: 24.1).

The asset held for sale is the land at Chester-le-Street, which is currently being marketed. The prior year property held for sale was the Edinburgh depot, which was disposed of in the current year for £0.7 million.

Trade and other payables have moved due to an increase in trade creditors of £6.5 million. This is simply due to the timing of payments and the increased levels of expenditure.

During the year the Group continued buying back its shares, with 3.5 million shares acquired at a cost of £9.1 million (2005: 6.1 million shares at a cost of £14.4 million).

Overall net assets increased by £5.2 million to £119.3 million.

### Cash Flow and Net Debt

The Group's strong operational cash generation increased in the year with cash flows generated from operations in the current year of £43.5 million (2005: £38.5 million). This has assisted the Group in funding the capital investment plan previously discussed, resulting in a net cash inflow of £12.1 million (2005: £12.5 million) before financing activities. The purchase of our shares, dividend payments and loan repayments contributed to a £15.7 million outflow in financing activities (2005: £20.6 million).

Net debt at the year end of £2.5 million (2005: £0.7 million) remains exceptionally low, with gearing at only 2% (2005: 1%). Net debt will rise over the next couple of years as a result of the Group's capital expenditure programme, including the new Bridgwater dairy.

### Pensions

The Group operates its current pension arrangements on a defined contribution basis. All staff have access to a Group Personal Pension Plan and we currently have a membership in this scheme of over 1,700 employees. The only exposure to a defined benefits scheme arose from the acquisition of Aberdeen Milk Company Limited in May 1999, which had a closed final salary scheme. The valuation under the IAS 19 accounting basis showed a deficit before the related deferred tax asset in the scheme at 1 April 2006 of £0.5 million (2 April 2005: £1.0 million). The movement in the current year arose principally as a result of a re-assessment of the

# Business and Financial Review

mortality rates and applicable discount rates that caused a significant increase in the deficit, but was mitigated by the Group contributing a one-off additional payment of £0.9 million. The normal contribution to the scheme has remained at £185,000 per annum since October 2003 in order to assist the scheme in meeting its Minimum Funding Requirements. On the advice of the scheme actuary, this normal contribution is being increased to £240,000 per annum from 2 April 2006.

## Change in Accounting Policies

During the year ended 1 April 2006 the Company adopted International Financial Reporting Standards for the first time. Full details of the adjustments on transition were published in September and November 2005 and can be found at [www.wiseman-dairies.co.uk](http://www.wiseman-dairies.co.uk), our award winning website

## PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which we have identified within the business which could have a material impact on the Group's long term performance. These are not all of the risks which the Directors have identified but only those that the Directors currently consider are likely to be material.

## Commercial relationships

We have developed close working relationships with all of our customers however a large percentage of the Group's sales are made to the Multiples and in the year to 1 April 2006 69% of our total milk sales by volume were concentrated in four key customers. Damage to or loss of the relationship with these customers could have a detrimental effect upon the financial performance of the Group. In order to manage this risk the Group focuses heavily on delivering a high quality product on time. We maintain regular contact with all of our customers and members of the Operational Board and the Board will meet with individual management from our key customers throughout the year.

## Manufacturing capacity

Our dairies are now operating at record efficiencies and whilst we are delighted with this performance the Group is exposed to a higher level of risk as, were one of the three main dairies to become inoperable for a prolonged period of time, it would be unlikely that we would be able to fully meet customer demand from our other facilities. The Group has recovery plans for the most likely situations and staff are trained to ensure that were any such event to arise we could react in the most appropriate manner. When our new dairy becomes operable this will increase the available capacity in the Group and alleviate the risk associated with any significant disruption to the available capacity.

## Clearly resilient

The Group is in excellent shape, with margins showing some recovery in the second half-year

Robert Wiseman Dairies

KEY PERFORMANCE INDICATOR

## Adjusted EPS growth

2006

# 11.6%

2005

(15.1%)

### Information technology

The Group has invested heavily in recent years on further upgrades to our production facilities to ensure that they remain the most efficient and technologically advanced in the country. However this increases the Group's risk upon IT systems and processes. The Group has also invested heavily in recent years in additional IT personnel and IT security to ensure that we are as well protected as we practically can be from IT viruses and downtime.

### Raw materials

With 89% of our sales of milk being in polybottles the Group is exposed to fluctuations in HDPE resin price which in recent years has risen on account of being an oil related commodity and also due to an increase in global demand for this resin. We have established strong working relations with our polybottle suppliers and believe that we are managing this risk as fully as is practical.

### Environmental risk

Whilst we are focused on improving our environmental impact at all sites, the nature of the product means that we have significant environmental impacts from packaging types, to method of delivery to customer. Details of the impact of the business on the environment in the current year are contained on pages 18 and 19.

### Financial risk

The treasury function is managed centrally to support the operating activities of the Group. Its primary role is to ensure that adequate resources are available to meet the funding requirements for the Group on a day-to-day basis and that financial risk arising from the Group's underlying operations is effectively identified and managed.

### Management of Credit risk

The Group has a large percentage of our business concentrated in a small number of multiple customers and this is also reflected in our trade receivable balances. The credit risk associated with our trade receivables balance is limited because the customers are either large corporations with high credit ratings or we have credit insurance in place to mitigate any risk of exposure.

### Management of Foreign Exchange risk

The Group has no significant exposure to foreign exchange risks. The Group's policy when purchasing capital equipment from or in selling products to overseas is to fix its liability in pounds Sterling when orders are placed using foreign exchange contracts.

### Management of Interest Rate risk

It is the policy of the Group to have around 40% to 60% of its core borrowings hedged and interest rate swaps achieve a mix between fixed and floating rates. Our core average borrowings have been reducing faster than anticipated and, for the twelve months ending 1 April 2006, averaged £9.4 million. We have in place £10 million of interest rate swaps. With borrowings having fallen faster than anticipated, the amount of core borrowings hedged in the financial year has exceeded the target range and with our interest swaps ending in September 2006 the position will be reviewed again during the new financial year.

### Regulatory risk

It remains the Group policy to ensure that employees are aware of their responsibilities under Competition Law and their associated compliance is monitored through the year. The Office of Fair Trading ('OFT') Inquiries into the Group remain outstanding and we remain willing to assist the OFT in their reviews.

### RESOURCES

The Group has the following key resources which assist it in the pursuit of its key objectives:

- Investment in facilities and equipment
- Employees with extensive knowledge of customers and markets in which we operate
- Close relationship with our key suppliers
- Strong corporate reputation for quality products and service

### Investment in facilities and equipment

In the last five years the Group has invested a total of £107m in new dairy equipment, depots, vehicles and IT infrastructure and this has provided us with modern, efficient production and distribution facilities to enable us to continuously provide quality goods in a quality manner to all of our customers. The investment has also enabled the Group to maximise its scale, minimise wastage and operate at record levels of efficiency throughout its operations.

### Employees with extensive knowledge of customers and markets in which we operate

While the Group continues to invest in facilities and equipment we also continue to invest in our people. We have an extensive training programme which we offer throughout the Group's operations for all levels of staff. We believe that by investing in our staff and retaining quality staff we are well positioned to provide a quality service and react effectively to any issues which may arise.

### Close relationship with our key suppliers

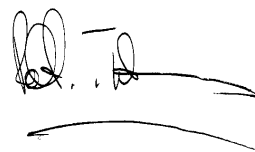
The Group continues to develop strategic relations with its key suppliers such as the Wiseman Milk Partnership, First Milk, Nampak, Alpa and Tetra Pak. The Group believes that by forging strong relations with its suppliers it is well placed to provide a high quality service to its customers.

### Strong corporate reputation for quality products and service

The Group prides itself in ensuring that there is quality in everything we do, from product development to production techniques to distribution service. The Group continues to invest in projects which support the brand and maintain quality throughout the Group's operations.

### Summary

The Group is in excellent shape, with margins showing some recovery in the second half-year and gearing low, allowing scope to fund the expansion of the Group's capacity and associated capital expenditure programme from a strong base.



**ROBERT T WISEMAN**

Chief Executive  
15 May 2006



**WILLIAM G KEANE**

Group Finance Director  
15 May 2006



10K  
GREAT SCOTTISH RUN  
START

# Clearly involved

2005 saw our second year of sponsorship of the Great Scottish Run with our brand, FRESH'N'LO. The event has grown to be the largest participative event in Scotland with the 10K and Half Marathon runs attracting more than 19,000 entrants last September.



# Corporate and Social Responsibility

## Clearly part of the community

### CORPORATE SOCIAL RESPONSIBILITY

The responsibility of the Company is to be successful and in doing this we require to balance the differing interests of our stakeholders. We owe our employees stable, safe and fair employment. We must provide the high quality product our customers want, at a competitive price. Our shareholders demand and deserve a healthy return on the capital they have trusted to us, which is achieved through a mix of growth and profit. We must work productively with government and regulators. We attach importance to managing our environmental impact and making a genuine contribution to the communities in which we operate.

### Business Ethics

The Board of Robert Wiseman Dairies has made a clear commitment to ensuring that the Group operates to the highest standards of business ethics and integrity. The principles underlying this are included in the Employee Handbook provided to all employees. The handbook contains clear policy and procedures for addressing issues such as giving and receiving of gifts, equal opportunities, bullying and harassment at work and acceptable use of the Group's assets including, but not limited to, vehicles, computers and e-mail facilities. The Group's strong ethical position has been recognised in the current year by entry into the FTSE4GOOD Index.

### Board responsibility

The Board has delegated the day to day responsibility for all matters related to Corporate Social Responsibility to the Executive Directors and the Business Unit Directors.

### Employee Involvement

#### EMPLOYEES

The Group is committed to the principle of equal opportunities in employment and will not tolerate any discrimination on the grounds of race, nationality, religion, ethnic or national origin, gender, marital status, age or disability. As a widely dispersed business our ethnic mix varies from location to location, and we have three sites where over 50% of employees are from ethnic minority groups. Last year we reported that we had welcomed a number of workers from the EU accession states; we still find that many people applying to join the business come from these countries and we continue to benefit from an increasingly diverse workforce. Whilst our distribution staff are predominantly male, like most of the transport industry, our production facilities include a broader gender mix due to the availability of shift and part time working.

In recognition of the number of employees at our Droitwich site who do not speak English as their first language, Droitwich Spa High School support the company providing a teacher to teach English courses, supported by sixth form pupils.

Our Training Department runs a wide range of courses for staff at all levels, from vocational qualifications to postgraduate and professional institute qualifications to develop staff and promote best practice in all aspects of the work environment. We see this as essential for the motivation and retention of staff and for the provision of the highest quality customer service.

As the Group grows we seek to develop our employees through increasingly varied and innovative training and development schemes. These help to ensure that we have highly trained staff who are able to meet our customers' high standards.

The introduction of lean techniques into the business which has led to substantial efficiency improvements, has also offered development opportunities for our staff and provided improvements in performance indicators relating to staff absence and turnover.

Our LGV driver training programme is well established and this year we have trained 161 new LGV drivers. We have also been at the forefront of the government Safe and Fuel Efficient driving initiative. We ran the first training course in Scotland and were asked to consult on the technical content of the case studies. Our Contract with the Learning Skills Council is progressing well, with around 50 drivers working towards their S/NVQ qualification. First completions are expected in May 2006.

Whilst we consider that all managers within the group are responsible for recruitment, employment and training of their staff, responsibility for training updating and monitoring adherence with Group policies has been delegated to the Human Resources Director who is responsible to the Group Commercial Director.

We continue to be delighted with the commitment and dedication of our staff in achieving the levels of service and efficiency that makes the Company stand out in comparison to our competitors. The Group is keen to encourage and develop all members of staff to realise their maximum potential; all job vacancies are first advertised internally to try to maximise the number of positions filled from within the Group thus creating clearly visible opportunities for internal promotion.

### Our partnership with USDAW

We continue to develop our relationship with our trade union partner USDAW and have encouraged them to increase their membership within our business beyond the current level.



### WISEMAN IN THE COMMUNITY

The Group recognises that we should make a genuine contribution to the communities in which we operate and that we have a key role to play in the communities we serve both locally and nationally. Responsibility for ensuring we carry out this role effectively has been delegated to the Sales & Marketing Director who is responsible to the Group Commercial Director.

We are very much of the opinion that community involvement is really about getting involved not just about providing funds and putting our name to something. As such we have very strong links with all the education, community and charitable projects we are involved with. These range from long term partnerships to one off projects that are worthy of support.

### Education

#### SCHOOL MILK

With the "Hungry for Success" guidelines in Scotland, and the corresponding White Paper from Westminster there has been much discussion on the role milk does, and will, play in childrens' diets in school. There have been a number of initiatives we have been involved with to help educate children on the benefits of milk and we have also been involved in investigating modern routes to market, including trials using vending machines as a distribution channel for milk, and the promotion of semi-skimmed milk in primary schools.

#### SCHOOL PROJECTS

On a more local level we continue to sponsor Droitwich Spa High School in their endeavours as a designated specialist sports college. The high school continue to provide assistance to the group in English language training as previously mentioned. We have also been involved with individual schools projects, including supporting schools in the area local to our head office in East Kilbride who have been undertaking the Scottish Food & Drink Challenge.



### Charity

#### THE VARIETY CLUB

We have continued our partnership with The Variety Club as our designated charity with some very successful results. In December we were able to raise £38,000 at our Neighbourhood Shop of the Year and Employee Awards events. We had pledged to raise money at the events for a Robert Wiseman Dairies Sunshine Coach for Woodstock School in Kilmarnock. Due to the great success of the fundraising we have also been able to pledge the 7th Robert Wiseman Dairies Sunshine Coach to Wren Spinney School in Kettering, near our new depot in Northampton.

#### OTHER CHARITIES

Outwith The Variety Club we also support other charities within the local community and also individuals who undertake their own personal challenges for charity. Most recently we have supported Jordan Maguire, 15, who successfully became the youngest person to walk to the North Pole.

### Community

#### VALE OF ATHOLL PIPE BAND

This year saw us enter into a three year sponsorship agreement with the Vale of Atholl Pipe Band, who have now become the Robert Wiseman Dairies Vale of Atholl Pipe Band. The sponsorship has enabled the band to attend many events and enter many competitions throughout the year. We would like to congratulate the band on their success including 1st place at the Pitlochry Games, Crieff Games and Dunbar Games, and 9th place at the World Pipe Band Championships. We wish them the best of luck for the coming year.

### FRESH'N'LO GREAT SCOTTISH RUN

2005 saw our second year of sponsorship of the Great Scottish Run with our brand, FRESH'N'LO. The event has grown to be the largest participative event in Scotland and the third largest in the UK with the 10K and Half Marathon runs attracting more than 19,000 entrants last September. The arrangements for the 2006 event are well underway as it is a special year for both the run and the FRESH'N'LO brand as this year marks the 25th Anniversary for both. One of the aims for this year is to attract 25,000 entrants.

### YOUNG FARMERS

Our involvement with Young Farmers groups throughout the country is one of the ways we continue to develop our links with the farming community. In Scotland we support the Scottish Association of Young Farmers Clubs through sponsorship of their National Competitions Weekend and the West Area Talent Spot Competition. In England and Wales we are developing our links with the National Federation of Young Farmers Clubs through sponsorship of their Performing Arts Competition.

### WISEMAN WORLD CUP HIGHLAND GAMES

2005 saw the first Wiseman World Cup Highland Games. The event held in Aviemore featured male and female teams from around the world taking part in traditional Highland Games events, and also featured a highland dancing competition and family entertainment.

### PAKISTAN WELFARE TRUST

We have continued to build on our long term relationship with the Pakistan Welfare Trust and help support their work through the sponsorship of their annual dinner. This event has developed and grown over the years and 2005 was one of the biggest events, mixing Asian and Scottish cultures including a performance from the Robert Wiseman Dairies Vale of Atholl Pipe Band.



# Corporate and Social Responsibility

## Clearly fresher

### Environmental policy and objectives

At Robert Wiseman Dairies, we take our environmental responsibilities very seriously. We are committed to adopting good environmental practice at all our locations and in our operational and capital investment decisions. Our key objectives are to:

- comply with all environmental legislation
- improve environmental controls
- prevent pollution
- use resources efficiently and minimise waste production

Specific responsibility for environmental issues has been delegated to the Group Operations Director.

