

## Preliminary results for the year to 1 January 2010

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Lincat Group plc (“the Group”), the AIM listed manufacturer of commercial catering appliances and bar equipment, announces its preliminary results for the year to 1 January 2010.

### Financial highlights:

- Pre-tax profit of £9.9m (2008: £5.3m), including profit of £5.1m on the sale of vacated manufacturing site
- Profitable disposal of loss-making subsidiary, Mercury
- Year-end net cash balance of £5.1m (2008: net debt of £3.0m)
- Earnings per share of 157.8p (2008: 56.8p)
- Revenues of £30.8m (2008: £32.9m)
- Operating profit on continuing operations, excluding exceptional items, of £4.9m (2008: £5.7m)
- Final dividend of 19.8p per share (2008: 18.8p), for a total dividend of 30.0p (2008: 29.0p) per share for the year.

### Commenting on the year’s results, Alan Schroeder, Chairman, said:

*“The twelve months to 1 January 2010 has been a challenging, busy and ultimately successful year for the Group. Given the tough trading conditions that prevailed throughout the year we can be reasonably satisfied with both our activities and our financial performance. The disposals of IMC’s redundant Hertfordshire site and of Mercury leave the Group in an exceptionally strong financial position.”*

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**31 March 2010**

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### CHAIRMAN'S STATEMENT

The twelve months to 1 January 2010 has been a challenging, busy and ultimately successful year for the Group. During this time, after a period of exceptionally weak demand, we have seen increasingly resilient trading from our operations, as well as the sale of our domestic appliance subsidiary, Mercury, and the disposal for residential development of IMC's former manufacturing site in Hertfordshire. Against a backdrop of a marketplace for catering and bar equipment both in the UK and overseas that remains generally depressed, we can be satisfied with both our activities and our financial performance.

### Financial result

Group sales from continuing operations – that is to say, excluding Mercury - for the period were £30.8m, a fall of 7% against 2008's equivalent turnover of £32.9m. Whilst disappointed to be reporting a decline, we do believe that our businesses have collectively outperformed the market: industry statistics indicate that the UK foodservice equipment market has contracted by approximately 13% during that period.

Underlying operating profit from continuing operations of £4.9m (2008: £5.7m) demonstrates the Group's ability to trade profitably even under harsh economic conditions. Pre-tax profit of £9.9m includes a profit of £5.1m on the disposal of IMC's Hertfordshire site, completed in December 2009.

Adjusted earnings per share, excluding the exceptional and discontinued items referred to above, were 63.0p, a fall of 13% on the 2008 figure of 72.0p. Total earnings per share, including exceptional and discontinued items, were 157.8p.

### Sale of Mercury

Our domestic range cooker subsidiary, Mercury, was sold in August 2009. The severe downturn in demand for big-ticket consumer appliances had led to a sharp fall in sales of Mercury's products during 2008 and 2009, to the point where the business was generating material trading losses. As a non-core business - our other three businesses manufacture commercial rather than domestic appliances – the Board concluded that not only should Mercury not be retained within the Group but also that it would better prosper within a larger domestic appliance group, which has indeed proved to be the case.

I would like to acknowledge the tireless commitment of Mercury's managing director, Jenny Hyatt, and her team during the ten years that the business formed part of the Group.

### Disposal of IMC's Hertfordshire site

This site was vacated when IMC relocated to Wrexham in 2006. The sale of the site for residential development was completed on 21 December 2009, when the final payment of £4.5m was received from the purchaser. The total consideration paid, including three earlier deposits of £1.0m that were received during 2008 and 2009, was £7.5m, compared with a book value and associated disposal costs of £2.4m.

### Cash and gearing

The Group partly financed the £13.0m tender offer concluded in July 2007 with a £9.5m term loan. Operating cash flows generated since then, combined with three £1.0m deposits received against

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IMC's land sale, were sufficient to repay that loan even before the receipt of the final payment of £4.5m. At the year end the Group held net cash of £5.1m, compared with net debt of £3.0m at the end of 2008. We continue to look for suitable acquisition opportunities within our sector and to that end we intend to retain these cash reserves for the time being.

