Acertec plc

Interim Report 2006

Acertec is one of the UK's leading manufacturers of engineered steel products for use in the automotive and construction markets. It is the UK's largest supplier of body-in-white stampings and sub-assemblies to automotive OEM's, and the UK's largest supplier of re-bar and mesh for concrete reinforcement used in construction.

Highlights

- Results in line with expectations
- Turnover* £158.6m, up 4% despite loss of MG Rover (£9.7m in H1 2005)
- Operating profit* £7.9m, up 4%
- Total operating profit £2.8m (£2.2m loss in H1 2005)
- Cash flow from operations £8.6m
- Stadco restructuring programme now complete
- Trading outlook is positive

* from continuing operations and before goodwill amortisation and exceptional items

Commenting on the results, John Sword, Chief Executive, said:

"The interim results announced today are consistent with the prospects for 2006 set out in the Admission Document published at the time of our flotation in May.

"For the longer term, the Board believes that the prospects for Acertec are good and that each of the Group's divisions has a strategy in place that is robust and that will deliver future growth in shareholder value."

Chairman's Statement

Acertec has made good progress following its admission to AIM on 16th May 2006 and is pleased to announce its interim results for the six months ended 30th June 2006.

Acertec is one of the UK's leading manufacturers of engineered steel products for use in the construction and automotive markets. Its BRC division is the UK's largest supplier of engineered steel products (re-bar and mesh) used in concrete construction, and its Stadco division is the UK's largest supplier of body-in-white ("BIW") pressings and sub-assemblies to automotive original equipment manufacturers ("OEMs").

Financial Review

The interim results announced today are consistent with the prospects for 2006 set out in the Admission Document published at the time of our flotation.

Revenue for the six months ended 30th June 2006 from continuing operations (including joint ventures) was £158.6 million (2005: £152.3m), an increase of 4%. Operating profit (before exceptional items and goodwill amortisation) from continuing operations for the period was £7.9 million (2005: £7.6m), an increase of 4%.

The loss before tax of £3.9 million (2005: profit of £4.5m) includes a loss of £5.8 million (including £3.0m of goodwill written off) on the disposal of Carrington Wire and operating exceptional costs of £3.0 million. These operating exceptional costs include a charge for IPO related bonuses of £2.6 million and other IPO costs of £0.5 million. An exceptional credit to interest of £2.2 million was also recorded.

On 10th April 2006 the entire share capital of Carrington Wire Limited was sold to Canolion Limited, a subsidiary of Severstal, a large Russian steel producer. On 7th April 2006 the Group's 80.1% shareholding in Stadco Birmingham Pressings Ltd was sold to LDV Holdings Ltd; the disposal had a negligible financial impact in the period. These two businesses are now classified as discontinued.

In May 2006 £57.0 million was raised by the placing of 38.5 million new Ordinary Shares at a price of 148p per share. These new funds were used primarily to repay loan notes issued to Candover Investments plc (the private equity owner of Acertec until the recent flotation) and to Candover investment funds, together with accrued interest. Candover retained approximately 21% of the issued share capital after the flotation.

Bank debt was c.£50 million at the time of the float and subsequently reduced to £47.2 million at the end of June 2006. Net cash inflow from operating activities during the period was £8.6 million (2005: outflow of £7.1m). This reflected continued good control of working capital.

In line with the dividend policy set out in the Admission Document, no interim dividend is proposed, but the Directors intend, in the absence of any unforeseen circumstances, to recommend the payment of a final dividend for the year ending 31st December 2006 of 5p per share.

Operational Review

BRC

BRC is engaged in the design, distribution, marketing and manufacture of a wide range of steel reinforcement and related products for the construction industry. The division operates in three business sectors – Reinforcement and Specialty Products in the UK/Ireland and, in Singapore, BRC Asia (73% owned).

For BRC as a whole, the first half saw turnover increasing by 10% to £81.2 million compared with the same period last year, with operating profit before goodwill amortisation and exceptional items falling from £5.0 million to £3.1 million (operating profit fell from £4.5 million to £2.7 million).

The construction market in the UK and Ireland has continued to be strong during the first half of the year and BRC's sales of reinforcing steel were ahead of the comparable period last year. Selling prices, however, have been constrained by surplus capacity in the market, whilst the cost of steel, along with that of energy and transport, has been rising, which has resulted in lower margins.

