

Interim Report
Interim Report 2004/05
2004/05



DOWDING & MILLS

Chairman's Statement

Introduction

I am pleased to report that these results build upon the good progress reported last year, and provide further confirmation that we are continuing to meet our objective of improving returns and providing a financial and operating base better suited to the changing marketplace.

Results

Turnover for the six months to 28 February 2005 was £48.6 million (2004: £54.7 million).

The reduction in sales was principally due to the withdrawal from operations in Holland and Luxembourg in February 2004, the sale of our Gear related businesses in November 2004 and a large overseas job that was not repeated this year.

Operating profits improved to £2.7 million (2004: £2.4 million), and interest payable reduced to £0.9 million (2004: £1.1 million) resulting in profit before tax and exceptional items of £1.8 million (2004: £1.3 million).

There were no exceptional items during the first half, although last year there was an exceptional charge of £2.6 million primarily relating to the loss on disposal of our Holland and Luxembourg operations.

Earnings per share was 0.94p (2004: Loss 0.92p). A more representative fully taxed earnings per share before exceptional items improved by 36% to 0.80p (2004: 0.59p).

Progress

The last two years has seen substantial change as we reorganised and addressed a whole series of issues that had to be resolved to ensure Dowding & Mills remained the leader in its field.

Most of the change has had to be in UK and Europe where the business had not adjusted to a more competitive marketplace whilst embarking on an expansion programme that had accumulated an unacceptable level of debt. In the main, management, employees and customers have responded positively to the changes that have been made which were so fundamental to ensure we provide a cost-effective and efficient service as well as a secure future for all concerned.

Chairman's Statement

We are pleased that our actions have resulted in improving returns from our UK, US and Australian operations, and that profits are resulting in a healthy cash flow. This has reduced bank debt by a further £3 million over the past six months to £24 million, representing a reduction of £14 million over the past two years. Our focus will remain to improve returns and generate cash for the benefits of our shareholders and employees, but it will take several years of continuing progress to complete.

Outlook

As I have stated previously, it is difficult to comment on prospects in a Company which, due to the nature of our business, has a very limited forward order book and when the overall manufacturing industry is still in a state of change.

However, the start of the second half has shown some improvement in trading over last year, although there is ongoing reorganisation in parts of our business to ensure that we continue to become a more flexible and pro-active organisation better able to meet the needs of a changing marketplace.

Tudor Davies

Chairman

27 May 2005

Unaudited Consolidated Profit and Loss Account

half year ended 28 February 2005

	Half year to 28/02/05	Half year to 29/02/04		
	Total £'000	Before Exceptional Items £'000	Exceptional Items £'000	Total £'000
Turnover	48,582	54,684	—	54,684
Operating profit/(loss)	2,746	2,410	(132)	2,278
Profit on disposal of fixed assets	—	—	437	437
Loss on disposal of subsidiary	—	—	(2,914)	(2,914)
	2,746	2,410	(2,609)	(199)
Net interest payable	(917)	(1,111)	—	(1,111)
Profit/(loss) on ordinary activities before tax	1,829	1,299	(2,609)	(1,310)
Tax on ordinary activities	(380)	(113)	—	(113)
Retained profit/(loss)	1,449	1,186	(2,609)	(1,423)
Earnings per share (EPS)	0.94p	0.77p	(1.69p)	(0.92p)
Fully taxed EPS	0.80p	0.59p		

Year to 31/08/04

	<i>Before Exceptional Items £'000</i>	<i>Exceptional Items £'000</i>	<i>Total £'000</i>
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Turnover	103,410	—	103,410
Operating profit/(loss)	5,117	—	5,117
Profit on disposal of fixed assets	—	473	473
Loss on disposal of subsidiary	—	(3,078)	(3,078)
Net interest payable	5,117 (1,963)	(2,605) —	2,512 (1,963)
Profit/(loss) on ordinary activities before tax	3,154	(2,605)	549
Tax on ordinary activities	278	—	278
Retained profit/(loss)	3,432	(2,605)	827
Earnings per share (EPS)	2.23p	(1.69p)	0.54p
Fully taxed (EPS)	1.43p		

Unaudited Balance Sheet

as at 28 February 2005

	28/02/2005 £'000	29/02/2004 £'000	31/08/2004 £'000
NET ASSETS EMPLOYED			
Fixed assets:			
Intangible assets	1,862	2,059	1,915
Tangible assets	29,771	31,561	31,433
	31,633	33,620	33,348
Current assets:			
Stock and work in progress	7,372	7,486	7,976
Debtors	19,242	20,242	20,761
Bank and cash balances	4,052	6,550	4,822
	30,666	34,278	33,559
Creditors — amounts falling due within one year:			
Creditors	(13,031)	(12,600)	(14,979)
Loans and overdrafts	(373)	(1,216)	(446)
	(13,404)	(13,816)	(15,425)
Net current assets	17,262	20,462	18,134
Total assets less current liabilities	48,895	54,082	51,482
Creditors — loans falling due after more than one year	(28,019)	(36,407)	(32,247)
Provisions for liabilities and charges	(2,700)	(3,169)	(2,532)
Net assets	18,176	14,506	16,703
REPRESENTED BY			
Shareholders' funds:			
Share capital	15,410	15,410	15,410
Reserves	2,766	(904)	1,293
	18,176	14,506	16,703

