



avid
holdings plc

Interim
Report
2007

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Company Information

DIRECTORS:

J S Bobbett
J R Neal LLB (Hons) AFA FMAAT ACEA AAIA
M Nash
M M Walter
D R Walton Masters

SECRETARY:

J R Neal

REGISTERED OFFICE:

Unit 10 Woodfalls Farm
Gravelly Way
Laddingford
Kent
ME18 6DA

REGISTERED NUMBER:

5341855 (England and Wales)

AUDITORS:

Kingston Smith LLP
Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD

SOLICITORS:

Blake Laphorn Tarlo Lyons
Watchmaker Court
33 St John's Lane
London
EC1M 4DB

NOMINATED ADVISER:

City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

BROKER:

Ellis Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley
West Sussex
RH10 1LQ

REGISTRARS:

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

BANKERS:

Royal Bank of Scotland plc
62/63 Threadneedle Street
London
EC2R 8LA

GROUP COMPANIES:



www.pillprotect.co.uk



www.electromec.co.uk

Chairman's Statement



During the period under review, Avid has achieved some major milestones with the acquisition of Electro-mec and the ongoing commercialisation of its range of child resistant packaging solutions for blister packed drugs. Encouraging trials of the new heat sealed products launched back in February have been taking place and the company is confident that one of the trials may lead to a significant contract. More importantly, the UK Patent for this new range has now been granted. This bodes well for our other Patent applications.

M Walter
Chairman
30th August 2007

Business Highlights in the Period Ended 30 June 2007

- > Acquisition of Electro-mec completed

- > Turnover increased from £68,404 (previous six months) to £679,356 in this period

- > Gross profit increased from £39,048 (previous six months) to £228,951 in this period

- > The loss before taxation amounted to £370,937 in line with predictions

- > UK Patent granted for heat sealed products

- > Trials of Pill protect successfully completed for a major client

- > Electro-mec's NG feeder launched four months early, with first unit sold to GSK

- > Research and development well advanced for a new product in the elderly healthcare market

Current Trading

Pill protect

The Company continues to make progress in a market sector where protracted lead times from presentation to contract are the industry norm.

The new Pill protect heat sealed product has been well received and successfully tested by three market leaders with contractual negotiations already in progress with one of the three. The launch of the heat sealed product under a major brand will enhance the credibility of the product and could be the catalyst for broader market penetration. A bespoke product is also being developed with Reckitt Benckiser, an existing client, for use in Germany. The UK Patent has just been granted for this product, which allows the company to pursue international opportunities with confidence both directly and through product licensing arrangements. The company has already received a number of enquiries to license the range from suitably qualified companies in Europe, North America and Asia. Discussions are at an early stage.

Electro-mec (Reading) Limited

The acquisition was completed on 15th March this year and is already contributing well to the Group's turnover.

The launch of the new NG feeder, a new generation of its market leading EMF tablet and capsule blister pack feeder, was accelerated to ensure it was available for the Packaging Exhibition where it was well received by an international audience. The first feeder was sold two weeks later to GSK, whilst a further unit is being tested by Brecon Pharmaceuticals, an established client.

A new corporate identity has been created, which presents a modern and technically innovative image for the company and its products. This has been extended consistently to marketing collateral

materials and will be introduced to the Trade to launch the European sales campaign in September 2007.

A new and significant project was started in April in the elderly healthcare market. Early trials have been very successful and have sparked interest from two major potential customers for whom we are aiming to have a fully functional unit available for assessment as early as October 2007. This product will also incorporate the Pill protect packaging system. Patents are currently being applied for. To ensure the timely and successful delivery of our business plans, David Whitaker was appointed as Interim Managing Director in July. David was previously operations director of AIM listed Business Direct Group plc.

Results for the period ended 30 June 2007

The loss before taxation for the period and loss per share amounted to £370,937 and 0.12 pence per share respectively, in line with management's predictions. As at 30th June 2007, net assets were £3,259,066 and cash balances amounted to £226,676 at the same date. The Directors do not propose a dividend at this time.

