

BUSINESS REVIEW

FINANCE REPORT



SEAN CUMMINS
GROUP FINANCE DIRECTOR

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INCOME STATEMENT

Revenue, including our share of joint ventures, increased by 11.0 per cent to £360.0m, driven by strong organic growth of 9.2 per cent. Activity in the international market continues to increase, with revenue of £111.5m now representing 31.0 per cent of Group sales, a progression of 31.2 per cent over the prior period, with excellent development being achieved in Eastern Europe, India and China.

Adjusted* operating profit of £22.6m is in line with the previous financial year. During the third quarter, we experienced a sharply increased rate of deferral or curtailment of client commitments to projects in certain sectors, which, combined with the disruption resulting from the ensuing redundancy exercise, had a negative impact on staff utilisation. In addition, the general uncertainty in the global economy has led to an increased level of potential and actual bad debts. As a result, adjusted* operating margin in the year reduced to 6.3 per cent, as detailed in note 41.

The Directors believe that the presentation of adjusted* operating profit assists with the understanding of the results of the Group in the period. As indicated in our Interim

Management Statement on 10 March 2009, the Group has incurred costs of an exceptional magnitude as a direct impact of the global financial turmoil. It has been necessary to restructure our employee base resulting in a charge of £4.3m and one sizeable project has been postponed indefinitely, causing losses of £2.7m. Recurring adjustments are of the same nature as last year.

Global interest rates have progressively reduced during the course of the year, particularly in the second half, hence the interest cost of borrowings of £1.8m is at a reduced level compared to last year, despite average borrowings being slightly higher over the current period. The volatile nature of the notional finance income on the Group's pension schemes has been particularly pronounced this year, resulting in an adverse movement of £2.0m and this situation will persist in 2009/10 with a further deterioration in excess of £3.0m.

The adjusted* tax charge, including that relating to joint ventures, amounts to £6.9m, which represents an effective tax rate of 31.6 per cent. This is slightly higher than the UK headline rate of 28.0 per cent, principally as a result of disallowed expenses.

The Company has purchased 3.2m shares at an average price of 67p, which are being held in treasury in anticipation of liabilities that will arise under various Group share option schemes and deferred consideration on prior acquisitions. This has contributed to a lower number of shares in issue and, with the reduced tax rate, has held the adjusted* diluted earnings per share at 19.8p, a similar level to last year.

A final dividend of 2.67p per share has been proposed by the Board, which would take the full year payment to 4.0 pence, an increase of 11.1 per cent. Subject to shareholder approval, this will be paid on 5 October 2009 to shareholders on the register at close of business on 11 September 2009. The dividend is covered five times by adjusted* diluted earnings per share.

BORROWINGS

Net borrowings at the year end were £18.3m, which compares to £7.0m at the last year end, a movement of £11.3m. The majority of the change in borrowings has arisen from the impact of moving our year end by one week to 3 May, resulting in an additional salary payment of £7.4m being recorded in the year.

We have seen good organic growth in revenue and within this an increased proportion of international trading which, coinciding with the global financial uncertainty, has caused upward pressure on debtors and work-in-progress. Recording a decrease in working capital of £1.0m, excluding the additional salary payment, we therefore consider to be a creditable achievement in very difficult market conditions. Capital utilisation days, our key performance indicator for working capital, were 85 days at the year-end, which compares to 81 days last year.

The Group completed three acquisitions in the first half of the year, with £4.2m applied as initial consideration. In addition, £3.4m was paid to satisfy deferred consideration on acquisitions.

Taxation paid in the year increased to £5.0m, as we no longer benefit from the special pension payments made in 2006 and 2007.

New long term bank facilities were put in place in May 2008, which provide £70.0m of committed credit lines until April 2011. The two principal financial covenants are (i) the ratio of net borrowings to earnings before interest, tax, depreciation and amortisation (EBITDA) and (ii) interest cover. Throughout the year, we have operated comfortably within the covenant requirements in the facility agreement.

PENSIONS

The Group has operated two defined benefit schemes, both of which are closed to new members, and a defined contribution scheme throughout the period. The aggregate deficit on the defined benefit schemes at 3 May 2009 was £24.2m (2008: £19.9m).

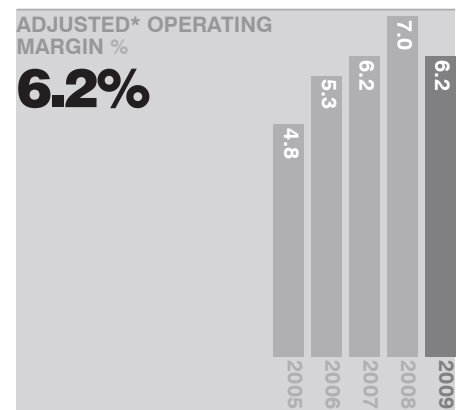
Since the last year end, we have seen the yield on AA-rated Corporate Bonds increase, whilst long term inflation assumptions have reduced, both of which have caused the liabilities to reduce. However, during the same period, we have also seen lower investment returns from volatile stock markets, with the overall value of assets in the scheme reducing to a greater extent, resulting in a slightly increased deficit.

IFRS RESULTS

On an IFRS basis, Group revenue increased by £37.1m to £345.8m reflecting good growth in the international market. Profit before taxation at £9.4m is a reduction from the £19.7m achieved last year due to the higher value of 'adjusted' items, resulting from the restructuring initiative and contract loss in the Middle East. Fully diluted earnings per share were 10.2p.



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30 JUNE 2009



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