

# Avingtrans plc

**Annual Report  
Year ended 31 May 2003**

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## **Company Information**

Directors	S M Bruh (resigned 28 June 2002) S J Lawrence (appointed 28 June 2002) S M King (appointed 2 September 2002) K M Baker (non-executive) J J Hamer (non-executive) S M Bruh (non-executive, appointed 28 June 2002)
Secretary	S M Bruh (resigned 2 September 2002) S M King (appointed 2 September 2002)
Registered office	Precision House Derby Road Industrial Estate Sandiacre Nottingham NG10 5HU
Website	<a href="http://www.avingtrans.plc.uk">www.avingtrans.plc.uk</a>
Registered number	1968354
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Lloyds TSB Bank Plc High Street Coventry West Midlands CV1 5RA  Barclays Private Bank Limited 43 Brook Street London W1K 1NQ
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
Nominated broker	Bridgewell Securities Limited Old Change House 128 Victoria Road London EC4V 4BJ
Solicitors	Nabarro Nathanson Lacon House Theobold's Road London Nabarro Nathanson

## Chairman's Statement

On behalf of your Directors it is my pleasure to announce the results of Avingtrans plc for the year ended 31 May 2003. These results represent twelve months of income from bank deposits and eleven months of income from the trading of the Jena Group of companies ("Jena") following the acquisition of Jena on 28 June 2002. The business of Avingtrans plc since that date is the provision of precision actuators, spindles and finishing services to the automation, machinery and aerospace industries of the EU and USA. The aim of your Board is to build the Company through organic growth and acquisition, with the objectives of generating long-term earnings per share growth, cash generation and a sustainable dividend policy.

### Financial Performance

For the twelve months ended 31 May 2003, earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) was £559,000 (2002: £498,000 loss) on a turnover of £4,647,000 (2002: £Nil).

Operating profit for the period was £293,000 (2002: £498,000 loss). Profit before tax was £291,000 (2002: £309,000 loss).

Earnings per share before goodwill amortisation for the year ended 31 May 2003, was 4.2p (2002: 4.9p loss). Earnings per share after goodwill amortisation and full dilution were 3.3p (2002: 4.2p loss). Both the earnings per share numbers are stated after absorbing £70,000 of cost (1p per share) associated with Advance Corporation Tax, interest and accountancy costs relating to repurchases of shares in 1998 and 1999.

Cash flow from operations for the year was £281,000 with cash at bank and in hand at the year-end of £1,083,000. The net cash balance on the 31 May 2003 was £856,000.

The Directors are unable to propose a dividend payment for the year under review due to the negative Profit and Loss Reserve in the brought forward Balance Sheet. This problem has been addressed through a capital reconstruction of the Company, which is explained further below.

Tax charges were lower than normal at 21.6% during the year due to losses carried forward from prior years.

A favourable gain of £111,000 was recorded through the reserves during the year on currency translation of foreign subsidiaries due to the increase in the value of the Euro to the Pound since the acquisition of Jena.

### Review of the Year

Avingtrans met the majority of its principal objectives during this, its first year of operations as a supplier of precision actuators, spindles and related services to industry. Jena was successfully integrated into the Company. New systems of control and corporate governance were introduced. New auditors were appointed. New banking arrangements and insurance cover was organised and a number of administrative matters remaining from prior years were closed off. These included the assignment of the remaining seven years of the lease on a Grosvenor Street property at nil cost and the payment of ACT due on earlier years activities.

With a more concentrated focus afforded to the management, new opportunities were developed in the actuator markets of the USA and the EU and during the year the Company successfully expanded its spindle sales, repair and maintenance activities by the addition to its portfolio of the exclusive sales agency for GMN Spindles, covering the UK and Ireland. GMN is the premier company in the EU for the design manufacture and supply of precision spindles for the machinery and automation sectors and serve the same customer profile as our existing actuator business.

The EU and USA, which are our principal markets, remained sluggish during the first half of the year, despite forecasts of an early pick up. C&H Precision Finishing Limited, the Group's UK turbine blade finishing facility and JRT Inc., the Group's sales and service outlet in the USA were particularly

## **Avingtrans plc**

affected by the continuing downturn in trade. Consequently, action was taken where required to reduce the cost of labour in under-utilised plants through short time working and lay-offs. As business activities improved during the second half of the year more normal work patterns were resumed. Business activity, however, remained at a lower level than expected through the year-end and the measures initiated to protect profit margins remained in place. Capital expenditure on essential items and replacement equipment was maintained at the planned level.

### **Acquisitions**

Following the acquisition of Jena on 28 June 2002, a number of potential acquisitions were reviewed during the year. Of these Boneham & Turner Spindles became a "bolt on" asset and ongoing business purchase and was completed post the year-end. It is commented on later in this report. The second, a profitable private UK company in the business of providing electrical, project engineering and maintenance services to the automation and machinery industry, has accepted the Company's offer subject to due diligence and shareholder approval and granted the Company an exclusivity period provisionally ending in October. Work on this project continues. Both of these companies are seen as profitable growth opportunities and a good fit for Avingtrans. The search for other suitable acquisitions remains a strong element in the Company's growth strategy.

### **Directors and senior management**

As reported in the Interim statement on 30 November 2002, a number of changes to the Board were made on 28 June 2002. I was appointed Chairman of the Board, Stephen Bruh, previously an Executive Director was appointed Non-executive Director and Jeremy Hamer previously Chairman was appointed Non-executive Director. Also on this day Steve Lawrence was appointed Executive Director. On the 2 September 2002 the Board was pleased to welcome Stephen King, previously with PricewaterhouseCoopers to the Board in the position of Finance Director and Company Secretary. Shareholders at the AGM held on the 11 October 2002 ratified all of these appointments.

In view of the increasing workload on the senior management caused by our accelerating acquisition programme I have agreed to become Executive Chairman of the Company with effect from 30 September 2003.

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 8 October 2003.

### **Revenue Reserves**

As noted earlier in the report, the negative Profit and Loss Reserve shown in the brought forward Balance Sheet, together with the operating loss recorded in the previous year, prevented the Company from considering any proposals from the Directors for dividend payments for the year under review and in addition precluded the Company from attempting any acquisitions without incurring the costs associated with a reverse takeover.

