Avingtrans plc

engineering technology group

INTERIM RESULTS

SIX MONTHS TO 30 NOVEMBER 2012

Avingtrans plc

(“Avingtrans” or the “Group”)

Interim results for the six months ended 30 November 2012

Avingtrans plc, which designs, manufactures and supplies critical components and associated services to the aerospace, energy and medical sectors, today announces its interim results for the six months ended 30 November 2012.

Corporate Highlights

- Sale of Jena Tec to Kuroda of Japan for £12.4m cash net of debt to create focused business in Aerospace and Energy & Medical sectors
- Acquisition of Aerotech Tubes for £1.9m, net of cash
- Acquisition of PFW Farnborough assets completed post period end for £1.85m cash

Financial Highlights

- Revenue from ***continuing operations*** increased by 19% to £16.9m (H1 2012: £14.2m)
- Order book of ***continuing businesses*** remains at record levels, driven by Aerospace
- EBITDA of ***continuing operations*** was £1.1m (H1 2012: £1.0m)
- Profit after tax was £6.5m (H1 2012: £0.7m), including £6.1m profit on disposal of Jena Tec
- Fully diluted EPS (from continuing and discontinued operations) of 24.3 pence per share (H1 2012: 2.6 pence per share)
- Cash generated from operations was £0.3m (H1 2012: £0.4m)
- Following the disposal of Jena Tec, the Group ended the half year with ***net cash*** of £0.3m (May 2012: *net debt* of £8.4m)
- Commitment to an enhanced dividend on achieving final results this year

Highlights of Continuing Operations

Aerospace grew robustly, with an increase in revenues of 25%

- Long term agreements signed with existing and acquired customers, providing visibility of revenues, including:
    - £80m of revenue over 10 years with Rolls Royce
    - £20m of revenue over 10 years with key Aerotech Tubes customer
    - £25m of revenue over 10 years with Safran Aircelle, customer of PFW Farnborough
- Another solid first half for C&H, with new capabilities in development for the second half
- Composites made a loss, but also made good progress with the EU “Clean Skies” project
- Commencement of “special processing” and pipe assembly production in China

Energy and Medical division achieved breakeven overall in the first half

- Metalcraft continued its steady recovery, with revenue up by 8% in the first half
- Crown’s markets remained tough, but losses were much reduced and prospects are improving

Commenting on the results, Roger McDowell, Chairman, said:

“Whilst the word transformation is overused in business terms it undoubtedly summarises the events at Avingtrans over the last few months. The sale of the Jena Tec business (for £12.4m, net of debt) and subsequent acquisitions of Aerotech Tubes and PFW Farnborough (at a combined cost of £3.75m), has created a Group clearly focused on two businesses (Sigma Components and Metalcraft), serving OEMs in clearly defined markets (Aerospace, Energy and Medical) with highly engineered components and services.

“As a result we have a market leading position in the aerospace pipes niche and have recently secured three key long term agreements with major clients worth £125m of revenue over the next 10 years. With this strength of visibility we have once again concluded that we can commit to the payment of an enhanced dividend with the final results this year, rewarding our loyal investors for their continued support.”

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About Avingtrans plc:

Avingtrans has become a significant organisation in the design, manufacture and supply of critical components and associated services to global industrial markets from **two divisions: aerospace and energy and medical.**

Aerospace

Sigma Components – UK and China

Sigma Components is a market leader in rigid and flexible pipe assemblies and components for prestigious aerospace customers such as Rolls Royce, Bombardier, Safran and Meggitt. Sigma also manufactures precision prismatic components and composite components for the aerospace industry from its purpose-built facilities in the UK and Chengdu, China. Sigma Components operates from a number of sites, as follows:

Hinckley, UK: centre for rigid and flexible pipe assemblies and components

Derby, UK: (formerly Aerotech Tubes): satellite facility to Hinckley, producing pipe assemblies

Farnborough, UK (formerly PFW): centre for fabrications, ducts and other complex assemblies

Chengdu, China: centre for precision prismatic components, now also producing pipe assemblies

Buckingham, UK: centre for composite parts and machining services to customers in Aerospace, F1/Motorsport and industrial markets.