### **Dividend**

The Board is recommending a final dividend of 19.8p (2008: 18.8p), giving a total dividend for the year of 30.0p (2008: 29.0p), an increase of 3.4%. If approved by shareholders at the Company's AGM in May, the dividend will be paid on 28 May 2010 to shareholders on the register at the close of business on 30 April 2010.

### **Change of Chairman**

This is my first report as Chairman, having taken on the role on 1 January 2010, and I would like to take this opportunity to pay tribute to the contribution of my predecessor, Martin Craddock. Martin chaired the Group for 21 years, during which time the Group grew and prospered to the considerable benefit of its customers, employees and shareholders. I am personally delighted that Martin continues to serve on the Board, where his insight into our businesses and the industries in which they operate is highly valued.

### **Trading outlook**

The catering equipment industry is typically late cycle, going into decline later than the general economy and emerging correspondingly later. As a result, we remain cautious about the rate at which overall demand will grow, if at all, during 2010. Indeed, public sector spending is expected to contract although, at around 15% of total Group sales, our exposure to this market segment is modest.

In a flat or falling market, our ambition is to leverage the experience and commitment of our employees, our well-invested, efficient manufacturing facilities and our robust margins to increase market share. We have been successful with this approach during 2009 and we are looking to new initiatives already rolled out earlier this year to stimulate demand for our products during 2010.

**Alan Schroeder**

Chairman

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### FINANCIAL AND OPERATIONS REVIEW

The Group completed 2009 in robust health, despite the difficult trading conditions that continue to challenge our operations. In addition to another strong trading performance, the key events of the year included the sale of Mercury in August 2009 and completing the disposal of IMC's Hertfordshire site last December.

#### Financial

The Group finished the year with net cash of £5.1m, having started 2009 with £0.7m of cash and £3.7m of debt, which represented the outstanding balance of a £9.5m term loan taken out to part-fund a £13.0m tender offer in July 2007. This exceptionally high cash flow resulted from a strong operational performance as well as the disposals of Mercury and IMC's redundant Hertfordshire site.

The weakness of the market and the corresponding impact on selling prices caused our gross margin to decline marginally from 50.4% in 2008 to 49.9% in 2009. Our long tradition of design-for-manufacture and investment in well equipped factories with an experienced workforce underpins the resilience of margins at this level.

Underlying operating profits on continuing operations of £4.874m (2008: £5.714m) were substantially higher than seemed likely at the start of 2009. Indeed, 57% of those profits were earned in the second half of the year, which gives some indication of the improvement during the course of the year.

The Group's result was further enhanced by a £5.092m profit on the sale of IMC's Hertfordshire site. The sale in December 2009 of this site, which was vacated at the end of 2006 when IMC finalised its move to Wrexham, marks the final chapter of a company relocation that has greatly strengthened both IMC and the Group. IMC's efficiency and competitiveness have been lifted by consolidating its operations onto one site with lower operating costs and in an area with a good availability of high quality staff. The table below summarises the cash flow impact of IMC's move and land sale between 2005 and 2009.

<b>IMC relocation: cash flow summary</b>	<b>£'000</b>
Hertfordshire site proceeds of sale	7,500
Less associated costs:	
Sale costs	(306)
Relocation costs	(2,017)
	-----
Net proceeds of sale	5,177
Reinvested in:	
Wrexham factory, plant & equipment	(2,722)
	-----
<b>Net proceeds retained</b>	<b>2,455</b>
	=====

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Pre-interest profit on continuing operations totalled £9.966m. After net interest charges of £114k, the Group recorded a pre-tax profit on continuing operations of £9.852m.