Accordingly an action was put in process in the last quarter of the year to correct this situation. This process culminated in an EGM held on 17 July 2003 at which a resolution to cancel the Share Premium Account of the Company was duly passed. Following this on the 20 August 2003, the High Court of Justice Chancery Division approved the cancellation of the Share Premium Account of the Company. Had the approval been received before 31 May 2003 the adjusted Profit and Loss Reserve at 31 May 2003 would have been £3,435,000. These actions release the Company from the constraints on future dividends. There is no impact on the Net Assets of the Group.

### **Share Options**

After another review of Company procedure, the Board proposes to amend the terms of the Avingtrans plc Share Option Scheme. The present scheme is considered unwieldy and out of date with current practice. Our Auditor RSM Robson Rhodes LLP has drawn up a new EMI scheme in accordance with best practice corporate governance and ABI guidelines. The new scheme will be implemented during October. Copies of the Scheme are available for inspection at Avingtrans' Registered Office during normal working hours.

**Post Balance Sheet events**

On 29 August 2003 Avingtrans through its UK subsidiary Jena Rotary Technology (JRT) of Cossall, Nottinghamshire acquired the assets, intellectual property rights, personnel and ongoing business interests of Boneham and Turner Spindles (BTS) a division of Boneham and Turner Limited of Mansfield, Nottinghamshire.

Precision spindles are used in many forms of machinery and automation equipment to transmit power to cutting tools and other mechanisms and are being developed to meet the growing needs of the aerospace and other industries.

BTS will be integrated with Avingtrans' existing spindle operations and the GMN distribution centre at JRT, forming the largest precision machine spindle manufacturing operation in the UK. This combined operation will be cost efficient and effective in serving the needs of the company's customer's worldwide and is an important step in the growth of the actuator division.

**Prospects**

Whilst business activity is still well below 2001 levels, a steady improvement in enquiry levels and order intake was experienced in the last quarter of the year under review and this has continued in the first quarter of the new year. With the acquisition of BTS and the distribution arrangements on the GMN spindle line for the UK and Ireland the Company's position in this field is greatly strengthened, and significant benefits are anticipated in the future. Actuators continue to be the Company's main business line which are designed and produced at its modern factory in Jena, Germany and are distributed in both the EU and the USA. Demand for this product remains strong, with new applications continuing to evolve. The Company is well placed to take advantage of a sustained upturn in economic conditions.

On behalf of the Board of Directors I should like to thank all the employees of the Company for their continuing efforts during the year and their contribution to its success.

Your Board looks forward to the new year and the prospects of continued profitable growth with cautious optimism.

**K.M.Baker**  
Chairman  
10 September 2003

## Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 May 2003.

### Principal activities and business review

The Group's principal activities are the provision of precision actuators, spindles and finishing services to the automation, machinery and aerospace industries of the EU and USA. Details of the business review are included in the Chairman's Report. A list of the principal operating subsidiaries of the Group is set out in note 13 to the accounts.

### Results and dividends

The Group's profit for the year before tax amounted to £291,000 (2002: £309,000 loss).

### Substantial shareholdings

As at 1 September 2003, 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:

	Number of shares	Percentage of issued share capital owned
Funds managed by ISIS Asset Management	850,000	12.1%
Nigel Wray	751,000	10.6%
Funds managed by Singer & Friedlander Investment Management Limited	685,000	9.7%
Funds managed by Intrinsic Value Partnership	335,000	4.8%

### Directors and their interests

The present Directors of the Company are set out on page 1. Their interests are set out below, including those of their spouses and children, in the share capital of the Company.

	Ordinary shares of £1 each	
	31 May 2003	31 May 2002
K M Baker	630,454	10,000
S M Bruh	-	491,461
J J Hamer	55,000	-
S J Lawrence	192,818	-
S M King	30,000	-

S M Bruh is a potential beneficiary of settlements excluded from the above analysis which own shares as follows:

	Number of shares	Percentage of issued share capital owned
Max Bruh – No 1 Discretionary Settlement	52,646	0.77%
Max Bruh – No 2 Discretionary Settlement	52,646	0.77%

## Report of the Directors

(continued)

### Share options

No share options have been granted to Directors to subscribe for ordinary shares.

### Warrant packages

The following warrants were issued for an exercise price of 50p to directors as part of the purchase agreement of the Jena Group (note 24) and will vest if certain performance targets are achieved.

	<b>Number of warrants</b>	
K M Baker	1,040,000	
S J Lawrence	560,000	

The warrant targets are as follows:

<b>Following audited accounts for the year to:</b>	<b>Earnings per share target</b>	<b>Warrants exercisable</b>
31 May 2004	8.44p for year ended 31 May 2004	30% of warrants
31 May 2003	9.93p for year ended 31 May 2005	50% of warrants
31 May 2006	12.41p for year ended 31 May 2006	20% of warrants

### Service contracts

J J Hamer was appointed under a letter dated 18 September 1998. The contract was renewable annually and subject to 6 months' notice on either side.

S M Bruh had a service agreement with the Company which provided for 24 months' notice. As part of the overall Jena Group acquisition, S M Bruh received compensation under his service agreement and on 28 June 2002 was appointed a Non-executive Director. On 28 June 2002, K M Baker was appointed for an initial period of two years, terminable on 12 months notice, the other Non-executive Directors were appointed for a fixed term of one year, thereafter terminable on three months' notice by either party.

On 28 June 2002, S J Lawrence was appointed for a fixed term of two years, thereafter terminable on 12 months' notice by either party. On 2 September, S M King was appointed for an initial period of six months, thereafter terminable on 6 months notice by either party.

The names of the present directors are set out on page one and in Note 7 to the financial statements.

### Interest in contracts

Other than detailed in Note 28 no Director was materially interested in any contract during the year.



## **Report of the Directors**

(continued)

### **Treasury Operations**

#### **Foreign currency risk**

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

The Group has no significant transactional currency exposures.

#### **Interest 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.

#### **Donations**

Donations made by the Group for charitable purposes in the United Kingdom amounted to £nil (2002: £nil).

