

# WILLIAM RANSOM & SON PLC

## Preliminary Results for the Year Ended 31 March 2005

William Ransom & Son plc (“Ransom”), one of the UK’s leading natural healthcare companies, today announces the preliminary results for the year ended 31 March 2005.

In a separate announcement, Ransom has also agreed to acquire the entire share capital of Optima Healthcare Limited and Optima Health (Ireland) Limited (“Optima”) for a total consideration of £23 million. Optima is the UK’s, and one of Europe’s, leading suppliers of retailed aloe vera products and has over 18 different natural healthcare product ranges.

### **Financial Highlights**

- A good year with a strong financial performance
  
- Turnover (excluding discounted operations) up over 31% to £18.9 million (2004: £14.4m)
  
- Profit (before tax, amortisation and non-recurring items) significantly up, to £1.0m (2004: loss of £30k)
  
- Pretax loss of £0.2m compared to a pre-tax profit of £2.7m for the same period last year, due to exceptional profits of £5.0m in 2004 from the sale of former headquarters property
  
- Full provision of £0.5m made against Food Brokers Ltd

- Provision lower than previously anticipated
  
- Total dividend remains unchanged at 1.5p (2004: 1.5p)

### **Operational Highlights**

- Relocation of manufacturing facilities completed; establishment of modern production and analytical and developmental laboratory base.
  
- Rationalisation of old low margin product lines complete.
  
- Acquisition and subsequent excellent growth of Health Perception consumer healthcare brand.

### **Commenting on the preliminary results Tim Dye, Chairman of William Ransom & Son plc, said;**

“Our results announced today show a strong underlying financial performance which has been combined with the establishment of a modern manufacturing and laboratory base. Together with the acquisition of Optima and the proposed appointment of our new Board members, we are well-positioned to take advantage of growing consumer uptake of natural healthcare products in a market where our regulatory competence is set to become increasingly valuable.”

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## **Chairman's Statement**

The year ending 31 March 2005 has been good and yet another period of important development for the Group. The generation of a strong underlying financial performance alongside the completion of the planned fundamental reorganisation of our production resources is particularly satisfying.

A great deal was achieved in the year and I am particularly grateful to all of our employees, who have managed the process of change very well. The move of our production base of 158 years and the commissioning of two new sites is an achievement in itself. Together with the completion and integration of our largest acquisition to date, Health Perception, the rationalisation and sale of non-core product lines, and continued organic business development, it is exceptional.

Sales rose to £19.8m (2004: £14.4m), due to the acquisitions made and due to the continued growth at Health Perception. Group operating profit before goodwill amortisation and the provision for bad debt rose to £1.18m (2004: £0.06m). Pending the outcome of discussions with the administrator, a full provision of £0.51m (2004: nil) was made against the net monies owed to the company by its UK sales agent Food Brokers Limited, which went into administration in February 2005. The Group's net debt at the year end was £2.61m (2004: net cash £5.19m), as the proceeds from the previous year's site sale were invested in the acquisition of Health Perception and in new manufacturing and laboratory facilities.

The Board proposes to pay a final dividend of 1.00p, bringing the total dividend to 1.50p, the same as last year. The dividend will be payable on 3 October 2005 to all shareholders on the register on 9 September 2005.

I am pleased to be able to report that all new production processes at both the pharmaceutical manufacturing site in Witham, Essex and the botanical extraction unit in Hitchin, Hertfordshire are now operational. The new facilities, together with their associated laboratories, are impressive and, as efficiency steadily improves, they should allow us to win further new business in an environment of regulatory change in the natural healthcare market.

The performance of our consumer healthcare brands business has been dominated by the growth at Health Perception, whose products were not distributed by Food Brokers and so were not affected by its demise. Consumer healthcare exports were also unaffected and performed well too. The rest of the division's brands suffered in the last two months of the year, despite our rapid move to establish our own direct sales force. This team is now beginning to develop new sales prospects, supported by a full pipeline of new product development which is the result of a lot of work over the last year.