Sales of BRC's Specialty Products also rose compared with last year. In addition, turnover reflected the acquisition of Capital Structures plc in January 2006. Margins, however, were temporarily affected by the start up and integration of newly-acquired product lines.

In BRC Asia, the construction industry in Singapore (where most of BRC's business is based) is showing good signs of recovery. BRC Asia's turnover in the first half of the year increased by 18% compared with the prior year, driven mainly by growing sales of its new prefabricated reinforcement products.

Stadco

Stadco is the UK's largest supplier of BIW pressings and sub-assemblies to automotive OEMs, and is also a significant supplier of sub-assemblies in Germany. Pressings and sub-assemblies are the components which, when they are finally welded together by the OEM, make up a complete unpainted car body (BIW).

Stadco's revenue (from continuing operations) has made a strong start to the year, with first half sales of £77.4 million, which were 12% ahead of last year, after adjusting for the loss of the MG Rover revenue (£9.7m in the first half of 2005). This generated an operating profit before goodwill amortisation and exceptional items of £6.2 million (£3.6m last year), (operating profit was £6.5 million compared with a loss of £5.2 million last year). The improved profit reflected income from project engineering and tooling as well as higher capacity utilisation and the early cost benefits from the post-MG Rover restructuring of the business. Sales to Land Rover and Jaguar benefited from the launch of the Jaguar XK and strong demand for the Range Rover Sport.

The factory closures and plant moves associated with the restructuring programme that Stadco embarked upon in mid-2005 are now complete. Annual savings from this programme are expected to be c.£2 million, with a partial impact in the current year and with the full benefits being seen in 2007.

Board

Acertec's admission to AIM marked the end of seven years in private ownership. Shortly before the listing, James Kerr-Muir took over the chairmanship from Hugh Lang. Hugh had helped to steer the Company through its private ownership phase since 1999 and the Board would like to thank him and Simon Leefe, who also stood down as a non-executive director at the time of our admission to AIM, for their counsel and stewardship during these years. Adrian Burn also joined the Board as a non-executive director shortly before the listing. A third non-executive director is currently being sought.

Outlook and Future Prospects

Overall, Acertec's trading outlook is in line with expectations, and the Board is confident that the

Group, with market-leading positions in its two strong business sectors, has a good platform on which to build future growth.

Within the BRC division, competitive conditions in our markets have improved since June and sales remain strong. For the second half of the year, the Board expects both sales turnover and prices to show further improvement together with a lower level of cost increases.

Longer term, the outlook for the construction sector in the UK and Ireland remains favourable and the effect of the London Olympics is yet to be felt. Whilst the level of government spending is always changeable, there is a solid pipeline of major projects which should sustain the sector. Against this backdrop, and with further development of its portfolio of Specialty Products, the Board is confident that BRC can continue to benefit from the wide range of opportunities within the sector.

For Stadco, the second half of the year is normally weaker, owing to the incidence of holiday shut-downs (typically more than three weeks) at its OEM customers. In addition, as stated at the time of the listing, the second half will be affected by two major model changeovers. The Land Rover Freelander ceased production early in July, with a gap of several months before production of the new Freelander is expected to start. Volumes of the BMW Mini will also be significantly lower in the second half, as the manufacturer prepares for the launch of the new model. In addition to these volume headwinds, start-up costs will be incurred in launching these new models, partially offset by cost savings from the restructuring programme. However, volumes of the new models are anticipated to rise sharply in early 2007.

For 2007, Stadco will be supplying a portfolio of vehicle models that are largely in the early stages of their lifecycles. The division has a strong reputation with vehicle OEMs, and market developments give the division confidence that it will be able to win new work for 2007 and beyond. Further, the Group is looking to extend its geographic footprint into new areas and is continuing to pursue opportunities in Russia.

For the longer term, the Board believes that the prospects for Acertec are good and that each of the Group's divisions has a strategy in place that is robust and that will deliver future growth in shareholder value.