#### **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 Company Creditor days were 56 (2002: nil) for the Company and for the Group 57 days (2002: nil).

#### **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.

#### **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.

#### **European Monetary Union**

All Group companies are aware of the implications of European Monetary Union for both their information systems and other aspects of their operations and now transact in Euros as appropriate. During the year no significant incremental expenditure has been incurred to ensure compliance with the necessary requirements.

## Report of the Directors

(continued)

### Directors' responsibilities

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 Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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 ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes the information required by the AIM rules.

### Auditors

The auditors, Price Waterhouse Coopers, resigned during the year and RSM Robson Rhodes LLP were appointed in their place. 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 10 September 2003 and signed on its behalf by:

**S M King**  
**Company Secretary**  
Avingtrans plc  
Registered Company Number 1968354

## Corporate Governance

### **Statement of compliance with the principles in the Combined Code**

This statement sets out the manner in which the Company has applied the principles set out in section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998.

### **Directors**

The Board of Avingtrans plc comprised one Executive Director and two Non-executive Directors for the period from 1 June 2002 to 28 June 2002. Between 1 July 2002 and 2 September 2002 the Board comprised one Executive Director and three Non-executive Directors, after 2 September there were two Executive Directors and three Non-executive Directors. The Board was chaired by J J Hamer, an independent Non-executive Director, who had primary responsibility for running the Board. On 28 June 2002, K M Baker replaced J J Hamer as Non-executive Chairman.

The Chief Executive, S M Bruh, had executive responsibilities for the remaining operations, results and strategic development of the Company. On 28 June 2002, S M Bruh became the third Non-executive Director of Avingtrans plc and S J Lawrence was appointed Executive Director. On 2 September, S M King was appointed Finance Director and Company Secretary. J J Hamer is the senior independent Non-executive Director. 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 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 Company's affairs. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company'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.

The Company's Articles of Association ensure all the 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.

Until 28 June 2002, J J Hamer chaired each of the Audit, Nominations and Remuneration Committees, and the other Non-Executive Director was a member of each of these committees. Since 28 June 2002, K M Baker chairs the Nominations Committee, S M Bruh chairs the Remuneration Committee and J J Hamer chairs the Audit Committee. The other Non-executive Directors are members of each of the above committees.

### **Director's 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 page 12.

### **Relations with shareholders**

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

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

## Corporate Governance

(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 Chairman of the Audit, Remuneration and Nomination Committees, is available to answer questions at the Annual General Meeting. All Directors are expected to attend the Annual General Meetings.

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 internal control, approving accounting policies and reviewing the interim and financial statements before submission to the Board.

### **Internal control**

The Directors acknowledge that they are responsible for ensuring that the Company 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 effectiveness of the systems of internal control for the accounting year and the period to 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.
- Identification and appraisal by the Board of the major financial risks affecting the business and the financial controls.

Whilst this was limited in its scope until 28 June 2002, since that date, appropriate controls have been in place.

### **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.

## Corporate Governance

(continued)

### **Statement of compliance with the Code Provisions in the Combined Code**

For the period to 31 May 2003, the Company has acted substantially in accordance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance. With regard to the Code's provision in respect of the number of Non-executive Directors, the Company had only appointed two such Directors until 28 June 2002. On 28 June 2002, S M Bruh was appointed the third Non-executive Director of Avingtrans plc. During the financial year, with regard to Code provision D.3.1, the Audit Committee comprised only the two Non-Executive Directors. Since 28 June 2002, the Group complied with this provision.

With regard to Code provision A.1.6 and D.2.2, Directors are not formally offered training upon their appointment to the Board and the Group does not have an internal audit function, as the Board does not consider that these requirements are necessary for a company of its size.

With regard to Code provision A.6.1 during the year K M Baker was appointed for one year only whilst J J Hamer had a 12 month renewable appointment with 6 months' notice. On 28 June 2002, K M Baker was appointed for an initial period of two years, terminable on 12 months' notice, the other Non-Executive Directors were appointed for a fixed term of one year, thereafter terminable on three months' notice by either party.

### **S M King**

Company Secretary  
10 September 2003

## Report of the Directors on Remuneration

### **Directors' remuneration policy**

The remuneration packages, including contract periods of Executive Directors, are determined by the Remuneration Committee. The Remuneration Committee initially comprised the two Non-Executive Directors, J J Hamer and K M Baker. Since 28 June 2002 S M Bruh has been Chairman of 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 Stock Exchange Listing Rules derived from Schedule A of the Combined Code. In framing the remuneration policy, full consideration has been given to the best practice provisions set out in Schedule B annexed to the listing rules. The Auditors' Report set out on page 13 covers the disclosures referred to in this report which The London Stock Exchange specifies for audit. Details of Directors' remuneration and share options are set out in note 7 and page 6 of the financial statements respectively. Details of Directors' interests in shares are set out in the Directors' report.

### **Base salary and benefits**

The Committee sets the salary of each Executive Director by reference to the responsibility of the position held 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 and other Executives. The present scheme is considered unwieldy and out of date with current practice. RSM Robson Rhodes LLP has drawn up a new EMI scheme in accordance with best practice corporate governance and ABI guidelines. The new scheme will be implemented during October. Options may be exercised between three and ten years from the date the option is granted but only if certain performance criteria are satisfied. No share options were exercised or granted in the financial year.

### **Service agreements**

On 28 June 2002, S J Lawrence was appointed for a fixed term of two years, thereafter terminable on 12 months notice by either party. On 2 September, S M King was appointed for an initial period of six months, thereafter terminable on 6 months notice by either party.

### **Pensions**

The Company was only responsible for the contributions to the defined contribution schemes elected by the Executive Directors. Details of contributions provided in the year are set out in Note 7 of the financial statements.

### **Non-Executive Directors**

Non-Executive Directors' remuneration is reviewed by all members of the Board other than the Non-Executive Director under review.

### **S M Bruh**

Director

Chairman of the Remuneration Committee  
10 September 2003.

# Independent Auditors' Report to the Shareholders of Avingtrans plc

We have audited the financial statements on pages 14 to 35.