Our domestic range cooker manufacturer, Mercury, which was sold in August 2009, has been shown as a discontinued operation. A pre-tax loss for the period prior to the date of disposal of £194k was more than offset by a pre-tax profit on disposal of £258k.

Total Group pre-tax profit for the year, including exceptional items and discontinued operations, was £9.916m (2008: £5.214m).

Cash flow for the year from operating and investing activities totalled £9.621m (2008: £7.566m), including £5.500m received during the year in respect of the IMC land sale. Dividend payments absorbed £1.530m and £3.682m was used to pay off the balance of Group borrowings.

The Group operates one final salary pension scheme, at IMC, with 15 active members. This scheme has been closed to new members since 2003 and steps are being taken to close it to future accrual by June 2010.

### **Operations**

The combined sales of our continuing operations for the year were £30.763m, a fall of 7% against 2008. This figure compares with a decline of 8% up to the end of June 2009, indicating a stronger performance in the second half of the year.

The improvement in the performance of Lincat Ltd has been particularly encouraging. In our June 2009 Interim Report the Chairman made reference to a recovery led by Lincat Ltd, following the introduction of enhanced dealer incentives. This recovery continued throughout the rest of the year and shows every sign of being sustained.

Our other two operations, IMC and Britannia, had a more even split of sales between the first and the second half. These two businesses saw a sharp decline in orders in the third quarter of the year but both have subsequently seen orders recover from that low point. IMC's export business has held up well, accounting for over 40% of their sales during 2009.

Our businesses continue to drive growth through new product introductions. During 2009 Lincat Ltd launched a re-engineered Opus 700 medium-duty six-burner range at a substantially lower and highly competitive price. This model holds the key to offering a value package to mid-market restaurants and pubs.

In August 2009 Britannia acquired the intellectual property rights to an ultra-violet air treatment system that had been outsourced for a number of years. UV systems are increasingly used where kitchen operators want to eliminate the discharge of cooking odours, especially in built-up areas. By controlling the design and manufacture of these systems, Britannia is now able to offer UV-enabled ventilation canopies that are both more compact and less expensive, thereby significantly improving their competitiveness in this important growth area.

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### **Outlook**

2009 has been a tough year for trading and overall we do not expect 2010 to show a significant change; demand both in the UK and in most of our export markets remains comparatively weak and we will have to compete hard to win business. To this end, our operations are encouraged to invest in new product design, in value engineering projects and in automated machinery wherever these can be shown to reduce manufacturing costs and improve competitiveness. For example, in the last few days Lincat Ltd has installed an automated laser cutting line at a total cost of £550k, which will increase sheet steel utilisation by up to 20% as well as delivering higher capacity and greater flexibility than the punch-press that it has replaced.

Whilst conscious of the fragile nature of any recovery in demand – and therefore cautious about the general outlook for the foodservice sector over the coming year – we do believe that there are opportunities for the Group to prosper at this time. The continuing weakness of sterling is squeezing the margins of competitors that import their products, whilst at the same time enhancing our relative competitiveness and, where we export in Euros, our margins. With a steady stream of new product introductions expected from our businesses during 2010, we can look forward to a challenging but rewarding year.