Consolidated Income Statement

For the period to 30 June 2007

	6 months ended 30 June 2007 (Unaudited)	Year ended 31 December 2006 (Audited as restated)	6 months ended 30 June 2006 (Unaudited as restated)
	£	£	£
REVENUE	679,356	71,467	3,063
Cost of sales	(450,405)	(31,301)	(1,945)
GROSS PROFIT	228,951	40,166	1,118
Administrative expenses	(593,174)	(489,495)	(136,867)
OPERATING LOSS	(364,223)	(449,329)	(135,749)
Finance income	18,866	19,649	16,738
Finance expenses	(25,580)	(76,200)	(43,656)
LOSS BEFORE TAX	(370,937)	(505,880)	(162,667)
Income taxes (note 6)	-	-	-
LOSS FOR THE PERIOD	(370,937)	(505,880)	(162,667)
Basic and diluted loss per share from continuing and total operations (note 2)	(0.12)p	(0.39)p	(0.33)p

Statement of Changes in Equity

For the period to 30 June 2007

	6 months ended 30 June 2007 (Unaudited)	Year ended 31 December 2006 (Audited as restated)	6 months ended 30 June 2006 (Unaudited as restated)
	£	£	£
Loss for the financial period	(370,937)	(505,880)	(162,667)
Issue of share capital	1,395,470	2,529,306	2,453,050
Increase in reserve for potential share issues	11,244	-	-
Net increase in shareholders equity	1,035,777	2,023,426	2,290,383
Equity at the start of the period	2,223,289	199,863	199,863
Equity at the end of the period	3,259,066	2,223,289	2,490,246

Consolidated Balance Sheet

For the period to 30 June 2007

	6 months ended 30 June 2007 (Unaudited)	Year ended 31 December 2006 (Audited as restated)	6 months ended 30 June 2006 (Unaudited as restated)
	£	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	505,333	52,241	61,806
Goodwill	2,268,745	1,678,668	1,691,523
Other intangible assets	508,579	513,734	510,470
	<u>3,282,657</u>	<u>2,244,643</u>	<u>2,263,799</u>
Current assets			
Inventories	352,127	6,996	6,996
Trade receivables	331,161	33,377	16,060
Other current assets	129,210	69,686	145,673
Cash and cash equivalents	226,676	235,617	500,938
	<u>1,039,174</u>	<u>345,676</u>	<u>669,667</u>
Total assets	<u>4,321,831</u>	<u>2,590,319</u>	<u>2,933,466</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	1,903,334	1,070,000	1,045,000
Share premium	2,408,736	1,846,600	1,795,343
Share to be issued reserve	11,244	-	-
Retained earnings	(1,064,248)	(693,311)	(350,097)
Total equity	<u>3,259,066</u>	<u>2,223,289</u>	<u>2,490,246</u>
Non-current liabilities			
Long-term borrowings	311,570	175,726	207,536
Current liabilities			
Trade and other payables	628,318	159,824	162,216
Current portion of long-term borrowings	122,877	31,480	73,468
Total current liabilities	<u>751,195</u>	<u>191,304</u>	<u>235,684</u>
Total liabilities	<u>1,062,765</u>	<u>367,030</u>	<u>443,220</u>
Total equity and liabilities	<u>4,321,831</u>	<u>2,590,319</u>	<u>2,933,466</u>

Consolidated Cash Flow Statement

For the period to 30 June 2007

	6 months ended 30 June 2007 (Unaudited) £	Year ended 31 December 2006 (Audited as restated) £	6 months ended 30 June 2006 (Unaudited as restated) £
Cash flows from operating activities			
Loss before taxation	(370,937)	(505,880)	(162,667)
Adjustments for:			
Depreciation	39,002	18,650	973
Investment income	(18,866)	(19,649)	(16,738)
Interest expense	25,580	76,200	43,655
Equity-settled share-based payment expense	11,244	-	-
Increase in trade and other receivables	14,961	329,417	219,214
Increase in inventories	(118,205)	-	(6,996)
Increase in trade payables	(212,187)	(271,119)	147,286
Cash generated from operations	(629,408)	(372,381)	224,727
Interest paid	(25,580)	(76,200)	(43,655)
Net cash from operating activities	(654,988)	(448,581)	181,072
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	(554,557)	(495,726)	(1,213,581)
Purchase of property, plant and equipment	(254,421)	-	(62,219)
Purchase of intangible assets	-	(13,765)	(511,030)
Proceeds from sale of equipment	224,880	1,715	-
Interest received	18,866	19,649	16,738
Net cash used in investing activities	(565,232)	(488,127)	(1,770,092)
Cash flows from financing activities			
Proceeds from issue of share capital	995,470	963,491	2,453,050
Proceeds from long-term borrowings	215,809	202,930	-
Payment of debt	-	-	(368,996)
Net cash used in financing activities	1,211,279	1,166,421	2,084,054
Net increase in cash and cash equivalents	(8,941)	229,713	495,034
Cash and cash equivalents at beginning of period	235,617	5,904	5,904
Cash and cash equivalents at end of period	226,676	235,617	500,938