Summarised Unaudited Cash Flow Statement

half year ended 28 February 2005

	Half year to 28/02/05 £'000	Half year to 29/02/04 £'000	Year to 31/08/04 £'000
Net cash inflow from operating activities (see note 4)	4,469	4,787	10,366
Net interest paid	(985)	(914)	(1,755)
Taxation paid	(189)	(303)	(363)
Net capital expenditure	209	559	(199)
Disposal of businesses	—	(67)	(534)
Cash flow before financing	3,504	4,062	7,515
Financing	(4,271)	(352)	(5,512)
(Decrease)/increase in cash and cash equivalents	(767)	3,710	2,003

Unaudited Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year to 28/02/05 £'000	Half year to 29/02/04 £'000	Year to 31/08/04 £'000
(Decrease)/increase in cash in the period	(767)	3,710	2,003
Cash flow from financing	4,271	352	5,512
Other non-cash items:	3,504	4,062	7,515
Foreign exchange translation difference (see note 3)	27	942	692
Reduction in net debt in the period	3,531	5,004	8,207
Net debt at beginning of period	(27,871)	(36,078)	(36,078)
Net debt at close of period	(24,340)	(31,074)	(27,871)

Statement of Total Recognised Gains and Losses

	Half year to 28/02/05 £'000	Half year to 29/02/04 £'000	Year to 31/08/04 £'000
Profit/(loss) for the period	1,449	(28)	827
Currency translation differences on overseas investments	24	(406)	(647)
Total recognised gains and losses since last annual report	1,473	(434)	180

Notes

1. The accounting policies used to complete the Interim Report are consistent with those used to complete the Group Accounts for the year ended 31 August 2004.

The figures for the year ended 31 August 2004 are an abridged statement of the full Group Accounts for that period which have been delivered to the Register of Companies and on which the auditors have made an unqualified report.

2. Earnings per share are calculated on attributable earnings of £1,449,000 (2004: losses of £1,423,000) and on a weighted average of 154,095,548 (2004: 154,095,548) ordinary shares in issue.

The earnings per share before exceptional items is calculated on attributable earnings of £1,449,000 (2004: earnings of £1,186,000) and on a weighted average of 154,095,548 (2004: 154,095,548) ordinary shares in issue.

The effective taxation rate in 2005 of 20.8% is a result of taxable losses brought forward in the UK. The fully taxed earnings per share before exceptional items is calculated on attributable earnings of £1,238,000 (2004: earnings of £909,000) and on a weighted average of 154,095,548 (2004: 154,095,548) ordinary shares in issue.

3. The currency translation differences arise because of the different rates of exchange used at the end of each respective period.

Notes

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

	Half year to 28/02/05 £'000	Half year to 29/02/04 £'000	Year to 31/08/04 £'000
Pre-exceptional operating profit	2,746	2,410	5,117
Exceptional costs	—	(2,609)	—
Operating profit	2,746	(199)	5,117
Depreciation charge	1,419	1,572	2,863
Impairment of fixed assets	145	262	(31)
Amortisation of goodwill	59	59	121
Impairment of goodwill	—	—	71
Profit on sale of tangible fixed assets	(192)	(471)	(27)
Loss on disposal of operations	—	2,914	—
Decrease in working capital	124	174	2,467
Increase/(decrease) in provisions for liabilities and charges	168	476	(215)
Net cash inflow from operating activities	4,469	4,787	10,366

5. This interim report is being sent by post to all registered shareholders. Additional copies are available from the Company's Registered Office: Camp Hill, Birmingham, B12 0JJ.

Group Locations

UNITED KINGDOM

Dowding & Mills

Engineering Services

Aberdeen	London
Ashford	Manchester
Avonmouth	Middlesbrough
Bacup	Newcastle
Birmingham	Nottingham
Bridgend	Reading
Bromborough	Scarborough
Chessington	Sheffield
Exeter	Southampton
Falkirk	Wimborne
Glasgow	York
Ipswich	

Electronics

Birmingham	Hitchin
Bridgend	Manchester
Camberley	Nottingham
Glasgow	Warrington
Glenrothes	

AUSTRALIA

Dowding & Mills

Newcastle, New South Wales
Sydney, New South Wales
Brendale, Queensland
Rocklea, Queensland
Melbourne, Victoria
Brisbane, Queensland

UNITED STATES OF AMERICA

Equipment Maintenance Services

Phoenix, Arizona
Elko, Nevada
Farmington, New Mexico
Gillette, Wyoming

Registered Office:

Camp Hill, Birmingham, B12 0JJ
Registered in England No. 160837

Registrars:

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