James Kerr-Muir
Chairman

1 September 2006

Consolidated profit and loss account

	Notes	**Six months ended 30 June 2006 Unaudited £'m**	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited (as restated) £'m
Turnover (including share of joint ventures)		**183.3**	209.6	383.2
Continuing operations	2	**158.6**	152.3	280.8
Discontinued operations	2	**24.7**	57.3	102.4
Less: Share of turnover of joint ventures		**(8.3)**	(7.8)	(14.3)
Gross turnover		**175.0**	201.8	368.9
Group operating profit/(loss) – continuing operations		**3.5**	(3.9)	(3.4)
Group operating (loss)/profit – discontinued operations		**(1.6)**	0.8	(1.9)
Group operating profit/(loss)		**1.9**	(3.1)	(5.3)
Share of operating profit of joint ventures		**0.9**	0.9	1.8
Total operating profit/(loss): Group and share of joint ventures		**2.8**	(2.2)	(3.5)
Total operating profit before goodwill amortisation and exceptional items – continuing operations	2	**7.9**	7.6	12.5
Total operating (loss)/profit before goodwill amortisation and exceptional items – discontinued operations	2	**(1.7)**	1.3	1.0
Goodwill amortisation		**(0.4)**	(0.4)	(0.8)
Operating exceptional items	3	**(3.0)**	(10.7)	(16.2)
Loss on disposal of operation	3	**(5.8)**	–	–
Profit on disposal of fixed assets		**–**	10.9	11.1
(Loss)/profit on ordinary activities before interest and taxation		**(3.0)**	8.7	7.6
Net interest payable and similar charges – before exceptional items	4	**(3.1)**	(4.8)	(10.3)
Interest receivable – exceptional	4	**2.2**	0.8	0.8
Other finance charge		**–**	(0.2)	(0.4)
Net interest payable		**(0.9)**	(4.2)	(9.9)
(Loss)/profit on ordinary activities before taxation		**(3.9)**	4.5	(2.3)
Tax on (loss)/profit on ordinary activities	5	**(1.6)**	(0.9)	0.4
(Loss)/profit on ordinary activities after taxation		**(5.5)**	3.6	(1.9)
Minority interests		**–**	(0.2)	(0.4)
(Loss)/profit for the financial period		**(5.5)**	3.4	(2.3)
(Loss)/earnings per ordinary share:		**£**	£'000	£'000
Basic and diluted	7	**(0.4)**	13.5	(9.2)
Adjusted (loss)/earnings per ordinary share:				
Basic and diluted, excluding goodwill amortisation and exceptional items	7	**0.1**	(0.4)	(4.8)

There is no difference between the results as disclosed in the profit and loss account and those on an unmodified historical cost basis.

Consolidated statement of total recognised gains and losses

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited (as restated) £'m
(Loss)/profit attributable to ordinary shareholders for the financial period	**(5.5)**	3.4	(2.3)
Actuarial gain/(loss) recognised in the pension schemes	**0.6**	(3.4)	(4.3)
Current tax relating to actuarial gain/(loss) in the pension scheme	**(0.1)**	0.1	0.2
Deferred tax relating to actuarial gain/(loss) in the pension scheme	**(0.1)**	0.9	1.1
	0.4	(2.4)	(3.0)
Unrealised profit on disposal of fixed assets	**0.1**	–	–
Currency translation differences on foreign currency net investments	**(0.2)**	0.1	0.4
Total recognised (losses)/gains relating to the period	**(5.2)**	1.1	(4.9)
Prior year adjustment – FRS20	**(0.3)**		
Total recognised gains and losses since last annual report	**(5.5)**		

Consolidated balance sheet

	Notes	30 June 2006 Unaudited £'m	30 June 2005 Unaudited £'m	31 Dec 2005 Audited (as restated) £'m
Fixed assets				
Intangible assets		**14.6**	15.7	15.3
Tangible assets		**68.0**	88.5	85.4
Investments in joint ventures		**4.4**	3.9	4.0
Other investments		**0.2**	0.2	0.2
		87.2	108.3	104.9
Current assets				
Stocks		**24.6**	29.9	30.2
Debtors		**55.8**	72.1	63.6
Cash at bank and in hand		**67.7**	47.2	72.8
		148.1	149.2	166.6
Creditors: amounts falling due within one year				
Borrowings		**(57.1)**	(84.9)	(88.6)
Creditors		**(78.2)**	(78.7)	(77.6)
		(135.3)	(163.6)	(166.2)
Net current assets/(liabilities)		**12.8**	(14.4)	0.4
Total assets less current liabilities		**100.0**	93.9	105.3
Creditors: amounts falling due after more than one year				
Borrowings		**(57.8)**	(86.1)	(102.7)
Creditors		**(0.2)**	(0.1)	(0.2)
		(58.0)	(86.2)	(102.9)
Provisions for liabilities and charges		**(3.2)**	(5.2)	(5.5)
Net assets/(liabilities) (excluding net pension liabilities)		**38.8**	2.5	(3.1)
Net pension liabilities		**(12.4)**	(18.5)	(18.7)
Net assets/(liabilities) (including net pension liabilities)		**26.4**	(16.0)	(21.8)
Capital and reserves				
Called up equity share capital		**5.1**	–	–
Share premium account		**48.8**	0.5	0.5
Other reserve		**1.0**	1.0	1.0
Share option reserve		**0.3**	0.2	0.2
Profit and loss account		**(32.4)**	(21.3)	(27.2)
Surplus/(deficit) on equity shareholders' funds	8	**22.8**	(19.6)	(25.5)
Equity minority interests		**3.6**	3.6	3.7
Surplus/(deficit) on total shareholders' funds		**26.4**	(16.0)	(21.8)

