

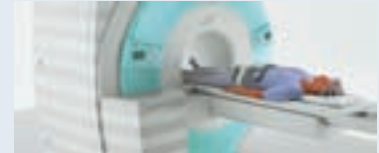
ANNUAL REPORT 2006



Avingtrans plc
engineering technology group



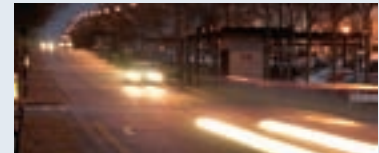
Avingtrans plc is an international group of companies primarily serving the aerospace, medical, scientific and precision engineering markets, offering product and technological solutions for demanding applications, worldwide.



• Stainless Metalcraft (Chatteris) Ltd - UK
 Manufacture of machined and fabricated components for medical imaging and major scientific and research projects, including ILL in France and CERN in Switzerland.



• Crown UK Ltd - UK
 Design, manufacture, repair and service of the 'CrownPole™', used in conjunction with roadside safety cameras and advanced railway signal systems.



• Vehicle Sensor Technology Ltd
 A recently formed Avingtrans Subsidiary working with Vehicle Occupancy Ltd in the supply and service of camera detection systems, used to identify vehicle occupancy.



• C&H Precision Finishers Ltd - UK
 Specialist polishing and finishing of turbine and compressor blades and vanes for the aeroengine and power generation industries.



• Sigma Precision Components Ltd
 Sigma provide a manufacturing service for the aerospace industry, worldwide. Sino-UK resources include the development of a 30,000 sq. ft. precision component manufacturing facility in Chengdu, China, creating a unique manufacturing and technological support service to aerospace markets.



• Jenaer Gewindetechnik GmbH - Germany
• Jena Rotary Technology Ltd - UK
• Jena-Tec Inc - USA
 Specialists in rotating bearing technology, Jena-Tec design, manufacture, distribute and service ballscrews and spindles from their plants in Germany, UK and USA.

**ANNUAL REPORT
YEAR ENDED 31 MAY 2006**

I N T R O D U C T I O N

“ The year ended 31 May 2006 has been a further year of profitable growth and consolidation. The acquisition of Sigma post year end has opened up new opportunities in the aerospace industries and in China.”

K. M. BAKER
Chairman

H I G H L I G H T S

- Turnover of £32,490,000 (2005: £24,329,00)
 - Profit after tax £1,961,000 (2005: £1,301,000)
 - Basic earnings per share (before goodwill amortisation 16.2p (2005: 13.6p)
 - Cashflow from operating activities £2,710,000 (2005: £3,917,000)
 - Gearing 26% (2005: 41%)
-

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Company information

Directors

K M Baker
S J Lawrence
S M King
J J Hamer (non-executive)
S M Bruh (non-executive)

Secretary

S M King

Registered office

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NG10 5HU

Website

www.avingtrans.plc.uk

Registered number

1968354

Auditors

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Chartered Accountants
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B5 4UU

Nominated broker

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128 Victoria Road
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EC4V 4BJ

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PO Box 68
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Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated advisor

Bridgewell Limited
Old Change House
128 Victoria Road
London
EC4V 4BJ

Chairman's statement

On behalf of the Board of Directors, I am pleased to announce the results for Avingtrans plc for the year ended 31 May 2006 in which the Group attained a new record level of order intake, turnover and after tax earnings since joining AIM in June 2002.

The year under review contains the first full year of activity of our October 2004 acquisition Stainless Metalcraft Limited (SMC) and has been a period largely concerned with integrating, managing and developing SMC and our continuing businesses for profitable growth. A number of acquisition opportunities were reviewed during the year and some remain active.

Demand for the Groups products remained generally strong throughout the year with better than expected performance at both C&H Precision Limited (C&H) our aerospace component finishing facility and the Jena group of companies which provide ballscrew actuator products and services for the medical, aerospace and machinery industries in the EU and USA. Order intake at Crown UK made a good recovery in the second half of the year. Sales at SMC to its major customers for MRI scanner components, after a good first half, were significantly lower than planned in the last quarter due to a softening of demand in the US market and related inventory and manufacturing adjustments by the major MRI OEMs. The Company continued to review this situation and the broadening of the customer base at SMC

Financial performance

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) was £4.1m (2005: £3.2m) up 28% on improved turnover of £32.5m (2005: £24.3m) an increase of 34%.

Operating profit for the period was £2.8m (2005: £2.3m). Profit after tax was £2.0m (2005: £1.3m) an increase of 51%, representing a 15.5% return on net assets.

Basic earnings per share before goodwill amortisation for the year was 16.2p (2005: 13.6p) an increase of 19%.

Cash flow from operating activities for the year was £2.7m (2005: £3.9m) with net cash at bank and in hand at the year-end of £1.2m (2005: £0.7m). The net debt at the year-end was £3.3m (2005: £4.2m) resulting in a gearing reduction to 26% (2005: 41%).

Dividend

In light of the financial performance highlighted above the Board is recommending to the shareholders at the AGM a final dividend of 0.5p per share making a total of 1.0p for the year (2005: 0.5p). This will be paid on 10 November 2006 to shareholders on the register at 15 September 2006.

Acquisitions and investments

The acquisition of 75% of Sigma for a consideration of £0.3 million was completed after the year end on 19 June 2006. The funding for the acquisition was from the Group's cash reserves. Sigma is currently operating as an engineering and procurement consultancy for the EU and USA aerospace industry with offices in Chengdu, Sichuan Province, China and Tamworth, England. Its plan with Avingtrans is to develop a manufacturing presence in Chengdu for the supply of precision components to the growing Chinese aerospace industry and to cover existing and increasing demand from the EU and USA.

The Group continued its policy of investment in profit and efficiency enhancing equipment throughout the year. Jena saw the final installation and commissioning of a state of the art PC based Bosch test unit for high frequency motorised spindles in its Nottingham facility. A number of new pieces of equipment were also brought on line at SMC and Jena, Germany. Improvements to building and the environment were carried out throughout the Group. Capital expenditure for the year totalled £1.2 million and remains ahead of the costs of depreciation.

Review of the year

SMC, our largest operating subsidiary, continued its strong performance during the first nine months of the year with an increase in delivery of MRI scanner components to a number of the worlds largest MRI scanner OEMs and the delivery of scientific products to a number of EU companies and scientific institutions.

A long term strategic review with Siemens was completed during the year which resulted in the raising of SMC to the status of a tier one supplier of MRI scanner components and the signing in April 2006 of a rolling two year supply agreement. Work continued on the broadening of the customer base at SMC with successful bids for scientific and research projects with international research institutions including ILL in Grenoble and CERN in Switzerland.

Chairman's statement (continued)

The Jena group of companies successfully improved its performance during the year with improved sales of its ballscrew actuator and machine spindle products and services in all three locations in the UK, USA and Germany. Performance and order intake was particularly robust in Germany on the back of a strongly recovering German engineering economy. Efforts continued in the year in our pursuit of new customers and acquisitions in this operation.

C&H continued to strengthen its position in the aerospace market as a supplier of precision polishing and finishing services with deliveries of finished blades increasing significantly during the year. A new three year agreement with Rolls Royce for the precision polishing of turbine and compressor blades and vanes for a variety of aero engines was entered into. Other polishing and finishing work on landing gear legs for aerospace applications was taken up in the second half of the year as the unit continued to expand its operations to meet with the increased demand for its services.

Crown UK Limited (Crown), the Group's Bristol based road speed camera pole and railway signalling pole design and manufacturing facility recovered strongly in the second half of the year following the issue of the much delayed government report on road speed cameras in November 2005. Activity was centred on service work and the replacement of conventional camera installations with the latest digital cameras, which are of greater accuracy and require lower maintenance. Railway work was still difficult to come by during the year as programmes of development on the major inter-city routes continue to be held up in the planning stage. A number of overseas contracts were tendered for with some success in Canada, the mid-east and Australia.