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

NOTE: ACQUISITION OF SUBSIDIARY

During the period the Group acquired Electro-mec (Reading) Limited. The fair value of assets acquired and liabilities assumed were as follows:

	£
Property, plant and equipment	457,398
Inventories	226,926
Accounts receivable	372,269
Cash	19,613
Trade payables	(635,763)
Long-term debt	(56,350)
	<hr/>
	384,093
Goodwill	590,077
	<hr/>
Total acquisition cost	974,170
Less:	
Cash and cash equivalents acquired	(19,613)
Non-cash consideration	(400,000)
	<hr/>
Cash outflow on acquisition	554,557

NOTES TO THE UNAUDITED INTERIM REPORT

1. Adoption of International Financial Reporting Standards (IFRS)

For all periods up to 31 December 2006 Avid Holdings plc has prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). AIM Rules require that the annual consolidated financial statements of Avid Holdings plc for the year ended 31 December 2007 be prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, these interim financial statements which are for the six months ending 30 June 2007 have been prepared for the first time in accordance with International Financial Reporting Standards and are covered by IFRS1, First-time Adoption of IFRS.

The information presented within these interim financial statements is in compliance with IAS 34 'Interim Financial Reporting'.

In preparing these interim financial statements the comparative figures previously reported under UK GAAP have been restated for the transition to IFRS. The disclosures required by IFRS 1 regarding the transition for the relevant periods are given in note 3 below. Other than changes to accounting policies as a result of the adoption of IFRS, the same accounting policies have been followed in the interim financial statements as compared to the most recent annual financial statements.

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

2. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the result for the period, for continuing operations as well as total acquisitions, and the weighted average number of shares in issue during the period.

	6 months to 30 June 2007	6 months to 30 June 2006	Year ended 31 December 2006
	£	£	£
Weighted average number of ordinary shares in issue	309,203,702	48,814,814	129,952,511
Dilutive potential ordinary shares: Employee share options	10,104,545	2,737,557	-
Loss after tax (£)	(370,937)	(162,667)	(505,880)
Basic earnings per share – pence per share (p)	(0.12p)	(0.33p)	(0.39p)

There are potentially dilutive employee share options of 10,104,545 in existence at 30 June 2007 (30 June 2006: 2,737,557) which relate to share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. These are not dilutive at present.

3. Transition from UK GAAP to IFRS

As required under IFRS 1, the equity reconciliations at 1 January 2006 (the transition date for IFRS) and at 31 December 2006 (date of last UK GAAP financial statements) are set out below. For comparative purposes, the equity reconciliation at 30 June 2006 is also included to enable a comparison of the 2007 published interim figures.

The net effect of adopting IFRS rather than UK GAAP for the year ending 31 December 2006 is to increase total assets from £2,507,355 to £2,590,319, primarily due to the removal of the amortisation charge on purchased goodwill. This change also has the effect of reducing the loss on ordinary activities for the year from £588,844 to £505,880.