### Environmental Management System

We believe our strong record of investing in new facilities has given us the most efficient and environmentally friendly dairies in the UK. The Company is proud to have secured ISO 14001 accreditation for all our operations including five main dairy sites, distribution sites, garages, milk procurement and head office. Our Environmental Management System continues to achieve real improvements across all operations, promoting good environmental practice and reducing risks of environmental pollution.

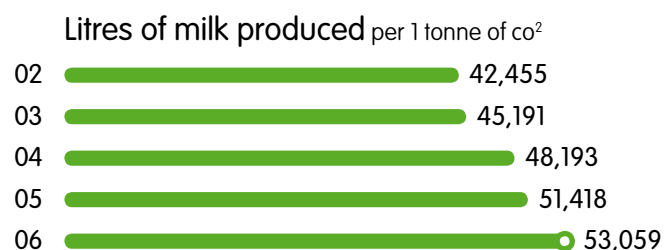
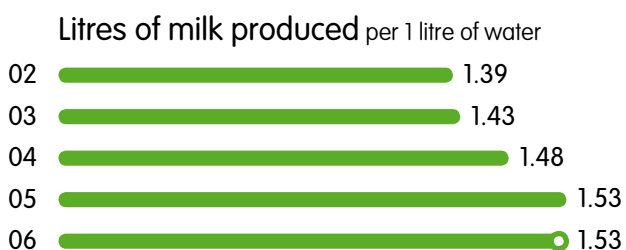
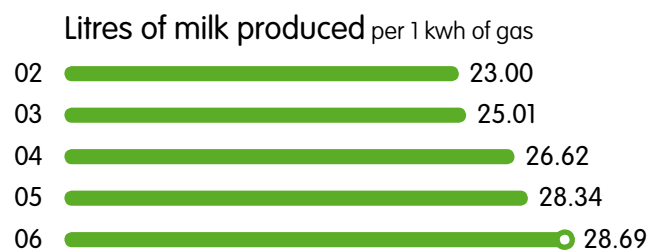
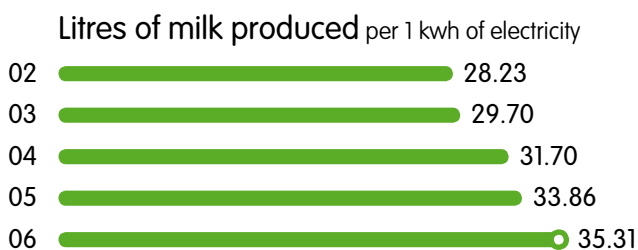
In the current year as part of our continuous improvement and waste minimisation programme we have invested in software which not only records and trends the use of resources throughout the Group but also provides a group wide forum to share waste minimisation opportunities across all of our sites.

### European Integrated Pollution Prevention & Control

IPPC legislation has seen us work closely with the Environment Agency in England and the Scottish Environmental Protection Agency in the last year. We maintain that IPPC provides a focus for driving additional environmental improvements across all sites.

### Capital Investment

All of our capital projects are subject to an Environmental Impact Assessment that enables us to determine the potential environmental impact of any project prior to approval. We are investing in real time in-line effluent monitoring which allows us to build up a picture of each plant's performance minute by minute. Our reverse osmosis plants at Bellshill and Droitwich Spa dairies have reduced wastage and improved effluent quality at these sites. All new refrigeration plant will use non HCFC gases and we have a schedule in place to meet the requirements of EC Regulations, our replacement programme is currently in line with the schedule.



### Continuous Improvements

Our Environmental Management System has provided us with the framework necessary to identify, monitor and progress opportunities in waste minimisation and promote good environmental practice. We monitor consumption of all utilities to target reductions in each area. These are reviewed by site each week and in the last year our actual performance has been:

- a 0.3% relative reduction in water usage
- a 1.2% relative reduction in gas consumption
- a 4.3% relative reduction in electricity consumption

During the year a project team was set up to investigate the performance on water and gas usage and identify how this could be improved going forward. The project team has now reported back and action has been taken which is expected to enable us to reduce relative consumption next year.

### Transport

In transport, driver training, vehicle routing and reload operations all contribute to minimising the use of valuable resources and air pollution. The Group are keenly aware of the important issue of vehicle emissions and when we acquire vehicles we consider the fuel efficiency of the vehicle. However, we also consider the recyclability of the vehicle itself once it reaches the end of its working life. All of the vehicles we purchase are of the highest specification, using the latest engine technology and the same can also be said for the fridge units for our vehicles. These fridge units are driven off the truck engine, this cuts out the need for another diesel engine which in turn cuts down on exhaust emission.

Many of the parts used on vehicles can be refurbished and re-used, such as clutches, brake shoes and brake valves.

Approximately 75% of our commercial fleet now runs on Bio-diesel and we would expect to increase this to 100% over the coming year. Bio-diesel is a mix of 95% ultra low sulphur diesel and 5% rape seed oil. Bio-diesel helps to reduce the emission of environmentally damaging greenhouse gases without affecting engine performance or miles per gallon.

We are at the forefront of the Government Safe and Fuel Efficient Driver initiative. This driver training scheme covers fuel efficient driver techniques and emphasises accident prevention and reduction.

### The Future

We continue to consider innovative and novel technologies to further minimise the environmental impact of our business and to maintain our facilities as the most efficient and environmentally friendly in the UK dairy industry.

The development of our new site in the South West will see us investigate many new technologies designed to reduce our impacts on the environment including a reduction in carbon emissions.

### Waste Packaging

By reducing waste at each of our sites and continuing to seek out and identify recycling opportunities, we have also been able to reduce the amount of waste being sent to landfill. We are successfully finding markets for recycling of wastes which had previously gone to landfill including a partnership with Smith Anderson Paper to recycle fibre carton material. Despite this, the main drive is to reduce waste rather than recycle it. In the current year we recycled a total of 673 tonnes of waste (2005: 530 tonnes).



# Directors and Advisers



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## 1 ALAN WISEMAN (55) Chairman

Alan has been with the business for his entire working life. Under his leadership Wiseman has undertaken a major programme of acquisitions and organic growth. He has overall responsibility for the strategic development of the Group.

## 2 ROBERT WISEMAN (51) Chief Executive

Robert joined the business in 1975. He worked closely with Alan in the expansion of the business, becoming Managing Director in 1985 and was appointed Chief Executive on 16 May 2005. He has responsibility for all operational matters within the Group. He was awarded Ernst & Young Entrepreneur of the Year 2003.

## 3 WILLIAM KEANE (50) Group Finance Director

William is an Associate Member of the Chartered Institute of Management Accountants and joined Wiseman on 1 January 1994. He has received a Special Achievement Award in the Scottish Finance Director of the Year competition and was Chairman of the Group of Scottish Finance Directors in 2001.

## 4 DAVID DOBBINS (47) Group Commercial Director

David joined the business in May 1982 and has been involved in the milk industry for his entire working life. He has been a director of the operating company, Robert Wiseman & Sons Limited, since March 1989 and is responsible for the Group's commercial activities including employee matters, sales & marketing, commodity trading (bulk cream), health and safety and customer services.

## 5 MARTYN MULCAHY (49) Group Operations Director

Martyn joined the business in December 1994 and has been involved in the dairy industry for most of his working life. Martyn has been a director of the operating company, Robert Wiseman & Sons Limited, since October 1995 and is responsible for the Group's operational activities including all environmental, production and distribution related matters.

## 6 NORMAN L MURRAY BA CA FRSA (58) Non-executive Director

Norman joined the Company in September 2003 and is the Senior Independent Director. He is currently Chairman of Cairn Energy plc and a Non-executive Director of Greene King plc and Penta Capital Partners Holdings Ltd. He is President of the Institute of Chartered Accountants of Scotland.

## 7 ANDREW DARE CBE (64) Non-executive Director

Andrew joined the Company in October 2000 and was previously Chief Executive of Milk Marque. He holds several other private company directorships.

## 8 ERNEST FINCH BSc (59) Non-executive Director

Ernie joined the Company in September 1999 and was previously group executive of retail operations and systems with Marks and Spencer plc. He holds posts as a commercial adviser in both public and private sectors.

## 9 BEVERLEY HODSON OBE (54) Non-executive Director

Non-executive director of First Milk and Legal & General Group PLC. She was formerly Chief Executive of UK Retail, WH Smith Group Plc, Chief Executive of Children's World, which was part of Boots Company Plc, and Chief Executive of Dolcis, Bertie Shoes and Cable & Co., which were part of Sears Plc.

### Principal bankers

Clydesdale Bank plc  
19 Stuart Street  
East Kilbride  
Glasgow G74 4NF

### Solicitors

Maclay Murray & Spens  
151 St. Vincent Street  
Glasgow G2 5NJ

### Auditors and tax advisers

Deloitte & Touche LLP  
9 George Square  
Glasgow G2 1QQ

### Registrars

Capita Registrars plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Financial advisers and stockbrokers

Investec  
2 Gresham Street  
London EC2V 7QP

### Audit committee

Norman L Murray  
Ernest Finch  
Andrew Dare

### Remuneration committee

Ernest Finch  
Norman L Murray  
Andrew Dare

### Nomination committee

Alan Wiseman  
Norman L Murray  
Andrew Dare  
Ernest Finch

### Secretary and registered office

William G Keane  
159 Glasgow Road  
East Kilbride  
Glasgow G74 4PA

### Registered number

SCO 146494

# Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the financial year ended 1 April 2006.

## Principal Activities and Business Review

The principal activities of the Group remain the processing and distribution of milk and associated products. A review of the results and the development of the business is given in the Chairman's Statement on page 2 and the Business and Financial Review ('BFR') on pages 8 to 13.

## Results and Dividends

Group results, dividends (paid and proposed) and recommended transfers to profit and loss reserve are as follows:

	£000
Group retained profit at 2 April 2005	83,062
ESOP share amortisation	(353)
Share based payments credit	1,076
Arising on the purchase of ordinary shares	(9,098)
Goodwill sold previously written off to reserves	9
Contribution for purchase of shares by ESOP	(929)
Total recognised income and expense	18,112
Dividends	(5,968)
Group retained profit at 1 April 2006	85,911

## Enhanced Business Review Requirements

The Group is required to comply with the Enhanced Business Review disclosures required by the Companies Act 1985 as amended to comply with the EU Modernisation Directive. The Group has chosen to include much of the disclosure within its Business and Financial Review including the following:

- Disclosure of Key Performance indicators for the Group on page 8 of the BFR.
- Disclosure of Principal Risks and Uncertainties affecting the business including the use of financial instruments on pages 12 to 13 of the BFR.
- Financial Risk Management Policy on page 13 of the BFR.

In addition the Group has made certain disclosure about its environmental impact and performance in the current year within the Corporate and Social Responsibility Report contained on pages 18 and 19.

## Share Capital

On 2 May 2006 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the Company's ordinary share capital:

	Number of shares	Percentage held
First Milk Ltd	11,332,197	15.69%
Aberforth	5,997,716	8.30%
GJ Wiseman	2,763,999	3.82%

AW Wiseman and RT Wiseman have interests amounting to more than 3% of the Company's ordinary share capital, details of which are disclosed in note 11 of the financial statements. Details of the share capital of the Company are given in note 27 to the financial statements.

## Acquisition of Company's Own Shares

At the end of the year, the directors had authority, under the shareholders' resolution of 7 July 2005, to purchase on behalf of the Company 7,923,000 of the Company's ordinary share capital at prices ranging between 10p and 297.6p per share. This authority expires at the conclusion of the 2006 Annual General Meeting. It is proposed that this authority will be renewed at the 2006 Annual General Meeting, as detailed in the Notice of Annual General Meeting.

## Directors

The names of the current directors of the Company are set out on page 20 of the annual report. AW Wiseman will retire by rotation, and will seek re-election by shareholders, at the 2006 AGM. B Hodson retires and offers herself for election by shareholders, at the 2006 AGM. Our Articles of Association also provide that at each AGM one third of the directors (or the nearest number to a third but not greater than) should retire by rotation. The articles require that the Company determines this by selecting the person who has served the longest since the last appointment and where there is a tie then it is done by lot. In the current year NL Murray is also retiring and offers himself for re-election by shareholders at the 2006 AGM.

## Charitable and Political Contributions

During the year the Group made charitable donations of £10,000 (2005: £10,000) principally to local charities serving the communities in which the Group operates and £Nil (2005: £Nil) for political purposes.

## Terms of Payment to Suppliers

Payment terms with suppliers are such that payment is made by the Group at the end of the month following that in which goods or services are received except where individual terms of payment have been agreed. The Company has no trade creditors.

# Directors' Report continued

## Environmental Policy

The Group is committed to minimising any harmful effects of its activities on the environment and to working with suppliers, customers and the local community to carry out this policy. Programmes to reduce energy usage and minimise waste have been put in place and the Group works with customers and suppliers to avoid excess packaging and promote the use of recyclable materials. Further details of the Group's environmental objectives and initiatives in this area are set out on pages 18 and 19.

## Employees

Details of the number of employees and related costs can be found in note 11 to the financial statements. The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Communication is made via regular meetings with senior management, notice boards and newsletters sent to every employee.

## Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## Disclosure of information to auditors

In the case of each of the persons who are directors of the Company at 15 May 2006:

- So far as each of the directors is aware, there is no relevant audit information (as defined by the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all of the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

## Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

## Annual General Meeting

The notice convening the Annual General Meeting, which will be held at the Holiday Inn East Kilbride, Stewartfield Way, East Kilbride on 6 July 2006 at 12.00 noon, is sent to shareholders separately with this report, together with the explanation of the items of special business.



**William G Keane**  
Secretary

15 May 2006

## Registered Office

159 Glasgow Road  
East Kilbride  
Glasgow  
G74 4PA

# Corporate Governance

Robert Wiseman Dairies believes that the principal roles of its Directors are to lead and control the wealth creation process and to manage the associated risks and system of internal controls within the Group. The Directors are accountable to shareholders for good governance.

This Corporate Governance Report explains key features of the Company's governance structure, how it applies the principles contained in the revised Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ('the Code') and the extent to which the Company has complied with the provisions of the Code. The Company is committed to the principles of Corporate Governance contained in the Code and each of the provisions of the Code has been reviewed and where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this Report. The Company has complied throughout the year ended 1 April 2006 with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code other than the following matter:

Following a review of Corporate Governance Best practice the period of the service contracts of the two Executive Directors through the year were amended from 18 months to 12 months to comply with Code Provision B.1.6. The Executive Directors' new contracts commenced on 12 May 2005 and they received no compensation as a result of this change in their terms.

## Directors

Brief biographical details of current Directors are set out on page 20. The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between those roles. The Chairman leads the Board and ensures the effective engagement and contribution of all Non-executive and Executive Directors. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated from the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Executive Directors and the Operational Directors.

There is also a Senior Non-executive (Norman Murray) whose role is separately defined. The Board comprises four Executive Directors and five Non-executive Directors. Three of the Non-executive Directors are considered to be independent and therefore a third of the Board comprises Non-executive Directors determined by the Board to be independent. Norman Murray as the Senior Independent Non-executive Director is available to address concerns which shareholders may have that have not been dealt with through the normal communication channels with the Executive Directors. The two Non-executive Directors who are deemed to not be independent are:

- Alan Wiseman, on account of his previous Executive position, shareholding and relationship to the Executive Directors; and
- Beverley Hodson, on account of the fact that she sits on the Board as a representative of First Milk who hold a 15.7% share of the Company and are the largest single supplier to the Group.

In accordance with the Company's Articles of Association, which provide for all Directors to stand for re-election at intervals of no more than three years, AW Wiseman will retire by rotation, and will seek re-election by shareholders, at the 2006 AGM. Our Articles of Association require that a director appointed to the Board since the last AGM should retire at the next AGM and stand for election to the Board to give shareholders an opportunity to confirm their appointment, therefore Beverley Hodson retires and offers herself for election by shareholders, at the 2006 AGM. Our Articles of Association also provide that at each AGM one third of the directors (or the nearest number to a third but not greater than) should retire by rotation. The articles require that the Company chooses by the longest since the last appointment and where there is a tie then it is done by lot. In the current year Norman Murray is also retiring and offers himself for re-election by shareholders at the 2006 AGM.