Sandiacre, UK (C&H): centre for precision polishing and specialist finishing on aeroengine turbine blades, compressor blades and vanes for the power generation industries.

Energy and Medical

Metalcraft – UK and China

Provider of safety-critical equipment for the energy, medical, science and research communities, worldwide, specialising in precision pressure and vacuum vessels and associated fabrications, sub-assemblies and systems.

Crown International – UK

Designs and manufactures market-leading pole and support systems for roadside signage and safety cameras, rail track signalling and gantries.

Chairman's Statement

In years to come, we will look back on 2012 as a pivotal year for Avingtrans. With the sale of Jena Tec and the subsequent acquisitions of Aerotech Tubes, Derby and PFW, Farnborough, the metamorphosis of the group into a niche engineering market leader is largely complete. These transactions enable Avingtrans to focus fully on the two remaining core businesses - Sigma and Metalcraft. Without the sale of Jena Tec we could not realistically hope to achieve true critical mass in the other divisions, or sustain the proactive investment requirements to maximise shareholder returns over the longer term.

This decision has already been vindicated with two highly significant new long term agreements for the newly acquired businesses in Derby and Farnborough being testament to our niche market leadership in aerospace pipes and our intent to aggressively pursue new opportunities. These two deals followed hot on the heels of the largest ever deal for the Group – the £80m, 10-year contract for supply of pipes and prismatic aerospace components to Rolls Royce, our biggest customer.

We believe that we are very well placed to take advantage in each of our chosen markets. Civil aerospace remains particularly strong and, whilst the broader Energy market is less consistent in outlook, we are nimble enough to skip between the various sub-sectors as opportunities present themselves. With the new MRI product for Siemens ramping up at last, our Medical market prospects are also encouraging. Our market leadership in our core niches is a rock solid foundation to build on and we fully intend to cement our advantage. Commodity costs are under control and we have agreements in place to isolate us from volatility.

Results in the first half, excluding the proceeds of the Jena Tec sale, were broadly in line with expectations, with revenue from continuing operations up by 19% versus the first half of last year (or 6% including Jena Tec results) and we expect the usual stronger second half performances in revenues and margins; both in Aerospace - lifted by the acquisitions and expected improvements at the Sigma Composites business - and in Energy and Medical, where Metalcraft continues to improve and Crown is less problematic than in the previous two years.

At the recent group management conference, we exhorted our teams to join us in "designing the future". Our employees, both existing and new, continue to demonstrate determination to succeed in demanding markets that need everyone to operate consistently to impeccable quality standards, with integrity and agility. These qualities will drive the business forward as we navigate the road ahead. As ever, I would like to thank all of our people for their strenuous efforts to design a better future for Avingtrans.

Roger McDowell
Chairman
27 February 2013

Business Review

Group Performance

Revenue: Growth continues
Civil aerospace continued to buoy our first half revenues and other markets generally trended positively also, albeit more sedately. Energy is a broad sector and there were a few "downs" as well as "ups", but progress in the Medical arena with Siemens compensated for lower sales to Cummins, for example. Crown also had a better first half, though the transport infrastructure market remains depressed. Both continuing divisions are able to report growth, with first half revenues of continuing operations increasing by 19% to £16.9m (H1 2012: £14.2m). If we include Jena Tec, revenues increased by 6% to £21.4m (H1 2012: £20.2m).

Profit: Margins Stable
Profit figures are distorted by the sale of Jena Tec and the process leading up to this, making comparisons difficult. Aerospace profits were temporarily depressed in the first half by a loss at Composites, but we expect improvement in the second half. The Energy and Medical division again advanced, with increased investment in China, with reduced losses at Crown also contributing to improvements. Overall gross margins of continuing businesses were down slightly to 23.3% (H1 2012: 24.1%). Despite the loss at Sigma Composites in the first half, EBITDA of continuing operations was £1.1m (H1 2012: £1.0m). The overall Profit for the first half was £6.5m (H1 2012: £0.7m), including £6.1m from the sale of Jena Tec (Note 7).