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 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**

As described on page 8 the company's directors are responsible for the preparation of financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We review whether the Corporate Governance Statement on pages 9 to 11 reflects the company's compliance with the seven provisions of the Combined Code that would be specified for our review by the Listing Rules had the company been fully listed, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

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 Directors' Report, the Directors' Remuneration Report, the Chairman's Statement, and the Corporate Governance Statement. 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.

## **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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.

## **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 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## **RSM Robson Rhodes LLP**

Chartered Accountants and Registered Auditors  
Birmingham, England  
10 September 2003

## Consolidated Profit and Loss Account

For the year ended 31 May 2003

	Note	2003 £ '000	2002 £ '000
<b>Turnover</b>			
Acquisitions	2,3	4,647	-
<b>Cost of sales</b>			
Acquisitions		(2,661)	-
<b>Gross profit</b>			
Acquisitions		1,986	-
<b>Net operating expenses</b>	4	(1,693)	(498)
<b>Continuing operations</b>		45	(232)
Acquisitions		315	-
Goodwill amortisation		(67)	-
Exceptional items		-	(266)
<b>Operating profit/(loss)</b>	4	293	(498)
Interest receivable		66	190
Interest payable	6	(68)	(1)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	291	(309)
Taxation on profit/(loss) on ordinary activities	9	(63)	-
<b>Profit/(loss) for the financial year</b>		228	(309)
<b>Retained profit/(loss) transferred to/(from) reserves</b>		228	(309)
<b>Earnings per share – basic and diluted</b>	10	3.3p	(4.9p)

The notes on pages 19 to 35 form part of these financial statements.

There is no difference between the loss on the ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.



## Consolidated Balance Sheet

at 31 May 2003

	Note	2003 £ '000	2002 £ '000
<b>Fixed assets</b>			
Intangible assets	11	1,400	-
Tangible assets	12	1,522	-
Investments	13	59	212
		<u>2,981</u>	<u>212</u>
<b>Current assets</b>			
Stocks	14	1,430	-
Debtors	15	913	1
Cash at bank and in hand		1,083	4,080
		<u>3,426</u>	<u>4,081</u>
<b>Creditors: Amounts falling due within one year</b>	16	<b>(1,227)</b>	<b>(252)</b>
<b>Net current assets</b>		<u>2,199</u>	<u>3,929</u>
<b>Total assets less current liabilities</b>		<u>5,180</u>	<u>4,041</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(400)</b>	-
<b>Net assets</b>		<u>4,780</u>	<u>4,041</u>
<b>Capital and reserves</b>			
Called up share capital	20	352	316
Share premium account	21	3,611	3,247
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	(176)	(515)
<b>Equity shareholders' funds</b>	22	<u>4,780</u>	<u>4,041</u>

The financial statements were approved by the Board on 10 September 2003 and signed on its behalf by:

**S M King**  
Director

## Balance Sheet

at 31 May 2003

	Note	2003 £ '000	2002 £ '000
<b>Fixed assets</b>			
Investments	13	3,692	212
		<u>3,692</u>	<u>212</u>
<b>Current assets</b>			
Debtors	15	264	1
Cash at bank and in hand		767	4,080
		<u>1,031</u>	<u>4,081</u>
<b>Creditors: Amounts falling due within one year</b>	16	<b>(316)</b>	<b>(252)</b>
<b>Net current assets</b>		<u>715</u>	<u>3,929</u>
<b>Total assets less current liabilities</b>		<u>4,407</u>	<u>4,041</u>
<b>Capital and reserves</b>			
Called up share capital	20	352	316
Share premium account	21	3,611	3,247
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	(549)	(515)
<b>Equity shareholders' funds</b>	22	<u>4,407</u>	<u>4,041</u>

The notes on pages 19 to 35 form part of these financial statements.

Approved by the Board on 10 September 2003.

**S M King**  
Director

## Consolidated Cash Flow Statement

For the year ended 31 May 2003

	Note	2003 £ '000	2002 £ '000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>23</b>	<b>281</b>	<b>(388)</b>
<b>Returns on investment and servicing of finance</b>		<hr/>	<hr/>
Interest received		66	190
Interest paid		(30)	(1)
Interest element of hire purchase and finance lease payments		(38)	-
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<b>(2)</b>	<b>189</b>
<b>Taxation paid</b>		<b>(135)</b>	<b>-</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(98)	-
Sale of tangible fixed assets		17	-
Purchase of fixed asset investments		(59)	-
		<hr/>	<hr/>
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(140)</b>	<b>-</b>
<b>Acquisitions</b>			
Purchase of subsidiary undertakings	24	(3,421)	(212)
Net cash acquired with subsidiary undertakings	24	50	-
		<hr/>	<hr/>
<b>Net cash outflow for acquisitions</b>		<b>(3,371)</b>	<b>(212)</b>
<b>Financing</b>			
Issue of ordinary share capital	20,21	400	-
Loan repayments	23	(16)	-
Capital element of finance lease payments	23	(177)	-
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		<b>207</b>	<b>-</b>
		<hr/>	<hr/>
<b>(Decrease) in net cash</b>		<b>(3,160)</b>	<b>(411)</b>
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 19 to 35 form part of these financial statements.

## Statement of Total Recognised Gains and Losses

For the year ended 31 May 2003

	<b>2003</b> <b>£'000</b>	2002 £'000
<b>Profit/(loss) for the financial year</b>	<b>228</b>	(309)
Other recognised gains and losses		
- exchange gains on translation of foreign subsidiaries	<b>111</b>	-
<b>Total gains and losses recognised since the last annual report</b>	<b>339</b>	(309)

# Notes to the Financial Statements

31 May 2003

## 1. ACCOUNTING POLICIES

### Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and in accordance with 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 2003. 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 acquisitions 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 with in the financial statements of the holding company was £56,000 (2002 loss: £309,000).

### 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	1% straight line
Long leasehold property	Evenly over the period of the lease
Plant and machinery	12.5% straight line
Fixtures, fittings and tools	12.5% straight line
Motor vehicles	25% straight line
Computer equipment	33% straight line

### Leases

Assets acquired under finance leases and hire purchase agreements are capitalised in the balance sheet and depreciated over their useful lives. The cost of interest under the terms of the finance lease is charged to the profit and loss account over the period of the lease. Rentals paid under operating leases are charged to the profit and loss account as incurred.