The Chairman is pleased to confirm that, following formal performance evaluation of all the Directors, Norman Murray and Beverley Hodson's performances continue to be effective, and the Directors offering themselves for re-election or election at the AGM continue to demonstrate commitment to the role of Director (including for Norman Murray in respect of Chairmanship of the Audit Committee, and his membership of other boards and committees).

On appointment to the Board, Directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Group's businesses; the risks and strategic challenges the Group faces; and the economic, competition, legal and regulatory environments in which the Group operates. A programme of strategic and other reviews, together with other training provided during the year, ensures that Directors continually update their skills; their knowledge and familiarity with the Group's businesses; and their awareness of sector, risk, regulatory, legal, financial and other developments; to enable them to fulfil effectively their role on the Board and committees of the Board.

Particulars of Directors' remuneration and interests in shares of the Company are given in the Report of the Board in relation to Remuneration Policy and Practice (the 'Directors' Remuneration Report') on pages 26 to 32.

## The Board

The Board meets regularly to determine the strategic direction of the Group and to review operating, financial and risk performance. There is a formal schedule of matters reserved to the Board which includes approval of the Group's annual Business Plan; the Group's strategy; acquisitions, disposals and capital expenditure projects above certain thresholds; all guarantees; treasury policies; the financial statements; the Company dividend policy; transactions involving the issue or purchase of Company shares; borrowing powers; appointments to the board; alterations to the Memorandum & Articles of Association; legal actions brought by or against the Group above certain thresholds; the scope of delegations to Board Committees, subsidiary boards and executive management of the Group.

In advance of all Board meetings the Directors are supplied with detailed and comprehensive papers covering the Group's operating departments. Members of the executive management team attend and make presentations as appropriate at meetings of the Board. The Company Secretary is responsible to the Board for the timeliness and quality of information.

Directors can obtain independent professional advice at the Company's expense in performance of their duties as Directors. None of the Directors obtained independent professional advice in the period under review. All Directors have access to the advice and the services of the Company Secretary. In addition to these formal roles, the Non Executive Directors have access to senior management of the business either by telephone or via involvement at informal meetings.

## Attendance at Board and Committee Meetings from 2 April 2005 to 15 May 2006

Meetings	Board (max 7)	Audit Committee (max 4)	Remuneration Committee (max 6)	Nomination Committee (max 2)
<b>Executive Directors</b>				
RT Wiseman	7	–	–	–
WG Keane	7	–	–	–
M Mulcahy (1)	6	–	–	–
D Dobbins (1)	5	–	–	–
<b>Non-executive directors</b>				
AW Wiseman	7	–	–	2
NL Murray	7	4	6	2
E Finch	7	4	6	2
A Dare	7	4	6	2
B Hodson (2)	5	–	–	–

# Corporate Governance continued

- (1) M Mulcahy and D Dobbins were appointed to the Board on 1 July 2005, prior to this date they only attended the Board meetings by invitation. For the purposes of this table only the meetings which they would have attended as Board members is included. The maximum number of Board meetings in this period was 6.
- (2) B Hodson was appointed to the Board on 1 September 2005. The maximum number of Board meetings in this period was 5.

In addition the Chairman of the Audit Committee also held 4 meetings with the external auditors during the period 2 April 2005 – 15 May 2006 covering the transition to IFRS, audit planning and an evaluation meeting towards the end of each year's audit process.

## Board Evaluation

During the year to 1 April 2006 the Board undertook an evaluation of the effectiveness of the Board, its committees and its members. This was performed through a series of questionnaires and meetings with the Board members. The results of these evaluations were reviewed and reported back to the board during 2006. The Chairman appraised of the performance of the Non-executive Directors on the board. The Executive Directors' performance was appraised by the Chairman, reviewed with the Non-executive Directors and discussed with the relevant Executive Director. The Chairman was appraised by the Senior Independent Non-executive Director.

## Committees of the Board

The terms of reference of the principal Committees of the Board – Audit, Remuneration and Nomination – are available on the Company's website. Those terms of reference have been reviewed in the current year and are reviewed at least annually. The work carried out by the Audit and Nomination Committees in discharging their responsibilities is summarised below. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 26 to 32.

## Audit Committee

Norman L Murray (Chairman)  
Andrew Dare  
Ernest Finch

The Audit Committee consists entirely of Non-executive Directors, and is chaired by Norman Murray who has recent and relevant financial experience. As can be seen from the Directors' biographical details, appearing on page 20, the other members of the Committee bring to it a wide range of appropriate experience. The Terms of Reference of the Committee include all matters indicated by the Combined Code.

The Committee meets with Executive Directors and management, as well as privately with the external auditors. The Company Secretary attends the meeting as Secretary of the Audit Committee, however, as and when required, he will exit the meetings to ensure the independence of the meetings. In the current year the Committee has:

- reviewed and advised the Board on the Group's interim and annual financial statements;
- reviewed and approved the IFRS accounting policies;
- reviewed the control of the Group's financial and business risks;
- discussed and agreed the nature and scope of the work to be performed by the external auditors and internal control departments;
- reviewed the results of this audit work and the response of management;
- reviewed the activities, resources, organisational structure and operational effectiveness of the Group's internal control departments as discussed in more detail below;
- reviewed the effectiveness of the Group's system of internal control (including financial, operational, compliance and risk management), as well as the appropriateness of 'whistleblowing' procedures;
- made recommendations on the appointment, re-appointment and remuneration of the external auditors and monitored the performance of the auditors; and
- reviewed the non-audit services provided to the Group by the external auditors and monitored and assessed the independence of the auditors.

The Committee has ensured that both the Board and the external auditors have safeguards in place to prevent the compromise of the auditors' independence and objectivity. The external auditors also reported regularly to the Committee on the actions that they have taken to comply with professional and regulatory requirements and current best practice in order to maintain their independence. This report included details of the rules regarding the rotation of key members of the audit team to ensure independence. The Committee reviews the auditors' independence annually and ensures that they comply with the APB's Ethical Standards. Details of the amounts paid to the external auditors during the year for audit and other services are set out in the notes to the financial statements on page 46.

## Nomination Committee

Alan Wiseman (Chairman)  
Norman L Murray  
Andrew Dare  
Ernest Finch

The Committee leads the process for making appointments to the Board; ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board; reviews the composition of the Board through a full evaluation of the skills, knowledge and experience of directors; and ensures plans are in place for orderly succession for appointments to the Board, and to other senior executive management positions. There have been three new appointments to the Board in the current year and the Committee were involved in reviewing and approving each of the appointments.

## Internal control

The Board has overall responsibility for the Group's system of internal control and annually reviews its effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Executive Directors and other senior management. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance against material misstatement or loss.

At the Audit Committee meeting on 22 March 2006, following a review and evaluation of the controls and systems in place, the Committee concluded that the Group has a sound system of internal controls in place.

The Operational Board is the senior executive team of the Group and has mechanisms for monitoring the risk management practices approved and adopted by individual business areas. They confirm that there is an ongoing process, embedded in the Group's integrated internal control system, allowing for the identification, evaluation and management of significant business risks, as well as a reporting process to the Board. The Board requires the departments within the trading company to undertake at least an annual review to identify new or potentially under-managed risks. The results of these reviews are reported to the board via the Audit Committee. This process has been in place throughout the current year and up to the date of the approval of this annual report, and it accords with the Turnbull guidance. The main elements of the Group's internal control system, including risk identification, are as follows:

### 1. Board

The Board has overall responsibility for the Group's system of internal control and exercises this through an organisational structure with clearly defined levels of responsibility and authority as well as appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it, or its duly authorised committees, for decision aimed at maintaining effective control over strategic, financial, operational and compliance issues. This structure includes the Audit Committee, which with the Group Finance Director, reviews the effectiveness of the internal financial and operating control environment

of the Group. The Audit Committee meets regularly and considers reports from both the internal control departments and external auditors.

## 2. Trading company controls

The identification and mitigation of major business risks is the responsibility of the trading company management. Each department maintains controls and procedures appropriate to its own business environment while conforming to Group standards and guidelines, including procedures to identify and mitigate all types of risk. To this end the departments within the operating company undertake risk reviews, at least annually, to identify new or potentially under-managed risks.

## 3. Financial reporting

There is a comprehensive strategic planning, budgeting and forecasting system with an annual operating plan approved by the Board of Directors. Monthly financial information, including trading results, cash flow statements and indebtedness, are reported with corrective action outlined by operating company executives as appropriate. Throughout the year, Group senior management hold formal meetings with trading company management to review their business and financial performance against budget and forecast. Informal meetings of Group senior management and trading company management are held most weeks.

## 4. Operational Board

This is responsible for risk reviews and internal control, which it exercises through different departments located throughout the Group's operations. The Operational Board review business risks, processes and procedures in all the departments of the trading company, agreeing with the relevant management plans to mitigate those risks and improve internal controls and processes. It monitors progress in implementing recommendations and provides regular reports on its findings, as appropriate, to executive management and, via the Audit Committee, to the Board. Annually the Risk and Financial Planning Manager specifically reviews and reports on business risk to executive management and, via the Audit Committee, to the Board.

## 5. Audits & Reviews

The key internal risks identified in the group are all subject to regular audits or reviews by suitably trained and qualified personnel. During the year the Directors reviewed the need for a separate independent internal audit department and concluded that a separate department was not necessary as the work performed by the Quality Department Internal Audit, Business Process Department, Health & Safety, IT, Farm Services and Finance Departments covered the risks identified to the business. The current independent review by the Audit Committee and monitoring procedures in place ensured that the audits and reviews performed by these departments were independent. Audits and reviews are carried out by personnel who are independent of the location being visited.

## Relations with Shareholders

The Company co-ordinates its communications with shareholders, through a combination of briefings to analysts and institutional shareholders, both at the interim and year end results, site visits and individual discussions with Board Members and key members of the management team. There is regular dialogue to help to ensure that the Company's or Group's strategy is understood and that any issues are addressed in a constructive way. The Senior Independent Non-executive Director is available throughout the year to communicate with those shareholders who request a meeting. All brokers' reports and analysts' briefings are included in the Board papers sent to the Directors every month. During the year shareholders can receive up-to-date information through the Company's website, [www.wiseman-dairies.co.uk](http://www.wiseman-dairies.co.uk). This provides share price information, financial results and analyst presentations. The quality of our website for investor communications was recognised in the Investor Relations Best Practice Awards in May 2006 where the Company won the award for Best Website for a Small Cap Company.

## Adoption of Going Concern Basis

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the group and the company in accordance with International Financial Reporting Standards (IFRS). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985, and Article 4 of the IAS regulations.

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Directors' Remuneration Report

## Introduction

This report has been prepared in accordance with the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002 ('the Act'). The report also includes the additional disclosures required by the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The auditors require to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for audited and unaudited information.

## UNAUDITED INFORMATION

### THE REMUNERATION COMMITTEE AND ITS STRUCTURE

Ernest Finch (Chairman)  
Norman L Murray  
Andrew Dare

The Company has a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. During the year, the Committee met on 5 occasions and all of the current Committee attended each meeting. The Remuneration Committee consists entirely of independent Non-executive Directors. The Committee operates within terms of reference agreed with the Board; these are reviewed on an annual basis and are available on the Group's website or on request from the Group. None of the Committee has any personal financial interest in the Company (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Committee is responsible for monitoring and developing Group policy on executive remuneration and has oversight of the operation of the Group's share option and long term incentive plans. The Committee makes recommendations to the Board and in the current year the Board accepted all the Committee's recommendations. In accordance with the Remuneration Committee's terms of reference, no Director is involved in any decisions about his or her own remuneration. In determining the Directors' remuneration for the year, the Committee consulted AW Wiseman, (Company Chairman), about its proposals. During the year, the Remuneration Committee reconfirmed the appointment of Ernst & Young LLP to provide advice on structuring Directors' remuneration packages. Ernst & Young LLP provided additional services to the Group relating to corporate tax advice.

For Executive Directors accepting appointments outside the Group the Board's permission would be required. No Executive Directors have sought to accept any appointments outside the Group.

### SIGNIFICANT DEVELOPMENTS DURING THE YEAR

- AW Wiseman adopted the role of Non-executive Chairman on 16 May 2005. As a result of this change he is no longer eligible to participate in any of the Group's share incentive schemes, bonus arrangements or receive any pension contributions from the Group.
- Pursuant to the new pension scheme regulations which came into force on 6 April 2006, the Committee has reviewed the pension strategy in light of these changes. The Company plans to maintain the existing Executive pension's framework. For pension funds which are above the Lifetime Allowance participants will be offered a cash supplement of equal value to their existing pension provision. The Company is not responsible for compensating individuals for changes in their personal tax liabilities. This is in line with emerging best practice.

### OVERVIEW OF REMUNERATION POLICY AND STRUCTURE

Remuneration packages within the Group are designed to attract, motivate and retain directors and/or employees of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders. This design process also takes into account factors that are specific to the Company and its Executives. For example, the Remuneration Committee is mindful of the fact that RT Wiseman is already a substantial shareholder in the Company. It is for this reason that, as noted below, he does not participate in any of the Group's share incentive arrangements.

#### Executive Directors

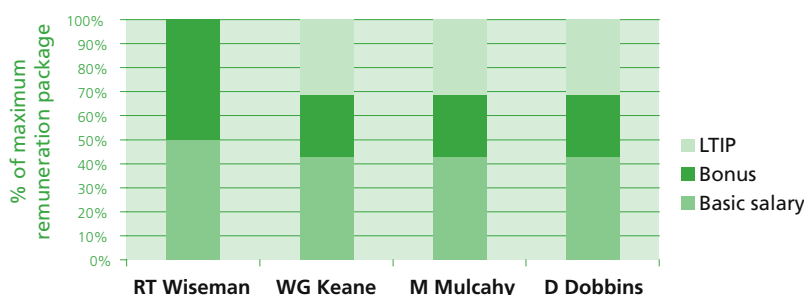
There are four main elements of the remuneration package for Executive Directors:

- Basic annual salary (including Directors' fees) and benefits;
- Annual bonus payments;
- Long term incentives; and
- Pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related. All of the Executive Directors participate in the annual bonus arrangements, and, with the exception of RT Wiseman, benefit from participation in the Long Term Incentive Plan.

This balance between fixed and performance related pay is illustrated in the table below:

#### Illustration of the relative value\* of Executive Directors' remuneration elements 2005



\* For the purposes of this diagram the % presented is based upon annual salary, the maximum bonus potential for each individual and in the case of the Directors who participate in the LTIP scheme, an LTIP award of 55% of base salary. It is also assumed that in respect of the LTIP award the share price growth during the three year performance period averages 10% a year.

## Non-executive Directors

The remuneration of each of the Non-executive Directors (other than the Chairman) is determined by the Board (in the absence of the Director in question) within limits set out in the Articles of Association and taking into account a number of factors pertinent to their position and the level of fees in similar companies.

Following the change from Executive Chairman to Non-executive Chairman, AW Wiseman is no longer entitled to a bonus or pension contribution as part of his remuneration package. The remuneration of the Chairman is determined by the Remuneration Committee.

## Other members of Senior Management

The Committee is also consulted on and informed of all appointments and remuneration of members of the Operational Board which is the senior executive team of the Group.

## DETAILED EXPLANATION OF THE ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION

### Basic salary

An Executive Director's basic salary is determined by the Committee prior to the beginning of each year and/or when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and relies on objective research which gives up-to-date information on remuneration practice within a comparator group comprising a selection of similar companies by market capitalisation within the sector.

Basic salaries were reviewed in March 2005 and March 2006 with increases taking effect from 1 April 2005 and 2006 respectively. Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting. In addition to their basic salary, the Executive Directors receive benefits-in-kind, being a car and private medical insurance.

The basic salary of the Executive Directors in the current year was as follows:

Executive Director	Basic salary 2005 – 2006 or date of appointment if later than 2 April 2005 £'000
RT Wiseman	420
WG Keane	237
M Mulcahy	161
D Dobbins	150

### Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to an Executive Director. The Committee does, however, retain the ability to reduce the amount of the bonus that is actually paid if they consider it appropriate having regard to the underlying performance of the Company over the year in question. For the year ended 1 April 2006, the measures used to determine the actual amount of bonus paid to RT Wiseman comprised group wide financial targets relating to earnings per share, growth in operating profits and sales volume and other measures of performance (relating to achievement of certain personal, non-financial goals). For the year ended 1 April 2006 the measures used to determine the actual amount of bonus paid to the other Executive Directors comprised both group wide financial targets (relating to earnings per share performance) and other measures of performance (relating to achievement of certain personal, financial and non-financial goals). The choice of measures used, and their respective weightings, reflected the Committee's belief that any incentive compensation awarded should be tied to the interests of the Company's shareholders.