Reconciliation of UK GAAP equity to IFRS equity

	31 December 2006	30 June 2006	1 January 2006
	£	£	£
Capital and reserves according to UK GAAP	2,140,325	2,486,095	199,863
Effect of adopting IFRS 3 – Business Combinations	89,222	4,634	-
Effect of adopting IAS 38 – Intangible Assets	(6,258)	(483)	-
Equity according to IFRS	2,223,289	2,490,246	199,863

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

Reconciliation of UK GAAP equity to IFRS equity

	As at 31 December 2006			As at 30 June 2006			As at 1 January 2006		
	As previously reported under UK GAAP £	Effect of transition £	As restated under IFRS £	As previously reported under UK GAAP £	Effect of transition £	As restated under IFRS £	As previously reported under UK GAAP £	Effect of transition £	As restated under IFRS £
ASSETS									
Non-current assets									
Investments	-	-	-	-	-	-	477,942	-	477,942
Property, plant and equipment	52,241	-	52,241	61,806	-	61,806	-	-	-
Goodwill	1,589,446	89,222	1,678,668	1,686,889	4,634	1,691,523	-	-	-
Other intangible assets	519,992	(6,258)	513,734	510,953	(483)	510,470	-	-	-
	<u>2,161,679</u>	<u>82,964</u>	<u>2,244,643</u>	<u>2,259,648</u>	<u>4,151</u>	<u>2,263,799</u>	<u>477,942</u>	<u>-</u>	<u>477,942</u>
CURRENT ASSETS									
Inventories	6,996	-	6,996	6,996	-	6,996	-	-	-
Trade receivables	33,377	-	33,377	16,060	-	16,060	-	-	-
Other current assets	69,686	-	69,686	145,673	-	145,673	380,947	-	380,947
Cash and cash equivalents	235,617	-	235,617	500,938	-	500,938	5,904	-	5,904
	<u>345,676</u>	<u>-</u>	<u>345,676</u>	<u>669,667</u>	<u>-</u>	<u>669,667</u>	<u>386,851</u>	<u>-</u>	<u>386,851</u>
Total assets	<u>2,507,355</u>	<u>82,964</u>	<u>2,590,319</u>	<u>2,929,315</u>	<u>4,151</u>	<u>2,933,466</u>	<u>864,793</u>	<u>-</u>	<u>864,793</u>
EQUITY AND LIABILITIES									
Equity attributable to equity holders of the parent									
Share capital	1,070,000	-	1,070,000	1,045,000	-	1,045,000	191,667	-	191,667
Share premium	1,846,600	-	1,846,600	1,795,343	-	1,795,343	195,637	-	195,637
Other reserves	-	-	-	-	-	-	-	-	-
Retained earnings	(776,275)	82,964	(693,311)	(354,248)	4,151	(350,097)	(187,431)	-	(187,431)
Total equity	<u>2,140,325</u>	<u>82,964</u>	<u>2,223,289</u>	<u>2,486,095</u>	<u>4,151</u>	<u>2,490,246</u>	<u>199,863</u>	<u>-</u>	<u>199,863</u>
Non-current liabilities									
Long-term borrowings	175,726	-	175,726	207,536	-	207,536	650,000	-	650,000
Current liabilities									
Trade and other payables	159,824	-	159,824	162,216	-	162,216	14,930	-	14,930
Current portion of long-term borrowings	31,480	-	31,480	73,468	-	73,468	-	-	-
Total current liabilities	<u>191,304</u>	<u>-</u>	<u>191,304</u>	<u>235,684</u>	<u>-</u>	<u>235,684</u>	<u>14,930</u>	<u>-</u>	<u>14,930</u>
Total liabilities	<u>367,030</u>	<u>-</u>	<u>367,030</u>	<u>443,220</u>	<u>-</u>	<u>443,220</u>	<u>664,930</u>	<u>-</u>	<u>664,930</u>
Total equity and liabilities	<u>2,507,355</u>	<u>82,964</u>	<u>2,590,319</u>	<u>2,929,315</u>	<u>4,151</u>	<u>2,933,466</u>	<u>864,793</u>	<u>-</u>	<u>864,793</u>