### Stocks

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

# Notes to the Financial Statements

31 May 2003

## 1. ACCOUNTING POLICIES (Continued)

### Deferred taxation

Deferred tax is provided in accordance with FRS19 on those 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. 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.

In accordance with FRS 19 deferred tax is not provided for:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- c) extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in future; and
- d) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

### 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. 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 trading operations are included in operating profit. Exchange differences arising from the translation into sterling of the net equity interest in overseas undertakings are treated as movements in reserves together with the exchange differences on any foreign currency borrowings which finance overseas assets.

### 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 incurred.

## Notes to the Financial Statements

31 May 2003

### 2. SEGMENTAL ANALYSIS

	Precision finishing 2003 £ '000	Actuators and Spindles 2003 £ '000	Goodwill 2003 £ '000	Total 2003 £ '000	Total 2002 £ '000
Turnover	717	3,930	-	4,647	-
Operating Profit	(13)	373	(67)	293	(498)
Net Assets	59	3,321	1,400	4,780	4,041

### 3. TURNOVER BY GEOGRAPHICAL MARKET

	Precision Finishing 2003 £ '000	Actuators and Spindles 2003 £ '000	Total 2003 £ '000	Total 2002 £ '000
Turnover by geographical origin				
United Kingdom	717	362	1,079	-
Europe	-	3,509	3,509	-
North America	-	59	59	-
Rest of World	-	-	-	-
	<u>717</u>	<u>3,930</u>	<u>4,647</u>	<u>-</u>
Turnover by geographical destination				
United Kingdom	644	845	1,489	-
Europe	73	2,635	2,708	-
North America	-	407	407	-
Rest of World	-	43	43	-
	<u>717</u>	<u>3,930</u>	<u>4,647</u>	<u>-</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.

## Notes to the Financial Statements

31 May 2003

### 4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is arrived at after charging/(crediting):

	2003 Continuing £ '000	2003 Acquisitions £ '000	2003 Total £ '000	2002 Total £ '000
Turnover	-	4,647	4,647	-
Cost of sales	-	(2,661)	(2,661)	-
Gross profit	-	1,986	1,986	-
Distribution costs	-	(302)	(302)	-
Administration expenses	45	(1,436)	(1,391)	(498)
	<u>45</u>	<u>(1,738)</u>	<u>(1,693)</u>	<u>(498)</u>
Operating profit/(loss)	<u>45</u>	<u>248</u>	<u>293</u>	<u>(498)</u>

Exceptional charges included in administration expenses in 2002 relate to the compensation of a Director for loss of office as part of the purchase agreement in the purchase of the Jena Group (£266,000) and professional fees incurred as a result of Frank Usher Limited going into receivership (£36,000).

### 5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 £ '000	2002 £ '000
Depreciation of tangible fixed assets:		
Owned Assets	128	-
Assets held under hire purchase leases	71	-
Amortisation of goodwill	67	-
Auditors' remuneration	31	14
Other fees to auditors	9	-
Loss on foreign exchange transactions	26	-
Operating lease rentals:		
Land and buildings	260	-
Machinery and equipment	11	-
	<u>          </u>	<u>          </u>



## Notes to the Financial Statements

31 May 2003

### 6. INTEREST PAYABLE

	2003 £ '000	2002 £ '000
Interest on bank loans and overdrafts wholly repayable within five years	17	1
Interest on finance leases and HP agreements	38	-
Interest on ACT	13	-
	<u>68</u>	<u>1</u>

### 7. DIRECTORS' EMOLUMENTS

Details of the remuneration of all Directors are as follows:

	Salary and fees £'000	Benefits £'000	Total 2003 £'000	Total 2002 £'000	Pension Total 2003 £'000	Pension Total 2002 £'000
<b>Non-Executive:</b>						
K M Baker	44	-	44	24	-	-
J J Hamer	20	-	20	25	-	-
S M Bruh	20	-	20	202	-	94
<b>Executive:</b>						
S J Lawrence	73	1	74	-	7	-
S M King	43	-	43	-	2	-
Total emoluments	<u>200</u>	<u>1</u>	<u>201</u>	<u>251</u>	<u>9</u>	<u>94</u>

The number of Directors who are accruing benefits under money purchase schemes is two (2002: one).

### 8. EMPLOYEES

Profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Wages and salaries	2,212	202
Social security costs	357	28
Other pension costs	13	94
	<u>2,582</u>	<u>324</u>

## Notes to the Financial Statements

31 May 2003

### 8. EMPLOYEES (Continued)

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

	2003 No	2002 No
Production	97	-
Selling and distribution	8	-
Administration	30	1
	<u>135</u>	<u>1</u>

### 9. TAXATION

	2003 £'000	2002 £'000
<b>United Kingdom corporation tax</b>		
Current tax on income for the year	(13)	-
Irrecoverable ACT	49	-
	<u>36</u>	<u>-</u>
<b>Foreign tax</b>		
Current tax on income for the year	37	-
	<u>73</u>	<u>-</u>
<b>Total current taxation</b>		
<b>Deferred taxation</b>		
Net reversal of timing differences	(10)	-
	<u>63</u>	<u>-</u>
<b>Tax on profit/(loss) on ordinary activities</b>		
	<u>291</u>	<u>(309)</u>
Profit/(loss) on ordinary activities before taxation		
	<u>87</u>	<u>(93)</u>
Theoretical tax at UK corporation tax rate 30% (2002: 30%)		
Effects of:		
- goodwill amortisation	20	-
- revenue deductible items in capital	(51)	-
- irrecoverable ACT	49	-
- utilisation of overseas losses not recognised	(99)	-
- difference in overseas tax rates	8	-
- unrelieved UK losses not recognised	47	93
- unrelieved overseas losses not recognised	12	-
	<u>73</u>	<u>-</u>
Actual current taxation charge		

The Group has tax losses carried forward of approximately £1.0million at 31 May 2003 (2002: £0.5million).