Using these measures, the maximum potential bonus payments and the actual bonus payments for the year ended 1 April 2006 as a % of basic salary were:

Executive Director	Group wide financial targets	Other measures of performance	Max total bonus (as % of salary)
<b>Maximum potential</b>			
RT Wiseman	90%	10%	100%
WG Keane	30%	30%	60%
M Mulcahy	30%	30%	60%
D Dobbins	30%	30%	60%
<b>Actual 2005-06</b>			
RT Wiseman	66%	10%	76%
WG Keane	30%	21%	51%
M Mulcahy	30%	21%	51%
D Dobbins	30%	20%	50%

Under current arrangements, bonuses are paid to other senior management below main Board level as considered appropriate. The measures used to determine the quantum of these awards are discussed and agreed with the Remuneration Committee on an annual basis.

# Directors' Remuneration Report continued

## LONG TERM INCENTIVE ARRANGEMENTS

### Long Term Incentive Plan

Under the Long Term Incentive Plan ('LTIP') conditional awards of shares can be made to selected employees, including the Executive Directors. This scheme is intended to incentivise the participants to create shareholder value whilst retaining due focus on the underlying financial performance of the Group and to more closely align their interests with those of the shareholders. The Committee has responsibility for supervising the scheme and the grant of awards under its terms. With the exception of RT Wiseman, all of the Executive Directors participate in the LTIP. In the year ended 1 April 2006 each of WG Keane, M Mulcahy and D Dobbins, received a conditional award equal to 42%, 46%, and 50% respectively of their base salary for the year; these conditional awards are subject to the performance criteria discussed below. No amounts due under the LTIP are recognised as remuneration until the award has vested.

The value of shares awarded to a participant under the LTIP in any financial year is subject to a limit of 100% of his or her basic salary. The current performance criteria that must be met in order for the award to vest requires the Company's Total Shareholder Return to outperform a comparator group comprised of companies in the FTSE Food Producers Sector over a period of three years and to advance growth in earnings per share. The Company's position within the comparator group will determine the extent to which the award will vest; if it is at median, 25% of the award will vest; if it is between median and upper quartile, there will be a vesting of between 25% and 100% on a straight line basis; and if it is at or above the upper quartile, the full 100% of the award will vest. No part of the award will vest unless the growth in the Company's earnings per share over the duration of the performance period exceeds the growth in the Retail Price Index by an average of at least 3% per annum. To the extent that an award has not vested at the end of the three-year performance period, it will lapse. These performance criteria, which currently apply to all Executive Directors to whom awards have been granted under the LTIP, were chosen as it was considered that achieving these targets would represent improved shareholder returns and Company performance. See the proposed review of long-term incentivisation below.

Under the Remuneration Committee's policy of offering participation in the LTIP to a wider body of senior executives within the Group, awards averaging 43 per cent of basic salary were made to 29 senior executives, including WG Keane, M Mulcahy and D Dobbins, during the year ended 1 April 2006.

### Share options schemes – overview and details of directors' participation

The Company currently operates the following share option schemes:

- The 1994 Employee Share Option Scheme (the '1994 Scheme');
- The 1996 Employee Share Option Scheme (the '1996 Scheme');
- The 2003 Approved Share Option Scheme (the '2003 Approved Scheme');
- The 2003 Unapproved Share Option Scheme (the '2003 Unapproved Scheme'); and
- The Sharesave Scheme.

Summaries of each of these arrangements are set out below. It should, however, be noted that RT Wiseman does not participate nor will participate in any of the Company's share option schemes. In addition, individuals who receive awards under the LTIP in any year are not eligible to be granted options under the 2003 Approved Scheme or the 2003 Unapproved Scheme in the same period. Accordingly, on the basis that, since its introduction in the year ending 29 March 2003, the LTIP has been used as the mechanism for providing long term incentives to Executive Directors, no options have been granted to them under the 2003 Approved Scheme or the 2003 Unapproved Scheme and it is not intended that options will be issued to them under these schemes. WG Keane only holds outstanding options under the Sharesave schemes. On appointment to the Board on 1 July 2005, M Mulcahy held options under the 1994 scheme and the Sharesave scheme; D Dobbins only held options under the Sharesave scheme.

#### The 1994 and 1996 Schemes

An option granted under the 1994 Scheme will normally be exercisable between three and ten years following its grant, whereas, under the 1996 Scheme, options will normally be exercisable between three and seven years from grant. Options granted under both the 1994 Scheme and the 1996 Scheme are subject to a performance condition that must be satisfied before they can be exercised. This condition requires the Company's underlying earnings per share to increase at a rate of not less than 2% points per annum greater than the increase in the Retail Price Index over a three year period.

The only exception is in the case of the options granted pursuant to the rebasing exercise in 2001, where a rate of not less than 4% points per annum greater than the Retail Price Index applies. The 1994 Scheme and the 1996 Scheme were superseded by the 2003 Approved Scheme and the 2003 Unapproved Scheme. No further awards of options will be made under the 1994 Scheme and the 1996 Scheme.

#### The 2003 Approved Scheme and the 2003 Unapproved Scheme

During the year ended 3 April 2004, following approval at the Annual General Meeting, the Company established the 2003 Approved Scheme and the 2003 Unapproved Scheme. These schemes are used to grant options across the Group. As noted above there is no intention to award share options under either of these schemes to any of the Executive Directors.

The principal difference between these two arrangements is that the approval of the Inland Revenue was sought and obtained for the 2003 Approved Scheme, whereas no such approval was sought in relation to the 2003 Unapproved Scheme. Under the 2003 Approved Scheme and the 2003 Unapproved Scheme, options may be granted at the then market value of the Company's shares. Options will normally be exercisable between three and ten years following their grant. The total market value (at date of grant) of shares over which an individual may be granted options under the 2003 Approved Scheme and the 2003 Unapproved Scheme in any financial year is subject to a limit of 100% of his or her basic salary. Options granted under the 2003 Approved Scheme and the 2003 Unapproved Scheme will not be exercisable unless there has been a sustained improvement in the performance of the Group over a three or more year period. Currently, the performance condition that applies to options granted under these schemes requires a minimum growth in the Company's underlying earnings per share equal to the growth in the Retail Price Index plus 3% per annum, tested over an initial three year period from grant.

## The Sharesave Scheme

Under the Sharesave Scheme, employees can accumulate monies towards the acquisition of shares at a predetermined price after the fifth anniversary of their date of grant.

## Share Incentive Plan

In August 2002, the Group established an Inland Revenue Approved Share Incentive Plan ('SIP') which came into operation on 1 May 2003. During the year ended 1 April 2006, awards were made under the SIP which is available to all employees of the Group with continuous service of 3 months. These awards were under the 'Matching Share' scheme, whereby participants could contribute up to £125 per month towards the purchase of shares in the Company which were then matched on a 1 for 4 basis. Shares acquired under the Matching Share scheme are solely conditional upon the relevant participant remaining in the Group's employment for 3 years from the date of award. Except for RT Wiseman, all of the Executive Directors participate in the SIP.

## Proposed review of long-term incentivisation

During the course of the current financial year, the Remuneration Committee intends to carry out a review of the Company's overall approach to long-term incentivisation. It is anticipated that this review will concentrate on the cost effectiveness of the existing arrangements in light of the recent introduction of international accounting standards and will also examine the possibility of utilising alternative performance conditions for options and awards that are more closely aligned to the key drivers of business value within the Group.

Details of the conclusions reached by the Committee following the above review will be included in the Directors' Remuneration Report for the financial year ending March 2007.

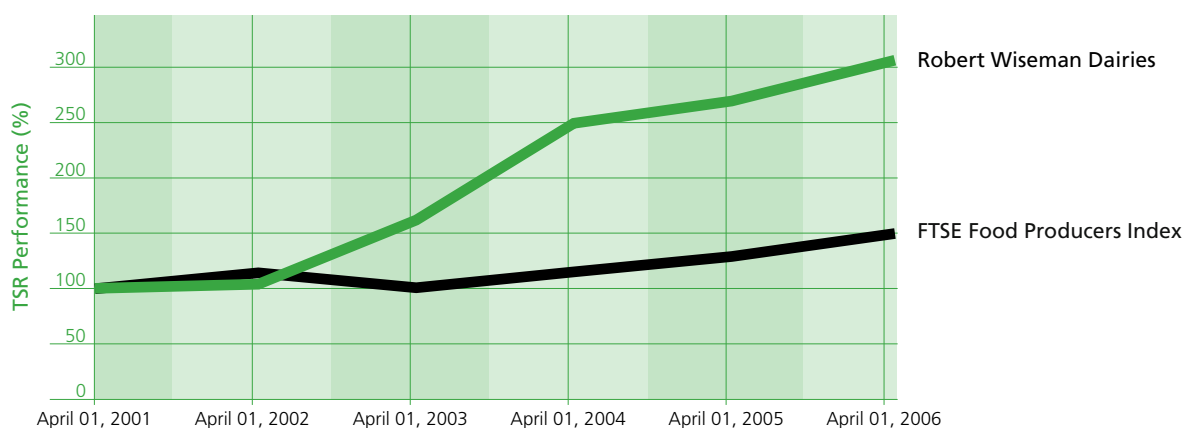
## PENSION ARRANGEMENTS

Executive Directors are members of money purchase pension schemes. Their dependants are eligible for the payment of a lump sum in the event of death in service equivalent to four times basic salary. The pension arrangement in respect of RT Wiseman provides for payment of an amount equal to 30% of basic salary to a money purchase pension scheme. The other Executive Directors are entitled to 5% Company contribution of basic salary to a money purchase pension scheme. As explained on page 31, some of the directors have sacrificed a proportion of their salary and/or bonus in return for the Group making supplementary pension contributions over and above the contractual requirements. As explained on page 26 within the Significant Developments during the Year section, changes have been made post 5 April 2006 to take account of the new pension scheme regulations.

## PERFORMANCE REVIEW

The graph below shows the Company's performance, measured by Total Shareholder Return, compared with the performance of the FTSE Food Producers Index also measured by Total Shareholder Return (both rebased to 100). The FTSE Food Producers Index has been selected for this comparison because it is a broad equity market index comprising many of the companies against which the Group benchmarks its performance internally.

### Robert Wiseman Dairies vs FTSE Food Producers Index



## Directors' contracts

AW Wiseman is now a Non-executive Director and his contractual notice period was amended from 18 months to 3 months. All Executive Directors' contracts are subject to a notice period not exceeding 12 months.

	Date of contract	Notice period
<b>Chairman</b>		
AW Wiseman	12 May 2005	3 months
<b>Executive directors</b>		
RT Wiseman	12 May 2005	12 months
WG Keane	12 May 2005	12 months
M Mulcahy	1 July 2005	12 months
D Dobbins	1 July 2005	12 months

# Directors' Remuneration Report continued

In the event of early termination, the Executive Directors would be entitled to loss of salary, benefits and pensionable service for the notice periods. Depending on the circumstances of termination, the Executive Director may be entitled, or the Remuneration Committee may exercise its discretion to allow the Executive Director, to exercise outstanding awards under long term incentive arrangements. The Committee's policy on early termination is to emphasise the duty of the terminated party to mitigate any loss caused by the early termination to the fullest extent practicable.

With the exception of the Chairman, Non-executive Directors do not have service contracts or notice periods although under the Company's Articles of Association all Directors must retire by rotation and seek re-election at least every three years.

	Date of last appointment	End of period of appointment
<b>Non-executive Directors (excluding the Chairman)</b>		
NL Murray	AGM 2004	2007 AGM
E Finch	AGM 2005	2008 AGM
A Dare	AGM 2004	2007 AGM
B Hodson	September 2005	2006 AGM

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the Non-executive Directors (other than the Chairman) is determined by the Board as a whole, based on outside advice and review of current practices in other companies. The remuneration of the Chairman is determined by the Remuneration Committee, based on outside advice and review of current practices in other companies. The basic fee paid to each Non-executive Director, excluding the Chairman, in the year was £26,500 (2005: £24,500). NL Murray, as Senior Independent Non-executive Director received a further payment at a rate of £6,000 per annum. E Finch, as Chairman of the Remuneration Committee, received a further payment of £3,000. Non-executive Directors cannot participate in any of the Company's long term incentive arrangements.

## AUDITED INFORMATION

### Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2006 £000	2005 £000
Emoluments	2,071	1,463
Gains on exercise of share options	23	138
Amounts receivable under LTIP & Phantom share scheme	166	382
Money Purchase pension contributions	153	208
	<b>2,413</b>	<b>2,191</b>

## Directors' emoluments

Directors' emoluments for the year or from date of appointment if later

Name of Director	2006 Basic Salary £000	2006 Fees/ Benefits in Kind £000	2006 Annual Bonuses £000	2006 Emoluments subtotal £000	2006 Plans/Schemes Total* £000	2006 Total £000	2005 Emoluments subtotal £000	2005 Total £000
<b>Executive</b>								
RT Wiseman	420	27	318	765	–	765	614	805
WG Keane	237	11	120	368	173	541	361	499
M Mulcahy (2)	161	19	110	290	16	306	–	–
D Dobbins (2)	150	14	100	264	–	264	–	–
<b>Non-executive</b>								
AW Wiseman	255	23	–	278	–	278	406	597
NL Murray (1)	33	–	–	33	–	33	30	30
E Finch (1)	30	–	–	30	–	30	27	27
A Dare	27	–	–	27	–	27	25	25
B Hodson (2)	16	–	–	16	–	16	–	–
Aggregate emoluments	1,329	94	648	2,071	189	<b>2,260</b>	1,463	1,983

\*The Plans/Schemes balance represents the value of LTIP awards vesting and share options exercised as detailed on page 31.

(1) Fees for the services of E Finch and NL Murray as Non-executive Directors were paid to DFA Solutions Ltd and Etrick Management Services respectively.

(2) The information provided in respect of M Mulcahy and D Dobbins is solely in respect of the period that they were a Director of the Group and covers the period 1 July 2005 – 1 April 2006. The information provided in respect of B Hodson is solely in respect of the period that she was a Director of the Group and covers the period 1 September 2005 – 1 April 2006.

# Directors' Remuneration Report continued

Basic salary is the only component of the remuneration package which is pensionable. As in the prior year, the Executive Directors and AW Wiseman have agreed with their employing company that supplementary pension contributions should be made to a personal pension plan in return for them giving up their rights to part of their basic salary and the whole of their annual bonus payments.

The supplementary contributions on salary amounted to £398,000 (2005: £380,000) in the case of RT Wiseman, £249,800 (2005: £249,800) in the case of AW Wiseman, £55,000, (2005: £14,500) in the case of WG Keane and £11,455 in the case of D Dobbins. For the sake of simplicity, and to allow a valid comparison to be made with the basic salary and bonus figures paid in prior years, the amounts of these supplementary pension contributions have been included in the fees/basic salary column of the preceding table, as appropriate.

## Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors but does include amounts in respect of options exercised. Details of the options exercised by Directors during the year, or from date of appointment if later are as follows:

### WG Keane

Scheme	Number of options	Exercise price (£)	Market price at exercise date (£)	Gains on exercise 2006 £000	Gains on exercise 2005 £000
1994 sharesave scheme	5,282	1.38	2.60	6	
				6	138

### M Mulcahy

1994 Employee share option scheme	8,155	1.147	3.12	16	
				16	-
Total				23	138

Details of options for Directors at the year end are as follows:

	03 April 2005 or appointment if later	Exercised	Granted	01 April 2006	Exercise price (£)	Date from which exercisable	Expiry date
<b>WG Keane</b>							
Sharesave scheme	5,282	(5,282)		0	1.38	1 Mar 05	1 Sep 05
Sharesave scheme	6,818			6,818	1.00	1 Sep 07	1 Mar 08
Sharesave scheme			4,957	4,957	1.96	1 Sep 10	1 Mar 11
	12,100	(5,282)	4,957	11,775			
<b>M Mulcahy</b>							
1994 Employee share option scheme	26,155	(8,155)		18,000	1.147	4 Jan 05	4 Jan 12
Sharesave scheme	9,021			9,021	1.00	1 Sep 07	1 Mar 08
Sharesave scheme			3,743	3,743	1.96	1 Sep 10	1 Mar 11
	35,176	(8,155)	3,743	30,764			
<b>D Dobbins</b>							
Sharesave scheme	8,275			8,275	1.00	1 Sep 07	1 Mar 08
Sharesave scheme			4,215	4,215	1.96	1 Sep 10	1 Mar 11
	8,275	0	4,215	12,490			

There have been no variations to the terms and conditions or performance criteria for share options during the financial year. The market price of the ordinary shares at 1 April 2006 was £3.12 and the range during the year was £2.40 to £3.12.