The notes on pages 10 to 18 form part of this interim financial information.

Consolidated cash flow statement

	Notes	**Six months ended 30 June 2006 Unaudited £'m**	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
Net cash inflow/(outflow) from operating activities	9	**8.6**	(7.1)	4.1
Dividends received from investments		**0.3**	0.6	1.4
Returns on investments and servicing of finance		**(3.7)**	(2.1)	(5.0)
Taxation		**–**	(0.7)	(0.9)
Capital expenditure and financial investment		**(3.3)**	9.3	7.7
Acquisitions and disposals		**13.3**	–	–
Net cash inflow before financing		**15.2**	–	7.3
Financing				
Net proceeds of IPO		**53.4**	–	–
Net cash outflow from financing		**(69.5)**	(6.8)	(1.3)
(Decrease)/increase in cash in the period		**(0.9)**	(6.8)	6.0

Independent review report to Acertec plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
1 September 2006

Notes:

(a) The maintenance and integrity of the Acertec plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Notes to the interim financial information

1. Accounting policies

Basis of preparation

The interim report for the period ended 30 June 2006 was approved by the board on 1 September 2006 and is unaudited. The auditors have carried out a review and their report is set out on page 9. The interim financial information has been prepared on the basis of accounting policies consistent with UK Generally Accepted Accounting Practice (UK GAAP) and those accounting policies used for the audited financial statements at 31 December 2005, except that FRS 22 'Earnings per share' and FRS 20 'Share-based payment' have been adopted for the first time and comparative figures restated accordingly. FRS 22 requires the group to disclose earnings per share information for the current period and comparative period. The effect of FRS 20 was to increase staff costs by £0.1m (six months to 30 June 2005: £0.1m, full year 2005: £0.2m)

The figures for the year ended 31 December 2005 have been extracted from the statutory accounts which have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.

This interim financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

2. Segmental analysis

Turnover	Six months ended 30 June 2006 Unaudited Continuing operations £m	Discontinued operations £m	Total £m
Business analysis			
BRC division	**81.2**	**–**	**81.2**
Stadco division	**77.4**	**4.1**	**81.5**
Steel Wire division	**–**	**20.6**	**20.6**
Total turnover	**158.6**	**24.7**	**183.3**

There is no significant inter-segment turnover.

	Six months ended 30 June 2006 Unaudited					
Profit/(loss) before tax	Continuing operations Before goodwill amortisation & exceptional items £m	Continuing operations After goodwill amortisation & exceptional items £m	Discontinued operations Before goodwill amortisation & exceptional items £m	Discontinued operations After goodwill amortisation & exceptional items £m	Total Before goodwill amortisation & exceptional items £m	Total After goodwill amortisation & exceptional items £m
Business analysis						
BRC division	**3.1**	**2.7**	**–**	**–**	**3.1**	**2.7**
Stadco division	**6.2**	**6.5**	**(0.8)**	**(0.8)**	**5.4**	**5.7**
Steel Wire division	**–**	**–**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**
Central and other unallocated costs	**(1.4)**	**(4.7)**	**–**	**–**	**(1.4)**	**(4.7)**
Total operating profit/(loss)	**7.9**	**4.5**	**(1.7)**	**(1.7)**	**6.2**	**2.8**
Loss on disposal of operation	**–**	**–**	**–**	**(5.8)**	**–**	**(5.8)**
Net finance charge	**(3.1)**	**(0.9)**	**–**	**–**	**(3.1)**	**(0.9)**
Profit/(loss) before tax	**4.8**	**3.6**	**(1.7)**	**(7.5)**	**3.1**	**(3.9)**

The discontinued operations segmental analysis for the Stadco division relates to Stadco Birmingham Pressings Limited which was sold on 7 April 2006.