## Notes to the Financial Statements

31 May 2003

### 10. EARNINGS PER ORDINARY SHARE

Earnings per share and diluted earnings per share have been calculated in accordance with FRS14 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders. The calculation of earnings per ordinary share on the net basis is based on the profit for the year of £228,000 (2002: loss of £309,000) and on 6,990,028 (2002: 6,322,531) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

### 11. INTANGIBLE FIXED ASSETS

	<b>Group £'000</b>
<b>Goodwill</b>	
<b>Cost</b>	
At 1 June 2002	-
Additions	1,467
<b>At 31 May 2003</b>	<b>1,467</b>
<b>Amortisation</b>	
At 1 June 2002	-
Additions	67
<b>At 31 May 2003</b>	<b>67</b>
<b>Net book value</b>	
<b>At 31 May 2003</b>	<b>1,400</b>
At 31 May 2002	-

## Notes to the Financial Statements

31 May 2003

### 12. TANGIBLE FIXED ASSETS - GROUP

	Freehold Land and buildings £ '000	Plant and machinery £ '000	Equipment and motor vehicles £ '000	Total £ '000
<b>Cost or valuation</b>				
At 1 June 2002	-	-	-	-
Exchange adjustments	-	276	35	311
Acquisitions	340	989	169	1,498
Additions	2	79	63	144
Disposals	-	(5)	(36)	(41)
<b>At 31 May 2003</b>	<b>342</b>	<b>1,339</b>	<b>231</b>	<b>1,912</b>
<b>Depreciation</b>				
At 1 June 2002	-	-	-	-
Exchange adjustments	-	187	28	215
Charge for the year	4	139	56	199
Disposals	-	(4)	(20)	(24)
<b>At 31 May 2003</b>	<b>4</b>	<b>322</b>	<b>64</b>	<b>390</b>
<b>Net book value</b>				
<b>At 31 May 2003</b>	<b>338</b>	<b>1,017</b>	<b>167</b>	<b>1,522</b>
At 31 May 2002	-	-	-	-

#### Leased assets

Included within tangible fixed assets are the following capitalised values and related accumulated depreciation for assets acquired under hire purchase leases:

	Plant and machinery £ '000	Fixtures and fittings £ '000
Capitalised value	744	69
Depreciation	57	14
<b>Net book value</b>	<b>687</b>	<b>55</b>

## Notes to the Financial Statements

31 May 2003

### 13. INVESTMENTS

	Group undertakings £'000	Listed investments £'000	Total £'000
At 1 June 2002	212	-	212
Additions	3,421	59	3,480
<b>At 31 May 2003</b>	<b>3,633</b>	<b>59</b>	<b>3,692</b>

The market value of the listed investment (ordinary shares) at 31 May 2003 was £59,000.

The principal subsidiaries are:

Name	Country of incorporation	Principal activity
Jenaer Gewindetechnik GmbH	Germany	Ballscrew manufacturer
Jena-Tec Inc	USA	Distributor
Jena Rotary Technology Limited	Great Britain	Distributor
C & H Precision Limited	Great Britain	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

	2003 Group £'000	2003 Company £'000	2002 Group £'000	2002 Company £'000
Raw materials and consumables	501	-	-	-
WIP	724	-	-	-
Finished goods	205	-	-	-
	<b>1,430</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 15. DEBTORS

	2003 Group £ '000	2003 Company £ '000	2002 Group £ '000	2002 Company £ '000
Trade debtors	789	-	-	-
Amounts owed by group undertakings	-	214	-	-
Other debtors	32	-	1	1
Prepayments and accrued income	92	50	-	-
	<b>913</b>	<b>264</b>	<b>1</b>	<b>1</b>

## Notes to the Financial Statements

31 May 2003

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 Group £ '000	2003 Company £ '000	2002 Group £ '000	2002 Company £ '000
Bank and other borrowings	404	-	34	34
Trade creditors	380	113	-	-
Amounts owed to group undertakings	-	91	-	-
Overseas taxation	4	-	-	-
Other tax and social security	188	5	-	-
Other creditors	99	52	193	193
Accruals and other deferred income	152	55	25	25
	<u>1,227</u>	<u>316</u>	<u>252</u>	<u>252</u>

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 Group £ '000	2003 Company £ '000	2002 Group £ '000	2002 Company £ '000
Bank and other borrowings	400	-	-	-

Bank and other borrowings are further analysed as follows:

	2003 £ '000	2002 £ '000
<b>Due within one year:</b>		
Bank overdraft	227	-
Obligations under hire purchase leases	177	-
	<u>404</u>	<u>-</u>
<b>Due after more than one year</b>		
Bank loans	-	-
Obligations under hire purchase leases	400	-
	<u>400</u>	<u>-</u>
<b>Repayable:</b>		
Due within one year	404	-
Over one year but less than two years	137	-
Over two years but less than five years	263	-
Over five years	-	-
	<u>804</u>	<u>-</u>

Bank Overdrafts of £183,000 are secured on the assets of Jenaer Gewindetechnik GmbH. At 31 May 2003 the Group had £92,000 of undrawn committed borrowing facilities expiring in one year or less (2002 £nil).

## Notes to the Financial Statements

31 May 2003

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Currency analysis of net funds at 31 May 2003

	2003 £ '000	2002 £ '000
<b>Borrowings:</b>		
Sterling	50	-
Euro	702	-
US Dollar	52	-
	<u>804</u>	<u>-</u>
<b>Cash and deposits</b>		
Sterling	910	-
Euro	130	-
US Dollar	43	-
	<u>1,083</u>	<u>-</u>

Currency Analysis of net assets at 31 May 2003

	2003 Net Assets excluding Net Funds £ '000	2003 Net Funds £ '000	2002 Net Assets excluding Net Funds £ '000	2002 Net Funds £ '000
Sterling	1,204	860	-	-
Euro	3,812	(572)	-	-
US Dollar	(515)	(9)	-	-
	<u>4,501</u>	<u>279</u>	<u>-</u>	<u>-</u>

At 31 May 2003 the Group had no fixed interest borrowings. All other borrowings were at variable rates relative to local base rates.

The fair value of the financial instruments set out above is not substantially different to the book value.