**Paul Bouscarle**

Chief Executive

## Preliminary results for the year to 1 January 2010

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Before exceptional items Year to 1 January 2010 £'000	Exceptional items Year to 1 January 2010 £'000	Total Year to 1 January 2010 £'000	Total Year to 2 January 2009 £'000
<b>CONTINUING OPERATIONS</b>					
Revenue	1	30,763	-	30,763	32,903
Costs of sales		(15,419)	-	(15,419)	(16,307)
		-----	-----	-----	-----
<b>Gross profit</b>		15,344	-	15,344	16,596
Distribution costs		(4,676)	-	(4,676)	(5,213)
Administrative expenses		(2,665)	-	(2,665)	(2,526)
Other operating expenses		(3,129)	-	(3,129)	(3,143)
Exceptional item	2	-	5,092	5,092	-
		-----	-----	-----	-----
<b>Operating profit</b>		4,874	5,092	9,966	5,714
Net finance costs	3			(114)	(369)
				-----	-----
<b>Profit before taxation</b>				9,852	5,345
Taxation	4			(1,337)	(2,169)
				-----	-----
<b>Profit after tax from continuing operations</b>				8,515	3,176
<b>Profit/(loss) after tax from discontinued operations</b>	5			58	(90)
<b>Profit for the year attributable to shareholders</b>				8,573	3,086
				=====	=====
<b>Earnings per share</b>					
From continuing operations:					
Basic				156.7p	58.5p
Diluted				156.7p	58.4p
From continuing and discontinued operations:					
Basic				157.8p	56.8p
Diluted				157.8p	56.7p

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### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 1 January 2010 £'000	Year to 2 January 2009 £'000
<b>Profit for the period</b>	8,573	3,086
Other comprehensive income:		
Actuarial losses on defined benefit pension scheme	(1,476)	(694)
Tax on the above	413	194
	-----	-----
Other comprehensive income for the year, net of tax	(1,063)	(500)
<b>Total comprehensive income for the year</b>	7,510	2,586
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<b>Total comprehensive income for the year attributable to equity shareholders</b>	7,510	2,586

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CONDENSED CONSOLIDATED BALANCE SHEET	Note	1 January 2010 £'000	2 January 2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		693	693
Other intangible assets		234	124
Property, plant and equipment		8,584	9,157
Deferred tax asset		85	6
		-----	-----
		9,596	9,980
<b>Current assets</b>			
Inventories		3,459	3,930
Trade and other receivables		5,227	5,036
Cash and cash equivalents		5,141	732
		-----	-----
		13,827	9,698
<b>Non-current assets classified as held for sale</b>		-	2,178
		-----	-----
<b>Total assets</b>		23,423	21,856
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans		-	(3,042)
Retirement benefit obligation	7	(1,889)	(435)
Deferred tax liabilities		(523)	(928)
		-----	-----
		(2,412)	(4,405)
<b>Current liabilities</b>			
Trade and other payables		(4,192)	(4,098)
Current tax liabilities		(726)	(703)
Bank overdrafts and loans		-	(640)
Provisions		(371)	(354)
		-----	-----
		(5,289)	(5,795)
<b>Liabilities directly associated with non-current assets classified as held for sale</b>			
Non-refundable deposit on sale of property		-	(2,000)
<b>Total liabilities</b>		(7,701)	(12,200)
		-----	-----
<b>Net assets</b>		15,722	9,656
<b>Shareholders' equity</b>			
Issued share capital		543	543
Share premium account		2	2
Investment in own shares		(16)	(16)
Other reserves		874	874
Retained earnings		14,319	8,253
		-----	-----
<b>Total equity</b>		15,722	9,656

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

	Share capital	Share premium	Investment in own shares	Other reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2008</b>	543	2	(16)	874	7,097	8,500
Total comprehensive income for the year	-	-	-	-	2,586	2,586
Credit to equity for share-based payments	-	-	-	-	68	68
Dividends paid	-	-	-	-	(1,498)	(1,498)
	-----	-----	-----	-----	-----	-----
<b>At 2 January 2009</b>	543	2	(16)	874	8,253	9,656
Total comprehensive income for the year	-	-	-	-	7,510	7,510
Credit to equity for share-based payments	-	-	-	-	86	86
Dividends paid	-	-	-	-	(1,530)	(1,530)
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<b>At 1 January 2010</b>	543	2	(16)	874	14,319	15,722

