

Avingtrans plc

**ANNUAL REPORT
YEAR ENDED 31 MAY 2004**





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B&T
SPINDLES

PRECISION
FINISHERS LTD

CROWN UK LTD



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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

Precision House
Derby Road Industrial Estate
Sandiacre
Nottingham NG10 5HU

Website

www.avingtrans.plc.uk

Registered number

1968354

Auditors

RSM Robson Rhodes LLP
Chartered Accountants
Centre City Tower
7 Hill Street
Birmingham B5 4UU

Bankers

HSBC Bank plc
PO Box 68
130 New Street
Birmingham B2 4JU

Registrars

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

Nominated adviser

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

Pinsents
3 Colmore Circus
Birmingham B4 6BH

Chairman's statement

On behalf of your Directors I am pleased to announce the results of Avingtrans plc for the year ended 31 May 2004.

In a year where trading activity remained low in all our major markets and the value of the US Dollar against the Euro and Pound Sterling, severe pressure was put on the sales and margins of the company's products. The trading downturn intensified during the third quarter of the year, despite forecasts for a recovery, and continued almost to the year-end when order intake started to pick-up. This increase in orders has continued during the first quarter of the current year.

Against this difficult trading background, sales for the year at £5.5 million were an adjusted 9% up on the previous year. Increased costs reduced Earnings per Share before goodwill to 3.1p against 4.2p.

Two acquisitions were successfully completed during the year. Certain assets of a precision machine spindle manufacturing and servicing company located in Mansfield, Nottingham and a Bristol based manufacturer of roadside speed camera poles and housings and poles for railway signalling equipment. Both acquisitions hold leading positions in their own market place and have broadened our presence in the supply of precision equipment and critical services to manufacturing in the UK, Germany and USA. Following the spindle asset acquisition its operations were integrated with those of the two existing facilities into a new 15,000 sq. ft. technology centre at Sherwood Park, Nottinghamshire.

The results listed below include the full cost and cash flow effect of the purchase of both acquisitions and the relocation to Sherwood Park.

Financial performance

For the twelve months ended 31 May 2004, earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) was £531,000 (2003: £559,000) on a turnover of £5,533,000 (2003: £4,647,000).

Operating profit for the period was £187,000 (2003: £293,000). Profit before tax was £140,000 (2003: £291,000).

Earnings per share before goodwill amortisation for the year ended 31 May 2004, was 3.1p (2003: 4.2p). Earnings per share after goodwill amortisation and full dilution were 2.0p (2003: 3.3p).

Cash flow from operating activities for the year was £196,000 (2003: £281,000) with cash at bank and in hand at the year-end of £687,000 (2003: £1,083,000). The net cash balance on the 31 May 2004 was £517,000 (2003: £856,000).

The Board is not recommending a dividend (2003: £Nil).

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

An exchange rate loss of £163,000 (2003: gain of £111,000) was recorded through the reserves during the year on currency translation of foreign subsidiaries largely due to the unfavourable movement in the value of the US Dollar to the Pound and Euro.

Review of the year

Trading during the whole of the period under review was below expectations across all operations. Business in the first half of the year was difficult due to the continuing de-stocking and low level of business activity in all our principal markets but particularly in Germany and the USA. An uplift in economic and manufacturing activity widely forecast for the end of calendar year 2003 did not happen and the decline in the value of the US Dollar affected the sales and profitability. The main trading objectives during the year have been to maintain relationships with our customers and to seek other markets for our products and services.

Chairman's statement (continued)

The Company acquisition programme continued during the year and included the assets and ongoing business interests of Boneham & Turner Spindles (B&T) that were acquired in September 2003 for £400,000 and the business known as Crown (UK) Ltd was acquired on 28 May 2004, the last day of trading of the year under review, for £1.56 million.

B&T, formerly a division of Boneham & Turner Limited, Mansfield, is a supplier of precision powered spindles for industrial applications in the automation and machinery markets of the EU, USA and Asia. Following the acquisition, B&T was combined with the two existing Jena Rotary Technology Limited operations in a new facility at Sherwood Park, North Nottinghamshire and has contributed to sales and profits during its nine months in the Group.

Crown is based in Portishead, Bristol, and designs and manufactures housings and stands for roadside speed cameras and gantry and trackside poles for railway signalling. Crown, whose products carry Home Office approval, supply roadside posts and housings for camera installations in the UK. Poles are also supplied to the EU, Canada and Australia. Crown's audited accounts for the year to December 2003 disclosed turnover of £2.8 million and pre-tax profits of £614,000. At completion Crown had net assets of £564,000 and cash balances of approximately £256,000.

