

## Hill & Smith Holdings PLC

### Preliminary results for the year ended 31 December 2003

Hill & Smith Holdings PLC ('the Group') has announced increased turnover, profits and dividends and a significant reduction in Group borrowings.

The Group has reported that turnover rose by 13.6 per cent to £241.7 m and profit before taxation increased to £7.0 m, 7.4 per cent higher than the previous year.

The proposed final dividend is 2.45p (2002: 2.40p), subject to shareholder approval, resulting in total dividends for the year of 4.60p (2002: 4.50p). The dividend is covered by adjusted earnings 2.5 times (2002: 2.6 times).

Group cash flow was strongly positive and by 31 December 2003 net borrowings had reduced to £36.5 m (2002: £44.9 m), resulting in a significant improvement in gearing to 96 per cent (2002: 125 per cent).

### Highlights

	<b>Year ended 31 December 2003</b>	<b>Year ended 31 December 2002</b>
Turnover	£241.7 m	£212.7m
Profit before taxation	£7.0 m	£6.5m
Net borrowings	£36.5 m	£44.9m
Dividends	4.6p	4.5p
Earnings per share – adjusted	11.54p	11.79p
Earnings per share - FRS 3	7.90p	6.45p

Operating profit before exceptional items and goodwill amortisation was £13.6 m (2002: £14.0m) after charging additional pension costs of £1.0 m. Excluding the effect of these extra pension costs, underlying adjusted operating profit increased by 4.3 per cent and underlying adjusted earnings per share increased by 7.9 per cent.

The Building and Construction Products division contributed 92 per cent of the Group's adjusted operating profit. The strategic acquisitions of Brifen and Mallatite Limited in 2002, both complementary businesses, have been fully integrated into the Group's operations.

During the year, the Group entered into new bank financing arrangements, on more advantageous terms. Strongly positive cash flow resulted in a significant reduction in gearing.

Chairman David Winterbottom said: "Our infrastructure products businesses continued to make progress against a background of increased public expenditure, especially in the transport sector.

"Our market leading galvanizing business achieved a record throughput in the year and our modern facilities are well placed to take advantage of this growing market.

"We continue to concentrate our investment on the core infrastructure, building and construction businesses where we have significant market shares and where our product development programme is focused on the development of innovative solutions and products.

"The current year has started in line with our expectations and, subject to market conditions remaining favourable, I look forward to another satisfactory performance in 2004".

Ends

Further information:

**Hill & Smith Holdings PLC**

David Grove

Chief Executive

0121 704 7430

07973 325667

**Quantum PR plc**

Edward Carter

0121 633 7775

07770 378097

## **Chairman's Statement**

### **General**

I am pleased to report another year of improvement in our underlying businesses in 2003. Turnover at £241.7 million was 13.6% ahead of the previous year which represented a mix of real organic growth and inflation due to rising steel prices.

Operating profit before goodwill amortisation and exceptional items was £13.6 million compared with £14.0 million in the previous year representing a fall of 3.0%. However, if the additional pension scheme costs of £1.0 million are taken into account, the underlying figure improved by 4.3%. Profit before taxation increased from £6.5 million to £7.0 million. Following a further reduction in interest charges in 2003 the profit before exceptional items, goodwill amortisation and taxation was £9.8 million (2003: £10.0 million) representing a 1.9% fall but again, if the additional pension scheme costs are taken into account, the underlying performance improved by 8.5%.

Adjusted earnings per share for the year were 11.54p (2002: 11.79p). This was adversely affected by the pension costs and represented a decline of 2.1%. Excluding the pension effect, adjusted earnings per share grew by 7.9%.

### **Cash Flow and Gearing**

The Company's ability to generate healthy cash flow continued and the net debt at December 2003 was £36.5 million (2002: £44.9 million) representing gearing of 96% (2002: 125%).

### **Operations**

Our infrastructure products businesses continued to make progress against a background of public expenditure programmes and our galvanising plants achieved a record throughput in the year. The acquisitions of Brifen and Mallatite Limited made in 2002 have now been fully integrated into our Group. Overall the Building and Construction Products division contributed 92% of our adjusted operating profit. Our progress during the year however was restrained by costs associated with the launch of new products and expenditure relating to our ongoing product development programme, which will provide enhanced contributions in the future.

The Industrial Products division contributed 8% of our adjusted operating profit and we continue to manage these non-core businesses in an appropriate manner. During the year the loss-making Wombwell Foundry Limited was closed and the SI Pressure Instruments business was sold to a strategic purchaser.

### **Dividends**

The Board is recommending a further increase in our dividend payment in line with our policy since 2001. A final dividend of 2.45p (2002: 2.40p) will be paid subject to shareholder approval making a total for the year of 4.6p (2002: 4.5p). The dividend is covered 2.5 times by adjusted earnings.

### **Pensions**

As mentioned previously the Group has absorbed additional pension costs in 2003. At 31 December 2003 our FRS17 deficit after tax was £2.6 million which was similar to the December 2002 figure.

### **Employees**

The business environment in which we operate becomes ever more demanding and competitive and I would like to thank all our employees for their significant contribution to our financial performance during the year. Our best wishes go to Howard Everett who was an Executive Director and Company Secretary. He left the Company at the end of the year having been with Hill & Smith Holdings PLC since 1990.

### **Outlook**

Our strategy and focus remain unchanged and we continue to concentrate our future investment into the building and construction businesses where we have significant market shares. The current trading period has started in line with our expectations and subject to market conditions remaining favourable I look forward to another satisfactory performance in 2004.

### **David Winterbottom**

Chairman  
16 March 2004

### **Operational Review**

Further progress was made by the majority of our operating companies during 2003, particularly in the area of our core competencies where we have significant market shares. We continued to develop and launch new products to complement our current portfolio in response to our perceived requirements from the markets we supply. Our new and improved product development pipeline will be the engine for further growth together with strategic acquisitions when the opportunities arise.

### **Building and Construction Products**

Turnover was substantially ahead during the year at £203.4 million (2002: £162.7 million) as sales prices were increased in response to rising raw material input costs. In addition there was a full year contribution from the two acquisitions made in 2002 and new contract wins. However operating profits fell from £13.3 million in 2002 to £12.5 million in 2003. If the effect of the increased pension contributions is taken into consideration the 2003 outcome would have been similar to 2002. The lack of progress at operating profit level was further hampered by poor performances from two of our businesses. These issues have already been addressed and we are confident that these businesses will respond positively.

The Infrastructure Products Group ("IPG") continued successfully to market its various brands and products in a cohesive manner to common customers and capitalise on its excellent reputation for service, delivery and quality. We are continually improving our products and developing new products to complement our present range. Our product development programme is totally focused on the launch of new innovative solutions to enhance the safety of our roads and improve traffic flows wherever possible. It is a sad fact that approximately ten people per day are killed on our roads in the UK and many more suffer serious injury. The problems with traffic congestion are well documented and represent opportunities for our product development and acquisition strategy. These challenges will continue to test our resourceful and innovative approach as the number of road vehicles continues to increase in both our domestic and export markets. We have entered into a number of term maintenance agreements with major contractors in order to respond to their servicing requirements. Our temporary crash barrier rental fleet of Varioguard products was increased further during the year in response to further demand from highways applications. Further improvements to this product were made including a new interlocking mechanism which enables this product to be installed at a rate of over 400 metres per hour. In 2002 we made two acquisitions – Brifen (wire rope safety restraint systems) and Mallatite (lighting columns). These businesses were an excellent strategic fit and have been fully integrated into the IPG portfolio. We have further developed Brifen's export potential and licensing opportunities and we have recently successfully tested the product for the American market. Mallatite commenced the supply of lighting columns on the Sunderland PFI contract and two further PFI contracts at Islington and Wakefield have now been secured. Major contracts completed during the year included barrier systems on the M8 in Scotland, off-road barrier solutions for Asda and Sainsbury's and the first installation of our new Supercor Multiplate product over the East Coast Main Line at Stockton-on-Tees. Our export business also increased during the year and included a contract for the supply of our crash barrier system to Jamaica.

Our market leading galvanising businesses, which now represent 26% of the UK market, had a record year and processed well in excess of 200,000 tonnes. During the year there were significant cost increases which affected the whole industry and over which we had little control. However, the continued investment programme in our major facilities is providing a solid base for servicing the market and meeting customer expectations. The UK market for galvanized components continues to grow and our modern facilities are well placed to take advantage of this in the future.

The remaining businesses in this division had a mixed year. Much improved performances were achieved by Birtley Building Products and Express Reinforcements against a competitive market background. Birtley is now the only producer of the technically superior post galvanised steel lintel and its residential door business made further progress in the year. Express was affected by surging demand from the Terminal 5 contract and managing this level of activity challenged the management team to new highs. The new Rollmat reinforcing bar product was launched by Express during the year and has been extensively utilised on the Terminal 5 project where this product has speeded up the traditional process for laying down reinforcing bar. Redman Fisher had a difficult year which necessitated restructuring and management changes. The new management team has now been installed and they are starting to deliver an improved performance. Ash & Lacy Building Systems had a buoyant year in its traditional markets but its profits were adversely affected by the start-up costs of a new product range, which however, offers the prospect of substantially larger market and profit opportunities in the future.

All the companies in the Building and Construction Products division were affected by steel price increases during the year and the necessity to pass these increases on to our customers. We have managed these problems extremely well and further steel price increases are in the pipeline during 2004 owing to unprecedented increases in demand from China and the capacity constraints of the declining European steel industry.

The whole of this division continues to cross sell our various products and services on major projects in the UK. These included the M8/A8 upgrade in Scotland, A2/M2 Medway Bridge in Kent, the Channel Tunnel Rail Link and Terminal 5 at Heathrow Airport.

## **Industrial Products**

In 2003 sales of £38.3 million (2002: £50.0 million) were achieved, resulting in profits of £1.1 million (2002: £0.7 million). This division performed with considerable credit against a background of poor market conditions. As indicated in last year's review, Wombwell Foundry was closed in 2003 and the majority of exceptional costs relate to the termination of this loss-making business. On a more positive note SI Pressure Instruments was disposed of during the year to a strategic purchaser for a price equivalent to turnover. Also, following the closure of its US operation, Pipe Supports returned to profitability during the year and we are now actively expanding our low cost Thailand operation. Our stockholding and other commodity based operations continued to generate cash although profitability was limited by poor market conditions. The other smaller businesses in this division continue to exploit niche market opportunities and, following a significant marketing effort, Bromford Iron and Steel outperformed our expectations. In general terms this division, although not core to the Group's activities continues to generate good cash flows.

## **Conclusion**

Our construction and building products businesses continue to win new business at a healthy rate. Many of our products are cross sold on both major infrastructure projects and smaller more localised construction sites. Wherever possible our new products aim to be technically superior to our competition and also offer cost saving opportunities to our customers. We remain disciples of the philosophy 'innovate or die' and look forward to delivering an improved performance in 2004 from our robust and ever strengthening business units.

## **David Grove**

Chief Executive  
16 March 2004

## **Financial Review**

These results cover the twelve months to 31 December 2003. They include for the first time a full year's contribution from Mallatite which we acquired in August 2002 and only minor contributions from SI Pressure Instruments and Wombwell Foundry which were respectively sold and closed during the year.

## **Summary of Results**

The year's results were characterised by a strong growth in sales but with a reduction in gross margins and higher overheads, including a substantial increase in net pension and social security costs. Operating cash flow remained strong.

Group turnover increased by 13.6% to £241.7 million (2002: £212.7 million). This growth arose from our core Building and Construction Products division where sales increased by 25.0% to £203.4 million (2002: £162.7 million). Most of this increase was due to further expansion of our infrastructure product and steel reinforcing operations, including the Heathrow T5 project. In contrast, sales by the Industrial Products division fell 23.5% to £38.3 million (2002: £50.0 million). £7.6 million and 15.2% of this decrease was attributable to SI Pressure Instruments and Wombwell

Foundry, as mentioned above. Excluding this effect, the underlying like for like decline was £4.1 million or 8.3% which reflects the continuing difficult market conditions for these businesses.

The higher overheads include an increase in net pension costs of £1.0 million arising from the new actuarial valuations of our two Group schemes.

Overall Group adjusted operating profit before exceptional items and goodwill amortisation fell marginally to £13.6 million (2002: £14.0 million). However, adjusting for the effects of the higher net pension costs, underlying adjusted operating profits grew by 4.3%.

Net exceptional charges amounted to £1.2m. This included a charge of £1.8 million in respect of the termination of operations, primarily the costs of closing Wombwell Foundry Limited which we advised in last year's report. We also completed the sale of the SI Pressure Instruments business which gave rise to a gain of £0.5 million and we generated a further profit of £0.1 million from the sale of surplus properties.

### **Interest**

Interest costs fell 5.9% to £3.8 million (2002: £4.0 million) mainly as a result of lower average net borrowings, with adjusted interest cover improving to 3.6 times (2002: 3.5 times).

### **Taxation**

The effective tax rate on profits before exceptional items and goodwill amortisation was 27.6% compared to the standard rate of 30%, mainly as a result of adjustments relating to prior years.

### **Earnings per share**

Adjusted earnings per share before exceptional items and goodwill amortisation amounted to 11.54p, a reduction of 2.1% compared to last year. Excluding the effects of the increase in pension costs, underlying adjusted earnings per share grew by 7.9%.

### **Dividends**

In line with our progressive dividend policy, we again propose to increase the level of the distribution to shareholders. The proposed final dividend, together with the interim dividend already paid, makes a total for the year of 4.6p per share and represents an increase of 2.2% from last year. Based on adjusted earnings, this level of dividend is covered 2.5 times.

### **Financing and borrowings**

The year saw a further strengthening in our financial position. Year end net borrowings fell to £36.5 million (2002: £44.9 million) and net assets increased to £38.0 million (2002: £35.9 million) resulting in year end gearing of 96% (2002: 125%). The year end borrowing position was boosted by strong seasonal cash flow effects and by some special one-off factors, in particular £5.3 million of advance payments received in connection with our Terminal 5 Joint Venture.

Despite the large increase in turnover we again reduced working capital. We also maintained our programme of capital expenditure, investing a total of £6.5 million, £0.9 million in excess of depreciation.

During the year we reorganised our borrowing arrangements through a new £67.5 million five year term and revolving credit facility with a group of leading banks. With additional overdraft and hire purchase facilities we have substantial financing resources to support our programme of organic growth and corporate development.

## **Pensions**

Increases in inflation expectations offset most of the beneficial effects from the partial recovery in equity asset values. As a result our year end net FRS17 funding deficit remained at £2.6m.

## **International Financial Reporting Standards**

European listed groups are required to adopt International Financial Reporting Standards (“IFRS”) for their financial statements from 2005, including comparative information for 2004. The Group is assessing the impact of IFRS on its published financial statements on an ongoing basis, as the standards are themselves evolving.