Earnings per Share (EPS): Boosted by disposal
Adjusted diluted earnings per share from continuing operations for the period ending 30 November 2012 was 1.5 pence per share (H1 2012: 1.3 pence per share) based on weighted average number of shares of 26,940,368 (H1 2012: 25,969,275). Diluted earnings per share attributable to shareholders was 24.3 pence per share (H1 2012: 2.6 pence per share).

Funding and Liquidity: Debt position materially improved
The net cash flow from operations was £0.3m (H1 2012: £0.4m).
Net cash at 30 November 2012 stood at £0.3m, driven by the Jena Tec disposal and the Aerotech Tubes acquisition (31 May 2012: *Net Debt* of £8.4m). Note that these figures exclude the PFW Farnborough acquisition, which took place just after half-year end, for a consideration of £1.85m.

Dividend: Maturing policy
The reinstated Interim dividend of 0.7 pence per share (H1 2012: 0.0 pence per share) will be paid on 14 June 2013 to shareholders on the register at 26 April 2013. The transformation of the balance sheet combined with a strong order book has enabled the board to reinstate the interim dividend and, in the absence of unforeseen circumstances, expects to increase this year's final payment as part of a progressive dividend policy.

Operations

Aerospace Division (Sigma Components)
With the acquisitions of Aerotech Tubes, Derby and (after half-year end) PFW, Farnborough, Sigma Components has entered a new and exciting phase of its journey towards world class aerospace components supply. These two acquisitions have propelled us to a market leading position in aerospace pipes, as well as adding new capabilities and products (eg Ducts) that we can build upon in the future. We are now in the midst of a rebranding exercise that will unify all of the businesses in the division under the Sigma Components banner and provide stability and clarity for both customers and investors alike.

The civil aerospace market remained healthy in the first half and our more potent market position drove revenues upwards. OEM customers are in growth mode in most world regions and in its latest outlook presentation, Rolls Royce, our biggest customer, recently underlined a strong 20-year forecast, with Asian air traffic expected to grow to double the size of Europe, or North America over that period. Rolls Royce also recently reported record results and a growing order book.

Aerospace division sales were up by 25% in comparison with the prior year. We also have a record order book, most notably boosted by the £80m, 10-year contract to supply pipes and components to Rolls Royce. In the first half, we also signed a new 10-year agreement worth £20m of revenue to our Derby site (formerly Aerotech Tubes) as part of the acquisition process. Recently, we announced another significant contract with Safran Aircelle for Farnborough, worth £25m in revenues over 10-years. Discussions are on-going with both existing and new customers regarding further contract extensions and long term agreements.

Although Aerospace margins were temporarily suppressed by losses at the Composites business in Buckingham in the period, we believe that underlying divisional margins are still strong and are expected to improve in the second half.

Briefly summarising activities at the Aerospace sites:

- Hinckley grew solidly in the first half, with the £80m Rolls Royce contract underpinning the work there for the foreseeable future and work with other customers is stable.
- Derby (Aerotech Tubes) is already well integrated with our Hinckley site and developing in line with initial expectations, having signed the £20m contract with its key customer in 2012.
- Farnborough (PFW) is performing ahead of initial expectations, with recovery in results now expected earlier in the next financial year than originally thought. The recent £25m contract win with Safran Aircelle is a good sign of a rapidly improving outlook for the site. This business also gives us new product areas to develop with customers beyond pipes.
- Chengdu grew rapidly in the first half, up by 28%, as Chinese operations continue to mature. The majority of sales are to sister companies in the division, with regional market sales also developing, albeit more long term. We successfully completed the first phase of our investment in pipe assembly for this site and anticipate new business coming from this source in the near term.
- Buckingham (Composites) developed more slowly than we expected, with F1 business more difficult to re-establish than we previously presumed, resulting in a first half loss. However, other customers are developing and we are making headway with investment in composite aerospace components, in line with the EU "Clean Skies" contract won earlier in 2012.
- Sandiacre (C&H, Polishing) had a solid first half. Although growth was slower, margins have held up well and new investment will again widen capability in the second half, reinvigorating growth prospects for this part of the business.