Both of the acquisitions reported upon 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.

Capital expenditure on essential items and replacement equipment was maintained at the planned level.

Directors and senior management

In view of the increasing workload on the senior management caused by our accelerating acquisition programme I agreed to become Executive Chairman of the Company with effect from 1 October 2003.

In accordance with the Articles of Association Steven Lawrence and Stephen Bruh retire from the Board in rotation and offers themselves for re-election at the AGM scheduled for 11 October 2004.

Revenue reserves

The High Court of Justice Chancery Division approved the cancellation of the Share Premium Account of the Company on the 20 August 2003 and its transfer to the Profit and Loss Reserve. Shareholders had approved this proposal on 17 July 2003. There is no impact on the net assets of the Group. This action releases the Company from the constraints on the payment of future dividends.

Share options

During the year RSM Robson Rhodes LLP has drawn up a new EMI scheme in accordance with best practice corporate governance and ABI guidelines. The new scheme was implemented during October 2003. Copies of the Scheme are available for inspection at Avingtrans' Registered Office during normal working hours.

Prospects

Whilst business activity continued well below expected levels during 2004, a steady improvement in enquiry levels and order intake was experienced in the last quarter of the year under review and this has strengthened in the first quarter of the new year. With the acquisition of Crown the Company's outlook in this new field is very strong and significant benefits are anticipated in the future. Actuators, which are designed and produced at our modern factory in Jena, Germany and distributed in both the EU and the USA, continue to be the Company's main business line. Demand for this product remains strong, and is once again on the increase.

Chairman's statement (continued)

C&H, the Group's precision finishing operation for turbine and compressor blades, has seen a significant uplift in activities since the year end.

The Company is well placed to take advantage of a sustained upturn in economic conditions in all its divisions.

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

13 September 2004

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 May 2004.

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, the design and manufacture of housings and stands for roadside speed cameras, and gantry and trackside poles for railway signalling. 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 financial statements.

Results and dividends

The Group's profit for the year before tax amounted to £140,000 (2003: £291,000). Details of the Group's performance are included in the Chairman's Report. No dividend is proposed (2003: £Nil).

Substantial shareholdings

As at 8 September 2004, 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>
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%
Guy Thomas	355,000	5.0%
David Abel	232,500	3.3%

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 £1 each</i>	
	<i>31 May 2004</i>	<i>31 May 2003</i>
K M Baker	630,455	630,455
S M Bruh	—	—
J J Hamer	55,000	55,000
S J Lawrence	202,818	192,818
S M King	40,000	30,000

At 31 May 2004 and 31 May 2003 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	0.77%
Max Bruh — No 2 Discretionary Settlement	52,646	0.77%

Report of the Directors (continued)

Share options

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

Interest in contracts

Other than detailed in Note 27 no Director was materially interested in any contract during the year.

Treasury operations

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 in the Euro and 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 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 (2003: £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 creditor days were 50 (2003: 56) for the Company and 49 days (2003: 57) 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.

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.

Report of the Directors (continued)

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom 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 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 United Kingdom 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 13 September 2004 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

The company 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 company and the company's compliance with the Code provisions set out in Section 1 of the Combined Code.

For the period to 31 May 2004, the Company has acted in accordance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance with the following exceptions:

Provision A.1.6 — Directors are not formally offered training upon their appointment to the Board as the Board does not consider this requirement as necessary for a Company of its present size.

Provisions B.3.4 and D.3.1 — the Remuneration and Audit Committees comprise two Non-executive Directors and the Chairman, who is an Executive Director rather than three Non-executive Directors.

Directors

The Board of Avingtrans plc comprised two Executive Directors and three Non-executive Directors for the period from 1 June 2003 to 1 October 2003. Between 1 October 2003 and 31 May 2004 the Board comprised three Executive Directors and two Non-executive Directors. The Board was chaired by K M Baker, 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 remaining operations, results and strategic development of the Company. S M King is 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 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.

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 pages 11 to 12.

Relations with shareholders

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

Corporate governance (continued)

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

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, are 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 7 and 13. The Board has established an Audit Committee. The Audit Committee's primary responsibilities include monitoring of internal control, approving accounting policies and reviewing the interim and financial statements before submission to the Board. It meets with the external auditors.

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 operation 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

13 September 2004

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, 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. 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.

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. During the year RSM Robson Rhodes LLP established a new EMI scheme in accordance with best practice corporate governance and ABI guidelines. 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 was only 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 has a service contract which is terminable on 12 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. S M King has a service contract which is terminable on 6 months notice by either party. The Committee consider that these contracts are in line with 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.

Report of the Directors on remuneration (continued)

Directors' emoluments

Details of the remuneration of all Directors are set out in note 7 to the Accounts.

Share options

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

	<i>At 31 May 2003</i>	<i>Granted</i>	<i>Exercised</i>	<i>Expired</i>	<i>At 31 May 2004</i>	<i>Weighted Average exercise price £</i>
<i>Executive:</i>						
K M Baker	—	60,000	—	—	60,000	0.4
S J Lawrence	—	50,000	—	—	50,000	0.4
S M King	—	50,000	—	—	50,000	0.4

The share options are exercisable from 2 October 2006 to 1 October 2013 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 and if the Director agrees to release their rights under the Warrant package for the same number of shares.

Warrant packages

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

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

The warrant targets are as follows:

<i>Following audited accounts for the year to:</i>	<i>Earnings per share target</i>	<i>Warrants exercisable</i>
31 May 2004	8.44p for year ended 31 May 2004	30% of warrants
31 May 2005	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

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

13 September 2004

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 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 United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 and other members of the group 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 the Chairman's Statement, the Report of the Directors, the Corporate Governance Statement, the Report of the Directors on Remuneration and the Notice of the Annual General Meeting. 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 United Kingdom 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 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.

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 2004 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

13 September 2004

Consolidated profit and loss account for the year ended 31 May 2004

	<i>Note</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Turnover — continuing operations	2,3	5,533	4,647
Cost of sales		(3,140)	(2,661)
		<hr/>	<hr/>
Gross profit		2,393	1,986
Net operating expenses	4	(2,206)	(1,693)
		<hr/>	<hr/>
Continuing operations		268	360
Goodwill amortisation		(81)	(67)
		<hr/>	<hr/>
Operating profit — continuing operations	4	187	293
Interest receivable		2	66
Interest payable	6	(49)	(68)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	140	291
Taxation on profit on ordinary activities	9	1	(63)
		<hr/>	<hr/>
Profit for the financial year		141	228
		<hr/>	<hr/>
Retained profit transferred to reserves		141	228
		<hr/>	<hr/>
Earnings per share — basic and diluted	10	2.0p	3.3p
		<hr/>	<hr/>
Earnings per share (before goodwill amortisation) — basic and diluted	10	3.1p	4.2p
		<hr/>	<hr/>

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

Consolidated balance sheet

at 31 May 2004

	<i>Note</i>	<i>2004</i> £000	<i>2003</i> £000
Fixed assets			
Intangible assets	11	2,625	1,400
Tangible assets	12	1,791	1,522
Investments	13	59	59
		<u>4,475</u>	<u>2,981</u>
Current assets			
Stocks	14	1,908	1,430
Debtors	15	1,593	913
Cash at bank and in hand		687	1,083
		<u>4,188</u>	<u>3,426</u>
Creditors: amounts falling due within one year	16	(2,544)	(1,227)
Net current assets		<u>1,644</u>	<u>2,199</u>
Total assets less current liabilities		6,119	5,180
Creditors: amounts falling due after more than one year	17	(1,358)	(400)
Provisions for liabilities and charges	19	(3)	—
Net assets		<u>4,758</u>	<u>4,780</u>
Capital and reserves			
Called up share capital	20	352	352
Share premium account	21	—	3,611
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	3,413	(176)
Equity shareholders' funds	22	<u>4,758</u>	<u>4,780</u>

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

The financial statements were approved by the Board on 13 September 2004 and signed on its behalf by:

S M King
Director

Balance sheet

at 31 May 2004

	<i>Note</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Fixed assets			
Investments	13	5,344	3,692
		<u>5,344</u>	<u>3,692</u>
Current assets			
Debtors: amounts falling due within one year	15	801	264
Debtors: amounts falling due after one year	15	1,134	—
Cash at bank and in hand		151	767
		<u>2,086</u>	<u>1,031</u>
Creditors: amounts falling due within one year	16	(1,209)	(316)
		<u>877</u>	<u>715</u>
Net current assets			
		877	715
Total assets less current liabilities		<u>6,221</u>	<u>4,407</u>
Creditors: amounts falling due after more than one year	17	(1,707)	—
		<u>4,514</u>	<u>4,407</u>
Net assets		<u>4,514</u>	<u>4,407</u>
Capital and reserves			
Called up share capital	20	352	352
Share premium account	21	—	3,611
Capital redemption account	21	813	813
Other reserves	21	180	180
Profit and loss account	21	3,169	(549)
		<u>4,514</u>	<u>4,407</u>
Equity shareholders' funds	22	<u>4,514</u>	<u>4,407</u>

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

Approved by the Board on 13 September 2004 and signed on its behalf by:

S M King
Director

Consolidated cash flow statement for the year ended 31 May 2004

	<i>Note</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Net cash inflow from operating activities	23	196	281
Returns on investment and servicing of finance			
Interest received		2	66
Interest paid		(12)	(30)
Interest element of hire purchase and finance lease payments		(37)	(38)
Net cash outflow from returns on investments and servicing of finance		(47)	(2)
Taxation repayment/(paid)		31	(135)
Capital expenditure			
Purchase of tangible fixed assets		(194)	(98)
Sale of tangible fixed assets		—	17
Purchase of fixed asset investments		—	(59)
Net cash outflow for capital expenditure and financial investment		(194)	(140)
Acquisitions			
Purchase of subsidiary undertakings	24	(1,652)	(3,421)
Net cash acquired with subsidiary undertakings	24	256	50
Purchase of unincorporated business	24	(466)	—
Net cash outflow for acquisitions		(1,862)	(3,371)
Financing			
Issue of ordinary share capital		—	400
New loans	23	1,749	—
Loan repayments	23	—	(16)
Capital element of hire purchase and finance lease payments	23	(205)	(177)
Net cash inflow from financing		1,544	207
Decrease in cash		(332)	(3,160)

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

Consolidated statement of total recognised gains and losses for the year ended 31 May 2004

	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Profit for the financial year	141	228
Other recognised gains and losses		
– exchange (losses)/gains on translation of foreign subsidiaries	(163)	111
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(22)	339
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 May 2004

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 2004. 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 £49,000 (2003: £56,000).

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
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 the shorter of their estimated useful lives or the period of the lease. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding. 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 (continued)

at 31 May 2004

1. Accounting policies (continued)

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
- (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.

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. 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 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 they become payable.

2. Segmental analysis

	<i>Turnover</i>		<i>Profit before tax</i>		<i>Net assets</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</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	701	717	29	(19)	565	(6)
Actuators and Spindles	4,832	3,930	221	334	2,575	2,675
Unallocated central items	—	—	(63)	(22)	1,618	2,111
Net interest	—	—	(47)	(2)	—	—
Total	<u>5,533</u>	<u>4,647</u>	<u>140</u>	<u>291</u>	<u>4,758</u>	<u>4,780</u>

Unallocated central net assets comprise goodwill and assets of the holding company.

Notes to the financial statements (continued)

at 31 May 2004

3. Turnover by geographical market

	<i>Precision Engineering</i>	<i>Actuators and Spindles</i>	<i>Total</i>	<i>Total</i>
	2004	2004	2004	2003
	£'000	£'000	£'000	£'000
Turnover by geographical origin				
United Kingdom	701	738	1,439	1,079
Europe	—	4,018	4,018	3,509
North America	—	76	76	59
Rest of World	—	—	—	—
	<u>701</u>	<u>4,832</u>	<u>5,533</u>	<u>4,647</u>
Turnover by geographical destination				
United Kingdom	678	1,403	2,081	1,489
Europe	23	2,890	2,913	2,708
North America	—	469	469	407
Rest of World	—	70	70	43
	<u>701</u>	<u>4,832</u>	<u>5,533</u>	<u>4,647</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. Operating profit

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

	2004	2003
	£000	£000
Turnover	5,533	4,647
Cost of sales	<u>(3,140)</u>	<u>(2,661)</u>
Gross profit	2,393	1,986
Distribution costs	(315)	(302)
Administration expenses	<u>(1,891)</u>	<u>(1,391)</u>
	(2,206)	(1,693)
Operating profit	<u>187</u>	<u>293</u>

Notes to the financial statements (continued)

at 31 May 2004

5. Profit on ordinary activities before taxation

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

	2004 £000	2003 £000
Depreciation of tangible fixed assets:		
Owned assets	186	128
Assets held under hire purchase leases — plant and machinery	52	57
Assets held under hire purchase leases — other	25	14
Amortisation of goodwill	81	67
Auditors' remuneration	32	31
Other fees to auditors	18	9
Loss on foreign exchange transactions	48	26
Operating lease rentals:		
Land and buildings	374	260
Machinery and equipment	13	11
Government grants	(40)	—
	<u> </u>	<u> </u>

In addition to the auditors fees charged to the profit and loss account, a further £40,000 of acquisition related fees have been capitalised on the balance sheet in accordance with FRS 7.

6. Interest payable

	2004 £000	2003 £000
Interest on bank loans and overdrafts wholly repayable within five years	12	17
Interest on finance leases and HP agreements	37	38
Interest on ACT	—	13
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

7. Directors' emoluments

Particulars of directors' emoluments are as follows:

	<i>Salary and fees</i> £'000	<i>Benefits</i> £'000	<i>Total</i> 2004 £'000	<i>Total</i> 2003 £'000	<i>Pension Total</i> 2004 £'000	<i>Pension Total</i> 2003 £'000
Non-Executive:						
J J Hamer	20	—	20	20	—	—
S M Bruh	20	—	20	20	—	—
Executive:						
K M Baker	45	—	45	44	—	—
S J Lawrence	80	1	81	74	10	7
S M King	57	1	58	43	6	2
Total emoluments	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 (2003: two).

Notes to the financial statements (continued)

at 31 May 2004

8. Employees

Particulars of employees, including Executive Directors:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	2,716	2,212
Social security costs	435	357
Other pension costs	29	13
	<u>3,180</u>	<u>2,582</u>

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

	<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>
Production	103	97
Selling and distribution	9	8
Administration	32	30
	<u>144</u>	<u>135</u>

9. Taxation

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
United Kingdom corporation tax		
Current tax on income for the year	—	(13)
Prior year adjustment	(2)	—
Irrecoverable ACT	—	49
	<u>(2)</u>	<u>36</u>
Foreign tax		
Current tax on income for the year	1	37
	<u>(1)</u>	<u>73</u>
Total current taxation		
Deferred taxation		
Origination and reversal of timing differences	—	(10)
	<u>(1)</u>	<u>63</u>
Tax on profit on ordinary activities		

Notes to the financial statements (continued)

at 31 May 2004

9. Taxation (continued)

	2004 £000	2003 £000
Profit on ordinary activities before taxation	140	291
Theoretical tax at UK corporation tax rate 30% (2003: 30%)	42	87
Effects of:		
– goodwill amortisation	22	20
– income not taxable	(23)	—
– other permanent timing differences	(17)	—
– revenue deductible items in capital	—	(51)
– movement in accelerated capital allowances	(5)	—
– irrecoverable ACT	—	49
– utilisation of overseas losses not recognised	(15)	(99)
– difference in overseas tax rates	—	8
– unrelieved UK losses not recognised	(3)	47
– unrelieved overseas losses not recognised	—	12
– adjustments in respect of prior years	(2)	—
Actual current taxation (credit)/charge	(1)	73

Factors affecting future tax charges:

The Group has tax losses carried forward of approximately £1.6 million at 31 May 2004 (2003: £1.0 million) that may be relievable against future profits.

10. Earnings per ordinary share

Basic 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 £141,000 (2003: £228,000) and on 7,049,804 (2003: 6,990,028) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The Directors believe that basic and diluted earnings per share (pre goodwill amortisation) provides a useful additional performance indicator. It is calculated after adding back goodwill of £81,000 (2003: £67,000).

Notes to the financial statements (continued)

at 31 May 2004

11. Intangible fixed assets	<i>Group</i> £000
Goodwill	
Cost	
At 1 June 2003	1,467
Additions	1,306
At 31 May 2004	<u>2,773</u>
Amortisation	
At 1 June 2003	67
Charge for the year	81
At 31 May 2004	<u>148</u>
Net book value	
At 31 May 2004	<u>2,625</u>
At 31 May 2003	<u>1,400</u>

12. Tangible fixed assets — Group	<i>Freehold land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Equipment and motor vehicles</i> £000	<i>Total</i> £000
Cost				
At 1 June 2003	342	1,339	231	1,912
Acquisitions	9	228	5	242
Additions	11	257	98	366
Disposals	—	(44)	(61)	(105)
Exchange adjustments	—	(206)	(26)	(232)
At 31 May 2004	<u>362</u>	<u>1,574</u>	<u>247</u>	<u>2,183</u>
Depreciation				
At 1 June 2003	4	322	64	390
Charge for the year	6	179	78	263
Disposals	—	(36)	(61)	(97)
Exchange adjustments	—	(143)	(21)	(164)
At 31 May 2004	<u>10</u>	<u>322</u>	<u>60</u>	<u>392</u>
Net book value				
At 31 May 2004	<u>352</u>	<u>1,252</u>	<u>187</u>	<u>1,791</u>
At 31 May 2003	<u>338</u>	<u>1,017</u>	<u>167</u>	<u>1,522</u>

Leased assets

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

	<i>Freehold land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Equipment and motor vehicles</i> £000	<i>Total</i> £000
Net book value				
At 31 May 2004	<u>—</u>	<u>671</u>	<u>74</u>	<u>745</u>
At 31 May 2003	<u>—</u>	<u>687</u>	<u>55</u>	<u>742</u>

Notes to the financial statements (continued)

at 31 May 2004

13. Investments

Company	<i>Group undertakings</i>	<i>Listed investments</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 June 2003	3,633	59	3,692
Additions	1,652	—	1,652
At 31 May 2004	<u>5,285</u>	<u>59</u>	<u>5,344</u>

The market value of the listed investment (ordinary shares) at 31 May 2004 was £32,585 (2003: £59,000). The Directors do not believe that any provision against a permanent diminution in value is required.

The principal subsidiaries are:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
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
Crown UK 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

	<i>2004 Group</i>	<i>2004 Company</i>	<i>2003 Group</i>	<i>2003 Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	723	—	501	—
WIP	847	—	724	—
Finished goods	338	—	205	—
	<u>1,908</u>	<u>—</u>	<u>1,430</u>	<u>—</u>

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

Notes to the financial statements (continued)

at 31 May 2004

15. Debtors

	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts: falling due within one year				
Trade debtors	1,337	—	789	—
Amounts owed by group undertakings	—	650	—	214
Other debtors	75	75	32	—
Prepayments and accrued income	181	76	92	50
	<u>1,593</u>	<u>801</u>	<u>913</u>	<u>264</u>
Amounts: falling due after one year				
Amounts owed by group undertakings	—	1,134	—	—
	<u>—</u>	<u>1,134</u>	<u>—</u>	<u>—</u>

Amounts owed by group undertakings falling due after one year are unsecured, interest bearing and have no fixed date of repayment.

16. Creditors: amounts falling due within one year

	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft	170	—	227	—
Hire purchase liabilities	171	—	177	—
Current portion of long-term loans	728	708	—	—
Short-term borrowings	<u>1,069</u>	<u>708</u>	<u>404</u>	<u>—</u>
Trade creditors	515	101	380	113
Amounts owed to group undertakings	—	226	—	91
Taxation	191	—	—	—
Overseas taxation	—	—	4	—
Other tax and social security	359	8	188	5
Other creditors	35	35	99	52
Accruals and deferred income	375	131	152	55
	<u>2,544</u>	<u>1,209</u>	<u>1,227</u>	<u>316</u>

Notes to the financial statements (continued)

at 31 May 2004

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

	2004 <i>Group</i> £'000	2004 <i>Company</i> £'000	2003 <i>Group</i> £'000	2003 <i>Company</i> £'000
Hire purchase liabilities	349	—	400	—
Long-term loans	1,009	941	—	—
Amounts owed to group undertakings	—	766	—	—
	<u>1,358</u>	<u>1,707</u>	<u>400</u>	<u>—</u>

Amounts owed to group undertakings falling due after one year are unsecured, interest bearing and have no fixed date of repayment.

Bank and other borrowings are further analysed as follows:

	2004 <i>Group</i> £'000	2004 <i>Company</i> £'000	2003 <i>Group</i> £'000	2003 <i>Company</i> £'000
Due within one year:				
Bank overdraft	170	—	227	—
Obligations under hire purchase leases	171	—	177	—
Current portion of long-term loans	728	708	—	—
	<u>1,069</u>	<u>708</u>	<u>404</u>	<u>—</u>
Due within one to two years:				
Obligations under hire purchase leases	159	—	137	—
Bank loans	198	178	—	—
	<u>357</u>	<u>178</u>	<u>137</u>	<u>—</u>
Due within two to five years:				
Obligations under hire purchase leases	190	—	263	—
Bank loans	610	562	—	—
	<u>800</u>	<u>562</u>	<u>263</u>	<u>—</u>
Due after five years:				
Bank loans	201	201	—	—

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

Notes to the financial statements (continued)

at 31 May 2004

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

Currency analysis of net funds is as follows:

	2004 £000	2003 £000
Borrowings		
Sterling	1,837	50
Euro	590	702
US Dollar	—	52
	<u>2,427</u>	<u>804</u>
Cash and deposits		
Sterling	538	910
Euro	106	130
US Dollar	43	43
	<u>687</u>	<u>1,083</u>

Currency analysis of net assets at 31 May 2004

	2004		2003	
	<i>Net assets excluding net (debt)/ funds £'000</i>	<i>2004 Net (debt)/ funds £'000</i>	<i>Net assets excluding net (debt)/ funds £'000</i>	<i>2003 Net (debt)/ funds £'000</i>
Sterling	3,512	(1,299)	1,204	860
Euro	3,494	(484)	3,812	(572)
US Dollar	(508)	43	(515)	(9)
	<u>6,498</u>	<u>(1,740)</u>	<u>4,501</u>	<u>279</u>

At 31 May 2004 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 (continued)

at 31 May 2004

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 2004.