**Chris Burr**

Finance Director

16 March 2004

**Group Profit and Loss Account**  
For the year ended 31 December 2003

	Notes	Year ended 31 December 2003				Year ended 31 December 2002			
		Before exceptional items and goodwill amortisation £000	Exceptional items £000 (see note 2)	Goodwill amortisation £000	Total £000	Before exceptional items and goodwill amortisation £000	Exceptional items £000	Goodwill amortisation £000	Total £000
<b>Turnover</b>	1	241,665	-	-	241,665	212,740	-	-	212,740
<b>Operating profit</b>	1	<b>13,581</b>	<b>(5)</b>	<b>(1,630)</b>	<b>11,946</b>	<b>14,008</b>	<b>(916)</b>	<b>(1,744)</b>	<b>11,348</b>
Profit on sale of business		-	540	-	540	-	-	-	-
Profit on sale of properties		-	85	-	85	-	223	-	223
Loss on termination of operations		-	(1,851)	-	(1,851)	-	(1,098)	-	(1,098)
<b>Profit on ordinary activities before interest</b>	1	<b>13,581</b>	<b>(1,231)</b>	<b>(1,630)</b>	<b>10,720</b>	<b>14,008</b>	<b>(1,791)</b>	<b>(1,744)</b>	<b>10,473</b>
Net interest payable		(3,755)	-	-	(3,755)	(3,989)	-	-	(3,989)
<b>Profit on ordinary activities before taxation</b>		<b>9,826</b>	<b>(1,231)</b>	<b>(1,630)</b>	<b>6,965</b>	<b>10,019</b>	<b>(1,791)</b>	<b>(1,744)</b>	<b>6,484</b>
Tax on profit	3	(2,712)	598	16	(2,098)	(2,809)	221	45	(2,543)
<b>Profit on ordinary activities after taxation</b>		<b>7,114</b>	<b>(633)</b>	<b>(1,614)</b>	<b>4,867</b>	<b>7,210</b>	<b>(1,570)</b>	<b>(1,699)</b>	<b>3,941</b>
Minority interests		(3)	-	-	(3)	3	-	-	3
<b>Profit for the year</b>		<b>7,111</b>	<b>(633)</b>	<b>(1,614)</b>	<b>4,864</b>	<b>7,213</b>	<b>(1,570)</b>	<b>(1,699)</b>	<b>3,944</b>
Dividends					(2,838)				(2,760)
<b>Retained profit for the year</b>					<b>2,026</b>				<b>1,184</b>
All results relate to continuing operations									
Earnings per share	4	11.54p	(1.03p)	(2.61p)	7.90p*	11.79p	(2.57p)	(2.77p)	6.45p*
Diluted earnings per share	4	11.46p	(1.02p)	(2.60p)	7.84p*	11.75p	(2.56p)	(2.77p)	6.42p*

\* FRS 3

**Group Balance Sheet**  
As at 31 December 2003

31 December  
2003  
£000

31 December  
2002  
£000

<b>Fixed assets</b>			
Intangible assets		27,240	30,350
Tangible assets		41,437	42,748
Investments		25	125
		-----	-----
		<b>68,702</b>	<b>73,223</b>
<b>Current assets</b>			
Properties held for resale		1,407	1,365
Stocks		23,641	23,410
Debtors: due after one year	6,583		6,183
Debtors: due within one year	47,226		49,562
	-----	-----	-----
		53,809	55,745
Cash and deposits		14,323	12,811
		-----	-----
		<b>93,180</b>	<b>93,331</b>
<b>Creditors: amounts falling due within one year</b>			
Borrowings and finance leases		(10,370)	(10,377)
Other creditors		(66,768)	(65,774)
		-----	-----
		<b>(77,138)</b>	<b>(76,151)</b>
<b>Net current assets</b>		16,042	17,180
<b>Total assets less current liabilities</b>		84,744	90,403
<b>Creditors: amounts falling due after one year</b>			
Borrowings and finance leases		(40,438)	(47,304)
<b>Provisions for liabilities and charges</b>		(6,318)	(7,208)
		-----	-----
<b>Net assets</b>		<b>37,988</b>	<b>35,891</b>
		=====	=====
<b>Share capital and reserves</b>			
Called up share capital		15,424	15,391
Share premium		3,423	3,367
Capital redemption reserve		238	238
Revaluation reserve		739	733
Other reserves		4,313	4,313
Profit and loss account		13,809	11,806
		-----	-----
<b>Equity shareholders' funds</b>		<b>37,946</b>	<b>35,848</b>
Equity minority interests		42	43
		-----	-----
		<b>37,988</b>	<b>35,891</b>
		=====	=====

**Group Cash Flow Statement  
For the Year Ended 31 December 2003**

		Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
	Notes		
Net cash flow from operating activities	5a	20,925	26,145
Returns on investments and servicing of finance	5b	(4,040)	(4,383)

Taxation		(1,182)	(432)
Capital expenditure and financial investment	5c	(4,230)	(5,545)
Acquisitions and disposals	5d	1,031	(5,455)
Equity dividends paid		(2,759)	(2,044)
<b>Cash flow before financing</b>		<b>9,745</b>	<b>8,286</b>
<b>Financing</b>			
Issue of new shares		89	49
Loan advances		50,406	5,976
Loan repayments		(57,539)	(6,423)
Redemption of loan notes		(328)	(341)
Proceeds from new finance leases secured on existing assets		-	1,126
Repayments of capital element of finance leases		(861)	(526)
		<b>(8,233)</b>	<b>(139)</b>
<b>Increase in cash in the year</b>		<b>1,512</b>	<b>8,147</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash		1,512	8,147
Cash outflow from borrowings		8,322	188
<b>Change in net debt resulting from cash flows</b>		<b>9,834</b>	<b>8,335</b>
New finance leases		(1,414)	(180)
Amortisation of arrangement fees		(35)	-
Loan notes issued as part of acquisition		-	(889)
<b>Movement in net debt in the year</b>		<b>8,385</b>	<b>7,266</b>
Net debt at the start of the year	5e	(44,870)	(52,136)
<b>Net debt at the end of the year</b>	5e	<b>(36,485)</b>	<b>(44,870)</b>

**Statement of Group Total Recognised Gains and Losses  
For the Year Ended 31 December 2003**

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Profit for the year	4,864	3,944
Currency translation differences on overseas net investments	(17)	(84)
<b>Total recognised gains and losses relating to the year</b>	<b>4,847</b>	<b>3,860</b>

**Note of Consolidated Historical Cost Profits and Losses  
For the Year Ended 31 December 2003**

There is no material difference between the results as shown in the profit and loss account and their historical cost equivalent.



<b>Building and Construction Products</b>	<b>203,403</b>	<b>12,502</b>	<b>10,583</b>	<b>39,764</b>	<b>162,743</b>	<b>13,305</b>	<b>12,175</b>	<b>38,136</b>
<b>Industrial Products</b>	<b>38,262</b>	<b>1,079</b>	<b>137</b>	<b>12,447</b>	<b>49,997</b>	<b>703</b>	<b>(1,702)</b>	<b>18,475</b>
<b>Total Operations</b>	<b>241,665</b>	<b>13,581</b>	<b>10,720</b>	<b>52,211</b>	<b>212,740</b>	<b>14,008</b>	<b>10,473</b>	<b>56,611</b>
Tax and dividends				(9,904)				(8,939)
Long term debtors and other provisions				4,926				2,739
Net borrowings				(36,485)				(44,870)
Goodwill				27,240				30,350
<b>Total Group</b>				<b>37,988</b>				<b>35,891</b>
<b>By geographical origin</b>								
UK	240,448	13,443	10,673	37,304	209,230	14,072	10,524	35,203
Rest of World	1,217	138	47	684	3,510	(64)	(51)	688
<b>Total</b>	<b>241,665</b>	<b>13,581</b>	<b>10,720</b>	<b>37,988</b>	<b>212,740</b>	<b>14,008</b>	<b>10,473</b>	<b>35,891</b>
<b>Turnover by geographical destination</b>								
UK	220,508				192,428			
Rest of Europe	11,864				10,818			
Asia	2,446				3,008			
USA	1,135				4,243			
Rest of World	5,712				2,243			
<b>Total</b>	<b>241,665</b>				<b>212,740</b>			

\* Operating profit is stated before exceptional items and goodwill amortisation.

## 2. Exceptional Items

Exceptional items charged to operating profit represent business reorganisation costs net of a credit of £750,000 arising from the release of a provision for potential environmental costs no longer deemed necessary together with £418,000 write-back of a previous over-impairment of fixed assets. The profit on sale of business relates to the sale of the business and certain assets and liabilities of SI Pressure Instruments Limited. The loss on termination of operations relates primarily to the cost of closure of Wombwell Foundry Limited.

## 3. Taxation

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
UK corporation tax on profits of the year	1,315	2,330
Adjustments in respect of prior periods	(136)	(250)
Foreign tax	22	33
	<b>1,201</b>	<b>2,113</b>
Deferred taxation: origination and reversal of timing differences		
Current year	1,046	514
Adjustments in respect of prior periods	(149)	(84)

----- 2,098 =====	----- 2,543 =====
-------------------------	-------------------------

#### 4 Earnings per share

The weighted average number of shares in issue during the year was 61,608,085 (2002: 61,157,774), diluted for the effects of outstanding share options 62,076,036 (2002: 61,399,912). Earnings per share have been calculated on earnings of £4,864,000 (2002: £3,944,000) and adjusted earnings per share before exceptional items and goodwill amortisation on earnings of £7,111,000 (2002: £7,213,000). Earnings per share before exceptional items and goodwill amortisation have been shown because the Directors consider that this gives a more meaningful indication of the underlying performance of the Group.

#### 5. Notes to the Cash Flow Statement

	Year ended 31 December 2003			Year ended 31 December 2002	
	Before exceptional items and goodwill amortisation £000	Exceptional items and goodwill amortisation £000	Total £000	Total £000	
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>					
Operating profit	13,581	(1,635)	11,946	11,348	
Depreciation	5,497	122	5,619	8,085	
Amortisation of goodwill	-	1,630	1,630	1,744	
Payments on the termination of business	-	-	-	(193)	
(Profit) on sale of fixed assets	(160)	-	(160)	(64)	
Change in working capital:					
Stocks	(818)	245	(573)	(4,696)	
Debtors	3,299	(213)	3,086	(299)	
Creditors and provisions	(132)	(491)	(623)	10,220	
	-----	-----	-----	-----	
	2,349	(459)	1,890	5,225	
<b>Net cash inflow from operating activities</b>	<b>21,267</b>	<b>(342)</b>	<b>20,925</b>	<b>26,145</b>	
	=====	=====	=====	=====	
<b>(b) Returns on investments and servicing of finance</b>					
Interest received			417	211	
Interest paid			(4,303)	(4,509)	
Interest element of finance lease rentals			(154)	(85)	
			-----	-----	
			<b>(4,040)</b>	<b>(4,383)</b>	
			=====	=====	
<b>(c) Capital expenditure and financial investment</b>					
Purchase of fixed assets			(5,442)	(7,146)	
Sale of fixed assets			1,212	1,601	
			-----	-----	
			<b>(4,230)</b>	<b>(5,545)</b>	
			=====	=====	
<b>(d) Acquisitions and disposals</b>					
Purchase of subsidiary undertakings and businesses			-	(3,781)	
Sale of businesses (net of disposal costs)			2,882	-	
Net overdraft acquired			-	(1,674)	
Termination of businesses			(1,851)	-	
			-----	-----	
			<b>1,031</b>	<b>(5,455)</b>	
			=====	=====	

(e) Analysis of net debt

	31 December 2002 £000	Cash Flow £000	Other non- cash changes £000	31 December 2003 £000
Cash at bank and in hand	12,811	1,512	-	14,323
Debt due within one year	(9,783)	255	(35)	(9,563)
Debt due after one year	(45,575)	7,206	-	(38,369)
Finance leases	(2,323)	861	(1,414)	(2,876)
	-----	-----	-----	-----
<b>Net debt</b>	<b>(44,870)</b>	<b>9,834</b>	<b>(1,449)</b>	<b>(36,485)</b>
	=====	=====	=====	=====

## Notes

- 1 The proposed final dividend will be paid on 13 July 2004 to shareholders on the register on 11 June 2004 (ex-dividend date 9 June 2004).
- 2 The financial information set out in this preliminary announcement does not constitute the company's statutory accounts for the year ended 31 December 2003 or the year ended 31 December 2002. Statutory accounts for 2002 have been delivered to the Registrar of Companies and those for 2003 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.
- 3 The Annual Report will be posted to shareholders on 8 April 2004, and will be available from the Registered Office at 2 Highlands Court, Cranmore Avenue, Shirley, Solihull, B90 4LE.
- 4 The Annual General Meeting will be held at The National Motorcycle Museum, Solihull at 10.30 a.m. on Tuesday 18 May 2004.

### Financial calendar:

Annual General Meeting	18 May 2004
Payment of proposed final dividend	13 July 2004
Interim results announcement for the period to 30 June 2004	September 2004
Payment of interim dividend	January 2005

- 6 This preliminary announcement of results for the year ended 31 December 2003 was approved by the Directors on 16 March 2004.