In January 2005, the EU awarded €1.3m to a pan-European consortium of six academic organisations and three Small and Medium-sized Enterprises (SME's) – of which we are the UK's representative - to investigate the possibility of developing standardised extracts of cannabis for treatment of migraine and rheumatoid arthritis. While this is a very early-stage project with no definite commercial outcome, the endorsement of our botanical development capability which it represents is encouraging and the re-establishment of close links with academic institutions in this area is likely to be helpful to us in the future.

## **Prospects**

The prospects for the group are, I believe, very good. Our reorganisation has provided a modern manufacturing base for both botanical extracts and pharmaceuticals, together with new development and analytical laboratories. In a natural healthcare market where pharmaceutical-style regulatory standards are now beginning to be applied, this resource and our phyto-pharmaceutical expertise should provide a competitive advantage to our existing brands portfolio and to further acquisitions, as well as to our contract manufacturing business.

We have a busy manufacturing schedule for botanical extracts and for contract manufacturing, and we anticipate further growth based on the quality of our new facilities. In our consumer healthcare brands, we expect Health Perception to maintain its market-leading position in the high-growth UK glucosamine market. Our other brands should benefit from targeted export growth and from a broad new product development programme supported by our own direct sales force which has already begun to achieve listing success in the major retailers.

## **Operating and Financial Review**

Ransom is in the process of transforming itself into a fast-growing and highly profitable natural healthcare company and we believe that we have made substantial progress towards this goal. In a natural healthcare market where regulatory change is set to have a significant impact, our combination of botanical and pharmaceutical expertise will provide an increasingly potent competitive advantage. We are using this specialist expertise to enable us to acquire, develop and grow consumer healthcare brands and also to provide manufacturing and development services to others.

An important part of the transformation of the business has been the creation of a state-of-the-art production and analytical and developmental laboratory base. The establishment of this capability has been a major feat during the course of the year, with the significant disruption involved having, as planned, the greatest financial impact on the second six months. In a complicated move of such specialist activity from its base of 158 years, there were inevitably some unforeseen complications, but it is pleasing that all manufacturing processes have now been commissioned at their new locations and that this has been achieved in conjunction with a strong underlying financial performance.

## **Consumer Healthcare**

The performance of Health Perception since its acquisition in April has been exceptional. Sales growth has been derived from most areas, producing an increase of 27% to £6.8m, so that Health Perception maintained its position as number one brand in the UK's fast-growing glucosamine market. During the course of the year, Health Perception was the first to launch a vegetarian glucosamine product on the UK market. A limited television advertising schedule began in April 2005, for the first time, and subject to it continuing to be successful, the campaign will continue throughout the year.

Radian B's export sales were also strong in the year, as sales to the Middle East increased particularly. The growth follows improved customer support for our overseas agents in part in the form of a further reduction in lead times. We expect the benefits of this to continue to improve sales in the current year. In the UK, Radian B's performance in a competitive market was further affected by the failure in February of Food Brokers, our UK distributor.

Metanium consolidated its position as the UK's number two nappy rash cream in the year and a very active new product development programme for the brand has produced an extended range which has been enthusiastically received by retailers. Our sales team is very optimistic about the prospects for Metanium's accelerated growth in the current year. New product development activity undertaken throughout the year ending 31 March 2005 should benefit most brands in our portfolio, including Pavacol-D, Cariad and various of the Pickles lines, with launches of a total of twenty new products under existing brands over the current twelve month period.

The establishment of our own national account and direct sales team was an important milestone. The growth of Ransom's consumer healthcare business had made the establishment of our own sales force a commercially attractive option, so plans were well in hand for its formation prior to February. The team is now complete and we believe that the improved direct contact with the market which it brings will benefit our business greatly.

### **Contract Manufacturing**

The key objective of our contract manufacturing business in the year was to ensure that our customers remained in stock of the products which we make for them as we relocated equipment to, and built, a new site of manufacture. This was a particularly complex task in a highly regulated pharmaceutical environment, and where existing operations, including the manufacture of our own branded products, had to continue at the Witham site alongside the doubling in size of the unit to incorporate the business transfer. The planning of the process was meticulous and required great assistance and co-operation from our customers, for which we are extremely grateful. That our objective was met and within budget is a great credit to all involved.