## Long Term Incentive Schemes

Details of the Long Term Incentive Plan awards vesting in the year are as follows:

### WG Keane

Scheme	Number of options	Exercise price	Market price at exercise date (£)	Gains on exercise 2006 £000
2002 LTIP award	64,516	-	2.58	166

# Directors' Remuneration Report continued

Details of the maximum conditional Directors' awards under the Long Term Incentive Plan are as follows:

Scheme	03 April 2005 or appointment if later	Exercised	Granted	01 April 2006	Market price at grant (£)	Date on which last condition has to be met*
<b>WG Keane</b>						
2002 award	64,516	(64,516)		0	1.55	2 Apr 05
2003 award	52,083			52,083	1.92	1 Apr 06
2004 award	43,196			43,196	2.32	31 Mar 07
2005 award			38,699	38,699	2.58	29 Mar 08
	159,795	(64,516)	38,699	133,978		
<b>M Mulcahy</b>						
2003 award	52,083			52,083	1.92	1 Apr 06
2004 award	43,196			43,196	2.32	31 Mar 07
2005 award			38,699	38,699	2.58	29 Mar 08
	95,279	–	38,699	133,978		
<b>D Dobbins</b>						
2003 award	52,083			52,083	1.92	1 Apr 06
2004 award	43,196			43,196	2.32	31 Mar 07
2005 award			38,699	38,699	2.58	29 Mar 08
	95,279	–	38,699	133,978		

\*Under the rules of the Long Term Incentive Plan, the actual vesting of the awards will not take place until some time after this date (i.e. vesting will only occur when the information becomes available to determine the extent to which the relevant performance conditions have been satisfied).

The performance criteria that must be met requires the Company's Total Shareholder Return to outperform a comparator group comprised of companies in the FTSE Food Producers Sector over a period of three years and to advance growth in earnings per share as detailed on page 28.

## Pensions

Four Directors are members of money purchase schemes. Contributions paid by the company in respect of such Directors are disclosed below

Name of Director	2006 Pension Total £000	2005 Pension Total £000
<b>Executive Directors</b>		
AW Wiseman	–	77
RT Wiseman	125	120
WG Keane	12	11
M Mulcahy	8	–
D Dobbins	8	–
	153	208

As discussed on page 31, some of the Directors have agreed with their employing company that supplementary pension contributions should be made to a personal pension plan in return for them giving up their rights to part of their basic salary and the whole of their annual bonus payments.

## Approval

This report was approved by the Board of Directors on 11 May 2006 and signed on its behalf by:



**Ernest Finch**  
Chairman of the Remuneration Committee  
15 May 2006

# Independent Auditors' Report

to the members of Robert Wiseman Dairies PLC

We have audited the consolidated and individual company financial statements (the 'financial statements') of Robert Wiseman Dairies plc for the year ended 1 April 2006 which comprise the consolidated income statement, the consolidated and individual company statements of recognised income and expense, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements, and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We also report to you if, in our opinion, the company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

## Opinion

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 1 April 2006 and of its profit for the year then ended;
- The individual company financial statements give a true and fair view in accordance with IFRS as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual company's affairs as at 1 April 2006;
- The financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- The information given in the directors' report is consistent with the financial statements.

## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
Glasgow  
United Kingdom

15 May 2006

# Consolidated Income Statement

For the year ended 1 April 2006

	Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Continuing operations</b>			
Revenue	6	568,564	489,168
Cost of sales		(429,883)	(373,400)
<b>Gross profit</b>		<b>138,681</b>	115,768
Selling and distribution costs		(93,730)	(74,389)
Administrative expenses		(18,069)	(6,842)
Other operating income	7	613	540
Other operating expenses (net)		(111,186)	(90,691)
<b>Operating profit</b>		<b>27,495</b>	25,077
Investment income	8	52	422
Finance costs	9	(821)	(278)
<b>Profit before tax</b>		<b>26,726</b>	25,221
Tax	12	(8,276)	(3,670)
<b>Profit for the year from continuing operations</b>	10	<b>18,450</b>	21,551
<b>Earnings per ordinary share</b>			
Basic earnings per share	14	25.35p	28.38p
Diluted earnings per share	14	24.69p	27.32p

# Consolidated Statement of Recognised Income and Expense

For the year ended 1 April 2006

	Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Profit for the year</b>		<b>18,450</b>	21,551
Actuarial losses on defined benefit plans	35	(432)	(27)
Tax on items taken directly to equity		94	(504)
<b>Net expense recognised directly in equity</b>		<b>(338)</b>	(531)
<b>Total recognised income and expense for the year</b>		<b>18,112</b>	21,020

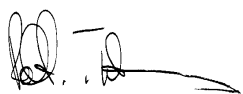
The accompanying notes are an integral part of these statements.

# Consolidated Balance Sheet

As at 1 April 2006

	Notes	1 April 2006 £000	2 April 2005 £000
<b>Non-current assets</b>			
Property, plant and equipment	17	150,119	146,228
Goodwill	15	3,270	2,797
Other intangible assets	16	176	–
		<b>153,565</b>	149,025
<b>Current assets</b>			
Inventories	19	7,037	6,826
Trade and other receivables	20	44,559	34,708
Cash and cash equivalents	32	4,732	8,317
		<b>56,328</b>	49,851
Assets held for sale	21	1,258	600
<b>Total assets</b>		<b>211,151</b>	199,476
<b>Current liabilities</b>			
Trade and other payables	22	(65,431)	(58,309)
Borrowings and interest rate swaps	23	(2,291)	(2,374)
Current tax liabilities	24	(8,448)	(7,206)
		<b>(76,170)</b>	(67,889)
<b>Non-current liabilities</b>			
Borrowings and interest rate swaps	23	(5,024)	(6,678)
Retirement benefit obligation	35	(518)	(1,048)
Deferred tax liabilities	26	(10,181)	(9,792)
		<b>(15,723)</b>	(17,518)
<b>Total liabilities</b>		<b>(91,893)</b>	(85,407)
<b>Net assets</b>		<b>119,258</b>	114,069
<b>Equity</b>			
Called-up share capital	27	7,219	7,492
Share premium account	28	24,414	22,503
Special reserve	30	4,062	4,062
Merger reserve arising on consolidation	30	(3,872)	(3,872)
Capital redemption reserve	30	1,731	1,382
ESOP reserve	30	(207)	(560)
Retained earnings	30	85,911	83,062
<b>Total equity</b>	31	<b>119,258</b>	114,069

The financial statements were approved by the Board of Directors on 15 May 2006 and signed on its behalf by:



**Robert T Wiseman**  
Director

15 May 2006



**William G Keane**  
Director

The accompanying notes are an integral part of this balance sheet.

# Consolidated Cash Flow Statement

For the year ended 1 April 2006

	Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Operating activities</b>			
Cash generated from operations	32a	<b>43,542</b>	38,476
Interest paid		<b>(821)</b>	(646)
Income taxes paid		<b>(6,711)</b>	(6,406)
<b>Net cash from operating activities</b>		<b>36,010</b>	31,424
<b>Investing activities</b>			
Interest received		<b>31</b>	369
Purchase of property, plant and equipment		<b>(24,534)</b>	(20,919)
Purchase of intangible assets		<b>(204)</b>	–
Purchase of a business		<b>(473)</b>	(291)
Proceeds from sale of property, plant and equipment		<b>1,300</b>	1,864
Proceeds from disposal of intangible assets		<b>9</b>	24
<b>Net cash used in investing activities</b>		<b>(23,871)</b>	(18,953)
<b>Financing activities</b>			
Issue of ordinary share capital		<b>1,057</b>	2,542
Purchase of own shares		<b>(9,098)</b>	(14,391)
Dividends paid		<b>(5,968)</b>	(5,610)
New loans		<b>5,000</b>	5,000
Repayment of loans		<b>(6,715)</b>	(8,011)
Capital element of finance lease payment		<b>–</b>	(115)
<b>Net cash used in financing activities</b>		<b>(15,724)</b>	(20,585)
Net decrease in cash and cash equivalents	32b	<b>(3,585)</b>	(8,114)
Cash and cash equivalents at start of year		<b>8,317</b>	16,431
<b>Cash and cash equivalents at end of year</b>		<b>4,732</b>	8,317

The consolidated statement of cash flows previously prepared in accordance with FRS 1 'Cash flow statements' presented substantially the same information as that required under IFRS. Under IFRS, however, there are certain differences from UK GAAP with regard to the classification of items within the cash flow statement and with regard to the definition of cash and cash equivalents.

Under UK GAAP, cash flows were presented separately for operating activities, dividends received from joint ventures and associates, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing. Under IFRS, only three categories of cash flow activity are reported: operating activities, investing activities and financing activities.

The accompanying notes are an integral part of this cash flow statement.

# Company Statement of Recognised Income and Expense

For the year ended 1 April 2006

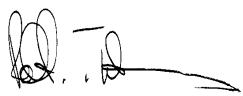
Notes	Year to 1 April 2006 £000	Year to 2 April 2005 £000
(Loss)/profit for the period	(37)	37,749
<b>Total recognised income and expense for the period</b>	<b>(37)</b>	<b>37,749</b>

## Company Balance Sheet

As at 1 April 2006

Notes	1 April 2006 £000	2 April 2005 £000
<b>Non-current assets</b>		
Investments	18 <b>22,912</b>	22,912
<b>Current assets</b>		
Amounts owed by subsidiary undertakings	20 <b>59,340</b>	72,846
<b>Total assets</b>	<b>82,252</b>	95,758
<b>Current liabilities</b>		
Trade and other payables	22 <b>(52)</b>	(324)
Borrowings	23 <b>(658)</b>	(776)
	<b>(710)</b>	(1,100)
<b>Total liabilities</b>	<b>(710)</b>	(1,100)
<b>Net assets</b>	<b>81,542</b>	94,658
<b>Equity</b>		
Called-up share capital	27 <b>7,219</b>	7,492
Share premium account	28 <b>24,414</b>	22,503
Special reserve	30 <b>12,591</b>	12,591
Capital redemption reserve	30 <b>1,731</b>	1,382
Retained earnings	30 <b>35,587</b>	50,690
<b>Total equity</b>	<b>81,542</b>	94,658

The financial statements were approved by the Board of Directors on 15 May 2006 and signed on its behalf by:



**Robert T Wiseman**  
Director



**William G Keane**  
Director

15 May 2006

The accompanying notes are an integral part of this balance sheet.

## Company Cash Flow Statement

For the year ended 1 April 2006

All of the Company's transactions are paid for by one of its subsidiaries. The Company does not have any actual cash flow in the current or prior year and therefore no cash flow statement has been presented.

# Notes to the Financial Statements

For the year ended 1 April 2006

## 1. GENERAL INFORMATION

Robert Wiseman Dairies PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 20. The nature of the Group's operations and its principal activities are set out in note 6 and in the Business and Financial Review on pages 8 to 13.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments; Disclosures; and the related amendment to IAS 1 on capital disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 8	Scope of IFRS2
IFRIC 9	Reassessment of Embedded Derivatives

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') for the first time. The disclosures required by IFRS 1 'First time adoption of IFRS' concerning the transition from UK GAAP to IFRS for the opening balance sheet as at 4 April 2004 are given in note 3. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS for the year ended 2 April 2005 are given in note 4. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial information has been prepared on the historical cost basis, except for the revaluation of financial instruments in accordance with IAS 39, Financial Instruments: Recognition and Measurement. The principal accounting policies adopted are set out below.

### Application of IFRS1

The Group's financial statements for the year ended 1 April 2006 are the first financial statements to be prepared in accordance with IFRS.

Under the first time adoption procedures set out in IFRS 1, the Group is required to establish its IFRS accounting policies as at 3 April 2005 and to apply these retrospectively in the determination of prior period comparatives from 4 April 2004, the date of transition. There are a number of optional exemptions to this general principle, the most significant of which to the Group are set out below.

### IFRS 3, Business combinations

The Group has elected not to restate business combinations prior to the date of transition.

### IAS 16, Property, plant and equipment

The Group has elected to continue to use book values at the date of transition as the deemed cost of plant, property and equipment.

### IAS 19, Employee benefits

The Group has elected to recognise all cumulative gains and losses in relation to employee benefit schemes at the date of transition. In subsequent periods all actuarial gains and losses will be recognised in full in the period in which they occur in the statement of recognised income and expense.

### IAS 32, Financial instruments: disclosure and presentation and IAS 39 Financial Instruments: Recognition and Measurement

The Group has elected to adopt IAS 32 and IAS 39 from 3 April 2004 and has therefore restated prior period comparatives.

### IFRS 2, Share based payments

The Group has elected to apply IFRS 2 to all share based awards and options granted post 7 November 2002 but not vested at 3 April 2005.

### Basis of consolidation

The financial information incorporates the results, cash flows and financial position of the Company and its subsidiaries for the year to 1 April 2006. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses between Group enterprises are eliminated on consolidation.

No income statement is presented for Robert Wiseman Dairies PLC, as provided by Section 230 of the Companies Act 1985. The Company's loss for the financial year, determined in accordance with the Act was £37,000 (2005: profit of £43,549,000). The separate financial statements of the Company are presented as required by the Companies Act 1985. The financial statements have been prepared in accordance with International Financial Reporting Standards and on the historical cost basis. The principal accounting policies adopted are the same as those set out in this note.

## Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal, but is recorded as a movement on reserves.

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

## Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly through the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

## Foreign currencies

Transactions in currencies other than pounds Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslations are included in net profit or loss for the period.

## Borrowing costs

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

## Retirement benefit costs

There is a Group Personal Pension Scheme and a small defined contribution pension scheme. Contributions to these schemes are charged as an expense in the period during which they fall due.

In addition the Group is also responsible for the Aberdeen Milk Services Limited Pension Scheme. This is a hybrid scheme. Both the defined benefit and defined contribution sections of this scheme are closed to new entrants. For the defined benefit section, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The Group records in the consolidated balance sheet a liability equivalent to the deficit on the Aberdeen Milk Services Limited Pension Scheme (see note 35). This liability is determined with assistance from an external actuary each year and is subject to a number of assumptions. Any changes in these assumptions can impact upon the carrying value of the pension liability. Details of the assumptions used to determine the liability at 1 April 2006 are set out in note 35.

# Notes to the Financial Statements continued

## 2. Accounting policies continued

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in the statement of recognised income and expense.

### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%
Plant and machinery	10%-33%
Motor vehicles	10%-20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### Software development costs

An internally-generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- An asset is created that can be separately identified (such as software and new processes).
- It is probable that the asset created will generate future economic benefits.
- The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of 3 to 5 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### Impairment of tangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. These assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First In First Out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

## Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

### Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swaps to hedge these exposures. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates. The Group has not designated its hedges for the application of hedge accounting. Changes in the fair value of hedges and derivative financial instruments are recognised in the income statement as they arise.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

## Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

## Share-based payments

The Group has applied the requirements of IFRS 2 'Share Based Payments'.

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value for share options is measured using the Black Scholes model and fair value of LTIPs is based on the Binomial model. The expected life used has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash settled, share based payments.

The Group estimates the expected value of share-based payments and this is charged through the Income Statement over the vesting period of the relevant instrument. The valuations are calculated using either the Black Scholes method or a Monte Carlo Simulation dependent upon whether the shares have an external performance criterion or not. These valuations are based upon a number of assumptions which are detailed in note 34 and amended only to take account of the estimated levels of share vesting and exercise. Any changes in these assumptions over the period of vesting can affect the actual number of shares which vest and are exercised at the end of the vesting period.