Two prototype camera housings were manufactured by Crown for Vehicle Sensor Technology Limited (VST) the newly formed Avingtrans Subsidiary who signed an exclusive worldwide 5 year renewable supply and service agreement with Vehicle Occupancy Limited, the owner of a patented system for the detection of the number of people in a motor vehicle. The system, which is still undergoing development, will make it easier to enforce priority lanes for car sharing initiatives and for differential tolling on roads, bridges, tunnels and car parks.

Directors and senior management

Avingtrans has continued to strengthen its senior management team and we welcomed a new Managing Director to Jena Germany.

In accordance with the Articles of Association, Jeremy Hamer retires from the Board in rotation and offers himself for re-election at the AGM scheduled for 11 October 2006.

Share warrants

K M Baker (772,000) and S J Lawrence (398,000) exercised share warrants in the Company in February and March 2006 under investment and performance contracts entered into in 2002. The shares were awarded at a price of 50p each. In total 748,000 were sold into the market and 422,000 were retained by the two directors. As well as receiving the income from the issue of the shares during the year the Company also benefited from a tax credit of £300,000 in respect of the share issue.

Outlook

Order intake and sales continue to be very encouraging at C&H, Jena and Crown though some work for Crown on railway signalling may be postponed until the second half of FY 2007. The weakening US dollar and a softening US market does appear to be slowing growth in the MRI scanner market so reducing growth prospects at SMC in this product area. Actions, which have been developed in the last year and a half, on other market areas and other products for SMC are expected to keep SMC at full capacity particularly in the second half of the current year.

Since the acquisition of Sigma two managers have expatriated to China, a Chinese management team has been put in place, the first batch of machine tools have been ordered and we expect to be operational in a new 30,000sq/ft facility by the end of 2006 as planned. A letter of intent to purchase components for up to £2 million per annum has been received by Sigma. Work also continues on the processing of suitable acquisition opportunities with a number under review.

With most major economies remaining strong and the products and services offered by the Group remaining in demand we look forward to another year of profitable growth.

In closing I should like once again on behalf of the Board to heartily congratulate and thank all of the employees and co-workers for their successful efforts in the past year.

K M Baker

Chairman

5 September 2006

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 May 2006.

Principal activities and business review

The Group's principal activities are the provision of precision engineering components and services to the medical, scientific and research communities, traffic management, automation, machinery and aerospace industries worldwide. Details of the business review and an analysis of the key performance indicators are included in the financial performance, acquisitions and investments, review of the year and outlook sections of the Chairman's statement.. A list of the principal operating subsidiaries of the Group is set out in note 13 to the financial statements.

Principal risks and uncertainties facing the Group

The principal risks and uncertainties facing the Group include: the acceptance by the end customers of its products; changes in customer requirements and in levels of demand in the market; restrictions to market access; competitive pressure on pricing, delivery or technology; delays in product design and launch programmes; fluctuations in manufacturing delivery performance and costs; utility costs; the loss or lack of key personnel; changes in government legislation; and overall economic conditions.

Results and dividends

The Group's profit for the year before tax amounted to £2,450,000 (2005: £1,969,000). Details of the Group's performance are included in the Chairman's statement. During the year the 2005 final dividend of 0.5p per share and an interim dividend of 0.5p per share were paid. A final dividend of 0.5p per share is proposed.

Post balance sheet events

On 19 June 2006, the Company completed the purchase of a 75% interest in Sigma Precision Components Limited ('Sigma') for a consideration of £300,000. Deferred consideration of up to £6,000,000 for the remaining 25% interest is payable in October 2011 dependant on Sigma's earnings before interest, tax, depreciation and amortisation for the year ended 31 May 2011 and the level of net debt at that date. Sigma provides a range of services to aerospace and high technology markets, and following the injection of new funds into the business it is poised to accelerate the scale of its operations in China. At the date of acquisition it had estimated net assets of £332,000.

Substantial shareholdings

As at 1 September 2006, the following had notified the Company that they held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	<i>Number of shares</i>	<i>Percentage of issued share capital owned</i>
Nigel Wray	2,157,000	14.0%
Bluehone Investors LLP	2,101,000	13.6%
Funds managed by Unicorn Asset Management Limited	1,660,000	10.8%
Funds managed by Singer & Friedlander Investment Management Limited	813,000	5.3%
K M Baker	812,000	5.3%
Eaglet Investment Trust	783,000	5.1%
Octopus Asset Management	503,000	3.3%

Report of the Directors (continued)

Directors and their interests

The present Directors of the Company are set out on page 2. Their interests in the share capital of the Company are set out below.

	<i>Ordinary shares of 5p each</i>	
	<i>31 May 2006</i>	<i>31 May 2005</i>
K M Baker	812,455	630,455
S M Bruh	10,000	10,000
J J Hamer	74,500	74,500
S J Lawrence	250,000	182,818
S M King	40,000	40,000

At 31 May 2006 and 31 May 2005 S M Bruh was a potential beneficiary of settlements excluded from the above analysis which owned shares as follows:

	<i>Number of shares</i>	<i>Percentage of issued share capital owned</i>
Max Bruh – No 1 Discretionary Settlement	52,646	0.34%
Max Bruh – No 2 Discretionary Settlement	52,646	0.34%

Share options

The director's interests with respect to options to acquire ordinary shares are detailed in the Directors' Remuneration Report.

Interest in contracts

No Director was materially interested in any contract during the year.

Financial instruments

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Group's principal financial instruments comprise cash and bank deposits, bank loans and overdrafts and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations. The Group has not entered into derivative transactions, with the exception of foreign exchange contracts in the normal course of trade, nor does it trade in financial instruments as a matter of policy.

The main risks arising from the Company's financial instruments can be analysed as follows:

Price risk

The Group has no significant exposure to securities price risk.

Credit risk

The Group's principal financial assets are bank balances, cash, and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Report of the Directors (continued)

Foreign currency risk

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets and profits into sterling for accounting purposes. The Group has investments principally denominated in the Euro and the US dollar associated with its overseas businesses. Wherever possible, translation exposure is hedged by matching of assets with borrowings in Euros and US dollars.

The Group enters into forward foreign currency contracts to eliminate exposures on material sales or purchases denominated in foreign currency once a significant commitment has been made.

The Group has forward sale contracts of €9,500 (2005: €1,049,000) to manage the transactional currency exposure on certain contracts. This forward sale contract expired in June 2006.

Cash flow Interest rate risk

The Group finances its operations where necessary through bank loans, overdrafts and hire purchase facilities principally at variable rates at negotiated fine margins using pooling of the Group's requirements to achieve this.

In order to manage its interest rate exposure, the Group capped the bank interest rate on loans of £3,000,000 to 14 February 2006, and for £2,250,000 to 14 February 2007.

Liquidity risk

The Group funds acquisitions through a mixture of equity and long term debt. Short term financing needs are met by working capital facilities. All facilities are secured on the assets of the Group.

Environment

The Group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Group has not incurred any significant fines or penalties or been investigated for any significant breach of environmental regulations.

Research & Development

During the year £9,000 (2005: £Nil) was capitalised in respect of development costs for new variants of poles at Crown UK Limited.

Donations

Donations made by the Group during the year for charitable purposes in the United Kingdom amounted to £2,000 (2005: £2,000).

Supplier payment policy

For all trade creditors, it is the policy of the Group and Company, wherever practical, to:

- Agree the terms of payment at the start of business with a supplier
- Ensure that the suppliers are aware of the terms of payment
- Pay in accordance with its contractual and other legal obligations.

At the year end creditor days were 41 (2005: 49) for the Company and 66 days (2005: 61) for the Group.

Disabled persons

The Group gives careful consideration to applications for employment from disabled persons, and wherever possible, continues the employment of members of staff who may become disabled.

Report of the Directors (continued)

Employee involvement

It is the policy of the Group to communicate with employees by employee representation on works and staff committees and by briefing meetings conducted by senior management. Career development is encouraged through suitable training. The Group takes the approach of maximising performance through the heightening of awareness of corporate objectives and policies.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 2, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

RSM Robson Rhodes LLP are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

The report of the directors was approved by the Board on 5 September 2006 and signed on its behalf by:

S M King

Company Secretary

Avingtrans plc

Registered Company Number 1968354

Corporate governance

The Group is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. Although the Company is not required to comply with the Combined Code, this statement describes how the principles of corporate governance are applied to the Group.

Directors

The Board of Avingtrans plc comprised three Executive Directors and two Non-executive Directors throughout the period. The Board was chaired by K M Baker, and assisted by the Senior Independent Non-executive Director J J Hamer, who have primary responsibility for running the Board.

The Managing Director, S J Lawrence, has executive responsibilities for the operations, results and strategic development of the Group. S M King is Finance Director and Company Secretary. The Board structure ensures that no individual or group dominates the decision making process.

The Non-executive Directors are considered to be independent of management and from any business relationship which could materially interfere with their independent judgement. The Senior Independent Non-executive Director is available to shareholders if they have concerns.

The Board meets regularly with no less than ten such meetings held in each calendar year. There is a formal schedule of matters specifically reserved to the Board for its decision to enable it to manage overall control of the Group's affairs. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Group's expense in the furtherance of their duties. Management has an obligation to provide the Board with appropriate and timely information to enable it to discharge its duties. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.

The Nominations Committee is responsible for monitoring and reviewing the membership and composition of the Board, including the decision to recommend to appoint or re-appoint a director.

The Company's Articles of Association ensure Directors retire at the third Annual General Meeting after the Annual General Meeting at which they were elected and may, if eligible, offer themselves for re-election.

K M Baker chairs the Nominations Committee, S M Bruh chairs the Remuneration Committee and J J Hamer chairs the Audit Committee. The Non-executive Directors and the Chairman are members of all the above committees.

Directors' remuneration

The responsibilities of the Remuneration Committee, together with an explanation of how it applies the Directors' remuneration principles of the Combined Code, are set out in the Report of the Directors on Remuneration on pages 11 to 12.

Relations with shareholders

The Board attaches a high importance to maintaining good relationships with shareholders, whether institutional or private ones.

The Board encourages all Directors to attend shareholder meetings and institutional presentations, where they are available for questions from shareholders. This enables the Board to develop an understanding of the views of shareholders.

The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors and actively encourages participative dialogue.

Corporate governance (continued)

Relations with shareholders (continued)

The Company counts all proxy votes and except where a poll is called, it indicates the level of proxies lodged on each resolution and the balance for and against the resolution, after it has been dealt with on a show of hands.

A separate resolution on each substantially separate issue is proposed at the Annual General Meeting. The Chairman of the Board and each of the Chairmen of the Audit, Remuneration and Nomination Committees, are available to answer questions at the Annual General Meeting. All Directors are expected to attend the Annual General Meeting.

Each year, every shareholder receives a full Annual Report and Financial Statements. At the half year, all shareholders receive an Interim Report. Notice of the Annual General Meeting is sent to shareholders at least 20 days before the meeting.

Accountability and Audit

The respective responsibilities of Directors and Auditors are set out on pages 8 and 13. The Board has established an Audit Committee. The Audit Committee's primary responsibilities include monitoring of internal control, approving accounting policies, major accounting issues, appointment and remuneration of the external auditors and reviewing the interim and financial statements before submission to the Board. It meets twice a year with the external auditors to review their findings. At these meetings the Non Executive Directors have the opportunity to discuss findings with the auditors in the absence of the Executive Directors.

To follow best practice and in accordance with Ethical Standard 1 issued by the Auditing Practices Board, the external auditors have discussions with the audit committee on the subject of auditor independence and have confirmed their independence in writing.

Internal control

The Directors acknowledge that they are responsible for ensuring that the Group has in place a system of internal controls which is both effective and appropriate to the nature and size of the business.

The Board, through the Audit Committee, has reviewed the operation and effectiveness of the systems of internal control throughout the accounting year and the period to the date of approval of the financial statements, although it should be understood that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Group's system of controls include:

- A comprehensive budgeting system with annual budgets approved by the Directors.
- Monthly monitoring of actual results against budget and regular review of variances.
- Close involvement of Directors who approve all significant transactions.
- Internal management rules which include financial and operating control procedures for all management of the Group.
- Identification and appraisal by the Board of the major risks affecting the business and the financial controls.
- Bank facilities and other treasury functions are monitored and policy changes approved by the Board.

The Board has considered the need for an internal audit function and concluded that this would not be appropriate at present due to the size of the Group.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

S M King
Company Secretary
5 September 2006

Report of the Directors on remuneration

Composition

The Remuneration Committee comprises the two Non-Executive Directors; S M Bruh (Chairman) and J J Hamer, and K M Baker.

Principal function

The remuneration packages, including contract periods of Executive Directors and senior management, are determined by the Remuneration Committee. It ensures that the remuneration packages are appropriate for their responsibilities, taking into consideration the overall financial and business position of the Group.

Compliance

The Remuneration Committee is both constituted and operated throughout the period in accordance with the principles outlined in the Financial Services Authority Listing Rules derived from Schedule A of the Combined Code.

Base salary and benefits

The Committee sets the salary of each Executive Director by reference to the responsibility of the position held, performance of the individual, and external market data. Salaries are reviewed annually.

Annual performance related bonus

The Company operates a bonus scheme for its Directors which enables it to attract and retain high calibre senior management personnel who make a major contribution to the financial performance of the company. Bonuses paid under the scheme are directly linked to the growth in the Group's earnings per share.

Share options

The Committee is responsible for approving grants to the Executive Directors. Options may be exercised between three and ten years from the date the option is granted but only if certain performance criteria are satisfied.

Pensions

The Company is responsible for the contributions to the defined contribution schemes selected by the Executive Directors. Details of contributions provided in the year are set out later in this report.

Service agreements

K M Baker, S J Lawrence and S M King have service contract's which are terminable on 12 months notice by either party. The Committee consider that these contracts are in line with the market.

Non-Executive Directors

Non-Executive Directors' remuneration is reviewed by all members of the Board other than the Non-Executive Director under review and takes the form solely of fees. J J Hamer and S M Bruh have a letter of appointment terminable on 3 months notice by either party.

Compensation for loss of office

There are no predetermined special provisions for Executive or Non-executive Directors with regard to compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly with the aim not to reward poor performance.

Directors' emoluments

Details of the remuneration of all Directors are set out in note 6 to the Accounts.

Report of the Directors on remuneration (continued)

Share options

Details of the share options of all Directors are as follows:

	<i>At 31 May 2005</i>	<i>Granted</i>	<i>Exercised</i>	<i>Expired</i>	<i>At 31 May 2006</i>	<i>Weighted Average exercise price £</i>
Executive:						
K M Baker	60,000	-	-	-	60,000	0.400
S J Lawrence	50,000	25,000	-	-	75,000	0.727
S M King	75,000	25,000	-	-	100,000	0.697

The share options are exercisable from 2 October 2006 to 25 October 2014 if the basic earnings per share of Avingtrans plc during the period between grant and exercise, is at least equal to the increase in the Retail Price Index during the same period and if the Director agrees to release their rights under the Warrant package for the same number of shares.

Warrant packages

As part of the purchase agreement of the Jena Group K M Baker and S J Lawrence were issued 1,040,000 and 560,000 warrants respectively at an exercise price of 50p, these vested if certain performance targets were achieved.

Following the audited results for the year to 31 May 2005, K M Baker and S J Lawrence exercised 772,000 and 398,000 warrants resulting in gains of £757,000 and £387,000 respectively. K M Baker and S J Lawrence surrendered their rights over 60,000 and 50,000 warrants respectively, in favour of an equivalent number of share options.

At 31 May 2006 K M Baker and S J Lawrence hold 208,000 and 112,000 warrants which would have vested as the earnings per share for the year ended 31 May 2006 was greater than 12.41p.

If in respect of any financial year the relevant earnings per share target ("EPS Target Figure") has not been reached, so that the Auditors' Certificate confirms that the actual earnings per share for the relevant Subscription Period (the "Actual EPS Figure") is less than the EPS Target Figure, then the relevant tranche of Warrants capable of being exercised in respect of the relevant Subscription Period shall be reduced by a percentage being twice the percentage by which the Actual EPS Figure fell short of the EPS Target Figure.

In the event that the above paragraph applies, the Warrants no longer exercisable in respect of a Subscription Period may be exercised by the warrant holder on or at any time after the next Subscription Period in respect of which the Auditors' Certificate confirms that the Actual EPS Figure for that subsequent Subscription Period is equal to or greater than the EPS Target Figure for the same subsequent Subscription Period.

S M Bruh

Director

Chairman of the Remuneration Committee

5 September 2006.

Independent auditors' report to the shareholders of Avingtrans plc

We have audited the financial statements on pages 15 to 34. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Corporate Governance Statement and the Report of the Directors on Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the specific information presented in the Chairman's Statement that is cross referred from the Principal Activities and Business Review section of the Report of the Directors.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the shareholders of Avingtrans plc

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2006 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Report of the Directors is consistent with the financial statements.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

Birmingham, England

5 September 2006

Consolidated profit and loss account

For the year ended 31 May 2006

	<i>Note</i>	2006 Total £'000	2005 <i>(as restated)</i> £'000
Turnover	2,3	32,490	24,329
Cost of sales		(24,813)	(17,821)
Gross profit		7,677	6,508
Selling and distribution expenses		(595)	(765)
Administration expenses		(4,287)	(3,479)
Operating profit:			
Operating profit before goodwill amortisation		3,188	2,542
Goodwill amortisation		(393)	(278)
Operating profit		2,795	2,264
Interest receivable		4	5
Interest payable	5	(349)	(300)
Profit on ordinary activities before taxation	4	2,450	1,969
Taxation on profit on ordinary activities	8	(489)	(668)
Profit for the financial year	21	1,961	1,301
Earnings per share – basic	10	13.5p	11.2p
Earnings per share – diluted	10	12.6p	10.6p

All the above results are from continuing operations.

The notes on pages 20 to 34 form part of these financial statements.

Consolidated balance sheet

at 31 May 2006

	<i>Note</i>	2006 £'000	2005 <i>(as restated)</i> £'000
Fixed assets			
Intangible assets	11	6,777	6,739
Tangible assets	12	6,203	5,869
Investments	13	15	26
		<u>12,995</u>	<u>12,634</u>
Current assets			
Stocks	14	3,190	4,566
Debtors	15	4,931	5,495
Cash at bank and in hand		1,398	909
		<u>9,519</u>	<u>10,970</u>
Creditors: amounts falling due within one year	16	(6,284)	(9,366)
		<u>3,235</u>	<u>1,604</u>
Net current assets			1,604
Total assets less current liabilities		16,230	14,238
Creditors: amounts falling due after more than one year	17	(3,334)	(3,801)
Provisions for liabilities and charges	19	(250)	(197)
		<u>12,646</u>	<u>10,240</u>
Net assets			10,240
Capital and reserves			
Called up share capital	20	771	713
Share premium account	21	4,310	3,783
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	6,572	4,751
		<u>12,646</u>	<u>10,240</u>
Equity shareholders' funds	22	12,646	10,240

The notes on pages 20 to 34 form part of these financial statements.

The financial statements were approved by the Board on 5 September 2006 and signed on its behalf by:

S M King
Director

Balance sheet

at 31 May 2006

	<i>Note</i>	2006 £'000	2005 (as restated) £'000
Fixed assets			
Investments	13	13,459	13,470
		<u>13,459</u>	<u>13,470</u>
Current assets			
Debtors: amounts falling due within one year	15	955	564
Debtors: amounts falling due after one year	15	1,134	1,134
Cash at bank and in hand		5	3
		<u>2,094</u>	<u>1,701</u>
Creditors: amounts falling due within one year	16	(1,046)	(3,296)
Net current assets/(liabilities)		<u>1,048</u>	<u>(1,595)</u>
Total assets less current liabilities		<u>14,507</u>	<u>11,875</u>
Creditors: amounts falling due after more than one year	17	(2,992)	(3,591)
Net assets		<u>11,515</u>	<u>8,284</u>
Capital and reserves			
Called up share capital	20	771	713
Share premium account	21	4,310	3,783
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	5,441	2,795
Equity shareholders' funds	22	<u>11,515</u>	<u>8,284</u>

The notes on pages 20 to 34 form part of these financial statements.

Approved by the Board on 5 September 2006 and signed on its behalf by:

S M King
Director

Consolidated cash flow statement

For the year ended 31 May 2006

	<i>Note</i>	2006 <i>£'000</i>	<i>2005</i> <i>£'000</i>
Net cash inflow from operating activities	23	2,710	3,917
Returns on investment and servicing of finance		<u>4</u>	<u>5</u>
Interest received		(263)	(126)
Interest paid		(106)	(128)
Interest element of hire purchase and finance lease payments		<u>(106)</u>	<u>(128)</u>
Net cash outflow from returns on investments and servicing of finance		(365)	(249)
Taxation paid		(529)	(266)
Capital expenditure			
Purchase of tangible fixed assets		(393)	(589)
Sale of tangible fixed assets		6	31
Development costs		(9)	-
Net cash outflow for capital expenditure and financial investment		(396)	(558)
Acquisitions			
Purchase of subsidiary undertakings	24	(100)	(8,159)
Net cash acquired with subsidiary undertakings	24	-	5
Net cash outflow for acquisitions		(100)	(8,154)
Equity dividends paid to shareholders		(148)	-
Financing			
Issue of ordinary share capital	22	585	4,144
New loans	23	-	2,896
Loan repayments	23	(608)	(1,165)
Capital element of hire purchase and finance lease payments	23	(664)	(354)
Net cash (outflow)/inflow from financing		(687)	5,521
Increase in cash		485	211

Consolidated statement of total recognised gains and losses

	2006 <i>£'000</i>	<i>2005</i> <i>£'000</i>
Profit for the financial year	1,961	1,301
Other recognised gains and losses		
- exchange gains on translation of foreign subsidiaries	8	37
Total recognised gains and losses relating to the year	1,969	1,338

The notes on pages 20 to 34 form part of these financial statements.

Notes to the financial statements

31 May 2006

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985.

Basis of consolidation

The financial statements for the year consist of the accounts for Avingtrans plc and its subsidiary undertakings made up to 31 May 2006. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

All significant intra-group transactions have been eliminated on consolidation. Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the financial statements of the holding company was £2,802,000 (2005: £362,000 loss (as restated)).

Change in accounting policy

The group and company have changed the accounting treatment of proposed dividends and adopted Financial Reporting Standard (FRS) 21 Events after the Balance Sheet Date from 1 June 2005. This no longer permits companies to include the proposed dividend for the year in the profit and loss account, with the corresponding liability in the balance sheet. Dividend distributions are recognised as a liability in the period in which they are approved by the company's shareholders. The net impact of this change in the company accounts as at 31 May 2006 is £Nil (31 May 2005: decrease in net assets £1,405,000). The impact on the group accounts at 31 May 2006 is £Nil (31 May 2005: increase in net assets £71,000).

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets required) arising on consolidation in respect of acquisitions is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life up to a presumed maximum of 20 years.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year.

Fixed assets and depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Where there is any evidence of impairment, tangible fixed assets are written down to their recoverable amount.

Depreciation is based on the cost of the relevant assets (except that depreciation is not provided on freehold land) to write them down to their residual value over their estimated useful lives, at the following rates:

Freehold buildings	2% straight line
Plant and machinery	6.7% - 12.5% straight line
Fixtures, fittings and tools	12.5% straight line
Motor vehicles	25% straight line
Computer equipment	33% straight line

Investments

Investments in subsidiaries and participating interests are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Other investments are stated at cost less any provision for permanent diminution in value. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement. Investment income is recognised on a received basis.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of these leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes to the financial statements

31 May 2006

1. Accounting policies (continued)

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period which the group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes materials, direct labour and related production overheads.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Financing costs

In accordance with FRS 4, costs incurred in connection with the issue of shares are written off to the Share Premium account. Costs in respect of loans are capitalised and written off over the period of the finance term.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a. revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date, and the gain or loss has been recognised in the financial statements; and
- b. gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets, being charged to tax if and only when the replacement assets are sold.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Translation of foreign currencies

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction or forward exchange rate where applicable. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the appropriate year end rates and differences arising are dealt with in the profit and loss account. Exchange differences arising from the translation into sterling of the net equity interest in overseas undertakings are treated as movements in reserves (Group) together with the exchange differences on any foreign currency borrowings which finance overseas assets (Company).

Government Grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned.

Other grants are credited to the profit and loss account in the same period as the expenditure to which they relate.

Pensions

The Company makes contributions to defined contribution schemes. The cost of providing pension benefits is charged to the profit and loss account as they become payable.

Notes to the financial statements

31 May 2006

2. Segmental analysis

	<i>Turnover</i>		<i>Profit before Tax</i>		<i>Net Assets</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
By class of business						
Precision Engineering	10,189	9,454	1,161	819	3,851	3,385
Medical and Scientific	22,301	14,875	2,065	1,510	4,213	4,042
Unallocated central items	-	-	(431)	(65)	4,582	2,813
Net Interest	-	-	(345)	(295)	-	-
Total	32,490	24,329	2,450	1,969	12,646	10,240

Unallocated central costs and net assets comprise certain central head office costs, goodwill and assets of the holding company.

3. Turnover by geographical market

	<i>Precision Engineering</i>	<i>Medical and Scientific</i>	<i>Total</i>	<i>Total</i>
	<i>2006</i>	<i>2006</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover by geographical origin				
United Kingdom	5,524	22,301	27,825	20,127
Europe	4,588	-	4,588	4,124
North America	77	-	77	78
	<u>10,189</u>	<u>22,301</u>	<u>32,490</u>	<u>24,329</u>
Turnover by geographical destination				
United Kingdom	5,341	20,118	25,459	18,483
Europe	3,929	1,548	5,477	4,655
North America	773	635	1,408	1,074
Rest of World	146	-	146	117
	<u>10,189</u>	<u>22,301</u>	<u>32,490</u>	<u>24,329</u>

Segmental analysis of profit before taxation and net assets by geographical origin have not been disclosed as the Directors are of the opinion that such disclosure would be seriously prejudicial to the business.

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Depreciation of tangible fixed assets:		
Owned Assets	490	440
Assets held under hire purchase leases – plant and machinery	350	157
Assets held under hire purchase leases – other	58	30
(Profit)/loss on disposal of fixed assets	(6)	1
Amortisation of goodwill	393	278
Auditors' remuneration	67	56
Other fees to auditors – non audit services	30	18
(Gain)/loss on foreign exchange transactions	(77)	37
Operating lease rentals:		
Land and buildings	518	542
Machinery and equipment	45	37
Government grants	-	(30)

Audit fees charged to the Company during the period were £10,000 (2005: £9,000).

Notes to the financial statements

31 May 2006

5. Interest payable

	2006	2005
	£'000	£'000
Interest on bank loans and overdrafts wholly repayable within five years	147	172
Interest on bank loans and overdrafts wholly repayable after five years	107	75
Interest on hire purchase agreements	95	53
	349	300

6. Directors' emoluments

Particulars of directors' emoluments are as follows:

	<i>Salary and fees</i>	<i>Benefits</i>	<i>Bonus</i>	<i>Total 2006</i>	<i>Total 2005</i>	<i>Pension Total 2006</i>	<i>Pension Total 2005</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive:							
J J Hamer	24	-	-	24	23	-	-
S M Bruh	24	-	-	24	23	-	-
Executive:							
K M Baker	70	-	14	84	121	-	-
S J Lawrence	120	1	24	145	151	18	13
S M King	100	1	20	121	138	15	10
Total emoluments	338	2	58	398	456	33	23

The fees of J J Hamer and S M Bruh were paid to Financial Decisions and Astrojet Limited respectively.

During 2006 K M Baker and S J Lawrence exercised share warrants resulting in gains of £757,000 and £387,000 respectively. Further details on the exercise of the share warrants is given on page 12.

The non-cash benefits comprise the provision of private health insurance.

The number of Directors who are accruing benefits under money purchase schemes is two (2005: two).

7. Employees

Particulars of employees, including Executive Directors:

	2006	2005
	£'000	£'000
Wages and salaries	9,094	7,088
Social security costs	1,253	875
Other pension costs	173	123
	10,520	8,086

The average number of employees (including Executive Directors) during the year was as follows:

	2006	2005
	<i>No</i>	<i>No</i>
Production	323	238
Selling and distribution	17	14
Administration	48	50
	388	302

Notes to the financial statements

31 May 2006

8. Taxation

	2006 £'000	2005 £'000
United Kingdom corporation tax		
Current tax on income for the year	367	586
Prior year adjustment	(60)	59
	<u>307</u>	<u>645</u>
Foreign tax		
Current tax on income for the year	129	-
	<u>436</u>	<u>645</u>
Total current taxation		
Deferred taxation		
Origination and reversal of timing differences – current year	36	34
Prior year adjustment	17	(11)
	<u>489</u>	<u>668</u>
Tax on profit on ordinary activities		
	<u><u>489</u></u>	<u><u>668</u></u>
Current tax reconciliation:		
	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	2,450	1,969
	<u>735</u>	<u>591</u>
Theoretical tax at UK corporation tax rate 30% (2005: 30%)		
Effects of:		
- goodwill amortisation	114	80
- adjustment in respect of foreign tax rates	10	-
- other permanent timing differences	27	30
- movement in accelerated capital allowances	(32)	(46)
- short term timing differences not recognised	-	2
- utilisation of overseas losses not recognised	(7)	(68)
- short term timing differences	(4)	12
- utilisation of UK losses not recognised	-	(8)
- marginal relief	(13)	(7)
- adjustments in respect of prior years	(60)	59
- relief under S23 FA 2003	(334)	-
	<u>436</u>	<u>645</u>
Actual current taxation charge		
	<u><u>436</u></u>	<u><u>645</u></u>

Factors affecting future tax charges:

The Group has tax losses carried forward of approximately £1.0 million at 31 May 2006 (2005: £1.1 million) that may be relievable against future profits.

9. Dividends

	2006 £'000	2005 (as restated) £'000
Final dividend paid of 0.5p per ordinary share (2005: Nil)	71	-
Interim dividend paid of 0.5p per ordinary share (2005: Nil)	77	-
	<u>148</u>	<u>-</u>

The directors propose a dividend of £77,000 (0.5p per ordinary share) payable on 10 November 2006 (2005: 0.5p per ordinary share). The accounts do not reflect the proposed dividend which will be treated as an appropriation of profit in the accounts in the 2007 financial statements.

Notes to the financial statements

31 May 2006

10. Earnings per ordinary share

Basic and diluted earnings per share have been calculated in accordance with FRS22 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares, being the warrants and EMI share options.