Energy & Medical Division (Metalcraft and Crown)
Sales in the division were up by 12% versus the first half of last year and the divisional result was breakeven at EBIT level, a modest improvement on the previous first half last year.

Summarising the position at the Energy & Medical sites:

- Metalcraft, Chatteris: Market conditions at Metalcraft are positive overall, though business with Cummins significantly reduced in the first half, due to changes in their market conditions. However, this was counterbalanced by the ramp-up of the new Siemens product finally coming on stream – and this is set to strengthen in the second half. Other customers in the UK began to show promising signs – eg Heatric (Meggitt) where volumes are increasing from a low initial base. We are also encouraged by prospects in the civil nuclear market – namely in the reprocessing and waste storage sectors, where Sellafield, Magnox and their Tier 1 suppliers, who are our customers, are intensifying their activities.

- Metalcraft, Chengdu: We have taken on a new lease contract for a facility which will house our MRI activities with Siemens from next financial year (all of the new products supplied thus far to Siemens being produced in the UK). In addition, other Far East Medical customers continue to develop their activities with us and we anticipate further capex investment in our next financial year. Despite the increased investment, we expect a result close to breakeven in China for the full year. As previously noted, we are able to scale Metalcraft's China operations more easily than we did with Sigma in the initial stages and we also learned some valuable lessons from our previous start up.

- Crown in Bristol saw a welcome return to growth in the first half, with sales up significantly from a very low base. Since we previously reduced costs in this business, we were able to record a much improved result, although still a loss in the first half. Whilst trading is not yet "normalised", prospects are now improving slowly and we expect modest growth to continue in the second half and beyond. Therefore, overall results this year are not expected to have a material adverse impact on Group performance and the slow recovery looks likely to persist into the next financial year.

Industrial Products Division (Jena Tec)
The sale of Jena Tec in November to Kuroda of Japan swamps many of the figures in this report and makes meaningful comparison with the previous divisional performance difficult. The business was sold for a cash consideration of £12.4m, net of debt, with the resulting exceptional profit being £6.1m from this transaction. Although the division contributed five months of sales to our first half, the revenue cannot be compared to previous periods faithfully at the divisional level, due to various termination effects in the figures and due to the fact Jena Tec was sold before the end of the half. However, actual sales in the first five months were £4.4m.

The sale allows Avingtrans to focus fully on its two remaining core businesses - Sigma and Metalcraft. Without this, we could not hope to achieve true critical mass in the other divisions, or sustain the proactive investment requirements to maximise shareholder returns over the longer term.

Outlook

With the transformation of the group progressing to plan in attractive structural growth markets and durable customer relationships, we are confident about the long term future of Avingtrans. Therefore, we look forward with confidence to the second half and beyond.

Our focused strategy is now bearing fruit, producing significant new business wins that support our short term results and provide visibility of longer term earnings. Our exceptional customer base and resulting concentration on differentiated product niches offers a degree of protection to cyclical markets. We are well placed to benefit from any further consolidation in our markets.

Sigma Components and **Metalcraft** are developing into clear market leaders in their chosen niches, providing customers with consistent quality as part of a world class journey and investors with the opportunity to participate in a great British engineering story.

Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
27 February 2013	27 February 2013	27 February 2013

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2012

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Revenue	**16,948**	14,247	32,153
Cost of sales	**(12,999)**	(10,812)	(24,532)
Gross profit	**3,949**	3,435	7,621
Distribution costs	**(341)**	(285)	(484)
Administrative expenses	**(3,131)**	(2,682)	(5,880)
Share based payment expense	**(15)**	(15)	(35)
Impairment of goodwill	**-**	-	(850)
Acquisition costs	**(50)**	-	-
Amortisation of intangibles from business combinations	**(69)**	(69)	(137)
Operating profit	**343**	384	235
Finance income	**-**	2	2
Finance costs	**(143)**	(101)	(229)
Profit before taxation	**200**	285	8
Taxation (Note 3)	**57**	(32)	(22)
Profit/(loss) after tax from continuing operations	**257**	253	(14)
Profit after tax from discontinued operations	**6,279**	430	949
Profit for the financial period	**6,536**	683	935
Earnings/(loss) per share :			
From continuing operations			
- Basic	**1.0p**	1.0p	0.0p
- Diluted	**1.0p**	1.0p	0.0p
From continuing and discontinued operations			
- Basic	**25.1p**	2.7p	3.6p
- Diluted	**24.3p**	2.6p	3.5p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2012

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Profit for the period	**6,536**	683	935
Exchange differences on translation of foreign operations	**(284)**	92	(44)
Exchange differences realised on disposal (Note 7)	**(585)**	-	-
Total comprehensive income for the period	**5,667**	775	891

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2012

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Operating activities			
Cash flows from operating activities	**302**	414	2,161
Finance costs paid	**(180)**	(150)	(329)
Income tax paid	**(366)**	(171)	(258)
Net cash (outflow)/inflow from operating activities	**(244)**	93	1,574
Investing activities			
Acquisition of subsidiaries (net of cash)	**(1,889)**	-	-
Disposal of subsidiaries (net of cash)	**12,429**	-	-
Finance income	**-**	2	2
Purchase of intangible assets	**(263)**	(466)	(759)
Purchase of property, plant and equipment	**(1,370)**	(1,175)	(2,759)
Proceeds from sale of property, plant and equipment	**-**	1	43
Net cash generated by/(used in) investing activities	**8,907**	(1,638)	(3,473)
Financing activities			
Equity dividends paid	**-**	-	(104)
Repayments of borrowings	**(268)**	(477)	(481)
Repayments of obligations under finance leases	**(703)**	(339)	(996)
Borrowings raised	**1,584**	588	1,577
Net cash inflow/(outflow) from financing activities	**612**	(228)	(4)
Net increase/(decrease) in cash and cash equivalents	**9,275**	(1,773)	(1,903)
Cash and cash equivalents at beginning of period	**(2,353)**	(564)	(564)
Effect of foreign exchange rate changes	**(842)**	110	(114)
Cash and cash equivalents at end of period	**6,080**	(2,227)	(2,353)

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2012

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Profit before income tax from continuing activities	**200**	285	8
Profit before income tax from discontinued activities	**274**	561	1,227
Adjustments for:			
Depreciation of property, plant and equipment	**617**	594	1,248
Amortisation of intangible assets	**341**	247	497
Profit on disposal of property, plant and equipment	**-**	(1)	(3)
Finance income	**-**	(2)	(2)
Finance expense	**180**	150	328
Share based payment charge	**20**	21	47
Impairment of available for sale investment	**-**	-	219
Impairment of goodwill	**-**	-	850
Changes in working capital			
(Increase)/decrease in inventories	**(1,018)**	(943)	(1,285)
(Increase)/decrease in trade and other receivables	**(306)**	(1,063)	(2,109)
(Decrease)/increase in trade and other payables	**(8)**	561	1,129
Other non cash changes	**3**	4	7
Cashflows from operating activities	**302**	414	2,161

Summarised consolidated balance sheet (Unaudited)
at 30 November 2012

	30 Nov 2012 £'000	30 Nov 2011 £'000	31 May 2012 £'000
Non current assets			
Goodwill	**9,487**	10,242	10,242
Other intangible assets	**2,357**	2,201	2,574
Property, plant and equipment	**9,171**	10,529	10,954
Investment property	**600**	600	600
Deferred tax	**76**	39	76
Investments	**-**	219	-
	21,691	23,830	23,596
Current assets			
Inventories	**7,006**	8,756	9,003
Trade and other receivables	**10,894**	9,932	10,940
Current tax asset	**-**	37	22
Cash and cash equivalents	**10,509**	2,168	1,849
	28,409	20,893	21,814
Total assets	**50,100**	44,723	45,410
Current liabilities			
Trade and other payables	**(8,947)**	(8,886)	(9,389)
Obligations under finance leases	**(595)**	(912)	(994)
Borrowings	**(5,149)**	(4,671)	(4,726)
Current tax liabilities	**(504)**	(709)	(906)
Total current liabilities	**(15,195)**	(15,178)	(16,015)
Non-current liabilities			
Borrowings	**(3,147)**	(3,001)	(3,200)
Obligations under finance leases	**(1,336)**	(1,619)	(1,376)
Deferred tax	**(1,043)**	(1,271)	(1,127)
Total non-current liabilities	**(5,526)**	(5,891)	(5,703)
Total liabilities	**(20,721)**	(21,069)	(21,718)
Net assets	**29,379**	23,654	23,692
Equity			
Share capital	**1,302**	1,302	1,302
Share premium account	**9,787**	9,787	9,787
Capital redemption reserve	**814**	814	814
Merger reserve	**402**	402	402
Translation reserve	**(402)**	603	467
Other reserves	**180**	180	180
Investment in own shares	**(281)**	(281)	(281)
Retained earnings	**17,577**	10,847	11,021
Equity attributable to owners of the Company	**29,379**	23,654	23,692

Consolidated statement of changes in equity (Unaudited)
at 30 November 2012

	Share capital account £'000	Share premium account £'000	Capital redemp-tion reserve £'000	Merger reserve £'000	Trans-lation reserve £'000	Other reserves £'000	Investme nt in own shares £'000	Retained earnings £'000	Total £'000
At 1 June 2011	1,274	9,534	814	402	511	180	-	10,143	22,858
Shares issued	28	253	-	-	-	-	-	-	281
Investment in own shares	-	-	-	-	-	-	(281)	-	(281)
Share-based payments	-	-	-	-	-	-		21	21
Transactions with owners	28	253	-	-	-	-	(281)	21	21
Profit for the period	-	-	-	-	-	-	-	683	683
Other comprehensive income									
Exchange rate gain	-	-	-	-	92	-	-	-	92
Total comprehensive income for the year	-	-	-	-	92	-	-	683	775
At 30 Nov 2011	1,302	9,787	814	402	603	180	(281)	10,847	23,654
At 1 Dec 2011	1,302	9,787	814	402	603	180	(281)	10,847	23,654
Dividend paid	-	-	-	-	-	-	-	(104)	(104)
Share-based payments	-	-	-	-	-	-	-	26	26
Transactions with owners	-	-	-	-	-	-		(78)	(78)
Profit for the period	-	-	-	-	-	-		252	252
Other comprehensive income									
Exchange rate loss	-	-	-	-	(136)	-		-	(136)
Total comprehensive income for the year	-	-	-	-	(136)	-		252	116
At 31 May 2012	1,302	9,787	814	402	467	180	(281)	11,021	23,692
At 1 June 2012	1,302	9,787	814	402	467	180	(281)	11,021	23,692
Share-based payments	-	-	-	-	-	-	-	20	20
Transactions with owners	-	-	-	-	-	-	-	20	20
Profit for the period	-	-	-	-	-	-	-	6,536	6,536
Other comprehensive income									
Realised on disposal of subsidiaries	-	-	-	-	(585)	-	-	-	(585)
Exchange rate loss	-	-	-	-	(284)	-	-	-	(284)
Total comprehensive income for the year	-	-	-	-	(869)	-	-	6,536	5,667
At 30 Nov 2012	**1,302**	**9,787**	**814**	**402**	**(402)**	**180**	**(281)**	**17,577**	**29,379**

Notes to the half year statement
30 November 2012

1. Basis of preparation

The Group's interim results for the six month period ended 30 November 2012 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the EU and effective, or expected to be adopted and effective, at 31 May 2013. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 'Interim financial reporting'.

These interim results do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 27 February 2013 and will shortly be available on the Group's website at http://www.avingtrans.plc.uk/pages/reports.html.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments. The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's annual report and financial statements for the year ended 31 May 2013. The statutory accounts for the year ended 31 May 2012, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditors' Report and did not contain a statement under either Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

	Aerospace	Energy and Medical	Unallocated Central items	Total
	£'000	£'000	£'000	£'000
6 months ended 30 Nov 2012				
Revenue	**9,771**	**7,177**	**-**	**16,948**
Operating profit/(loss)	**698**	**(25)**	**(330)**	**343**
Year ended 31 May 2012				
Revenue	17,071	15,082	-	32,153
Operating profit/(loss)	1,684	(767)	(682)	235
6 months ended 30 Nov 2011				
Revenue	7,820	6,427	-	14,247
Operating profit/(loss)	804	(85)	(335)	384

Notes to the half year statement (continued)
30 November 2012

3. Taxation

The taxation credit/(charge) is based upon the expected effective rate for the year ended 31 May 2013.