The new facility and extended laboratories are now fully operational and are already proving to be helpful in winning new contract manufacturing business from existing and new customers. The streamlining of pharmaceutical manufacturing operations was further improved by the divestment in the year of a portfolio of generic low margin, low volume pharmaceutical liquids.

## **Natural Products**

The highly specialist nature of Ransom's natural product business means that its relocation to Bury Mead Road in Hitchin was always going to be complex and in fact it proved more so than we had hoped. The result was a delay in commissioning of some of the product lines, but it is pleasing to be able to report that all production areas are now operational and throughput rates are increasing. Again our staff did an excellent job in difficult circumstances, and it is particularly impressive that the sales budget was met despite our temporarily-restricted manufacturing capability.

The Ransom Natural Products business is now able to focus on its key areas of botanical extracts for the food and drink and pharmaceutical industries, following the successful divestment in the year of the agricultural and cosmetic extracts businesses. This focus is supported by our investments in natural products application and development laboratories and associated staff. We expect this more targeted approach on higher margin, higher growth areas – supported by technical back-up - to benefit sales considerably. The order book is strong and the early indications for new business development are good in the international drinks markets based on the innovative applications and concepts which we have developed.

Our participation in an EU-funded consortium, made up principally of prestigious European academic institutions, to investigate the possibility of developing standardised extracts of cannabis for the treatment of migraine and rheumatoid arthritis will help enhance our botanical development capabilities and also re-establishes some of the company's historic research partnerships. The work complements other confidential research work which we are carrying out for multi-nationals in the use of botanicals in nutraceutical and pharmaceutical products.

## **Corporate and Social Responsibility and Ethical Investor Statement**

The Company has a long history of Corporate Social Responsibility ('CSR') and receives many inquiries from customers, potential employees, local interest groups and investors with regard to its policies and practices in this area. We have an active policy of supporting local groups and charities. A detailed summary of our stance in the key areas of personnel, community and environment is posted on our website, which investors are urged to visit, at [www.williamransom.com](http://www.williamransom.com). Our Ethical Investor Statement is also posted on the site. Following the Company's recent restructuring, all employees participated in defining a set of company values which, following an off-site day for all employees, have now been adopted across the business.

## **Financial**

Sales of continuing operations rose by 31.8%, to £18.9m (2004: £14.4m). Sales of £6.8m at Health Perception were responsible for this growth and were offset to some extent by a decline in contract manufacturing and extract sales, as these product areas were rationalised and greatly simplified as part of the site move. Exports accounted for 18% of total sales, down from 22% in 2004, reflecting the greater UK bias of Health Perception's business.

Gross profit margins rose to 38.8% (2004: 26.4%) principally due to the greater emphasis within the business on consumer healthcare brands, but also because of improved gross margins in our contract manufacturing business, resulting from the exit from lower margin areas.

Operating profit before goodwill amortisation and the provision for bad debt rose to £1.18m (2004: £0.06m).

Net cash inflow from operating activities was £1.89m (2004: £1.40m). Group stockholdings fell by £0.4m as the temporary loss of production from the move reduced the level of finished goods. Debtor collections improved in the year and overall debtors fell by £0.4m. Partially offsetting this was a fall in creditors from their high level at the end of 2004.

Capital expenditure in the year amounted to £4.11m as the Group invested funds in each of its new manufacturing sites. Proceeds of £0.56m were received from the sale of assets from the old site.

Health Perception (UK) Ltd was acquired in April 2004 for a total cost of £8.02m. At the time of the acquisition, Health Perception had cash balances of £0.88m, which were also acquired. The acquisition was funded in part by the issue of new shares, which raised net proceeds of £3.68m, and the drawing down of a term loan facility of £1.98m. The deferred cash consideration relating to the acquisition of the J Pickles' brands of £0.06m was paid in the year. Reorganisation costs of £1.66m were paid in the year.

At the end of the year the Group had net debt of £2.61m (2004: net cash £5.19m) and shareholders' funds of £17.49m (2004: £14.51m).