# Notes to the Financial Statements continued

## 3. RECONCILIATION OF THE BALANCE SHEET UNDER UK GAAP TO THE GROUP OPENING IFRS BALANCE SHEET AS AT 4 APRIL 2004. (DATE OF TRANSITION TO IFRS)

a) Group	UK GAAP £000	IFRS Adjustments £000	IFRS £000	Notes
<b>Non current assets</b>				
Property, plant and equipment	144,071	(1,500)	142,571	5i
Goodwill	2,506	–	2,506	
	146,577	(1,500)	145,077	
<b>Current assets</b>				
Inventories	6,304	–	6,304	
Trade and other receivables	36,621	–	36,621	
Cash and cash equivalents	16,431	–	16,431	
	59,356	–	59,356	
Assets held for sale	–	1,500	1,500	5i
<b>Total assets</b>	205,933	–	205,933	
<b>Current liabilities</b>				
Trade and other payables	(64,034)	532	(63,502)	5ii
Borrowings and interest rate swaps	(5,275)	–	(5,275)	
Dividend to shareholders	(4,161)	4,161	–	5iii
Current tax liabilities	(9,870)	–	(9,870)	
	(83,340)	4,693	(78,647)	
<b>Non current liabilities</b>				
Borrowings and interest rate swaps	(6,840)	(115)	(6,955)	5iv
Retirement benefit obligation	–	(1,052)	(1,052)	5v
Deferred tax liabilities	(11,853)	3,058	(8,795)	5vi
Provisions	(7)	–	(7)	
	(18,700)	1,891	(16,809)	
<b>Total liabilities</b>	(102,040)	6,584	(95,456)	
<b>Net assets</b>	103,893	6,584	110,477	
<b>Equity</b>				
Called up share capital	7,923	–	7,923	
Share premium account	18,255	–	18,255	
Special reserve	4,062	–	4,062	
Merger reserve arising on consolidation	(3,872)	–	(3,872)	
Other reserve	770	–	770	
ESOP reserve	(687)	–	(687)	
Retained earnings	77,442	6,584	84,026	5vii
<b>Total equity</b>	103,893	6,584	110,477	

## b) Company

	UK GAAP £000	IAS 10 (Note 5 iii) £000	IFRS £000
<b>Non-current assets</b>			
Investments	22,912	–	22,912
<b>Current assets</b>			
Amounts owed by subsidiary undertakings	44,649	–	44,649
<b>Total Assets</b>	67,561	–	67,561
<b>Current Liabilities</b>			
Trade & other payables	(5,040)	4,161	(879)
<b>Total Liabilities</b>	(5,040)	4,161	(879)
<b>NET ASSETS</b>	62,521	4,161	66,682
<b>Equity</b>			
Called up share capital	7,923	–	7,923
Share premium account	18,255	–	18,255
Special reserve	12,591	–	12,591
Capital redemption reserve	770	–	770
Profit & loss account	22,982	4,161	27,143
<b>Total Equity</b>	62,521	4,161	66,682

## 4. RECONCILIATION OF THE FINANCIAL STATEMENTS UNDER UK GAAP TO THE GROUP FINANCIAL STATEMENTS UNDER IFRS FOR THE YEAR ENDED 2 APRIL 2005

### a) Group Income Statement

	UK GAAP £000	IFRS Adjustments £000	IFRS £000	Notes
<b>Continuing operations</b>				
Revenue	489,168	–	489,168	
Cost of sales	(373,400)	–	(373,400)	
<b>Gross profit</b>	115,768	–	115,768	
Other operating expenses (net)	(91,176)	485	(90,691)	5viii
<b>Operating profit</b>	24,592	485	25,077	
Investment income	370	52	422	5iv
Finance charges	(278)	–	(278)	
<b>Profit before tax</b>	24,684	537	25,221	
Tax	(3,748)	78	(3,670)	5vi
<b>Profit for the period</b>	20,936	615	21,551	

There are no reconciling items in Profit for the period for the Company only between UK GAAP and IFRS.

# Notes to the Financial Statements continued

## 4. Reconciliation of the Financial Statements under UK GAAP to the Group Financial Statements under IFRS for the year ended 2 April 2005 continued

### b) Group Balance Sheet as at 2 April 2005

	UK GAAP £000	IFRS Adjustments £000	IFRS £000	Notes
<b>Non current assets</b>				
Property, plant and equipment	146,828	(600)	146,228	5i
Goodwill	2,122	675	2,797	5ix
	148,950	75	149,025	
<b>Current assets</b>				
Inventories	6,826	–	6,826	
Trade and other receivables	34,708	–	34,708	
Cash and cash equivalents	8,317	–	8,317	
	49,851	–	49,851	
Assets classified as held for sale	–	600	600	5i
<b>Total assets</b>	198,801	675	199,476	
<b>Current liabilities</b>				
Trade and other payables	(58,309)	–	(58,309)	
Borrowings and interest rate swaps	(2,374)	–	(2,374)	
Dividend to shareholders	(4,350)	4,350	–	5iii
Current tax liabilities	(7,206)	–	(7,206)	
	(72,239)	4,350	(67,889)	
<b>Non current liabilities</b>				
Borrowings and interest rate swaps	(6,615)	(63)	(6,678)	5iv
Retirement benefit obligation	–	(1,048)	(1,048)	5v
Deferred tax liabilities	(12,421)	2,629	(9,792)	5vi
	(19,036)	1,518	(17,518)	
<b>Total liabilities</b>	(91,275)	5,868	(85,407)	
<b>Net assets</b>	107,526	6,543	114,069	
<b>Equity</b>				
Called up share capital	7,492	–	7,492	
Share premium account	22,503	–	22,503	
Special reserve	4,062	–	4,062	
Merger reserve arising on consolidation	(3,872)	–	(3,872)	
Other reserve	1,382	–	1,382	
ESOP Reserve	(147)	(413)	(560)	5ii
Retained earnings	76,106	6,956	83,062	5vii
<b>Total equity</b>	107,526	6,543	114,069	

### c) Company balance sheet as at 2 April 2005

	UK GAAP £000	IAS 10 (Note 5 iii) £000	IFRS £000
<b>Non-current assets</b>			
Investments	22,912	–	22,912
<b>Current assets</b>			
Amounts owed by subsidiary undertakings	72,846	–	72,846
<b>Total Assets</b>	95,758	–	95,758
<b>Current Liabilities</b>			
Trade & other payables	(5,450)	4,350	(1,100)
<b>Total Liabilities</b>	(5,450)	4,350	(1,100)
<b>NET ASSETS</b>	90,308	4,350	94,658
<b>Equity</b>			
Called up share capital	7,492	–	7,492
Share premium account	22,503	–	22,503
Special reserve	12,591	–	12,591
Capital redemption reserve	1,382	–	1,382
Profit & loss account	46,340	4,350	50,690
<b>Total Equity</b>	90,308	4,350	94,658

## 5. NOTES TO IFRS ADJUSTMENTS

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The IFRS adjustments arose due to the implementation of the following standards:

- i Reclassification in respect of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- ii Adjustment in respect of IFRS 2 'Share Based Payments'.
- iii Adjustment in respect of IAS 10 'Events After the Balance Sheet Date'.
- iv Adjustment in respect of IAS 39 'Financial Instruments: Recognition and Measurement'.
- v Adjustment in respect of IAS 19 'Employee Benefits'.
- vi Adjustment in respect of IAS 12 'Income Taxes'.
- vii Adjustment is a combination of the above on retained earnings.
- viii Adjustment in respect of IAS 19 'Employee Benefits', IFRS 2 'Share Based Payments' and IFRS 3 'Business Combinations'.
- ix Adjustment in respect of IFRS 3 'Business Combinations'.

### Adjustments Explained

#### IAS 10 'Events After the Balance Sheet Date'

Under UK GAAP the Group accrued dividends which were proposed after the end of the reporting period but before the financial statements were authorised for issue. Under IAS 10, dividends to shareholders declared after the balance sheet date are not recognised as liabilities as at the year-end.

#### IAS 12 'Income Taxes'

Under UK GAAP, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax under IAS 12 is recognised in respect of all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying value for financial reporting purposes.

The primary difference when calculating deferred tax under IAS 12 is in respect of deductions for expenses of exercising share options.

#### IAS 19 'Employee Benefits'

For UK GAAP reporting, the Group applied the measurement and recognition policies of Statement of Standard Accounting Practice 24 for pensions and other post-employment benefits, whilst providing detailed disclosures for the alternative measurement principles of Financial Reporting Standard 17 'Retirement Benefits' ('FRS 17'). IAS 19 takes a similar approach to accounting for defined benefit schemes as FRS 17 and, on transition, the pension scheme liability has been recognised in the balance sheet.

The Group has chosen to apply the amendment to IAS 19 which allows actuarial gains and losses to be recognised immediately in the statement of recognised income and expense.

#### IAS 39 'Financial Instruments: Recognition and Measurement'

Under IAS 39 all derivatives should be accounted for on the balance sheet at fair value irrespective of whether they are designated as part of a hedging relationship. Changes in fair value are recognised in the income statement unless the contract is part of a hedging relationship. The adjustments relate to interest rate swaps entered into by the Group, which were not designated as hedges.

#### IFRS 2 'Share Based Payments'

In accordance with IFRS 2, the Group has recognised a charge for share awards granted to employees under its LTIP and share option plans since 7 November 2002 and not vested by 3 April 2005. This charge is based on the fair value of these awards. In accordance with IFRS, only awards after 7 November 2002 should be charged through the Income Statement. LTIP charges, calculated using the intrinsic method for UK GAAP purposes, relating to awards made prior to this date have been reversed. Share options awarded prior to this date were not previously charged to the Income Statement.

#### IFRS 3 'Business Combinations'

Under UK GAAP the Group amortised goodwill on an annual basis. Under IFRS 3 goodwill is not amortised, but is subject to an annual impairment review.

#### IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'

Under IFRS 5, a non-current asset is classified as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The reclassifications relate to land disposed of shortly after 3 April 2004 and a building available for sale at 2 April 2005.

## 6. SEGMENT INFORMATION

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The Group's revenue and profits arose wholly from the processing and distribution of liquid milk and associated products in the UK.

## 7. OTHER OPERATING INCOME

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Other operating income principally comprises rental of premises to a supplier for the provision of polybottles to the Group.

# Notes to the Financial Statements continued

## 8. INVESTMENT INCOME

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Interest on bank deposits	31	370
Increase in fair value of swap contracts held at year end	21	52
	<b>52</b>	<b>422</b>

## 9. FINANCE COSTS

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Interest on bank overdrafts and loans	690	371
Other interest	131	(93)
	<b>821</b>	<b>278</b>

During the previous year agreement was reached relating to prior year tax returns. The Group had previously expensed the interest payable on potential payments to the tax authorities. These payments were not due and as a result the interest accrual of £525,000 was credited to the income statement. As a result interest payable on other balances of £432,000 in the year was included in a net credit of £93,000.

## 10. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after (crediting)/charging:

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Gains on sale of tangible fixed assets	(120)	(98)
Stock included in cost of sales	(429,883)	(373,400)
Government grants	(10)	(9)
Depreciation of owned property, plant and equipment	18,696	16,910
Depreciation of property, plant and equipment held under finance lease	83	83
Amortisation of software development costs	28	–
Bad debt expense	116	52
Staff costs (see note 11)	91,864	79,146
Auditors' remuneration for services provided (see below)	190	308
Other advisors' fees in relation to taxation work	64	26
Other advisors' fees in relation to other work	22	51

A more detailed analysis of auditors' remuneration is provided below.

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
<b>Audit services:</b>		
Statutory audit	77	67
Audit-related regulatory reporting	1	1
IFRS opening balance sheet and related audit work	24	–
	<b>102</b>	<b>68</b>
<b>Further assurance services:</b>		
Tax compliance services	45	37
<b>Tax services:</b>		
Advisory services	43	60
<b>Other services:</b>		
Expert witness services	–	143
	<b>190</b>	<b>308</b>

A description of the work of the Audit Committee is set out in the corporate governance statement on page 24 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

## 11. STAFF COSTS

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Employee costs during the year amounted to:		
Wages and salaries	<b>81,743</b>	70,081
Social security costs	<b>7,820</b>	6,739
Other pension costs	<b>2,301</b>	2,326
	<b>91,864</b>	79,146

The average monthly number of persons employed by the Group (including executive directors and key management personnel) during the year was as follows:

	Year to 1 April 2006 Number	Year to 2 April 2005 Number
Production and distribution	<b>3,281</b>	2,888
Administration	<b>479</b>	452
	<b>3,760</b>	3,340

### Directors' remuneration

Details of directors' remuneration for the year are provided in the audited part of the Directors' Remuneration Report on pages 26 to 32.

### Directors' interests

The directors who held office at 1 April 2006 had the following interests in the ordinary shares of 10p of the Company, all of which were beneficial:

	1 April 2006 Number	2 April 2005 Number
AW Wiseman	<b>17,646,314</b>	17,646,314
RT Wiseman	<b>14,939,896</b>	14,939,896
WG Keane	<b>44,780</b>	34,982
M Mulcahy	<b>11,500</b>	–
D Dobbins	<b>6,002</b>	–
NL Murray	<b>10,000</b>	10,000
E Finch	<b>10,000</b>	10,000
A Dare	<b>5,000</b>	5,000
B Hodson	–	–

In addition, RT Wiseman holds a non-beneficial interest in 241,869 ordinary shares of 10p each (2005: 241,869). No changes took place in the interests of directors between 1 April 2006 and 15 May 2006.

### Directors' share options

Details of directors' share options are provided in the Directors' Remuneration Report on page 31.

### Directors' transactions

Material interests of directors in contracts with the Group:

There were no contracts of significance during the year to which the Company, or one of its subsidiary undertakings, was a party and in which a director of the Company is or was materially interested.

# Notes to the Financial Statements continued

## 12. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Current tax:		
UK Corporation tax	7,643	7,129
Adjustment in respect of prior year tax computations	150	(3,949)
Total current tax:	7,793	3,180
Deferred tax:		
Current year	483	490
Total tax	8,276	3,670

The prior year tax credit of £3,949,000 arose further to reaching agreement with tax authorities on matters relating to prior year tax returns. There was also a related interest accrual release of £367,000 (after tax).

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year to 1 April 2006 £000	Year to 1 April 2006 %	Year to 1 April 2005 £000	Year to 2 April 2005 %
Profit before tax	26,726		25,221	
UK corporation tax rate of 30% (2005: 30%)	8,018	30%	7,566	30%
Tax effect of expenses that are not deductible in determining taxable profit	225	0.8%	177	0.7%
Adjustments to the tax charge in respect of previous periods	150	0.6%	(3,949)	(15.7)%
Temporary differences	(600)	(2.2)%	(614)	(2.4)%
Current year deferred tax	483	1.8%	490	1.9%
Tax expense and effective tax rate for the year	8,276	31.0%	3,670	14.6%

In addition to the amount charged to the income statement, deferred tax relating to the equity component of share based payments issued amounting to £36,000 (2005: £512,000) has been charged directly to equity (see statement of recognised income and expense).

The Group earns its profits in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

The Group's planned level of capital investment is expected to remain at least at similar levels of investment. Therefore, it expects to be able to claim allowances in excess of depreciation in future years, at a similar level to the current year.

## 13. DIVIDENDS

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Amounts recognised as distributions in the period		
Dividends paid	5,968	5,610
	Pence	Pence
Dividend per share	8.20	7.45
	£000	£000
Dividend proposed but not paid or included in the accounting records	4,765	4,350
	Pence	Pence
Dividend proposed per share	6.60	5.80

The final proposed dividend for the year to 2 April 2005 of 5.80p per ordinary share was paid on 22 September 2005 to ordinary shareholders on the register at the close of business on 26 August 2005 (6 August 2004: 5.25p). The interim dividend approved by the Board on 8 November 2005 of 2.4p per ordinary share was paid on 9 February 2006. The final proposed dividend for the year to 1 April 2006 of 6.60p per ordinary share will be paid on 21 September 2006 and has not been included as a liability at 1 April 2006.

## 14. EARNINGS PER ORDINARY SHARE

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Profit from continuing operations – basic EPS earnings	18,450	21,551
Effect of tax credit as described in note 12	–	(4,316)
Adjusted EPS earnings	18,450	17,235
<b>Number of shares</b>		
Number of shares – basic earnings per share	72,768,783	75,924,823
Potential dilutive ordinary shares re share options	1,964,593	2,960,505
Number of shares – diluted earnings per share	74,733,376	78,885,328

The number of shares above represents the weighted average number of ordinary shares in issue in the period.