## Notes to the Financial Statements

31 May 2003

### 18. FINANCIAL INSTRUMENTS

The Group's policies in respect of foreign currency and interest rate risk management set out in the Treasury section of the Directors' report on page 7 form part of these financial statements.

The Group held the following categories of financial instruments (excluding short term debtors and creditors) at 31 May 2003.

	2003 £ '000	2002 £ '000
<b>Assets/(liabilities):</b>		
Investments	59	-
Cash and deposits	1,083	-
Short-term borrowings	(404)	-
Borrowings falling due after more than one year	(400)	-
Forward rate agreements	-	-
	<hr/>	<hr/>

### 19. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation comprises the following:

	2003 £ '000	2002 £ '000
Accelerated capital allowances	12	-
Losses	(12)	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

The movement in the period may be summarised as follows:

	2003 £ '000	2002 £ '000
At 1 June	-	-
Arising on acquisition	(10)	-
Transfer to profit and loss account	10	-
	<hr/>	<hr/>
<b>At 31 May</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>



## Notes to the Financial Statements

31 May 2003

### 20. CALLED UP SHARE CAPITAL

	2003 No	2002 No	2003 £ '000	2002 £ '000
<b>Authorised</b>				
Authorised ordinary shares of 5p each	20,000,000	10,000,000	1,000	500
<b>Allotted, issued and fully paid</b>				
Ordinary shares of 5p each	7,049,804	6,322,531	352	316

As part of the Jena Group acquisition the following shares were issued on 28 June 2002:

KM Baker	545,455 for 55p per share
SJ Lawrence	181,818 for 55p per share.

In addition the authorised share capital was increased to 20,000,000 shares.

### 21. RESERVES

	Share premium account £ '000	Capital redemption reserve £ '000	Other reserves £ '000	Profit and loss account £ '000
<b>Group</b>				
At 1 June 2002	3,247	813	180	(515)
Premium on issue of shares	364	-	-	-
Profit for the financial year	-	-	-	228
Exchange gains on translation of foreign subsidiaries	-	-	-	111
<b>At 31 May 2003</b>	<b>3,611</b>	<b>813</b>	<b>180</b>	<b>(176)</b>

	Share premium account £ '000	Capital redemption reserve £ '000	Other reserves £ '000	Profit and loss account £ '000
<b>Company</b>				
At 1 June 2002	3,247	813	180	(515)
Premium on issue of shares	364	-	-	-
Profit for the financial year	-	-	-	56
Exchange adjustment	-	-	-	(90)
<b>At 31 May 2003</b>	<b>3,611</b>	<b>813</b>	<b>180</b>	<b>(549)</b>

## Notes to the Financial Statements

31 May 2003

### 22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2003 £ '000	Company 2003 £ '000	Group 2002 £ '000	Company 2002 £ '000
Profit/(loss) for the financial year	228	56	(309)	(309)
Issue of shares	400	400	-	-
Other recognised gains and losses relating to the year	111	(90)	-	-
Net change to shareholders' funds	<u>739</u>	<u>366</u>	<u>(309)</u>	<u>(309)</u>
Shareholders' funds at 1 June	4,041	4,041	4,350	4,350
Shareholders' funds at 31 May	<u><u>4,780</u></u>	<u><u>4,407</u></u>	<u><u>4,041</u></u>	<u><u>4,041</u></u>

### 23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

#### Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities:

	2003 £ '000	2002 £ '000
Operating profit/(loss)	293	(498)
Depreciation charges	199	-
Goodwill amortisation	67	-
Increase in stocks	(101)	-
Increase in debtors	(98)	-
(Decrease)/ increase in creditors	(79)	110
Net cash inflow/(outflow) from operating activities	<u><u>281</u></u>	<u><u>(388)</u></u>

#### Reconciliation of net cash (outflow) to movement in net funds:

	1 June 2002 £ '000	Cash flow £'000	Acquisition £ '000	Other non-cash changes £ '000	Exchange Move- ments £ '000	31 May 2003 £ '000
Cash at bank and in hand	4,080	(3,168)	189	-	(18)	1,083
Bank overdrafts	(34)	(42)	(139)	-	(12)	(227)
	<u>4,046</u>	<u>(3,210)</u>	<u>50</u>	<u>-</u>	<u>(30)</u>	<u>856</u>
Debt	-	16	(16)	-	-	-
Hire Purchase leases	-	177	(654)	(46)	(54)	(577)
	<u>-</u>	<u>193</u>	<u>(670)</u>	<u>(46)</u>	<u>(54)</u>	<u>(577)</u>
Net funds	<u><u>4,046</u></u>	<u><u>(3,017)</u></u>	<u><u>(620)</u></u>	<u><u>(46)</u></u>	<u><u>(84)</u></u>	<u><u>279</u></u>

## Notes to the Financial Statements

31 May 2003

### 24. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 28 June 2002, the Company acquired the entire issued share capital of the subsidiary undertakings of each company in the Jena Group of companies, comprising Jenaer Gewindetechnik GmbH, Jena-Tec Inc, Jena Rotary Technology Limited and C & H Precision Finishers Limited whose assets and liabilities are:

	Initial book value £'000	Provisional accounting policy alignment £'000	Provisional other adjustments £'000	Provisional fair value of assets acquired £'000
Tangible fixed assets	1,637	(139)	-	1,498
Stocks	1,416	(181)	-	1,235
Debtors	822	(9)	-	813
Cash at bank and in hand	189	-	-	189
Bank overdrafts	(139)	-	-	(139)
Creditors	(1,270)	(41)	-	(1,311)
Taxation – current	(109)	-	-	(109)
Deferred tax	34	(44)	-	(10)
Net separable assets	<u>2,580</u>	<u>(414)</u>	<u>-</u>	<u>2,166</u>
Goodwill				1,467
Cash consideration (including £212,000 paid in the year to 31 May 2002)				<u>3,633</u>

Provisional fair value adjustments comprise the alignment with Avingtrans accounting policies for tangible fixed assets, stock and debtor provisions, accruals and deferred tax.

Since the acquisition, the Companies have contributed £276,000 to the Group's operating cashflow, paid £55,000 in respect of net returns on investment and servicing of finance and paid £80,000 in respect of capital expenditure and financial investment.