The discontinued operations segmental analysis for the Steel Wire division relates to Carrington Wire Limited which was sold on 10 April 2006.

Included within the BRC division are the joint venture businesses, BRC McMahon Reinforcements Ltd (Ireland) and Anhui BRC & Masteel Weldmesh Co.Ltd (China).

2. Segmental analysis continued

Turnover	Six months ended 30 June 2005 Unaudited Continuing operations £m	Discontinued operations £m	Total £m
Business analysis			
BRC division	73.7	–	73.7
Stadco division	78.6	10.6	89.2
Steel Wire division	–	46.7	46.7
Total turnover	**152.3**	**57.3**	**209.6**

There is no significant inter-segment turnover.

	Six months ended 30 June 2005 Unaudited					
	Continuing operations	Continuing operations	Discontinued operations	Discontinued operations	Total	Total
Profit/(loss) before tax	Before goodwill amortisation & exceptional items £m	After goodwill amortisation & exceptional items £m	Before goodwill amortisation & exceptional items £m	After goodwill amortisation & exceptional items £m	Before goodwill amortisation & exceptional items £m	After goodwill amortisation & exceptional items £m
Business analysis						
BRC division	5.0	4.5	–	–	5.0	4.5
Stadco division	3.6	(5.2)	0.5	0.5	4.1	(4.7)
Steel Wire division	–	–	0.8	0.2	0.8	0.2
Central and other unallocated costs	(1.0)	(2.2)	–	–	(1.0)	(2.2)
Total operating profit/(loss)	**7.6**	**(2.9)**	**1.3**	**0.7**	**8.9**	**(2.2)**
Profit on disposal of fixed assets	–	–	–	10.9	–	10.9
Net finance charge	(5.0)	(4.2)	–	–	(5.0)	(4.2)
Profit/(loss) before tax	**2.6**	**(7.1)**	**1.3**	**11.6**	**3.9**	**4.5**

Included within the BRC division are the joint venture businesses, BRC McMahon Reinforcements Ltd (Ireland) and Anhui BRC & Masteel Weldmesh Co.Ltd (China).

2. Segmental analysis continued

Turnover	Year ended 31 December 2005 Audited Continuing operations £m	Discontinued operations £m	Total £m
Business analysis			
BRC division	141.6	–	141.6
Stadco division	139.2	21.2	160.4
Steel Wire division	–	81.2	81.2
Total turnover	**280.8**	**102.4**	**383.2**

There is no significant inter-segment turnover.

	Year ended 31 December 2005 Audited					
Profit/(loss) before tax	Continuing operations Before goodwill amortisation & exceptional items £m	Continuing operations After goodwill amortisation & exceptional items £m	Discontinued operations Before goodwill amortisation & exceptional items £m	Discontinued operations After goodwill amortisation & exceptional items £m	Total Before goodwill amortisation & exceptional items £m	Total After goodwill amortisation & exceptional items £m
Business analysis						
BRC division	8.3	7.5	–	–	8.3	7.5
Stadco division	6.3	(5.5)	0.5	(1.1)	6.8	(6.6)
Steel Wire division	–	–	0.5	(0.9)	0.5	(0.9)
Central and other unallocated costs	(2.1)	(3.5)	–	–	(2.1)	(3.5)
Total operating profit/(loss)	**12.5**	**(1.5)**	**1.0**	**(2.0)**	**13.5**	**(3.5)**
Profit on disposal of fixed assets	–	–	–	11.1	–	11.1
Net finance charge	(10.7)	(9.9)	–	–	(10.7)	(9.9)
Profit/(loss) before tax	**1.8**	**(11.4)**	**1.0**	**9.1**	**2.8**	**(2.3)**

Included within the BRC division are the joint venture businesses, BRC McMahon Reinforcements Ltd (Ireland) and Anhui BRC & Masteel Weldmesh Co.Ltd (China).

Notes to the interim financial information
continued

3. Exceptional items

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
Operating exceptional items:			
Restructuring of Carrington Wire	**–**	0.4	1.1
Restructuring of Stadco	**(0.1)**	9.2	13.7
Costs in relation to IPO	**3.1**	1.1	1.4
	3.0	10.7	16.2
Non-operating exceptional items:			
Loss on disposal of Carrington Wire	**5.8**	–	–
Profit on disposal of fixed assets	**–**	(10.9)	(11.1)
Total operating and non-operating exceptional items	**8.8**	(0.2)	5.1
Exceptional interest receivable (note 4)	**(2.2)**	(0.8)	(0.8)

Costs in relation to IPO
On the IPO on 16 May 2006, certain bonuses of £3.1m were paid to management (see also note 4).