## **Profit and Loss Account**

**for the year ended 31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>		
Current year acquisitions	6,766	-
Other continuing operations	12,180	14,380
	<hr/>	<hr/>
Total continuing operations	18,946	14,380
Discontinued operations	825	-
	<hr/>	<hr/>
<b>Group turnover</b>	19,771	14,380
Cost of sales	(12,092)	(10,585)
	<hr/>	<hr/>
<b>Gross profit</b>	7,679	3,795
Selling and distribution costs	(4,613)	(2,654)
Administrative expenses	(2,551)	(1,379)
Provision for bad debt	(514)	-
	<hr/>	<hr/>
<b>Operating profit / (loss)– continuing</b>		

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Current year acquisitions	914	-
Other continuing operations	(470)	(238)
	<hr/>	<hr/>
Total continuing operations	444	(238)
Discontinued operations	(443)	-
	<hr/>	<hr/>
<b>Group operating profit / (loss)</b>	<b>1</b>	<b>(238)</b>
Profit on disposal of fixed asset	-	5,017
Costs of fundamental reorganisation	(98)	(2,017)
	<hr/>	<hr/>
<b>(Loss) / profit after exceptional items</b>	<b>(97)</b>	<b>2,762</b>
Income from investments	-	9
Net interest payable	(114)	(97)
	<hr/>	<hr/>
<b>(Loss) / profit before taxation</b>	<b>(211)</b>	<b>2,674</b>
Tax on (loss) / profit on ordinary activities	53	279
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<b>(Loss) / profit after taxation</b>	<b>(158)</b>	<b>2,953</b>
Dividends on equity shares	(536)	(496)
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<b>Transfer (from) / to reserves</b>	<b>(694)</b>	<b>2,457</b>
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	<b>2005</b> <b>£ '000</b>	<b>2004</b> <b>£ '000</b>
<b>Earnings per share:</b>		
Basic	(0.46p)	10.97p
Diluted	(0.46p)	10.97p
Excluding exceptional items	0.79p	(1.34p)

	<b>2005</b> <b>£ '000</b>	<b>2004</b> <b>£ '000</b>
Reported (loss) / profit on ordinary activities before taxation	(211)	2,674
Realisation of property revaluation gains of previous years	-	5
	<hr/>	<hr/>

	<u>(211)</u>	<u>2,679</u>
Historical cost (loss) / profit for the year retained after taxation and dividends	<u>(211)</u>	<u>2,462</u>

There were no recognised gains or losses in the year other than those reported above.

### Consolidated Balance Sheet

at 31 March 2005

	<b>2005</b> <b>£ '000</b>	<b>2004</b> <b>£ '000</b>
<b>Fixed assets</b>		
Intangible assets	11,703	5,887
Tangible assets	<u>6,251</u>	<u>3,129</u>
	<u>17,954</u>	<u>9,016</u>
<b>Current assets</b>		
Stocks	3,368	3,161
Debtors	2,967	2,804
Cash at bank and in hand	<u>229</u>	<u>5,187</u>
	6,564	11,152
<b>Creditors:</b> Amounts falling due within one year	<u>(5,293)</u>	<u>(3,718)</u>
<b>Net current assets</b>	<u>1,271</u>	<u>7,434</u>
<b>Total assets less current liabilities</b>	19,225	16,450
<b>Creditors:</b> Amounts falling due after more than one year	(1,514)	-
<b>Provision for liabilities and charges</b>	<u>(218)</u>	<u>(1,939)</u>
<b>Net assets</b>	<u><u>17,493</u></u>	<u><u>14,511</u></u>

**Capital and reserves**

Called up share capital	3,572	2,692
Share premium account	7,018	4,222
Profit and loss account	6,903	7,597
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<b>Equity shareholders' funds</b>	<b>17,493</b>	<b>14,511</b>
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## Cash Flow Statement

for the year ended 31 March 2005

	<b>2005</b>	<b>2004</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Net cash inflow from operating activities</b>	<u>1,888</u>	<u>1,400</u>
<b>Returns on investment and servicing of finance</b>		
Interest received	42	59
Interest paid	<u>(156)</u>	<u>(156)</u>
	<u>(114)</u>	<u>(97)</u>
<b>Taxation (paid) / received</b>		
UK corporation tax	<u>(242)</u>	<u>2</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(4,105)	(369)
Payments to acquire intangible assets	-	(40)
Receipts from sale of tangible fixed assets	<u>557</u>	<u>8,460</u>
	<u>(3,548)</u>	<u>8,051</u>
<b>Acquisitions and disposals</b>		
Dividend received on liquidation of associate	-	9
Payments to acquire trade	(58)	(767)
Purchase of subsidiary undertaking	(8,018)	-
Cash balances acquired with subsidiary	875	-
Reorganisation of the business	<u>(1,664)</u>	<u>(365)</u>
	<u>(8,865)</u>	<u>(1,123)</u>
<b>Equity dividends paid</b>	<u>(536)</u>	<u>(404)</u>
<b>Cashflow before use of liquid resources and financing</b>	<u>(11,417)</u>	<u>7,829</u>

**Management of liquid resources**

Decrease/(increase) in liquid resources	<u>3,000</u>	<u>(3,000)</u>
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**Financing**

Proceeds from new bank loans	1,984	200
Issue of ordinary share capital	3,749	-
Issue expenses for shares	(73)	(4)
Repayment of bank loans	<u>-</u>	<u>(2,943)</u>
	<u>5,660</u>	<u>(2,747)</u>

<b>(Decrease)/increase in cash</b>	<u><u>(2,757)</u></u>	<u><u>2,082</u></u>
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The financial statements were approved by the Board on 8 June 2005 and signed on its behalf by:

**T G Dye**  
**Director**

**R D Howard**  
**Director**

**NOTES TO THE FINANCIAL ACCOUNTS****PROVISION FOR BAD DEBT**

In February 2005 the Company's UK sales agent went into administration. The Company is in discussions with the administrator and remains hopeful that a significant portion of the debt can be recovered. However, as the administrator has not yet agreed the claim, full provision for the net debt, exclusive of VAT, has been made.

**EXCEPTIONAL ITEMS**

<b>2005</b>	<b>2004</b>
<b>£ '000</b>	<b>£ '000</b>

Profit on disposal of fixed assets	-	5,017
Costs of fundamental reorganisation	(98)	(2,017)
	<u>(98)</u>	<u>3,000</u>

In December 2003 the sale of the main manufacturing site was announced. The proceeds from that sale funded the extension of the Witham site and the building of a new extraction facility. The move also required a fundamental reorganisation of the Company including materials relocation, redundancy and recruitment costs. The prior year exceptional items resulted in a tax credit of £315,000.

#### DIVIDENDS

	<b>2005</b>	<b>2004</b>
	<b>£ '000</b>	<b>£ '000</b>
Ordinary shares:		
Interim 0.50p per share (2004 0.5p)	179	139
Final 1.00p per share (2004 1.00p)	357	357
	<u>536</u>	<u>496</u>

#### EARNINGS PER SHARE

	<b>2005</b>	<b>2004</b>
Basic earnings per share	<u>(0.46p)</u>	<u>10.97p</u>
Diluted earnings per share	<u>(0.46p)</u>	<u>10.97p</u>
Excluding exceptional items	<u>0.79p</u>	<u>(1.34p)</u>

The calculation of earnings per share is based on the loss after taxation of £158,000 (2004 £2,953,000 profit) and on 34,345,108 ordinary shares (2004 26,915,930 ordinary shares), the weighted average number of shares in issue during the year.

The average number of dilutive shares is arrived at by computing the difference between the exercise prices of the share options with the daily average mid-market share price over the year.

Loss per share excluding all exceptional items, which are disclosed to reflect the underlying performance of the company, are calculated on a profit of £270,000 (2004: £362,000 loss).

	<b>2005</b>	<b>2004</b>
	<b>£ '000</b>	<b>£ '000</b>
(Loss) / Profit after taxation	(158)	2,953
Exceptional items	98	(3,000)
Provision for bad debt	514	-
Tax effect of exceptional items	(184)	(315)
	<u>270</u>	<u>(362)</u>

	<b>2005</b>		<b>2004</b>	
	Number	eps (p)	Number	eps (p)
Average number of shares in issue during the year used in calculation of basic eps.	34,345,108	(0.46)	26,915,930	10.97
Average number of dilutive options	40,146	-	300	-
Total number of shares used in calculation of diluted earnings per share	<u>34,385,254</u>	<u>(0.46)</u>	<u>26,916,230</u>	<u>10.97</u>

END