#### Pre-acquisition performance of the Jena Group of Companies

	£'000
Turnover	4,622
Operating costs	(4,857)
Operating loss	<u>(235)</u>
Net interest	(30)
Loss before taxation	<u>(265)</u>
Taxation	(39)
10 months ended 30 June 2002 loss for the financial period	<u>(304)</u>

The profit for the financial year ended 31 August 2001 was £761,000.

## Notes to the Financial Statements

31 May 2003

### 25. CONTINGENT ASSETS/LIABILITIES

Following the liquidation of Frank Usher Limited, the Company has registered a claim with the receiver of £524,570. The Directors estimate that a minimum receipt of £52,000 is probable.

### 26. FINANCIAL COMMITMENTS

#### Capital Commitments

Commitments for capital expenditure were as follows:

	2003 £ '000	2002 £ '000
Contracted for, but not provided in the accounts	35	-
Authorised by the directors but not contracted for	15	-
	<u>50</u>	<u>-</u>
	<u><u>50</u></u>	<u><u>-</u></u>

#### Operating lease commitments

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

	2003 £ '000	2002 £ '000
Land and buildings, leases expiring:		
Within one year	-	-
Between two and five years	284	-
After more than five years	-	-
	<u>284</u>	<u>-</u>
	<u><u>284</u></u>	<u><u>-</u></u>
Other assets, leases expiring:		
Within one year	9	-
Between two and five years	17	-
After more than five years	7	-
	<u>33</u>	<u>-</u>
	<u><u>33</u></u>	<u><u>-</u></u>

## Notes to the Financial Statements

31 May 2003

### 27. POST BALANCE SHEET EVENTS

On 20 August 2003 the High Court of Justice Chancery Division approved the cancellation of the share premium account of the Company which amounted to £3,611,000 at 31 May 2003. Had the approval been received before 31 May 2003 the adjusted profit and loss reserve at 31 May 2003 would have been £3,435,000. There is no impact on the Net Assets of the Group.

On 29 August 2003 Jena Rotary Technology Limited completed the acquisition of the assets of B&T Spindles a division of Boneham and Turner Spindles for £400,000 cash. This has been financed out of existing resources of the Group.

### 28. RELATED PARTY TRANSACTIONS

During the year, the Company has entered into transactions as detailed below, with K M Baker Associates Limited, Financial Decisions and Astrojet Limited. K M Baker is a Director of K M Baker Associates Limited, J J Hamer is a Partner of Financial Decisions and S M Bruh is a Director of Astrojet Limited.

The transactions with K M Baker Associates Limited, Financial Decisions and Astrojet Limited are in relation to the provision of the services of K M Baker, J J Hamer and S M Bruh respectively as Non-Executive Directors of the Company.

During the year, payments (inclusive of VAT) of £53,144 (2002: £23,694) were made to K M Baker Associates Limited, £21,898 (2002: £32,195) to Financial Decisions and £22,236 (2002: £9,810) to Astrojet Limited.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Avingtrans Plc will be held at the Ramada Jarvis, Bostock Lane, Long Eaton Nottingham, NG10 5NL on 8 October 2003 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 2003.
2. To re-elect Jeremy Hamer as a Director.
3. 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 4 being proposed as an Ordinary Resolution and Resolutions 5 and 6 as Special Resolutions:

4. 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 £117,497 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.
5. 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 £17,625

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.

6. 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 704,980;
  - 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

**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 6 October 2003 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.

**AVINGTRANS PLC**  
**Form of Proxy**  
**Annual General Meeting**

Name: Address:
-------------------

I/We, being (a) member(s) of the above-named Company, hereby appoint the chairman of the meeting or (see note 2)

.....  
 (BLOCK CAPITALS PLEASE)

of.....  
 as my/our proxy to attend and, on a poll, to vote on my/our behalf at the Annual General Meeting of the Company to be held on 8 October 2003 and at any adjournment thereof.

The proxy is instructed to vote in respect of the resolution as specified below (see note 1). In the absence of instruction the proxy may vote or abstain from voting as he or she thinks fit on each resolution, or on any other business (including, without limitation, a resolution to amend the resolution or to adjourn the meeting), which comes before the meeting.

<b>Ordinary Resolutions</b>	<b>For</b>	<b>Against</b>
Resolution 1 Adoption of the Director's Report and Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Jeremy Hamer as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Reappointment of RSM Robson Rhodes LLP as auditor of the Company	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Directors' authority to allot shares pursuant to section 80 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>

<b>Special Resolutions</b>	<b>For</b>	<b>Against</b>
Resolution 5 Disapplication of pre-emption rights pursuant to section 89 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Directors' authority under section 89 of the Companies Act 1985 to purchase its own shares	<input type="checkbox"/>	<input type="checkbox"/>

Signature (see note 4) ..... Date.....2003

**Notes**

1. Please indicate how the proxy is to vote by placing an X in the appropriate box opposite the resolution.
2. You may appoint a person other than the chairman of the meeting as your proxy by tendering the name and address of the person you wish to appoint in the space provided and deleting the words "the chairman of the meeting or". A proxy need not be a member of the Company. The chairman of the meeting will act as your proxy if no other name is inserted.
3. Any alteration of this form of proxy must be initialled.
4. A corporation must execute either under its common seal or under the hand of a duly authorised officer.
5. This form of proxy and the authority (if any) under which it is executed, or a notarially certified copy of such authority, should be returned so as to reach the registrars of the Company at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, and in any event not later than 48 hours before the time appointed for holding the meeting, or adjourned meeting, at which time the person named in the form of proxy proposes to vote. Completion and return of this proxy will not preclude a member of the Company from attending and voting in person at the meeting or any adjournment of it.
6. In the case of joint holders, any one of such holders may vote in person or by proxy, but if more than one of such holders is present personally or by proxy, the vote of the one whose name stands earliest in the Register in respect of the joint holding and who tenders a vote will be accepted to vote to the exclusion of the others.





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First fold

**Capita Registrars**  
The Registry  
34 Beckenham Road  
BECKENHAM  
Kent BR3 4BR

Second fold



# Avingtrans plc

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

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

**[www.avingtrans.plc.uk](http://www.avingtrans.plc.uk)**