

Avingtrans plc

engineering technology group

INTERIM RESULTS

SIX MONTHS TO 30 NOVEMBER 2004



Chairman's Statement

I am pleased to announce the results of Avingtrans plc for the six months ending 30 November 2004. The period was dominated by the acquisition of Stainless Metalcraft (Chatteris) Limited (SMC) on 13 October 2004 for £8.1 million and the integration of Crown UK Limited (Crown) acquired on 28 May 2004, the last operating day of the previous financial period, for £1.56 million. The existing operations of the Jena Group (Jena) and C&H Precision Limited (C&H) experienced a significant increase in activity and performance during the period. This together with the contributions from SMC and Crown enabled the Company to record its highest levels of order intake, turnover, profitability, net assets and earnings per share since its reformation in June 2002.

Financial performance

For the six months ended 30 November 2004 earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) was £989,000 (2003: £284,000) an increase of 248% on turnover of £7,929,000 (2003: £2,646,000) an increase of 200%.

Operating Profit for the period was £676,000 (2003: £146,000) an increase of 363%. Profit before taxation for the period was £559,000 (2003: £125,000) an increase of 347%.

The Company had a positive cash flow from operations during the period of £1,384,000 (2003: £19,000) as a result of increased EBITDA and working capital changes related to the acquisitions of Crown and SMC. At 30 November 2004 the Company recorded cash balances at bank or in hand of £672,000.

As a result of the recent acquisitions gearing at 30 November 2004 was 55%.

An exchange rate gain of £64,000 (2003: loss £61,000) was recorded through the reserves in the six months period under review.

Earnings per share

Earnings per share, for the period ended 30 November 2004, before goodwill amortisation was 6.0p (2003: 2.1p) a 186% increase. Earnings per share after goodwill amortisation and full dilution was 4.8p (2003: 1.6p) an increase of 200%.

Dividend

The Board is not recommending a dividend for the half year. Dividend payments will be reviewed again with the publication of the full year results in consultation with our banking partners.

Six months review

The uplift in business activity at Jena and C&H reported in the 2004 annual report continued throughout the six months under review. Order intake and sales at Jena, through its operations in Germany the UK and USA, increased by 32% and 23% respectively over the same period in 2003. This was due to a return of previous customers and continuing growth in the miniature recirculating ballscrew products and service activities. Development of new markets continue in particular through the upgrade of spindle manufacturing and testing equipment at the Sherwood Park facility, Nottinghamshire. Strong product sales in the USA required a constant review of pricing caused by the weakening value of the US dollar against the Euro and the Pound Sterling.

C&H sales grew by 85% over the same period in 2003 due to the continued increase in turbine blade finishing and repair activity in the aerospace and land based turbine industries. New business continued to be attracted by the plate-grinding machine installed last year and other sales initiatives.

Crown, acquired 28 May 2004, completed its corporate integration and first six months of trading with Avingtrans. Sales of stands and housings for roadside speed cameras were inline with management expectations for the period and showed an increased level of service and maintenance work on the installed UK base of over 5,500 units. The new management team has worked on cost

reduction and business development of roadside speed camera post sales in North America and continental Europe where new opportunities have been identified and where we believe the market can be developed. During the period, Network Rail awarded accreditation to Crown's newly developed trackside signal post which partners Crown's existing gantry mounted signal post. A number of enquiries on signal equipment for the UK programme of railway upgrading are being processed with further interest from overseas, these will take sometime to develop.

SMC was acquired on 13 October 2004 with the corporate integration process continuing throughout the remainder of the period. Sales and order intake at SMC were above expectations for the seven weeks of Avingtrans ownership. Prior to the acquisition a number of major clients were visited and investment and capacity growth plans were discussed. In light of the continuing increased level of orders for MRI scanner components the Company has initiated capital expenditure on production enhancing machinery and robot welding equipment. Avingtrans welcomes SMC and looks forward to future developments.

Directors and senior management

There was no change in the composition of the main board of directors in the period. However, the Board welcomes Michael James as Commercial and Financial Controller for Avingtrans, Paul Ward the new Managing Director of Jena, Ian Woodbury the Managing Director of Crown and Peter Kenny the Managing Director of SMC and their respective teams.

Acquisitions

The Company worked on a number of acquisition opportunities during the period under review. The acquisition of SMC for £8.1 million was completed on 13 October 2004. Funding was organised and underwritten by Bridgewell Limited and consisted of a placing to existing and new institutional investors at 60p per share of 6,666,667 ordinary shares to raise £4 million, a one for ten limited open offer to existing shareholders to raise £327,000 and bank lending of £4.3 million from HSBC. In all £8.6 million was raised, all of which was applied to the purchase of SMC, the payment of acquisition expenses and new working capital.