During 2005, the Group incurred £2.7m of costs in respect of professional advice in relation to the proposed IPO. Amounts totalling £1.4m were written off in 2005 and costs of £1.2m were carried forward within prepayments at the year end. The carried forward costs were ultimately treated as a deduction from the share premium account.

Sale of Stadco Birmingham Pressings Limited
On 7 April 2006, the Group sold its 80.1 per cent. interest in Stadco Birmingham Pressings Limited to LDV Holdings Limited. The consideration for the shares sold was £1. In addition, LDV Holdings Limited procured the payment by Stadco Birmingham Pressings Limited of £0.4m of outstanding debts owed to the Group. The Group waived all other debt owed to it by Stadco Birmingham Pressings Limited and gave customary warranties to LDV Holdings Limited, liability was capped at £0.4m plus any amounts paid to the Group under the supply agreement and co-operation agreement in the year following the date of the disposal. At 31 December 2005 the Group held provisions of £0.9m in relation to the disposal. There was no significant loss on disposal in the current period.

Sale of Carrington Wire Limited
On 10 April 2006, the Group sold the entire share capital of Carrington Wire Limited for £14.3m plus £5.8m by way of repayment of debt, and incurred a loss on disposal of £5.8m after paying fees and a working capital adjustment in accordance with the share sale agreement.

Restructuring costs – year ended 31 December 2005
Carrington Wire Limited completed a programme of restructuring in 2005 following the closure and ultimate sale of its Warrington site, which resulted in restructuring costs and a profit on disposal of the site.

Stadco conducted a programme of restructuring in 2005 following the closure of a major customer, MG Rover Group.

4. Net interest payable and similar charges

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
Interest payable and similar charges			
Bank loans and overdrafts	**1.4**	1.6	3.4
Other loans	**1.7**	2.2	4.4
Finance leases	**0.1**	0.1	0.2
Dividend on Cumulative Convertible Participating Preferred Ordinary shares	**–**	0.1	0.2
Other interest payable	**0.1**	0.8	2.2
	3.3	4.8	10.4
Interest receivable and similar income			
Other interest receivable	**(0.2)**	–	(0.1)
Net Interest payable – before exceptional items	**3.1**	4.8	10.3
Interest receivable – exceptional	**(2.2)**	(0.8)	(0.8)
	0.9	4.0	9.5
Other finance charge	**–**	0.2	0.4
Net interest payable	**0.9**	4.2	9.9

The exceptional items relate to the reduction in the redemption premium on the loan notes. The provision for the premium was based on the value of the underlying businesses and was payable in the event of a sale of, or on the employee leaving, the business. £1.7m was paid on the redemption of certain of the loan notes on the disposal of Carrington Wire Limited, which had been charged to interest in previous periods. Prior to the IPO, during 2006, the remaining management loan notes were repaid at par (£0.3m) and cancelled with the agreement of the loan note holders, resulting in a decrease in the redemption premium of £2.2m in the period ended 30 June 2006. The beneficiaries of the loan notes subsequently received bonus payments (note 3).

5. Tax on profit on ordinary activities

The tax charge for the six months ended 30 June 2006 is based on the effective tax rate which it is estimated will apply on earnings for the full year. The Directors consider that the estimated rate has been prepared in light of currently available information.

6. Dividends

No interim dividend has been paid.

Notes to the interim financial information
continued

7. Earnings per share

The basic and diluted earnings per share have been calculated on the following earnings and weighted average number of shares in issue:

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
(Loss)/profit for the year	**(5.5)**	3.4	(2.3)
Goodwill amortisation	**0.4**	0.4	0.8
Net exceptional charges	**6.6**	(1.0)	4.3
Taxation on adjusting items	**(0.8)**	(2.9)	(4.0)
Adjusted profit before goodwill amortisation and exceptional items	**0.7**	(0.1)	(1.2)

	Number	Number	Number
Weighted average number of shares in issue	**12,783,934**	251	251

	£	£'000	£'000
Basic and diluted (loss)/earnings per share	**(0.4)**	13.5	(9.2)
Basic and diluted (loss)/earnings per share	**(0.4)**	13.5	(9.2)
Goodwill amortisation	**–**	1.6	3.2
Net exceptional charges	**0.5**	(4.0)	17.1
Taxation on adjusting items	**–**	(11.5)	(15.9)
Adjusted earnings per share	**0.1**	(0.4)	(4.8)

Adjusted (loss)/earnings per share do not include goodwill amortisation and net exceptional charges in order to highlight underlying trading performance.

