

Avingtrans plc

Interim Results
Six months to 30 November 2003

Chairman's Statement

I am pleased to announce the results of Avingtrans plc for the six months ended 30 November 2003. These results cover a full six months of trading compared to the previous interim period ended 30 November 2002 where only five months of trading were registered following the acquisition of the Jena Group on 28 June 2002. These results include the full cost and cash flow effect of the purchase of the assets and ongoing business interests of Boneham & Turner Spindles (B&T) that was acquired in September 2003. B&T, formerly a division of Boneham & Turner Limited, Mansfield, is a leading supplier of precision powered spindles for industrial applications in the automation and machinery markets of the EU, USA and Asia. B&T commenced contributing fully to the Group's revenue and income for the last two months of the period following relocation to our newly combined Jena Rotary Technology Limited and B&T facility at Sherwood Park, North Nottinghamshire. Following the purchase of B&T, Avingtrans' business is broadened in the supply of precision equipment and critical services to manufacturing in the UK, Germany and USA.

Results

For the six months ended 30 November 2003 operating profit before amortisation was £184,000 (2002: £175,000) a 5% increase on the prior year. Sales for the period under review were £2,646,000 (2002: £2,002,000) an effective 12% uplift on the prior year after allowing for the extra month of sales in the current period. Profit attributable to shareholders was £110,000 (2002: £109,000).

The Company had a cash inflow from operations of £19,000 (2002: £133,000) during the period, reflecting the increased working capital requirement following the purchase of B&T. At 30 November 2003, Avingtrans had cash at bank and in hand of £475,000 with a net cash balance of £297,000.

Earnings per share

Earnings per share, for the period ended 30 November 2003, before goodwill amortisation, were 2.1p (2002: 1.8p) a 16% increase.

Earnings per share after goodwill amortisation and full dilution were 1.6p (2002: 1.6p) no increase.

Dividend

The Board is not recommending a dividend for the half year.

Six months review

Overall sales levels during a difficult six months of trading were broadly to expectations. The markets for our manufactured products and precision polishing services however remained depressed with no significant uplift in economic activity in Germany or the UK.

To offset the reduction in activity at C&H in our precision polishing and finishing service for UK aerospace turbine blades, an investment was made in a new plate polishing facility and the development of our non-destructive testing activities.

At Jenaer Gewindetechnik (JGWT), our German manufacturing plant for precision ballscrews used by aerospace and machinery manufacturers, some reduction in labour activity was initiated to counter the downturn in activity and new customers were successfully sought for a new range of miniature ballscrews used in medical and scientific applications.

Preliminary results from these actions at both facilities appear promising for the future. Both facilities remained profitable.

In the latter part of the period, a significant reduction in the value of the US dollar against both the Euro and the Pound Sterling impacted margins on our products sold to the USA, which traditionally accounts for around 10% of annual turnover.

On a positive note and as previously reported, Jena Rotary Technology, of Cossall, Nottinghamshire and B&T of Mansfield Nottinghamshire were in October both relocated to our new technology centre housed in a modern fifteen thousand square feet facility at Sherwood Park, North Nottinghamshire.

The location is convenient for staff from both operations and enjoys good links to the M1 motorway and the East Midlands Airport. The relocation was completed ahead of schedule but was not fully operational until the end of November 2003. The merger of these two Avingtrans units was well received by UK industry and enjoyed a high start up level of enquiries and orders during the period under review. The Sherwood Park facility was also during October 2003 made the centre for our merchandising activity of GMN spindles. GMN is the premier German producer of high-speed spindles in Europe. The Avingtrans Group now offers a complete range of supply and service on spindles and ballscrews for UK manufacturing industry from one integrated location.

Excluding the sums capitalised in the B&T purchase, a total of £154,000 was spent on new equipment during the period.

Directors and Administration

As previously noted in the annual report for the year ended 31 May 2003, K.M.Baker formerly Non-executive Chairman was appointed Executive Chairman on 30 September 2003.