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

Reconciliation of UK GAAP income statements to IFRS income statements

	Year ended 31 December 2006			6 months ended 30 June 2006		
	As previously reported under UK GAAP	Effect of transition	As restated under IFRS	As previously reported under UK GAAP	Effect of transition	As restated under IFRS
	£	£	£	£	£	£
Revenue	71,467	-	71,467	3,063	-	3,063
Cost of sales	(31,301)	-	(31,301)	(1,945)	-	(1,945)
Gross profit	40,166	-	40,166	1,118	-	1,118
Administrative expenses	(572,459)	82,964	(489,495)	(141,018)	4,151	(136,867)
Operating loss	(532,293)	82,964	(449,329)	(139,900)	4,151	(135,749)
Finance income	19,649	-	19,649	16,738	-	16,738
Finance expenses	(76,200)	-	(76,200)	(43,656)	-	(43,656)
Loss before tax	(588,844)	82,964	(505,880)	(166,818)	4,151	(162,667)
Income taxes	-	-	-	-	-	-
Loss for the period	(588,884)	(82,964)	(505,880)	(166,818)	4,151	(162,667)
Loss per share	(0.45)p	0.06p	(0.39)p	(0.34)p	0.01p	(0.33)p

4. Business Combination

On 15th March 2007 Avid Holdings plc completed the purchase of the entire share capital of Electro-mec (Reading) Limited for initial consideration of £800,000. This consisted of a cash payment of £400,000 and the issue of 28,333,333 new Ordinary Shares in Avid Holdings plc at an average price of 1.41 pence.

Deferred consideration of up to £750,000, to be satisfied by the issue of further new Ordinary Shares, will be due dependent on future profits of Electro-mec for the years ending 31 December 2007 and 31 December 2008. The Board of Directors believe that the future profits of Electro-mec will reach the necessary levels for the deferred consideration to become payable. No provision for this has been made.

In addition, directly attributable costs of £174,170 were incurred in relation to integrating the business into the Group.

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

5. Segmental Reporting

In the opinion of the Directors, the Group's core activities are the supply of specialist packaging solutions and the production of precision tooling both for the pharmaceutical industry as carried out by the subsidiary companies.

	6 months ended 30 June 2007	Year ended 31 December 2006	6 months ended 30 June 2006
	£	£	£
Revenue			
Packaging solutions	18,945	68,317	3,063
Precision tooling	656,861	-	-
Group activities	3,550	3,150	-
	<u>679,356</u>	<u>71,467</u>	<u>3,063</u>
Profit			
Packaging solutions	(183,723)	(187,737)	(12,601)
Precision tooling	(1,312)	-	-
Group activities	(179,188)	(261,592)	(123,148)
Underlying operating loss	(364,223)	(449,329)	(135,749)
Finance income	18,866	19,649	16,738
Finance expenses	(25,580)	(76,200)	(43,656)
Loss for the period	<u>(370,937)</u>	<u>(505,880)</u>	<u>(162,667)</u>

6. Due to the Company's losses, no taxation charge has arisen for the period.

7. The Directors have not declared an interim dividend.

8. The financial statements for the six months ended 30 June 2007 were approved by the Board of Directors on 29th August 2007.

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are neither reviewed nor audited.

Consolidated Cash Flow Statement cont'd

For the period to 30 June 2007

9. In accordance with AIM Rule 31, the Company is required to have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules for Companies; seek advice from its nominated adviser ("NOMAD") regarding its compliance with the AIM Rules for Companies whenever appropriate and take that advice into account, provide the Company's NOMAD with any information it requests in order for the NOMAD to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers, ensuring that each of the Company's directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules for Companies, and ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) in so far as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure these obligations are being discharged, the Board has formed a committee of the Board (the "AIM Committee"), chaired by Michael Walter, a non-executive director of the Company.

Having reviewed the relevant Board papers the AIM Compliance Committee is satisfied that the Company's obligations under Rule 31 have been satisfied during the period under review.

10. Copies of this statement are available to shareholders and members of the public, free of charge, from the Company's registered office at 10 Woodfalls Business Park, Gravelly Way, Laddingford, Kent ME18 6DA.

Contact details:

Jonathan Bobbett, Avid Holdings plc

01622 872 022

Ross Andrews, City Financial Associates Limited

0207 492 4777



avid
holdings plc

Interim
Report
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Unit 10 Woodfalls Farm
Gravelly Way
Laddingford
Kent ME18 6DA

T: +44 (0)1622 872 022
F: +44 (0)1622 873 341
E: info@avidholdingsplc.com
www.avidholdingsplc.com