	<i>2006</i>	<i>2005</i>
	<i>No</i>	<i>No</i>
Weighted average number of shares – basic	14,544,793	11,594,530
Warrant/ Share Option adjustment	1,029,810	653,485
	<hr/>	<hr/>
Weighted average number of shares – diluted	15,574,603	12,248,015
	<hr/>	<hr/>
	<i>£'000</i>	<i>£'000</i>
Earnings attributable to shareholders	1,961	1,301
Earnings attributable to shareholders before goodwill amortisation	2,354	1,579
	<hr/>	<hr/>
Basic earnings per share	13.5p	11.2p
Basic earnings per share before goodwill amortisation	16.2p	13.6p
Diluted earnings per share	12.6p	10.6p

The Directors believe that basic earnings per share before goodwill amortisation provides a useful additional performance indicator.

11. Intangible fixed assets

	<i>Goodwill</i>	<i>Development</i>	<i>Total</i>
	<i>£'000</i>	<i>costs</i>	<i>£'000</i>
		<i>£'000</i>	
Group			
Cost			
At 1 June 2005	7,165	-	7,165
Additions (note 24)	422	9	431
	<hr/>	<hr/>	<hr/>
At 31 May 2006	7,587	9	7,596
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 June 2005	426	-	426
Charge for the year	393	-	393
	<hr/>	<hr/>	<hr/>
At 31 May 2006	819	-	819
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 May 2006	6,768	9	6,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 May 2005	6,739	-	6,739
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

31 May 2006

12. Tangible fixed assets - Group

	<i>Freehold Land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Equipment and motor vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 1 June 2005	2,156	4,282	395	6,833
Additions	279	773	172	1,224
Disposals	-	(205)	(42)	(247)
Exchange adjustments	-	30	3	33
At 31 May 2006	2,435	4,880	528	7,843
Depreciation				
At 1 June 2005	27	826	111	964
Charge for the year	28	712	158	898
Disposals	-	(205)	(42)	(247)
Exchange adjustments	-	22	3	25
At 31 May 2006	55	1,355	230	1,640
Net book value				
At 31 May 2006	2,380	3,525	298	6,203
At 31 May 2005	2,129	3,456	284	5,869

Leased assets

The net book value of assets held under hire purchase leases are as follows:

	<i>Freehold Land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Equipment and motor vehicles £'000</i>	<i>Total £'000</i>
Net book value				
At 31 May 2006	6	2,259	144	2,409
At 31 May 2005	-	2,093	98	2,191

Notes to the financial statements

31 May 2006

13. Investments

	<i>Group undertakings £'000</i>	<i>Listed investments £'000</i>	<i>Total £'000</i>
Cost			
At 1 June 2005	13,444	59	13,503
Additions	-	-	-
At 31 May 2006	13,444	59	13,503
Provision			
At 1 June 2005	-	(33)	(33)
Impairment	-	(11)	(11)
At 31 May 2006	-	(44)	(44)
Net book value			
At 31 May 2006	13,444	15	13,459
At 31 May 2005	13,444	26	13,470

The aggregate market value of the listed investments was £15,000 at 31 May 2006 (2005: £26,000).

The principal subsidiaries are:

Name	Country of incorporation	Principal activity
Jenaer Gewindetechnik GmbH	Germany	Precision engineering
Jena-Tec Inc	USA	Distributor
Jena Rotary Technology Limited	England and Wales	Distributor
C & H Precision Limited	England and Wales	Precision engineering
Crown UK Limited	England and Wales	Precision engineering
Stainless Metalcraft (Chatteris) Limited	England and Wales	Precision engineering

The Company owns 100% of the issued share capital of all of the subsidiary undertakings with the exception of Jena-Tec Inc which is a 100% subsidiary of Jenaer Gewindetechnik GmbH.

14. Stocks

	<i>2006 Group £'000</i>	<i>2006 Company £'000</i>	<i>2005 Group £'000</i>	<i>2005 Company £'000</i>
Raw materials and consumables	1,034	-	899	-
Work in progress	1,794	-	3,361	-
Finished goods	362	-	306	-
	3,190	-	4,566	-

The replacement cost of the stocks would not be significantly different from the values stated.

Notes to the financial statements

31 May 2006

15. Debtors

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>Company</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>£'000</i>	<i>2005</i> <i>Company</i> <i>£'000</i>
Amounts: falling due within one year				
Trade debtors	4,248	-	4,911	-
Amounts recoverable on contracts	55	-	-	-
Amounts owed by group undertakings	-	887	-	366
Taxation	47	-	-	-
Other debtors	104	40	174	40
Prepayments and accrued income	477	28	410	158
	<u>4,931</u>	<u>955</u>	<u>5,495</u>	<u>564</u>
Amounts: falling due after one year				
Amounts owed by group undertakings	-	1,134	-	1,134
	<u>-</u>	<u>1,134</u>	<u>-</u>	<u>1,134</u>

Amounts owed by group undertakings falling due after one year are unsecured, interest bearing and are repayable on giving one year's notice.

16. Creditors: amounts falling due within one year

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>Company</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>(as restated)</i> <i>£'000</i>	<i>2005</i> <i>Company</i> <i>(as restated)</i> <i>£'000</i>
Bank overdraft	175	-	173	-
Hire purchase liabilities	553	-	544	-
Current portion of long-term loans	627	607	608	588
	<u>1,355</u>	<u>607</u>	<u>1,325</u>	<u>588</u>
Short-term borrowings				
Trade creditors	2,802	41	4,783	166
Amounts owed to group undertakings	-	147	-	2,260
Taxation	-	60	356	-
Overseas taxation	129	-	-	-
Other tax and social security	929	47	873	36
Other creditors	132	23	1,100	23
Accruals and deferred income	937	121	929	223
	<u>6,284</u>	<u>1,046</u>	<u>9,366</u>	<u>3,296</u>

Notes to the financial statements

31 May 2006

17. Creditors: amounts falling due after more than one year

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>Company</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>£'000</i>	<i>2005</i> <i>Company</i> <i>£'000</i>
Hire purchase liabilities	1,112	-	941	-
Long-term loans	2,222	2,204	2,860	2,812
Amounts owed to group undertakings	-	788	-	779
	<u>3,334</u>	<u>2,992</u>	<u>3,801</u>	<u>3,591</u>

Amounts owed to group undertakings falling due after one year are unsecured, interest bearing and are repayable on giving one year's notice.

Bank and other borrowings are further analysed as follows:

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>Company</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>£'000</i>	<i>2005</i> <i>Company</i> <i>£'000</i>
Due within one year:				
Bank overdraft	175	-	173	-
Obligations under hire purchase leases	553	-	544	-
Current portion of bank loans	627	607	608	588
	<u>1,355</u>	<u>607</u>	<u>1,325</u>	<u>588</u>
Due within one to two years:				
Obligations under hire purchase leases	371	-	399	-
Bank loans	644	626	627	607
	<u>1,015</u>	<u>626</u>	<u>1,026</u>	<u>607</u>
Due within two to five years:				
Obligations under hire purchase leases	741	-	542	-
Bank loans	906	906	1,386	1,358
	<u>1,647</u>	<u>906</u>	<u>1,928</u>	<u>1,358</u>
Due after five years:				
Bank loans	672	672	847	847

In accordance with FRS4, offset against the borrowing above are unamortised capitalised finance charges of £68,000 (2005: £100,000).

The bank loans due after more than 5 years are payable in equal monthly instalments ending October 2014. Interest is payable at a rate of bank base rate plus 1.75%.

Bank loans of £2,849,000 are secured on the assets of the Group.

Bank Overdrafts of £175,000 are secured on the assets of Jenaer Gewindetechnik GmbH. At 31 May 2006 the Group had £99,000 of undrawn committed borrowing facilities expiring in one year or less (2005: £98,000).