## Preliminary results for the year to 1 January 2010

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 1 January 2010 £'000	Year to 2 January 2009 £'000
<b>Net cash inflow from operating activities</b>	8	4,473	6,470
<b>Investing activities</b>			
Interest received		2	8
Proceeds of sale of business		323	-
Disposal proceeds of property		5,500	2,000
Disposal proceeds of plant and equipment		62	34
Purchase of intangible assets		(27)	(35)
Purchases of property, plant and equipment		(576)	(876)
Expenditure on product development		(136)	(35)
<b>Net cash released by investing activities</b>		5,148	1,096
<b>Financing activities</b>			
Dividends paid		(1,530)	(1,498)
Repayment of borrowings		(3,682)	(4,399)
<b>Net cash from financing activities</b>		(5,212)	(5,897)
<b>Increase in cash and cash equivalents</b>		4,409	1,669
<b>Cash and cash equivalents at beginning of the year</b>		732	(937)
<b>Cash and cash equivalents at the end of the year</b>		5,141	732

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### Notes to the consolidated financial statements

#### 1. Segmental information

The Group has adopted IFRS 8 “Operating Segments” with effect from 3 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about operating units of the Group that are regularly reviewed by the Chief Executive to allocate resources and to assess their performance. The Group is organised into three operating units in line with its statutory entities and these are the business segments for which information is supplied to the Chief Executive.

Business segment	Year to 1 January 2010			Year to 2 January 2009		
	Revenue £'000	Profit £'000	Margin %	Revenue £'000	Profit £'000	Margin %
Lincat	19,440	3,167	16.3	20,644	3,448	16.7
IMC - underlying	9,035	1,928	21.3	9,713	2,292	23.6
IMC - profit on sale of property	-	5,092		-	-	
Britannia	2,692	361	13.4	3,358	508	15.1
Inter-segment sales	(404)	-		(812)	-	
<b>Continuing operations</b>	<b>30,763</b>	<b>10,548</b>		<b>32,903</b>	<b>6,248</b>	
Central costs	-	(582)		-	(534)	
Net finance costs	-	(114)		-	(369)	
Taxation	-	(1,337)		-	(2,169)	
Discontinued operations	901	58		1,794	(90)	
Total for the year	31,664	8,573		34,697	3,086	

#### Geographical segments

The Group's operations are all located in the United Kingdom.

	Revenue by destination	
	Year to 1 January 2010 £'000	Year to 2 January 2009 £'000
United Kingdom	25,691	27,507
Rest of World	5,072	5,396
Total	30,763	32,903

#### 2. Exceptional items

	Year to 1 January 2010 £'000	Year to 2 January 2009 £'000
Profit on sale of IMC's Hertfordshire freehold property	5,092	-

The sale of IMC's former manufacturing site in Hertfordshire was completed on 21 December 2009 following the receipt of the final instalment of £4.5m. As at 1 January 2009, non-refundable deposits of £2m had been received and another £1m was received in July 2009, making the total proceeds of sale of the site of £7.5m.

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### 3. Finance income and finance costs

	<b>Year to 1 January 2010 £'000</b>	<b>Year to 2 January 2009 £'000</b>
Finance income:		
Interest receivable on short term deposits	2	8
Expected return on pension scheme assets	393	480
Finance costs:		
Interest payable on bank loans and overdrafts	(116)	(469)
Interest on pension scheme liabilities	(393)	(388)
	-----	-----
Net finance costs	(114)	(369)

### 4. Taxation

	<b>Year to 1 January 2010 £'000</b>	<b>Year to 2 January 2009 £'000</b>
Basic	1,337	1,434
Deferred tax charge due to withdrawal of IBA's	-	735
	-----	-----
	1,337	2,169

### 5. Discontinued operations

Following a strategic review, the Group decided to seek a buyer for its domestic appliance business, Mercury Appliances. This disposal was completed on 25 August 2009; the disposal proceeds were £425,000, with associated costs of £102,000. The results of Mercury Appliances, which have been shown as discontinued operations in the condensed consolidated income statement, were as follows:

	<b>Year to 1 January 2010 £'000</b>	<b>Year to 2 January 2009 £'000</b>
Revenue	901	1,794
Expenses	(1,095)	(1,925)
	-----	-----
Loss before tax	(194)	(131)
Tax	54	41
	-----	-----
Loss after tax	(140)	(90)
Profit on disposal	258	-
Tax on disposal	(60)	-
	-----	-----
Total profit attributable to discontinued operations	58	(90)

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### 6. Earnings per share

	Year to 1 January 2010 £'000	Year to 2 January 2009 £'000
<b>Earnings</b>		
From continuing operations	8,515	3,176
Exceptional items	(5,092)	-
Deferred tax adjustment due to withdrawal of IBA's	-	735
	-----	-----
Adjusted earnings from continuing operations	3,423	3,911
<b>Average number of shares during year ('000)</b>		
For basic earnings per share	5,434	5,434
Dilutive effect of Sharesave Scheme options	-	8
	-----	-----
For diluted earnings per share	5,434	5,442
<b>Earnings per share</b>		
From continuing operations, adjusted:		
Basic	63.0p	72.0p
Diluted	63.0p	71.9p
From continuing operations, total:		
Basic	156.7p	58.5p
Diluted	156.7p	58.4p
From discontinued operations:		
Basic	1.1p	(1.7)p
Diluted	1.1p	(1.7)p
From continuing and discontinued operations:		
Basic	157.8p	56.8p
Diluted	157.8p	56.7p

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### 7. Retirement benefit obligation

An estimate of the assets and liabilities of the defined benefit scheme was updated to 1 January 2010 by an independent actuary in accordance with IAS 19. The principal assumptions were:

	Year to 1 January 2010	Year to 2 January 2009
Rate of increase in salaries	3.8%	2.6%
Rate of increase of pensions in payment	3.6%	2.6%
Discount rate	5.7%	6.5%
Inflation assumption	3.8%	2.6%
Expected return on plan assets	7.4%	7.0%

	Year to 1 January 2010			Year to 2 January 2009		
	Scheme assets	Scheme obligations	Net	Scheme assets	Scheme obligations	Net
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of the year	5,704	(6,139)	(435)	6,922	(6,758)	164
Current service cost	-	(43)	(43)	-	(60)	(60)
Employer contributions	65	-	65	63	-	63
Employee contributions	39	(39)	-	38	(38)	-
Actuarial (losses)/gains	674	(2,150)	(1,476)	(1,563)	869	(694)
Finance income/(expense)	393	(393)	-	480	(388)	92
Benefits paid	(273)	273	-	(236)	236	-
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At end of the year	6,602	(8,491)	(1,889)	5,704	(6,139)	(435)

### 8. Consolidated cash flow statement: reconciliation of operating profit to net cash inflow from operating activities

	Year to 1 January 2010	Year to 2 January 2009
	£'000	£'000
Operating profit from continuing activities	4,874	5,714
Operating loss from discontinued activities	(187)	(113)
Amortisation of intangible assets	75	97
Depreciation	950	948
Loss on disposal of tangible fixed assets	-	44
Share based payments	86	68
Decrease in provisions	(8)	(114)
Decrease in inventories	454	499
(Increase)/decrease in trade and other receivables	(419)	1,603
Decrease/(increase) in trade and other payables	142	(282)
	-----	-----
Cash generated by operations	5,967	8,464
Interest paid	(103)	(437)
Corporation tax paid	(1,391)	(1,557)
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Net cash from operating activities	4,473	6,470

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### **9. Basis of preparation**

This preliminary report, which has been agreed with the auditors, was approved by the Board on 30 March 2010. The financial information set out above does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. Statutory accounts will be sent to shareholders shortly.

The statutory accounts for the period ended 2 January 2009, which have been delivered to the Registrar of Companies, carry an unqualified report by the auditors and do not contain a statement under Section 498 (2) or section 498 (3) of the Companies Act 2006.

The statutory accounts for the year ended 1 January 2010 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies.