



**Acertec plc**

Results for year ended 31 December 2007

April 2008

## Highlights

- Underlying trading results were broadly in line with expectations

	Turnover £m	Incr/(Dec)	Op Profit £m	Incr/(Dec)
BRC	196.7	18%	8.0	8%
Stadco	126.2	(10%)	9.3	(15%)
HQ	-	-	(3.0)	(14%)
	322.9	5%	14.3	(4%)

- Group net borrowings increased by £16.0m to £64.1m at 31 December 2007
  - Reflecting BRC investment, financing and tax payment
  - Expected to rise in 2008
- Extension to existing UK revolving credit facility agreed until 30 April 2009
- No final dividend is being recommended by the Board
- Outcome for the year was overshadowed by the accounting misstatement in one of the BRC operations
- Underlying performance in 2008 expected to be similar to that in 2007

# **FINANCIAL REVIEW – Rod Holdsworth**

# BRC Accounting Misstatement

- Actions taken: -
  - Full and independent investigation has been carried out by a specialist law firm, Peters and Peters and by KPMG
  - All the key accounting staff at the operation, except one, have now changed
  - KPMG has been appointed to advise on internal controls and provide internal audit services
  - Changes to the financial controls are being made and this, combined with the new internal audit function, will progressively strengthen the Group's control environment
- Key findings of investigation remain broadly unchanged from our preliminary findings
- Misstatement amounted to £5.0m, with the effects spread over the first half of 2007 and earlier years
- All figures in this presentation fully reflect the adjustments

## Financial Review

- Turnover up 5%
- Operating profit from continuing operations before amortisation and exceptional items decreased by 4%
- Central costs of £3.0m (2006: £3.5m)
- Pre-tax profit of £8.8m (2006: £6.2m)
- Borrowings increased by £16.0m to £64.1m
- Net cashflow from operations of £11.1m (2006: £16.8m)
- Financing
  - Extension of existing U.K. revolving credit facility until April 2009
  - New medium turn facilities being sought
  - On-going focus on debt containment and reduction
  - One-time costs in 2008

# Income Statement

	2007 £m	2006 £m
<b>Revenue</b>	<b>322.9</b>	307.0
Operating profit before amortisation of intangibles and exceptional items	<b>14.3</b>	14.9
Goodwill impairment	-	(1.9)
Cost of stock investigation	<b>(0.6)</b>	-
Compensation for loss of office	<b>(0.3)</b>	-
Amortisation of intangibles	<b>(0.1)</b>	(1.2)
Profit on sale of investments	<b>0.4</b>	-
IPO costs	-	(3.1)
Profit on disposal of fixed assets in joint venture	<b>0.3</b>	0.1
<b>Operating Profit before financing costs</b>	<b>14.0</b>	8.8
Net finance costs	<b>(5.2)</b>	(2.6)
<b>Profit before tax</b>	<b>8.8</b>	6.2
Taxation	<b>(4.2)</b>	(4.0)
Loss from discontinued operations	-	(5.0)
<b>Profit/(loss) for the year</b>	<b>4.6</b>	(2.8)
EPS - basic	<b>8.0p</b>	(9.3)p
EPS - continuing operations	<b>8.0p</b>	6.2p

# Balance Sheet

	2007 £m	2006 £m
<b>Fixed assets</b>		
Goodwill	15.5	15.5
Investment in joint ventures	4.5	4.0
Property, plant, equipment	74.4	70.6
Deferred tax assets/other	6.8	8.1
	<b>101.2</b>	<b>98.2</b>
<b>Current assets</b>		
Inventories	32.2	25.5
Trade and other receivables	50.0	45.9
<b>Current liabilities</b>		
Trade and other payables	(74.6)	(69.7)
Other	(3.6)	(8.5)
	<b>4.0</b>	<b>(6.8)</b>
<b>Net Current assets</b>		
Non Current liabilities		
deferred tax liabilities	(5.3)	(5.2)
pension deficit	(12.6)	(16.9)
<b>Capital employed</b>	<b>87.3</b>	<b>69.3</b>
<b>Net Debt</b>	<b>(64.1)</b>	<b>(48.1)</b>
<b>Net Assets/Shareholder funds</b>	<b>23.2</b>	<b>21.2</b>

## Movement in Net Debt

	2007
	£m
Operating profit	14.0
Less share of joint venture profit	<u>(1.9)</u>
<b>Operating profit (excluding share of joint ventures)</b>	12.1
Non cash movements	4.9
Working Capital	<u>(5.9)</u>
<b>Cash generated from operations</b>	11.1
Interest paid	(4.0)
Tax paid	(7.5)
Net Capex	(9.3)
Net dividends	(2.9)
Foreign Exchange/other	(3.4)
<b>Net debt (increase)/decrease</b>	<u><u><b>(16.0)</b></u></u>

# **OPERATIONAL REVIEW - John Sword**

# BRC Overview



£'m

Revenue

Operating profit\*

Margin

**2007**

**H1**

**H2**

**FY**

£88.9m   £107.8m   £196.7m

£4.1m   £3.9m   £8.0m

4.6%   3.6%   4.1%

**2006**

**FY**

£166.2m

£7.4m

4.5%

## UK and Ireland

- Softening in housing and commercial sectors in UK but underlying demand remained firm; market in Ireland weakened in 2007, especially in H2
- Steel reinforcement
  - good progress made in 2007
  - impact of higher steel prices on volumes and margins
  - capital expenditure programme now largely complete
- Specialty products
  - strong H1; mixed H2

## East Asia

- Strong H2 underpinned by buoyant construction market in Singapore
- Good sales growth at BRC Asia but margins thin

\* Excluding amortisation and exceptionals, includes effects of BRC stock issue

# BRC Outlook

## UK and Ireland

- Progress expected in 2008 but impact of steel price increases and turmoil in financial markets are a concern
- Good underlying demand in key infrastructure sectors
- Strong order book underpins growth prospects
- Completion of capital expenditure programme leaves BRC well placed to meet its objectives over the next three years
- Continue to develop better mix of higher margin, engineered products
- Appointment of new Speciality Products' managing director



## East Asia

- Demand in region remains strong
- Continue to evaluate strategic options for our investment in BRC Asia



## Stadco Overview



£'m

Revenue

Operating profit\*

Margin

**2007**

**H1**

**H2**

**FY**

£64.7m   £61.5m   £126.2m

£5.5m   £3.8m   £9.3m

8.5%   6.2%   7.4%

**2006**

**FY**

£140.8m

£11.0m

7.8%

- As expected, revenues in 2007 declined 10% reflecting:
  - low level of new model programmes;
  - lower unit volumes on mature models; and
  - reduced per-vehicle content on the new BMW Mini
- German operation showed improved results through increased efficiency
- Underlying margin pressure from excess capacity in the UK
- Russian JV is making good progress

\* Excluding amortisation and exceptionals

# Stadco Outlook

- Some revenue growth expected in 2008, helped by two new models
  - Ford Kuga in Germany
  - Jaguar XF in the UK
  
- Margins will continue to be under pressure in the short term
  
- Encouraging enquiry levels for new U.K. business in 2009 and later, including one major new customer
  
- Sale of Jaguar Land Rover expected to have a positive impact on future business prospects
  
- Russian JV
  - Completion of factory expected by end of 2008
  - Production expected to start 2009
  - Initial funding is being provided by Gestamp



## Summary

- Medium term financing being addressed
- Improved control environment and some new senior management
- Underlying performance in 2008 expected to be similar to 2007
- Growth at BRC to be offset at Stadco
  - Stadco expected to generate new business from enquiry book and for Russia to contribute operating profits from 2009
  - While price of steel remains a concern, BRC will benefit from some significant contract wins for 2008