Hire purchase lease liabilities are secured on the related assets.

Notes to the financial statements

31 May 2006

17. Creditors: amounts falling due after more than one year (continued)

Currency analysis of net funds is as follows:

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Financial liabilities:		
Sterling	4,128	4,662
Euro	561	464
US Dollar	-	-
	<hr/> 4,689	<hr/> 5,126
Financial assets:		
Sterling	1,043	566
Euro	254	305
US Dollar	116	64
	<hr/> 1,413	<hr/> 935

Financial liabilities comprise borrowings of £4,689,000 (2005: £5,126,000).

At 31 May 2006 the Group had no fixed interest borrowings. All borrowings were at variable rates relative to local base rates.

The Group capped the bank interest rate at 6.5% plus variable margin on bank loans of £3,000,000 to 14 February 2006 and £2,250,000 to 14 February 2007.

Financial assets comprise cash of £1,398,000 (2005: £909,000) and listed investments of £15,000 (2005: £26,000). The cash bears interest at prevailing market rates. The listed investments do not bear interest.

18. Financial instruments

The Group's policies in respect of foreign currency and interest rate risk management are set out in the financial instruments section of the Report of the Directors on pages 6 and 7.

The Group held the following categories of financial instruments (excluding short term debtors and creditors) at 31 May 2006.

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Assets/(liabilities):		
Investments	15	26
Cash and deposits	1,398	909
Short-term borrowings	(1,355)	(1,325)
Borrowings falling due after more than one year	(3,334)	(3,801)
Forward contracts	-	-
	<hr/>	<hr/>

The fair value of the financial instruments set out above is not substantially different to the book value with the exception of the forward exchange contracts, which have a fair value of £Nil (2005: £29,000 asset).

The Group has forward sale contracts of €9,500 (2005: €1,049,000) to hedge income arising in Euros. At 31 May 2006 there was a £Nil gain (2005: £32,000) which had not been reflected in the Group's profit and loss account. During 2006 a gain of £35,000 was recognised on gains on forward contracts.

Notes to the financial statements

31 May 2006

19. Provisions for liabilities and charges

Deferred taxation comprises the following:

	2006	2005
	£'000	£'000
Accelerated capital allowances	265	201
Losses	(3)	(4)
Short Term Timing Differences	(12)	-
	250	197

The movement in the period may be summarised as follows:

	2006	2005
	£'000	£'000
At 1 June	197	3
Arising on acquisition	-	171
Transfer to profit and loss account	53	23
At 31 May	250	197

20. Called up share capital

	2006	2005	2006	2005
	No	No	£'000	£'000
Authorised				
Authorised ordinary shares of 5p each	20,000,000	20,000,000	1,000	1,000
Allotted, issued and fully paid				
Ordinary shares of 5p each	15,432,086	14,262,086	771	713

320,000 share warrants were outstanding at 31 May 2006 (2005: 1,600,000). Further details are shown in the Report of the Directors on remuneration.

The Company has a share option scheme under which options to subscribe for the Company's shares have been awarded to certain directors and employees. At 31 May 2006 options under this scheme were :

Date of Grant	No of Shares	Option Price £	Option Period
1 October 2003	195,000	0.400	2006-2013
25 October 2004	175,000	0.605	2007-2014
14 October 2005	129,000	1.380	2008-2015

The options are exercisable if the earnings per share of Avingtrans plc during the period between grant and exercise, is at least equal to the increase in the Retail Price Index during the same period.

The market price of the Company's shares at the end of the year was 127p. The highest and lowest market prices during the year were 163p and 118p respectively.

Notes to the financial statements

31 May 2006

21. Reserves

	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Other reserves</i>	<i>Profit and loss account (as restated)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Group				
At 1 June 2005	3,783	813	180	4,751
Premium on issue of shares	527	-	-	-
Profit for the financial year	-	-	-	1,961
Dividends	-	-	-	(148)
Exchange gains on translation of foreign subsidiaries	-	-	-	8
At 31 May 2006	4,310	813	180	6,572

	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Other reserves</i>	<i>Profit and loss account (as restated)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Company				
At 1 June 2005	3,783	813	180	2,795
Premium on issue of shares	527	-	-	-
Profit for the financial year	-	-	-	2,802
Dividends	-	-	-	(148)
Exchange adjustment	-	-	-	(8)
At 31 May 2006	4,310	813	180	5,441

22. Reconciliation of movements in shareholders' funds

	<i>Group</i>	<i>Company</i>	<i>Group (as restated)</i>	<i>Company (as restated)</i>
	<i>2006</i>	<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	1,961	2,802	1,301	(362)
Issue of shares	585	585	4,144	4,144
Foreign exchange adjustment	8	(8)	37	(12)
Dividends	(148)	(148)	-	-
Net change to shareholders' funds	2,406	3,231	5,482	3,770
Shareholders' funds at 1 June	10,240	8,284	4,758	4,514
Shareholders' funds at 31 May	12,646	11,515	10,240	8,284

Notes to the financial statements

31 May 2006

23. Notes to the consolidated cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities:

	2006 £'000	2005 £'000
Operating profit	2,795	2,264
Depreciation charges	898	627
Goodwill amortisation	393	278
(Profit)/loss on sale of tangible fixed assets	(6)	1
Impairment of Investment	11	33
Decrease/(increase) in stocks	1,127	(764)
Decrease/(increase) in debtors	595	(1,016)
(Decrease)/increase in creditors	(3,103)	2,494
Net cash inflow from operating activities	<u>2,710</u>	<u>3,917</u>

Reconciliation of net cash flow to movement in net debt

	2006 £'000	2005 £'000
Increase in cash	485	211
Cash outflow/(inflow) from decrease/(increase) in debt and lease finance	1,272	(1,377)
Increase in net debt from cash flow	1,757	(1,166)
Inception of hire purchase agreements	(830)	(848)
Debt acquired with subsidiary	-	(463)
Translation difference	(1)	-
Increase in net debt	926	(2,477)
	(4,217)	(1,740)
Net debt at 31 May	(3,291)	(4,217)

Reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds:

	1 June 2005 £'000	Cash flow £'000	Other non- cash Changes £'000	Exchange Movements £'000	31 May 2006 £'000
Cash at bank and in hand	909	485	-	4	1,398
Bank overdrafts	(173)	-	-	(2)	(175)
	<u>736</u>	<u>485</u>	<u>-</u>	<u>2</u>	<u>1,223</u>
Bank loans	(3,468)	608	-	-	(2,860)
Hire purchase leases	(1,485)	664	(830)	(3)	(1,654)
	<u>(4,953)</u>	<u>1,272</u>	<u>(830)</u>	<u>(3)</u>	<u>(4,514)</u>
Net debt	<u>(4,217)</u>	<u>1,757</u>	<u>(830)</u>	<u>(1)</u>	<u>(3,291)</u>

Notes to the financial statements

31 May 2005

24. Effect of acquisition

Stainless Metalcraft (Chatteris) Limited

On 13 October 2004, the Company acquired the entire issued share capital of Stainless Metalcraft (Chatteris) Limited whose assets and liabilities are:

	<i>Provisional fair value of assets acquired £'000</i>	<i>Final accounting policy alignment £'000</i>	<i>Final adjustments £'000</i>	<i>Final fair value of assets acquired £'000</i>
Tangible fixed assets	3,286	-	-	3,286
Stocks	1,873	(27)	(227)	1,619
Debtors	3,095	(17)	-	3,078
Cash at bank and in hand	5	-	-	5
Creditors	(4,319)	-	(332)	(4,651)
Deferred tax	(172)	-	181	9
Net separable assets	<u>3,768</u>	<u>(44)</u>	<u>(378)</u>	<u>3,346</u>
Goodwill				<u>4,786</u>
Consideration (including acquisition expenses of £573,000)				<u>8,132</u>

In accordance with FRS7, final fair values have been assessed and differences between these and provisional fair values have been taken as an adjustment to goodwill on acquisition.