### Earnings per ordinary share

Adjusted earnings per share	25.35p	22.70p
Effect of tax credit as described in note 12	–	5.68p
Basic earnings per share	25.35p	28.38p
Diluted earnings per share	24.69p	27.32p

## 15. GOODWILL

	£000
<b>Cost</b>	
At 4 April 2004	2,506
Recognised on acquisition of a business	291
At 3 April 2005	2,797
Recognised on acquisition of a business	473
At 1 April 2006	3,270

A number of minor acquisitions took place during the year. The fair value of assets acquired was £330,000 for cash consideration of £803,000, resulting in goodwill of £473,000. All disposals in the year relate to goodwill previously written off to reserves and have been reflected as a movement in reserves.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying value of goodwill by CGU is as follows:

	2006	2005
Glasgow depot	2,138	2,138
Northampton depot	246	246
Torrington depot	456	–
Other depots	430	413
TOTAL	3,270	2,797

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of each CGU is determined using value in use calculations with key assumptions relating to discount rates, growth rates and expected changes to selling price and costs during the period. The discount rates used reflect management's best estimate of current market assessments of the time value of money and the risks specific to the Group. The projections are prepared over a period of five years.

# Notes to the Financial Statements continued

## 16. OTHER INTANGIBLE ASSETS

	Software development costs £000
<b>Cost</b>	
At 4 April 2004 and 3 April 2005	–
Additions	204
At 1 April 2006	204
<b>Amortisation</b>	
At 4 April 2004 and 3 April 2005	–
Charge for the year	28
At 1 April 2006	28
<b>Carrying amount</b>	
At 1 April 2006	176
At 2 April 2005	–

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 4 April 2004	79,730	97,521	44,876	222,127
Additions	2,085	8,213	11,218	21,516
Disposals	(109)	(1,454)	(2,992)	(4,555)
Reclassified as assets held for sale	(600)	–	–	(600)
At 2 April 2005	81,106	104,280	53,102	238,488
Additions	8,634	6,922	8,952	24,508
Disposals	(240)	(1,416)	(5,043)	(6,699)
Reclassified as assets held for sale	(1,281)	–	–	(1,281)
At 1 April 2006	88,219	109,786	57,011	255,016
<b>Accumulated depreciation</b>				
At 4 April 2004	7,744	50,032	21,780	79,556
Charge for the year	1,270	9,734	5,989	16,993
Disposals	(21)	(1,454)	(2,814)	(4,289)
At 2 April 2005	8,993	58,312	24,955	92,260
Charge for the year	1,419	10,289	7,071	18,779
Disposals	(177)	(1,039)	(4,903)	(6,119)
Reclassified as assets held for sale	(23)	–	–	(23)
At 1 April 2006	10,212	67,562	27,123	104,897
<b>Carrying amount</b>				
At 1 April 2006	78,007	42,224	29,888	150,119
At 2 April 2005	72,113	45,968	28,147	146,228

The carrying amount of the Group's plant and machinery includes an amount of £40,000 (2005: £123,000) in respect of assets held under finance leases.

At 1 April 2006, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,832,000 (2004: £5,160,000).

## 18. SUBSIDIARIES

The Company has investments in a number of subsidiary undertakings.

Company	2006 £000	2005 £000
Cost at the beginning and end of the year	<b>22,912</b>	22,912

Details concerning investments which are not significant have been omitted in order to avoid a statement of excessive length. Details of the only trading subsidiary undertakings in the year are set out below:

	Country of registration	Principal activity	Description and proportion of shares held by the Company
Robert Wiseman & Sons Limited	Scotland	Milk processing and distribution	100% £1 ordinary shares 100% £1 'A' cumulative convertible redeemable preference shares 100% £1 'B' cumulative convertible redeemable preference shares
Robert Wiseman Property Limited	Scotland	Lease of property	100% £1 ordinary shares
Robert Wiseman Property Holdings Limited	Scotland	Lease of property	100% £1 ordinary share
Robert Wiseman Property Investments Limited	Scotland	Lease of property	100% £1 ordinary shares

## 19. INVENTORIES

	Group 2006 £000	Group 2005 £000
Raw materials and consumables	<b>4,557</b>	4,744
Finished goods and goods for resale	<b>2,480</b>	2,082
	<b>7,037</b>	6,826

## 20. OTHER FINANCIAL ASSETS

### Trade and other receivables

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Trade debtors	<b>39,876</b>	32,237	–	–
Amounts due from subsidiary undertakings	–	–	<b>54,972</b>	72,846
VAT	<b>2,258</b>	1,637	–	–
Other debtors	<b>200</b>	264	–	–
Prepayments and accrued income	<b>2,225</b>	570	–	–
	<b>44,559</b>	34,708	<b>54,972</b>	72,846

The average credit period taken on sales of goods is 28 days (2005: 28 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £0.8 million (2005: £0.7 million). This allowance has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

### Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has a large percentage of business and trade receivables concentrated in a small number of customers. The credit risk associated with the Group's trade receivables balance is limited as the customers are either large corporations with high credit ratings or the Group has credit insurance in place to mitigate any risk of exposure.

# Notes to the Financial Statements continued

## 21. ASSETS HELD FOR SALE

Non-current assets classified as held for sale represent the land at Chester-le-Street (2005: the property formerly occupied by the Edinburgh depot).

## 22. OTHER FINANCIAL LIABILITIES

### Trade and other payables

This principally comprises amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 days (2005: 35 days).

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Trade creditors	44,803	38,321	–	–
Other creditors	467	273	–	–
Accruals and deferred income	20,161	19,715	52	324
	<b>65,431</b>	<b>58,309</b>	<b>52</b>	<b>324</b>

The directors consider that the carrying amount of trade payables approximates to their fair value.

## 23. BORROWINGS AND INTEREST RATE SWAPS

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans	6,510	8,019	–	–
Loan notes	658	776	658	776
Other loans	106	194	–	–
Interest rate swaps	41	63	–	–
	<b>7,315</b>	<b>9,052</b>	<b>658</b>	<b>776</b>

The borrowings are repayable as follows:

On demand or within one year	2,291	2,374	658	776
In the second year	5,024	1,631	–	–
In the third to fifth years inclusive	–	5,047	–	–
	<b>7,315</b>	<b>9,052</b>	<b>658</b>	<b>776</b>

There are nil borrowings in currencies other than Sterling (2005: Nil).

After taking into consideration the various interest rate swaps entered into by the Group, bank overdraft, bank loans and other loans of £7,274,000 (2005: £8,989,000) were arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Directors estimate that the fair value of the Group's borrowings is not significantly different from the balance sheet values for all borrowings.

The other principal features of the Group's borrowings are as follows:

- (i) Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 4.96% (2005: 5.08%) per annum.
- (ii) The Group has two principal bank loans:
  - (a) a term loan of £1.51 million (2005: £3.02 million). The loan was taken out on 4 April 2002. Repayments commenced on 8 July 2002 and will continue until 28 March 2007. The loan carries interest rate at 0.6% above LIBOR.
  - (b) a loan of £5.0 million (2005: £5.0 million). This loan was advanced on 22 March 2006 and is due for repayment in full on 31 August 2007. The bank loan carries fixed interest rate at 5.09% (2005: 5.09%) per annum.

As at 1 April 2006, the Group had available £47 million (2005: £47 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Of the undrawn committed borrowing facilities £15 million expires in one year or less (2005: £15 million).

## 24. CURRENT TAX LIABILITIES

	2006 £000	2005 £000
UK Corporation tax payable	5,563	4,461
Social security and PAYE	2,842	2,745
	<b>8,405</b>	7,206

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £10 million have fixed interest payments at an average rate of 5.44% for periods up until September 2006.

The fair value of swaps entered into at 1 April 2006 is estimated at £42,000 (2005: £63,000). These amounts are based on market values of equivalent instruments at the balance sheet date. Neither of the two interest rate swaps are designated for hedge accounting. Accordingly the movement in the fair value thereof has been recognised in the income statement. An amount of £21,000 (2005: £52,000) has been recognised in investment income in the period.

## 26. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £000	Retirement benefit obligations £000	Share based payments £000	Other timing differences £000	Total £000
At 3 April 2004	11,817	(316)	(2,632)	(74)	8,795
Charge/(credit) to income statement	567	2	(128)	52	493
Charge to equity	–	–	504	–	504
At 2 April 2005	12,384	(314)	(2,256)	(22)	9,792
Charge/(credit) to income statement	406	288	(250)	39	483
Charge/(credit) to equity	–	(130)	36	–	(94)
At 1 April 2006	12,790	(156)	(2,470)	17	10,181

Certain deferred tax assets and liabilities have been offset. The net total is classified within non-current liabilities.

## 27. SHARE CAPITAL

	2006 £000	2005 £000
Authorised: 110,000,000 (2005: 110,000,000) ordinary shares of 10p each	11,000	11,000
Issued and fully paid: 72,191,295 (2005: 74,920,361) ordinary shares of 10p each	7,219	7,492

During the year the Company issued 755,934 ordinary shares with a nominal value of 10p each in respect of employees exercising options under the share option and sharesave schemes (2005: 1,800,465 ordinary shares). The Group made a contribution of £929,000 (2005: £1,888,000) to the Employee Share Ownership Trust to enable the trust to satisfy the valid exercise of options granted under employee share option and sharesave schemes.

Further to shareholders' resolutions of 7 July 2005, the Company bought 3,485,000 ordinary shares with a nominal value of £348,500, representing 4.7% of the Company's share capital, for a total consideration of £9,098,000. These shares have been cancelled.

The Company has one class of ordinary shares which carry no right to fixed income.

# Notes to the Financial Statements continued

## 28. SHARE PREMIUM ACCOUNT

	Share premium £000
Balance at 2 April 2005	22,503
Premium arising on issue of equity shares	1,911
Balance at 1 April 2006	24,414

## 29. OWN SHARES

The own shares reserve represents the cost of shares in Robert Wiseman Dairies PLC purchased in the market and held by:

- (a) The employee benefit trust to satisfy options under the Group's share based payments schemes.
- (b) Halifax Corporate Trustees Limited to satisfy the free share issue under the Group's Share Incentive Plan.

An employee benefit trust has been established to hedge the future obligations of the Group in respect of shares awarded under the Long Term Incentive Plan ('LTIP'). The trustees of the Trust, which is responsible for administering awards under the LTIP, purchase the Company's ordinary shares in the open market with financing provided by Robert Wiseman & Sons Ltd as required on the basis of regular reviews of the anticipated share liabilities of the Group. The trust has waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's ordinary shares. The Trust's waiver of dividends may be revoked at any time.

	Own shares £000
Cost	
3 April 2005	2,235
Acquired in the period transferred to retained earnings	–
Disposed of on exercise of options	(1,166)
1 April 2006	1,069
Amortisation	
3 April 2005	(1,675)
Charge in the period transferred to retained earnings	(353)
Disposed of on exercise of options	1,166
1 April 2006	(862)
Net book value at 1 April 2006	207
Net book value at 2 April 2005	560

	Own shares Number
3 April 2005	1,020,500
Disposed of on exercise of options	(577,415)
1 April 2006	443,085

The market value of the 443,085 ordinary shares held in the trust (2005: 1,020,500), which are listed in the UK, was £1,382,000 (2005: £2,750,000)

## 30. RESERVES

The movements on reserves are as follows:

Group	Retained earnings £000	Share premium account £000	Special reserve £000	Merger reserve £000	ESOP reserve £000	Capital redemption reserve £000
Start of period	83,062	22,503	4,062	(3,872)	(560)	1,382
ESOP share amortisation	(353)	–	–	–	353	–
Share based payment credit	1,076	–	–	–	–	–
Arising on new share issues (net of expenses)	–	1,911	–	–	–	–
Arising on purchase of ordinary shares	(9,098)	–	–	–	–	349
Goodwill sold, previously written off to reserves	9	–	–	–	–	–
Contribution for purchase of shares by ESOP	(929)	–	–	–	–	–
Total recognised income and expense	18,112	–	–	–	–	–
Dividends	(5,968)	–	–	–	–	–
End of period	85,911	24,414	4,062	(3,872)	(207)	1,731

The £9,098,000 represents the cost of shares bought back and cancelled as described in note 27.

Company	Retained earnings £000	Share premium account £000	Special reserve £000	Capital redemption reserve £000
Start of period	50,690	22,503	12,591	1,382
Arising on new share issues (net of expenses)	–	1,911	–	–
Arising on purchase of ordinary shares	(9,098)	–	–	349
Total recognised income and expense	(37)	–	–	–
Dividends	(5,968)	–	–	–
End of period	35,587	24,414	12,591	1,731

The £9,098,000 represents the cost of shares bought back and cancelled as described in note 27.

## 31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Total recognised income and expense	18,112	21,020
Dividends	(5,968)	(5,611)
New share capital subscribed (net of expenses)	1,987	4,429
Purchase of ordinary shares	(9,098)	(14,391)
Contribution for purchase of shares by ESOP	(929)	(2,507)
Share based payment	1,076	628
Goodwill sold, previously written off to reserves	9	24
Net movement on shareholders' equity	5,189	3,592
Opening shareholders' equity	114,069	110,477
Closing shareholders' equity	119,258	114,069

# Notes to the Financial Statements continued

## 32. NOTES TO THE CASH FLOW STATEMENT

### a) Reconciliation of operating profit to cash generated by operations

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Operating profit	27,495	25,077
Depreciation of property, plant and equipment	18,807	16,993
Share based payment charge	1,076	542
Defined benefit pension scheme service cost	–	(29)
Gain on sale of tangible fixed assets	(120)	(98)
Amortisation of deferred income	(10)	(9)
Increase in stock	(211)	(522)
(Increase)/decrease in debtors	(9,852)	1,913
Increase/(decrease) in creditors	6,357	(5,391)
Cash generated from operations	43,542	38,476

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

### b) Reconciliation of net cash flow to movement in net debt

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Decrease in cash and cash equivalents	(3,585)	(8,114)
Cash outflow from decrease in net debt and lease financing	1,715	3,126
Movement in net debt in the period	(1,870)	(4,988)
Net (debt)/funds at beginning of period	(672)	4,316
Net debt at end of period	(2,542)	(672)

## 33. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year to 1 April 2006 £000	Year to 2 April 2005 £000
Within one year	692	549
In the second to fifth years inclusive	1,896	1,928
	2,588	2,477

Operating lease payments represent rentals payable by the Group for certain of its plant and equipment. Leases are negotiated for an average term of 5 years and rentals are fixed for the period of the agreement.

## 34. SHARE BASED PAYMENTS

### Equity-settled share option plan

The Group plan for share options, excluding the sharesave scheme, provides for a grant price equal to the average quoted market price of the Group shares over the three days prior to the date of grant. The vesting period is generally three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options lapse if the employee leaves the Group before the options vest.

The employee sharesave schemes are open to all employees and provide for a purchase price equal to the average market price on the three days prior to the date of grant, less 20%. If the options remain unexercised after a period of 5.5 years from the date of grant, the options expire. Furthermore, options lapse if the employee leaves the Group before the options vest.

	Options	2006 Weighted average exercise price (in £)	Options	2005 Weighted average exercise price (in £)
Outstanding at beginning of period	4,088,053	1.453	5,211,312	1.271
Granted during the period	2,272,783	2.159	688,500	2.315
Lapsed during the period	(338,257)	1.740	(280,980)	1.225
Exercised during the period	(755,934)	1.399	(1,530,779)	1.263
Outstanding at the end of the period	5,266,645	1.747	4,088,053	1.453
Exercisable at the end of the period	360,976	1.183	553,883	1.183

The weighted average share price at the date of exercise for share options exercised during the period was £1.399. The options outstanding at 1 April 2006 had a weighted average exercise price of £1.747 and a weighted average remaining contractual life of 5.1 years. In the year ended 1 April 2006, options were granted on 9 June 2005 and 14 June 2005, the aggregate of the estimated fair values of the options granted on those dates is £1,284,000.