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Assets/(liabilities):		
Investments	59	59
Cash and deposits	686	1,083
Short-term borrowings	(1,069)	(404)
Borrowings falling due after more than one year	(1,358)	(400)
Forward rate agreements	—	—
	<u> </u>	<u> </u>

Bank loans of £1,649,000 are secured on the assets of the Group.

Bank overdrafts of £170,000 are secured on the assets of Jenaer Gewindetechnik GmbH. At 31 May 2004 the Group had £86,000 of undrawn committed borrowing facilities expiring in one year or less (2003: £92,000).

Hire purchase lease liabilities are secured on the related assets.

19. Provisions for liabilities and charges

Deferred taxation comprises the following:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	22	12
Losses	(19)	(12)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The movement in the period may be summarised as follows:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
At 1 June	—	—
Arising on acquisition	3	(10)
Transfer to profit and loss account	—	10
	<u> </u>	<u> </u>
At 31 May	<u> </u>	<u> </u>

Notes to the financial statements (continued)

at 31 May 2004

20. Called up share capital

	2004 <i>No</i>	2003 <i>No</i>	2004 £'000	2003 £'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	7,049,804	7,049,804	352	352

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 2004 options under this scheme were outstanding over 215,000 ordinary shares at £0.40 each, exercisable between 2 October 2006 and 1 October 2013.

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.

21. Reserves

	<i>Share premium account £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Other reserves £'000</i>	<i>Profit and loss account £'000</i>
Group				
At 1 June 2003	3,611	813	180	(176)
Transfer to profit and loss account	(3,611)	—	—	3,611
Profit for the financial year	—	—	—	141
Exchange losses on translation of foreign subsidiaries	—	—	—	(163)
At 31 May 2004	<u>—</u>	<u>813</u>	<u>180</u>	<u>3,413</u>
Company				
At 1 June 2003	3,611	813	180	(549)
Transfer to profit and loss account	(3,611)	—	—	3,611
Profit for the financial year	—	—	—	49
Exchange adjustment	—	—	—	58
At 31 May 2004	<u>—</u>	<u>813</u>	<u>180</u>	<u>3,169</u>

On 20 August 2003 the High Court of Justice Chancery Division approved the cancellation and transfer to the profit and loss account of the share premium account of the Company which amounted to £3,611,000 at 31 May 2003.

Notes to the financial statements (continued)

at 31 May 2004

22. Reconciliation of movements in shareholders' funds

	<i>Group</i> 2004 £'000	<i>Company</i> 2004 £'000	<i>Group</i> 2003 £'000	<i>Company</i> 2003 £'000
Profit for the financial year	141	49	228	56
Issue of shares	—	—	400	400
Other recognised gains and losses relating to the year	(163)	58	111	(90)
Net change to shareholders' funds	(22)	107	739	366
Shareholders' funds at 1 June	4,780	4,407	4,041	4,041
Shareholders' funds at 31 May	4,758	4,514	4,780	4,407

23. Notes to the consolidated cash flow statement

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

	2004 £000	2003 £000
Operating profit	187	293
Depreciation charges	263	199
Goodwill amortisation	81	67
Increase in stocks	(237)	(101)
Increase in debtors	(246)	(98)
Increase/(decrease) in creditors	148	(79)
Net cash inflow from operating activities	196	281

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

	<i>1 June</i> 2003 £'000	<i>Cash flow</i> £'000	<i>Acquisition</i> £'000	<i>Other non-cash changes</i> £'000	<i>Exchange movements</i> £'000	<i>31 May</i> 2004 £'000
Cash at bank and in hand	1,083	(630)	256	—	(22)	687
Bank overdrafts	(227)	42	—	—	15	(170)
	856	(588)	256	—	(7)	517
Debt	—	(1,749)	—	—	—	(1,749)
Hire purchase leases	(577)	205	—	(172)	36	(508)
	(577)	(1,544)	—	(172)	36	(2,257)
Net (debt)/funds	279	(2,132)	256	(172)	29	(1,740)

Notes to the financial statements (continued)

at 31 May 2004

24. Effect of acquisitions

(a) Crown UK Limited

On 28 May 2004, the Company acquired the entire issued share capital of Crown UK Limited whose assets and liabilities are:

	<i>Initial book value</i> £'000	<i>Provisional accounting policy alignment</i> £'000	<i>Provisional other adjustments</i> £'000	<i>Provisional fair value of assets acquired</i> £'000
Tangible fixed assets	44	—	—	44
Stocks	212	—	—	212
Debtors	511	—	—	511
Cash at bank and in hand	256	—	—	256
Creditors	(265)	—	—	(265)
Taxation — current	(191)	—	—	(191)
Deferred tax	(3)	—	—	(3)
Net separable assets	<u>564</u>	<u>—</u>	<u>—</u>	<u>564</u>
Goodwill				1,087
Cash consideration (including acquisition expenses of £94,000)				<u>1,652</u>

No provisional fair value adjustments have been made. Since the acquisition on 28 May 2004 there has been no trading included in the results of the Group. The Company has contributed £Nil to the Group's operating cash flow, paid £Nil in respect of net returns on investment and servicing of finance and paid £Nil in respect of capital expenditure and financial investment.

Pre-acquisition performance of Crown UK Limited

	£'000
Turnover	879
Operating profit	100
Net interest	<u>2</u>
Profit before taxation	102
Taxation	<u>(29)</u>
5 months ended 28 May 2004 profit for the financial period	<u>73</u>

The profit for the financial year ended 31 December 2003 was £614,000.

There were no other recognised gains and losses arising in the year ended 31 December 2003 and the 5 months ending 28 May 2004.

Notes to the financial statements (continued)

at 31 May 2004

(b) Boneham and Turner Spindles

On 29 August 2003 Jena Rotary Technology Limited completed the acquisition of the following assets of B&T Spindles, a division of Boneham and Turner Limited:

	<i>Initial book value</i>	<i>Provisional accounting policy alignment</i>	<i>Provisional other adjustments</i>	<i>Provisional fair value of assets acquired</i>
	£'000	£'000	£'000	£'000
Tangible fixed assets	265	(67)	—	198
Stocks	135	—	—	135
Creditors	(81)	—	(5)	(86)
Net separable assets	<u>319</u>	<u>(67)</u>	<u>(5)</u>	<u>247</u>
Goodwill				<u>219</u>
Cash consideration (including acquisition expenses of £66,000)				<u>466</u>

Provisional fair value adjustments relate to certain fixed assets which would not have been capitalised under the Group's accounting policies.

The acquisition of B&T Spindles is complementary to Jena Rotary Technology's own business and product range and therefore has been treated as continuing activities and not as acquisitions in the company's profit and loss account. As a result it is not practicable to determine the post acquisition contribution or cash flows of these product ranges to the company's profit and loss account.

It is not possible to determine the pre-acquisition results of the business as it was not reported on separately by Boneham and Turner Limited.

(c) Jena Group

In accordance with FRS7, final fair values have been assessed. There are no differences between these and provisional fair values.

25. Contingent assets/liabilities

Following the liquidation of Frank Usher Limited, the Company has registered a claim with the receiver of £481,292. The company has recognised an amount receivable at 31 May 2004 of £75,000. The Directors estimate that there should be a contingent asset of a further minimum amount receivable of £20,000.

Notes to the financial statements (continued)

at 31 May 2004

26. Financial commitments

Capital commitments

Commitments for capital expenditure were as follows:

	2004 £'000	2003 £'000
Contracted for, but not provided in the accounts	—	35

Operating lease commitments

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

	2004 £'000	2003 £'000
Land and buildings, leases expiring:		
Within one year	—	—
Between two and five years	321	284
After more than five years	75	—
	<u>396</u>	<u>284</u>
Other assets, leases expiring:		
Within one year	9	9
Between two and five years	13	17
After more than five years	5	7
	<u>27</u>	<u>33</u>

27. 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 £26,514 (2003: £53,144) were made to K M Baker Associates Limited, £23,852 (2003: £21,898) to Financial Decisions and £24,355 (2003: £22,237) to Astrojet Limited.

At the year end the amount owed by the Group was £Nil (2003: £3,933) to K M Baker Associates Limited, £1,869 (2003: £1,988) to Financial Decisions and £2,079 (2003: £22,237) to Astrojet Limited.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Avingtrans Plc will be held at Pinsents, 3 Colmore Circus, Birmingham B4 6BH on 11 October 2004 at 10.30 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the reports of the Directors and the auditors and the financial statements for the year ended 31 May 2004.
2. To re-elect Steven Lawrence as a Director.
3. To re-elect Stephen Bruh as a Non-executive 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.
5. To transact any other ordinary business of an Annual General Meeting.

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).

Avingtrans plc
Precision House
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Nottingham
England
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