Current Trading and Prospects

All divisions of the Company are continuing to trade to or above the Boards expectations with the increased activity level continuing at C&H and Jena and SMC developing strong forward order books. Some softening in the UK market for roadside speed camera poles is forecast but sales opportunities continue for Crown's existing and new products in other markets. Of particular interest will be the introduction of digital cameras scheduled for mid 2005 and the resumption of signal upgrading work on the UK west coast line.

MRI scanner installations continue to increase world wide and SMC remain well placed to supply critical components in this field. Other opportunities for the supply of specialist components continue to be developed in partnership with the EU scientific and research communities.

Increased USA and renewed German demand for re-circulating ballscrews and machine spindles is a feature of the order book at Jena. Service activities continue to be developed for new and existing markets.

Work continues across the Company on maintaining margins in the presence of a weak US dollar and the general increase in raw material costs.

The trading outlook for the full year remains positive reflecting the projected continuing economic growth in the USA and UK.

K.M.Baker

Chairman

31 January 2005

Consolidated Profit and Loss Account

		6 mths to 30 Nov 2004 Unaudited £'000	6 mths to 30 Nov 2003 Unaudited £'000	12 mths to 31 May 2004 Audited £'000
Turnover				
Current period acquisitions		3,549	-	-
Continuing operations		4,380	2,646	5,533
Group turnover		<u>7,929</u>	<u>2,646</u>	<u>5,533</u>
Operating profit before amortisation				
Current period acquisitions		465	-	-
Continuing operations		310	184	268
Amortisation of goodwill		(99)	(38)	(81)
Group operating profit		676	146	187
Profit on ordinary activities before interest		676	146	187
Net interest payable and similar charges		(117)	(21)	(47)
Profit on ordinary activities before taxation		559	125	140
Tax on profit on ordinary activities	3	(177)	(15)	1
Retained profit for the period		<u>382</u>	<u>110</u>	<u>141</u>
Earnings per share	4			
Basic		4.8p	1.6p	2.0p
Basic – before goodwill amortisation		6.0p	2.1p	3.1p
Diluted		4.8p	1.6p	2.0p
Diluted – before goodwill amortisation		6.0p	2.1p	3.1p

Statement of Total Recognised Gains and Losses

		6 mths to 30 Nov 2004 Unaudited £'000	6 mths to 30 Nov 2003 Unaudited £'000	12 mths to 31 May 2004 Audited £'000
Profit for the financial period		382	110	141
Other recognised gains and losses				
Currency translation gain/(losses)		64	(61)	(163)
Total recognised gains/loss relating to the period		<u>446</u>	<u>49</u>	<u>(22)</u>

Summarised Consolidated Balance Sheet

	At 30 Nov 2004 Unaudited £'000	At 30 Nov 2003 Unaudited £'000	At 31 May 2004 Audited £'000
Fixed assets			
Intangible assets	6,951	1,556	2,625
Tangible assets	4,997	1,868	1,791
Investments	59	59	59
	<u>12,007</u>	<u>3,483</u>	<u>4,475</u>
Current assets			
Stocks	4,323	1,676	1,908
Debtors due within one year	5,627	1,041	1,593
Cash at bank and in hand	672	475	687
	<u>10,622</u>	<u>3,192</u>	<u>4,188</u>
Creditors: Amounts falling due within one year	<u>(9,191)</u>	<u>(1,353)</u>	<u>(2,544)</u>
Net current assets	<u>1,431</u>	<u>1,839</u>	<u>1,644</u>
Total assets less current liabilities	<u>13,438</u>	<u>5,322</u>	<u>6,119</u>
Creditors: Amounts falling due after more than one year	<u>(3,783)</u>	<u>(493)</u>	<u>(1,358)</u>
Provisions for liabilities and charges	<u>(307)</u>	<u>-</u>	<u>(3)</u>
Net assets	<u>9,348</u>	<u>4,829</u>	<u>4,758</u>
Capital and reserves			
Called up share capital	713	352	352
Share premium account	3,784	-	-
Capital redemption reserve	813	813	813
Other reserves	180	180	180
Profit and loss account	3,858	3,484	3,413
Equity shareholders' funds	<u>9,348</u>	<u>4,829</u>	<u>4,758</u>