Share options have been granted under various employee schemes. The following share options were outstanding at the year end:

Scheme	Grant date	At 1 April 2006	Exercise Price	Normal exercise dates
RWD 1994 Scheme	30 June 2000	4,500	£1.010	30 June 2003 to 30 June 2010
	04 Jan 2002	132,551	£1.147	4 January 2005 to 4 January 2012
	24 June 2002	47,747	£1.485	24 June 2005 to 24 June 2012
	16 May 2003	487,121	£1.920	16 May 2006 to 16 May 2013
RWD 2003 Approved Scheme	11 June 2004	471,619	£2.315	11 June 2007 to 11 June 2014
	14 June 2005	491,693	£2.584	14 June 2008 to 14 June 2015
RWD 1996 Scheme	30 June 2000	26,000	£1.010	30 June 2003 to 30 June 2007
	04 Jan 2002	147,594	£1.147	4 January 2005 to 4 January 2009
	24 June 2002	2,584	£1.485	24 June 2005 to 24 June 2009
	16 May 2003	142,703	£1.920	16 May 2006 to 16 May 2010
RWD Unapproved 2003 Scheme	11 June 2004	172,881	£2.315	11 June 2007 to 11 June 2014
	14 June 2005	209,807	£2.584	14 June 2008 to 14 June 2015
Sharesave Scheme	25 June 2002	1,543,673	£1.000	1 September 2007 to 1 March 2008
	15 June 2005	1,386,172	£1.960	1 September 2010 to 1 March 2011

The Group introduced a Long Term Incentive Plan in 2003. Under this scheme a maximum of 577,415 shares could be issued to participants in 2005 (period from 3 April 2005 to 1 April 2006), 476,551 shares in 2006, 442,755 shares in 2007 and 450,825 shares in 2008, upon the achievement of prescribed performance criteria.

Under the Long Term Incentive Plan ('LTIP') conditional awards of shares can be made to selected employees, including the Executive Directors. This scheme is intended to incentivise the participants to create shareholder value whilst retaining due focus on the underlying financial performance of the Group and to more closely align their interests with those of the shareholders. The performance criteria that must be met in order for the award to vest requires the Company's Total Shareholder Return to outperform a comparator group comprised of companies in the FTSE Food Producers Sector over a period of three years and to advance growth in earnings per share. The Company's position within the comparator group will determine the extent to which the award will vest:

- If it is at median, 25% of the award will vest.
- If it is between median and upper quartile, there will be a vesting of between 25% and 100% on a straight-line basis.
- If it is at or above the upper quartile, the full 100% of the award will vest. No part of the award will vest unless the growth in the Company's earnings per share over the duration of the performance period exceeds the growth in the Retail Price Index by an average of at least 3% per annum.

# Notes to the Financial Statements continued

## 34. Share based payments continued

To the extent that an award has not vested at the end of the three-year performance period, it will lapse. The options outstanding are as follows:

	2006 Options	2005 Options
Outstanding LTIP options at beginning of period	1,496,721	1,053,966
Granted during the period	450,825	442,755
Exercised during the period	(577,415)	–
Outstanding at the end of the period	1,370,131	1,496,721
Exercisable at the end of the period	–	–

The valuation of the LTIP scheme is calculated using the Monte Carlo simulation and the inputs into this model are as follows:

	2006	2005
Weighted average share price	£2.600	£2.304
Weighted average exercise price	Nil	Nil
Expected volatility	18.81	18.08
Expected life	3 years	3 years
Risk-free rate %	4.17%	5.15%
Expected dividend yields	2.83%	2.95%

The inputs into the Black-Scholes model which apply to share options and the Share Incentive Plan are as follows:

	2006	2005
Weighted average share price	£2.497	£2.304
Weighted average exercise price	£2.156	£2.320
Expected volatility	18.81	18.08
Expected life	4.62 years	3.87 years
Risk-free rate %	4.17%	5.19%
Expected dividend yields	2.83%	2.95%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous eight years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £548,000 and £343,000 related to equity-settled share-based payment transactions on share options in 2006 and 2005 respectively. The Group recognised total expenses of £528,000 and £314,000 related to equity-settled share-based payment transactions on share based payments under the LTIP scheme in 2006 and 2005 respectively.

### Cash-settled share-based payments

The group formerly issued Phantom share options to AW Wiseman and RT Wiseman which require the Group to pay the option gain to the employee at the date of exercise in cash. The last of these options was exercised in the year ended 3 April 2005 and no new options will be granted. The Group recorded a liability of £502,000 as at 4 April 2004. The fair value of these options was determined by using a binomial model using the assumptions noted in the above table. The Group recorded a total credit in respect of these phantom share options of £120,000 in 2005.

### Other share-based payment plans - Share Incentive Plan

In August 2002, the Group established an Inland Revenue Approved Share Incentive Plan ('SIP') which came into operation on 1 May 2003. During the year ended 2 April 2005, two different forms of awards were made under the SIP, both of which were available to all employees of the Group with continuous service of 3 months. Under the 'Matching Share' scheme, participants could contribute up to £125 per month towards the purchase of shares in the Company which were then matched on a 1 for 4 basis. In addition, and in order to celebrate the 10th anniversary of the Company's flotation, each eligible employee was offered the chance to apply for a one off award under the SIP of 100 'Free Shares' in the Company. Shares acquired under both the Matching Share scheme and the Free Share award are solely conditional upon the relevant participant remaining in the Group's employment for three years from the date of award.

## 35. RETIREMENT BENEFIT SCHEMES

### Defined contribution schemes

The Group operates a group personal pension scheme for its employees and a small defined contribution scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charged in respect of these schemes for the year ended 1 April 2006 was £2,178,000 (2005: £2,170,000). As at 1 April 2006, all contributions due in respect of the current reporting period had been paid over to the schemes.

### Defined benefit schemes

Following the acquisition of Aberdeen Milk Services Limited in May 1999 the Group assumed responsibility for the Aberdeen Milk Services Limited Pension Scheme. This is a hybrid pension scheme which is closed to new entrants. The disclosures below relate solely to the closed defined benefit section. No contributions have been made to the defined contribution section of this scheme during the year. The Group provides for and funds pension liabilities on the advice of external actuaries and makes payments to funds managed by specialist financial institutions. Independent actuarial valuations are carried out at least every three years. The actuarial valuation described above has been updated at 1 April 2006 by Miss Christine McDermott, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

Following the actuarial valuations carried out as at 31 October 2005, the Group has agreed to increase the annual payment to £240,000 per annum from 2 April 2006.

	Valuation at 2006	Valuation at 2005	Valuation at 2004
Key assumptions used:			
Discount rate	4.9%	5.5%	5.6%
Expected return on scheme assets	5.0%	5.6%	5.6%
Expected rate of salary increases	—	—	—
Future pension increases	2.0%	2.0%	2.0%
Inflation assumption	3.0%	2.9%	3.0%

### Balance sheet disclosures

The figures below have been based on the actuarial valuation as at 31 October 2005, updated to the current year end. The assets in the scheme, the net liability position for the scheme at 1 April 2006 and the expected rate of return were:

Asset class	Fair value 2006 £000	Long term expected rate of return	Fair value 2005 £000	Long term expected rate of return	Fair value 2004 £000	Long term expected rate of return
Equities	1,560	6.45%	1,403	7.00%	1,286	7.00%
Corporate bonds	648	4.90%	608	5.45%	558	5.60%
Government bonds	2,157	4.20%	2,029	4.75%	1,855	4.85%
Property	269	5.45%	221	6.00%	108	6.00%
Cash	1,050	4.50%	62	4.00%	361	4.00%
Fair value of assets	5,684	5.00%	4,323	5.63%	4,168	5.57%
Present value of scheme liabilities	(6,202)		(5,371)		(5,220)	
Deficit in the scheme	(518)		(1,048)		(1,052)	
Related deferred tax asset (see note 26)	156		314		316	
Net pension liability	(362)		(734)		(736)	

The long-term expected rate of return is based on equity returns, bond yields, property and cash balance returns at each balance sheet date. The overall expected rate of return on the scheme assets is a blended rate of the individual investment categories. There was no self investment or investment in property occupied by the Company in the current or prior year.

Movements in the present value of defined benefit obligations in the current year were as follows:

	2006 £000	2005 £000
Beginning of year	(5,371)	(5,216)
Service cost	(101)	(99)
Interest cost	(283)	(283)
Actuarial gains and losses	(907)	(186)
Benefits paid	460	413
End of year	(6,202)	(5,371)

# Notes to the Financial Statements continued

## 35. Retirement benefit schemes continued

### Defined benefit schemes continued

#### Movement in the fair value of scheme assets

	2006 £000	2005 £000
Beginning of year	4,323	4,164
Expected return on scheme assets	261	226
Actual return less expected return on scheme assets	475	161
Contributions from sponsoring companies	1,085	185
Contribution from scheme members	–	–
Benefits paid	(460)	(413)
End of year	5,684	4,323

#### Analysis of amounts charged to operating profit

	2006 £000	2005 £000
Current service costs	(101)	(99)
Expected return on pension scheme assets	261	226
Interest cost of pension scheme liabilities	(283)	(283)
<b>Amounts charged to operating profit</b>	<b>(123)</b>	<b>(156)</b>

#### Analysis of the actuarial loss as included in the statement of recognised income and expense

	2006 £000	2005 £000
Actual return less expected return on scheme assets	475	161
Experience gains & losses arising on scheme liabilities	175	(77)
Changes in assumptions underlying the present value of the scheme's liabilities	(1,082)	(109)
<b>Actuarial loss</b>	<b>(432)</b>	<b>(25)</b>

#### Movement in scheme deficit in the year

	2006 £000	2005 £000
Beginning of year	(1,048)	(1,069)
Current service cost	(101)	(99)
Contributions	1,085	185
Other financial charges	(22)	(40)
Actuarial loss in the year	(432)	(25)
End of year	(518)	(1,048)

The history of experience adjustments is as follows.

	2006 £000	2005 £000	2004 £000	2003 £000
Present value of defined benefit obligations	(6,202)	(5,371)	(5,216)	(5,309)
Fair value of scheme assets	5,684	4,323	4,164	4,030
Deficit in the scheme	(518)	(1,048)	(1,052)	(1,279)
Experience adjustments on scheme liabilities (Amount £000)	175	(77)	(55)	177
Percentage of scheme liabilities (%)	2.8%	1.4%	1.1%	3.3%
Experience adjustments on scheme assets (Amount £000)	475	161	134	–
Percentage of scheme liabilities (%)	8.4%	3.7%	3.2%	–

## 36. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Balances due to the Company from its subsidiaries are disclosed in the Company's separate financial statements.

### Trading transactions

During the year, Group subsidiaries entered into the following transactions with related parties who are not members of the group:

	Sales of goods 2006 £000	Purchases of goods 2006 £000	Amounts owed by related parties 2006 £000	Amounts owed to related parties 2006 £000
First Milk Limited	760	117,309	–	9,663

First Milk Limited holds 11,332,197 shares in the Group (15.7%). In addition to its shareholding this Group is considered to exercise influence on the Board as they are entitled to appoint a Non-executive Director to the Board of the Company. Beverley Hodson was nominated by First Milk as their representative and appointed to the Board on 1 September 2005.

Sales of goods to related parties were made at arm's length. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

## 37. CONTINGENT LIABILITY – OFFICE OF FAIR TRADING ('OFT')

The OFT closed its investigation of Robert Wiseman & Sons and/or Robert Wiseman Dairies PLC under Chapter II of the Competition Act in August 2002 as it took the view that further investigation was unlikely to lead to a finding of abuse. Chapter II prohibits the abuse of a dominant market position within the UK. On 2 September 2005 the Competition Appeal Tribunal ('CAT') concluded the appeal by Arla Foods Plc in respect of this investigation. While the CAT decided to set aside the OFT's decision they declined to grant Arla's request for an order that the OFT re-open the investigation. The OFT has informed the Group that it does not intend to take any action in respect of this case.

In August 2003, notification was received from the OFT that it had reopened its investigation into the supply of fresh processed milk to middle ground retailers in Scotland under Chapter I of the Competition Act 1998. The OFT has advised that the Group is one of the undertakings subject to the investigation. The initial Chapter I investigation commenced in June 2000 and concluded in October 2002 with no action being taken. Chapter I prohibits agreements between undertakings which have as their object or effect the prevention, restriction or distortion of competition within the UK. The appeal lodged by Arla with the CAT against the decision in October 2002 was stayed as a result of the OFT re-opening the investigation.

Notification has been received from the OFT that it has opened an investigation into whether the Group agreed and/or concerted with other undertakings on prices in the supply of fresh liquid milk and other products at the wholesale and/or retail level under Chapter I of the Competition Act 1998. The matters under review have been referred to in the press previously as 'retail price initiatives', being initiatives from retailers to increase the revenue of farmers.

Following changes to the penalty regime applicable under the Competition Act, in 2004, the maximum penalty for businesses that infringe Chapter I or Chapter II is 10 per cent of their world-wide group turnover in the last business year (i.e. the business year preceding the date on which the decision of the OFT is taken), for each infringement. In cases where the infringement ended prior to 1 May 2004, the final amount of the penalty must also not exceed 10% of the undertakings turnover in the United Kingdom in the financial year preceding that date when the infringement ended multiplied pro rata by the length of the infringement where the length of the infringement was in excess of one year, up to a maximum of three years. In addition, the OFT can order infringing businesses to change their commercial conduct (e.g. pricing policy), amend/terminate arrangements or impose structural remedies. Infringing businesses can also be sued for damages by those who have suffered loss as a result of the breach of the Competition Act.

No provision has been made in the financial statements for any potential liabilities that may arise in respect of the above matters.

# Summary

## FIVE YEAR SUMMARY

	IFRS		UK GAAP		
	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
<b>Income Statement</b>					
Revenue	<b>568,564</b>	489,168	474,514	390,982	371,056
Profit from operations	<b>27,495</b>	25,077	30,347	25,109	18,842
Net interest (payable)/receivable	<b>(769)</b>	144	(1,429)	(2,306)	(2,308)
Profit before tax	<b>26,726</b>	25,221	28,918	22,803	16,534
Tax	<b>(8,276)</b>	(3,670)	(8,965)	(7,065)	(4,960)
Profit for the year	<b>18,450</b>	21,551	19,953	15,738	11,574
<b>Statistics</b>					
Basic earnings per share	<b>25.35p</b>	28.38p	25.50p	20.15p	14.56p
Diluted earnings per share	<b>24.70p</b>	27.32p	24.65p	19.85p	14.55p
<b>Balance Sheet</b>					
Non current assets	<b>153,565</b>	149,025	147,264	145,531	140,378
Current assets	<b>56,328</b>	49,851	59,356	40,180	38,199
Assets held for sale	<b>1,258</b>	600	–	–	–
Current liabilities	<b>(76,170)</b>	(67,889)	(83,340)	(69,326)	(63,330)
Non current liabilities	<b>(15,723)</b>	(17,518)	(18,700)	(27,098)	(37,587)
Net assets	<b>119,258</b>	114,069	104,580	89,287	77,660
<b>Equity</b>					
Share capital	<b>7,219</b>	7,492	7,923	7,827	7,811
Reserves	<b>112,039</b>	106,577	96,657	81,460	69,849
Total equity	<b>119,258</b>	114,069	104,580	89,287	77,660

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The amounts disclosed for 2004 are stated on the basis of UK GAAP for the income statement and IFRS for the balance sheet. The principal differences between UK GAAP and IFRS are explained in notes 3 to 5 to the accounts which provide an explanation of the transition to IFRS.

## FINANCIAL CALENDAR 2007

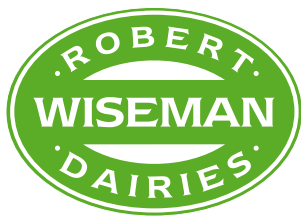
Annual General Meeting	6 July 2006
Final dividend paid	21 September 2006
Interim results announced	November 2006
Interim dividend paid	February 2007
Financial year end	31 March 2007
Full year results announced	May 2007

## REGISTRARS AND DIVIDEND PAYMENTS

Enquiries regarding shareholdings, lost certificates, change of address and dividend payments should be addressed to the Company's registrars: Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone 0870 162 3100.





Head Office  
159 Glasgow Road  
East Kilbride  
Glasgow  
G74 4PA

Tel 01355 244 261  
Fax 01355 230 352  
E Mail [wiseman@wiseman-dairies.co.uk](mailto:wiseman@wiseman-dairies.co.uk)  
WEB [www.wiseman-dairies.co.uk](http://www.wiseman-dairies.co.uk)