On 20 August 2003 the High Court of Justice Chancery Division approved the cancellation of the Share Premium Account and transfer to the Profit and Loss Reserves, Shareholders approved this proposal on 17 July 2003. These actions release the Company from the constraints on the payment of future dividends. There was no impact on the Net Assets of the Group.

Acquisitions

Work continues on a number of potential acquisitions. None were completed in the period other than the purchase of the assets and business interests of B&T for £346,000. At 30 November 2003 the B&T business was operating at an approximate run rate of £600,000 p.a. with an operating profit of 12%. Further capital and marketing expenditure will be required as the business develops.

Current Trading and Prospects

Traditional business opportunities remain rather weak and uncertain for C&H, our precision polishing operation serving the UK and European turbine blade industry. Alternative sales opportunities developed during the period under review are helping the situation and it is hoped these will bring a return toward normal levels of operation in the last quarter of the current financial year.

JGWT is experiencing a pick up in orders from both its traditional customers and from the new initiatives on miniature products developed in the first half of the year. A further pick up in business enquiries during January and early February 2004 is encouraging.

Trading at the Jena Rotary Technology Centre at Sherwood Park remains healthy and continues to improve with enquiries and order intake currently above budget and expectations. Much of the current demand is for maintenance and field service on ballscrews supplied by JGWT however a significant uplift in enquiries recorded during January and early February 2004 on our B&T and GMN spindle lines is encouraging.

Our outlook for the full year continues to be cautious but positive. Much will depend on the expected, and long overdue, uplift in the European and US manufacturing economy.

K.M.Baker

Chairman

19 February 2004

Consolidated Profit and Loss Account

		6 mths to 30 Nov 2003 Unaudited £'000	6 mths to 30 Nov 2002 Unaudited £'000	12 mths to 31 May 2003 Audited £'000
Turnover	Note			
Continuing operations		2,646	2,002	4,647
Operating profit before amortisation		184	175	360
Amortisation of goodwill		(38)	(13)	(67)
Operating profit		146	162	293
Profit on ordinary activities before interest		146	162	293
Net interest payable and similar charges		<u>(21)</u>	<u>(3)</u>	<u>(2)</u>
Profit on ordinary activities before taxation		125	159	291
Tax on profit on ordinary activities	3	<u>(15)</u>	<u>(50)</u>	<u>(63)</u>
Retained profit for the period		110	109	228
Earnings per share	4			
Basic		1.6p	1.6p	3.3p
Basic – before goodwill amortisation		2.1p	1.8p	4.2p
Diluted		1.6p	1.6p	3.3p
Diluted – before goodwill amortisation		2.1p	1.8p	4.2p

Statement of Total Recognised Gains and Losses

		6 mths to 30 Nov 2003 Unaudited £'000	6 mths to 30 Nov 2002 Unaudited £'000	12 mths to 31 May 2003 Audited £'000
Profit for the financial period		110	109	228
Other recognised gains and losses				
Currency translation (loss)/gain		<u>(61)</u>	<u>(33)</u>	<u>111</u>
Total recognised gains relating to the period		49	76	339

Summarised Consolidated Balance Sheet

	At 30 Nov 2003 Unaudited £'000	At 30 Nov 2002 Unaudited £'000	At 31 May 2003 Audited £'000
Fixed assets			
Intangible assets	1,556	613	1,400
Tangible assets	1,868	1,914	1,522
Investments	59	-	59
	<u>3,483</u>	<u>2,527</u>	<u>2,981</u>
Current assets			
Stocks	1,676	1,430	1,430
Debtors due within one year	1,041	699	913
Cash at bank and in hand	475	1,204	1,083
	<u>3,192</u>	<u>3,333</u>	<u>3,426</u>
Creditors: Amounts falling due within one year	<u>(1,353)</u>	<u>(926)</u>	<u>(1,227)</u>
Net current assets	<u>1,839</u>	<u>2,407</u>	<u>2,199</u>
Total assets less current liabilities	<u>5,322</u>	<u>4,934</u>	<u>5,180</u>
Creditors: Amounts falling due after more than one year	<u>(493)</u>	<u>(417)</u>	<u>(400)</u>
Net assets	<u>4,829</u>	<u>4,517</u>	<u>4,780</u>
Capital and reserves			
Called up share capital	352	352	352
Share premium account	-	3,611	3,611
Capital redemption reserve	813	813	813
Other reserves	180	180	180
Profit and loss account	3,484	(439)	(176)
Equity shareholders' funds	<u>4,829</u>	<u>4,517</u>	<u>4,780</u>

Consolidated Cash Flow Statement

	6 mths to 30 Nov 2003 Unaudited £'000	6 mths to 30 Nov 2002 Unaudited £'000	12 mths to 31 May 2003 Audited £'000
Net cash inflow from operating activities	19	133	281
Returns on investment and servicing of finance			
Net interest	(16)	(3)	(2)
Net cash outflow from returns on investment and servicing of finance	(16)	(3)	(2)
Taxation	32	(158)	(135)
Capital expenditure and financial investment			
Purchase of fixed assets	(154)	(73)	(98)
Sale of fixed assets	-	15	17
Purchase of fixed asset investments	-	-	(59)
Net cash outflow from capital expenditure and financial investment	(154)	(58)	(140)
Acquisitions and disposals			
Purchase of business	(346)	-	-
Purchase of subsidiary undertakings	-	(3,374)	(3,421)
Net cash acquired with subsidiaries	-	50	50
Net cash outflow from acquisitions and disposals	(346)	(3,324)	(3,371)
Equity dividends	-	-	-
Financing			
Issue of share capital	-	400	400
Repayment of loan capital	-	(8)	(16)
Capital element of finance lease payments	(95)	(89)	(177)
Net cash (outflow)/inflow from financing	(95)	303	207
Decrease in cash	(560)	(3,107)	(3,160)

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	6 mths to 30 Nov 2003 £'000	6 mths to 30 Nov 2002 £'000	12 mths to 31 May 2003 £'000
Operating profit	146	162	293
Amortisation of intangible assets and goodwill	38	15	67
Depreciation of tangible fixed assets	100	130	199
Profit on disposal of tangible fixed assets	-	(2)	-
Increase in stocks	(156)	(79)	(101)
(Increase)/decrease in debtors	(181)	166	(98)
Increase/(decrease) in creditors	72	(259)	(79)
Net cash inflow from operating activities	19	133	281

Notes

1. This interim report was neither audited nor reviewed by the auditors. It was approved by the Board on 19 February 2004. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the year ended 31 May 2003.

The figures for the year to 31 May 2003 were derived from the statutory accounts for that year. The statutory accounts for the year ended 31 May 2003 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 2004.
4. Earnings per share has been calculated using the weighted average number of 7,049,804 Ordinary Shares in issue during the period (2002: 6,930,579) (Audited 2003: 6,990,028).
5. Capitalised goodwill amounting to £194,000 arising from the purchase of B&T 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. The Share Premium Account was cancelled and transferred to Profit and Loss Reserves following the capital reconstruction approved by shareholders on 17 July 2003 and approved by the High Court of Justice Chancery Division on 20 August 2003.

7. Analysis of Net Cash

	1 June 2003 £'000	Cashflow £'000	Exchange movement £'000	30 Nov 2003 £'000
Cash at bank and in hand	1,083	(603)	(5)	475
Bank overdraft	(227)	43	6	(178)
Cash	856	(560)	1	297

8. Reconciliation of movements in Shareholders' Funds

	6 mths to 30 Nov 2003 Unaudited £'000	6 mths to 30 Nov 2002 Unaudited £'000	12 mths to 31 May 2003 Audited £'000
Profit for the financial period	110	109	228
Other recognised gains and losses relating to the period	(61)	(33)	111
Proceeds of share issue	-	400	400
Increase in shareholders' funds	49	476	739
Opening shareholders' funds	4,780	4,041	4,041
Closing shareholders' funds	4,829	4,517	4,780

Avingtrans plc

**Registered Office:-
Precision House
Derby Road
Sandiacre
Nottingham
NG10 5HU**

**Tel: 0115 949 9020
Fax: 0115 949 9024**

www.avingtrans.plc.uk