Consolidated Cash Flow Statement

	6 mths to 30 Nov 2004 Unaudited £'000	6 mths to 30 Nov 2003 Unaudited £'000	12 mths to 31 May 2004 Audited £'000
Net cash inflow from operating activities	1,384	19	196
Returns on investment and servicing of finance			
Net interest	(119)	(16)	(47)
Net cash outflow from returns on investment and servicing of finance	(119)	(16)	(47)
Taxation (paid)/ repaid	(162)	32	31
Capital expenditure and financial investment			
Purchase of fixed assets	(96)	(154)	(194)
Sale of fixed assets	5	-	-
Purchase of fixed asset investments	-	-	-
Net cash outflow from capital expenditure and financial investment	(91)	(154)	(194)
Acquisitions and disposals			
Purchase of subsidiary undertakings	(8,035)	-	(1,652)
Net cash acquired with subsidiaries	5	-	256
Purchase of unincorporated business	-	(346)	(466)
Net cash outflow from acquisitions and disposals	(8,030)	(346)	(1,862)
Equity dividends	-	-	-
Financing			
Issue of share capital	4,144	-	-
New Loans	2,895	-	1,749
Repayment of loan capital	(722)	-	-
Capital element of finance lease payments	(130)	(95)	(205)
Net cash inflow/(outflow) from financing	6,187	(95)	1,544
Decrease in cash	(831)	(560)	(332)

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	6 mths to 30 Nov 2004 £'000	6 mths to 30 Nov 2003 £'000	12 mths to 31 May 2004 £'000
Operating profit	676	146	187
Amortisation of intangible assets and goodwill	99	38	263
Depreciation of tangible fixed assets	214	100	81
Profit on disposal of tangible fixed assets	(2)	-	-
Increase in stocks	(303)	(156)	(237)
Increase in debtors	(1,132)	(181)	(246)
Increase in creditors	1,832	72	148
Net cash inflow from operating activities	1,384	19	196

NOTES

1. This interim report was neither audited nor reviewed by the auditors. It was approved by the Board on 27 January 2005. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the year ended 31 May 2004.

The figures for the year to 31 May 2004 were derived from the statutory accounts for that year. The statutory accounts for the year ended 31 May 2004 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985.

2. This statement is being sent to shareholders of the Company and will be available at the Company's Registered Office.
3. The taxation charge is based upon the expected rate for the year ended 31 May 2005.
4. Earnings per share has been calculated using the weighted average number of 7,998,268 Ordinary Shares in issue during the period (2003: 7,049,804) (Audited 2004: 7,049,804).
5. Capitalised goodwill amounting to £4,399,000 arising from the purchase of Stainless Metalcraft (Chatteris) Limited is being amortised over twenty years on a straight line basis. Goodwill has been calculated on book value pending a final review of the fair value of assets acquired during the period.

6. Analysis of Net Debt

	1 June 2004 £'000	Cash flow £'000	Acquisition of subsidiary excluding cash and overdraft £'000	Inception of loans and finance leases £'000	Exchange movement £'000	30 Nov 2004 £'000
Cash at bank and in hand	687	(22)	5	-	2	672
Bank overdraft	(170)	(814)	-	-	(16)	(1,000)
Cash	<u>517</u>	<u>(836)</u>	<u>5</u>	<u>-</u>	<u>(14)</u>	<u>(328)</u>
Debt	(1,749)	722	-	(2,895)	-	(3,922)
Hire purchase leases	(508)	130	(463)	(7)	(16)	(864)
	<u>(2,257)</u>	<u>852</u>	<u>(463)</u>	<u>(2,902)</u>	<u>(16)</u>	<u>(4,786)</u>
Net debt	<u>(1,740)</u>	<u>16</u>	<u>(458)</u>	<u>(2,902)</u>	<u>(30)</u>	<u>(5,114)</u>

7. Reconciliation of movements in Shareholders' Funds

	6 mths to 30 Nov 2004 Unaudited £'000	6 mths to 30 Nov 2003 Unaudited £'000	12 mths to 31 May 2004 Audited £'000
Profit for the financial period	382	110	141
Other recognised gains and losses relating to the period	64	(61)	(163)
Proceeds of share issue	<u>4,144</u>	<u>-</u>	<u>-</u>
Increase in shareholders' funds	<u>4,590</u>	<u>49</u>	<u>(22)</u>
Opening shareholders' funds	<u>4,758</u>	<u>4,780</u>	<u>4,780</u>
Closing shareholders' funds	<u><u>9,348</u></u>	<u><u>4,829</u></u>	<u><u>4,758</u></u>

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