The final fair value adjustments primarily relate to contractual losses arising on onerous contracts committed prior to acquisition.

Goodwill has increased by £422,000 during the period as a result of the aforementioned final fair value adjustments.

25. Contingent asset

Following the liquidation of Frank Usher Limited, the Company has registered a claim with the receiver of £481,292. At 31 May 2004 the Company recognised an amount receivable of £75,000. During 2004, £35,000 was received with an amount receivable of £40,000 included within the balance sheet at 31 May 2005 and at 31 May 2006. The Directors estimate that there should be a contingent asset of a further minimum amount receivable of £20,000.

Notes to the financial statements

31 May 2006

26. Financial commitments

(a) Capital Commitments

Commitments for capital expenditure were as follows:

	2006	2005
	£'000	£'000
Contracted for, but not provided in the accounts	20	211

(b) Operating lease commitments

The annual commitments under operating leases are analysed according to the period in which each lease expires as follows:

	2006	2005
	£'000	£'000
Land and buildings, leases expiring:		
Within one year	17	-
Between two and five years	412	402
After more than five years	73	146
	502	548
Other assets, leases expiring:		
Within one year	15	15
Between two and five years	32	25
After more than five years	10	5
	57	45

27. Post balance sheet events

On 19 June 2006, the Company completed the purchase of a 75% interest in Sigma Precision Components Limited ('Sigma') for a consideration of £300,000. Deferred consideration of up to £6,000,000 for the remaining 25% interest is payable in October 2011 dependant on Sigma's earnings before interest, tax, depreciation and amortisation for the year ended 31 May 2011 and the level of net debt at that date. Sigma provides a range of services to aerospace and high technology markets, and following the injection of new funds into the business it is poised to accelerate the scale of its operations in China. At the date of acquisition it had estimated net assets of £332,000.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Avingtrans Plc will be held at the Holiday Inn, Bostocks Lane, Sandiacre, Nottingham, NG10 5NJ on 11 October 2006 at 10.30am for the following purposes:

1. To receive and adopt the reports of the Directors and the auditors and the financial statements for the year ended 31 May 2006.
2. To declare a final dividend of 0.5p per ordinary share payable on 10 November 2006 payable to shareholders on the register of members on 15 September 2006.
3. To re-elect Jeremy Hamer as a Director.
4. To reappoint RSM Robson Rhodes LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration to be fixed by the Directors.

To transact any other ordinary business of an Annual General Meeting and as special business to consider the following Resolutions, Resolution 5 and 6 being proposed as an Ordinary Resolution and Resolutions 7 and 8 as Special Resolutions:

5. That the authorised share capital of the Company be increased from £1,000,000 to £1,500,000 by the creation of 10,000,000 ordinary shares of 5p each.
6. That the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities as defined in Section 80 of the Companies Act 1985 ('the Act') up to an aggregate nominal amount of £254,629 provided that this authority shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this Resolution had not expired, and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act.
7. That the Directors be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred upon them by Resolution 6 as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited:
 - a. to the allotment of equity securities in connection with a rights issue or other offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all the ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of any territory or the requirements of a regulatory body: and
 - b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £77,160

and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution, except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

8. That the Company be generally and unconditionally authorised, in accordance with Article 9 of its Articles of Association and Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 5p each of the Company on such terms and in such manner as the Directors may from time to time determine provided that:
- a. the maximum number of ordinary shares authorised to be purchased is 1,543,209;
 - b. the minimum price which may be paid for an ordinary share is 5p (exclusive of expenses and advance corporation tax, if any, payable by the Company);
 - c. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company derived from the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased (exclusive of expenses and advance corporation tax, if any, payable by the Company); and
 - d. the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may, prior to such expiry, make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

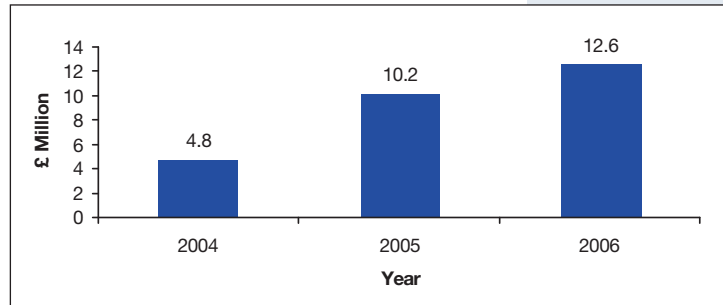
S M King	Registered office Precision House Derby Road Industrial Estate Sandiacre Nottingham NG10 5HU
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Notes:

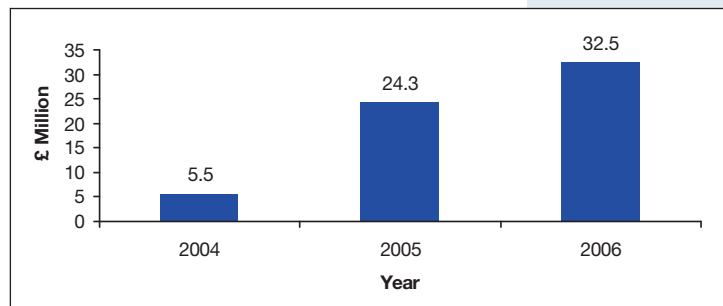
1. A member entitled to attend and vote at the meeting may appoint a proxy to attend, and on a poll, to vote instead of him. A proxy need not be a member.
2. A Form of Proxy is provided. To be valid, completed Proxy Forms must be received at the office of the Company's Registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than forty eight hours before the time fixed for the meeting.
3. Completion of the Form of Proxy will not prevent a member from attending the meeting and voting in person.
4. There will be available for inspection at the registered office during normal business hours from the date of this Notice to the date of the Annual General Meeting, and at the place of the meeting for 15 minutes prior to and during the meeting, the following:
 - a. The Register of Directors' interests in the shares of the company;
 - b. Copies of Directors' service contracts (other than contracts expiring or determinable by the Company in less than one year).
5. The Company specifies, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, that only those shareholders registered in the register of members of the Company as at 9 October 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

3 year performance

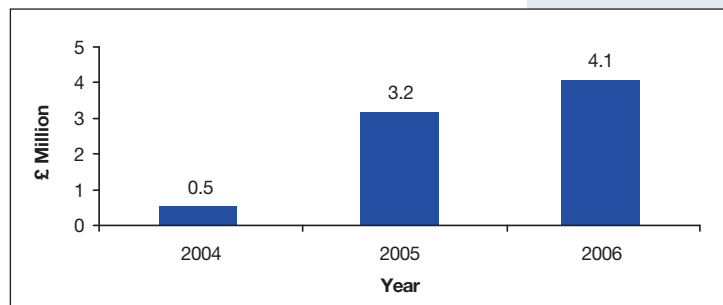
NET ASSETS



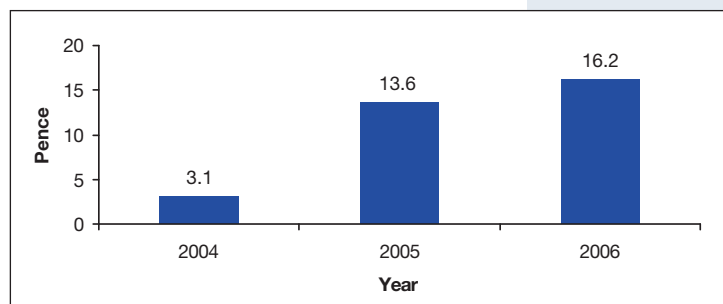
REVENUE



EBITDA



EPS - Basic (before goodwill amortisation)



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