The earnings per share calculation has been prepared under FRS22 which specifies that the weighted average number of shares should be used. Prior to the IPO on 16 May 2006, there were only 251 ordinary shares in issue, which leads to a large earnings per share figure being shown for the periods prior to the IPO.

8. Reconciliation of movements in equity shareholders' funds

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
(Loss)/profit for the financial year	**(5.5)**	3.4	(2.3)
Actuarial gain/(loss) recognised in the pension scheme	**0.6**	(3.4)	(4.3)
Current tax relating to actuarial gain/(loss) in the pension scheme	**(0.1)**	0.1	0.2
Deferred tax relating to actuarial gain/(loss) in the pension scheme	**(0.1)**	0.9	1.1
Unrealised profit on disposal of fixed assets	**0.1**	–	–
Cost of share options in issue	**0.1**	0.1	0.2
Foreign exchange translation differences taken to reserves	**(0.2)**	0.1	0.4
	0.4	(2.2)	(2.4)
Net (reduction)/increase in equity shareholders' funds	**(5.1)**	1.2	(4.7)
New equity issued	**53.4**	–	–
Opening equity shareholders' funds	**(25.5)**	(20.8)	(20.8)
Closing equity shareholders' funds	**22.8**	(19.6)	(25.5)

On 16 May 2006, 39,783,663 new shares were sold at 148p, raising £58.9m before expenses. IPO expenses of £5.5m were incurred and treated as a deduction from the share premium account.

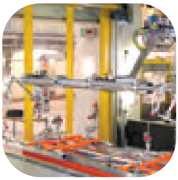
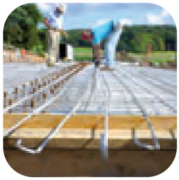
9. Net cash inflow/(outflow) from operating activities

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
Operating profit/(loss)	**1.9**	(3.1)	(5.3)
Depreciation charge	**4.7**	5.6	10.3
Impairment of fixed assets	**–**	–	1.2
Amortisation of goodwill	**0.4**	0.4	0.8
Difference between pension service cost and cash contributions	**(2.8)**	(1.0)	(1.9)
Other non-cash changes	**0.1**	0.1	0.2
Decrease/(increase) in working capital	**4.3**	(9.1)	(1.2)
	8.6	(7.1)	4.1

10. Reconciliation of movement in cash to net debt

	Six months ended 30 June 2006 Unaudited £'m	Six months ended 30 June 2005 Unaudited £'m	Year ended 31 Dec 2005 Audited £'m
(Decrease)/increase in cash in the period	**(0.9)**	(6.8)	6.0
Decrease in debt financing	**69.5**	6.8	1.3
Issue costs paid	**0.4**	–	0.8
Decrease/(increase) in net debt from cash flows	**69.0**	–	8.1
New finance leases	**–**	(0.8)	(0.8)
Amortisation of issue costs	**–**	(0.1)	(0.9)
Dividend on Cumulative Convertible Participating Preferred Ordinary shares	**–**	(0.1)	(0.2)
Loan note interest accrual	**–**	(2.1)	(4.3)
Decrease in accrued redemption premium	**2.2**	0.8	0.8
Foreign exchange movements	**0.1**	(0.6)	(0.3)
Decrease/(increase) in net debt during the period	**71.3**	(2.9)	2.4
Opening net debt	**(118.5)**	(120.9)	(120.9)
Closing net debt	**(47.2)**	(123.8)	(118.5)

Analysis of closing net debt:	**£'m**	£'m	£'m
Cash at bank and in hand	**67.7**	47.2	72.8
Bank overdrafts	**(50.3)**	(41.7)	(54.5)
Net cash	**17.4**	5.5	18.3
Bank loans	**(62.1)**	(42.3)	(48.0)
Other loans	**(0.2)**	(83.9)	(86.2)
Obligations under finance leases	**(2.3)**	(3.1)	(2.6)
Closing net debt	**(47.2)**	(123.8)	(118.5)









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