4. Earnings per share

Basic earnings per share is based on the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares, being the CSOP and EMI share options.

	6 months to 30 Nov 2012 No	6 months to 30 Nov 2011 No	Year to 31 May 2012 No
Weighted average number of shares – basic	**26,030,577**	25,580,029	25,925,592
Share Option adjustment	**909,791**	389,246	453,282
Weighted average number of shares – diluted	**26,940,368**	25,969,275	26,378,874
	£'000	£'000	£'000
Earnings/(loss) from continuing operations	**257**	253	(14)
Share based payments	**15**	15	35
Impairment of goodwill	**-**	-	850
Acquisition costs	**50**	-	-
Amortisation of intangibles	**69**	69	137
Adjusted earnings from continuing operations	**391**	337	1,008
From continuing operations:			
Basic earnings per share	**1.0p**	1.0p	0.0p
Diluted earnings per share	**1.0p**	1.0p	0.0p
Adjusted basic earnings per share	**1.5p**	1.3p	3.9p
Adjusted diluted earnings per share	**1.5p**	1.3p	3.9p
Earnings from discontinued operations	**6,279**	430	949
Share based payments	**5**	6	12
Adjusted earnings from discontinued operations	**6,284**	436	961
From discontinued operations:			
Basic earnings per share	**24.1p**	1.7p	3.6p
Diluted earnings per share	**23.3p**	1.7p	3.5p
Adjusted basic earnings per share	**24.1p**	1.7p	3.6p
Adjusted diluted earnings per share	**23.3p**	1.7p	3.6p
Earnings attributable to shareholders	**6,536**	683	935
Adjusted earnings attributable to shareholders	**6,675**	773	1,969
Basic earnings per share	**25.1p**	2.7p	3.6p
Diluted earnings per share	**24.3p**	2.6p	3.5p
Adjusted basic earnings per share	**25.6p**	3.0p	7.6p
Adjusted diluted earnings per share	**24.8p**	3.0p	7.5p

The Directors believe that the above adjusted earnings per share calculation from continuing operations is the most appropriate reflection of the Group performance.

Notes to the half year statement (continued)
30 November 2012

5. Discontinued operations

On 8 November 2012 the Company disposed of its Industrial Products Division,

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Revenue	**4,424**	5,997	11,839
Expenses	**(4,150)**	(5,436)	(10,612)
Profit before taxation	**274**	561	1,227
Taxation	**(79)**	(131)	(278)
Profit after tax from discontinued operations	**195**	430	949

The Industrial Products Division contributed the following to the Groups cashflows:

	6 months to 30 Nov 2012 £'000	6 months to 30 Nov 2011 £'000	Year to 31 May 2012 £'000
Operating cashflows	**606**	(58)	438
Investing activities	**(280)**	(398)	(813)
Financing activities	**68**	54	(35)

6. Acquisition of subsidiary

On 23 November 2012 the group acquired 100 percent of the issued share capital of AeroTech Tubes Limited, the provisional net assets at the date of acquisition were as follows:

	£'000
Property, plant and equipment	52
Inventories	240
Trade and other receivables	822
Deferred tax asset	1
Cash and cash equivalents	632
Trade and other payables	(574)
Current tax liabilities	(115)
Net Assets	1,058
Intangible assets acquired	145
Goodwill	1,318
Total consideration paid	**2,521**

Aerotech Tubes contributed £56,000 to group revenues and £4,000 to profit after tax for the period between the date of acquisition and the balance sheet date.

Notes to the half year statement (continued)
30 November 2012

Acquisition costs arising from this transaction of £50,000 have been included in overheads before operating profit.

7. Disposal of subsidiary

On 8 November 2012 the Company disposed of its Industrial Products Division, the net assets at the date of disposal were as follows:

	£'000
Goodwill	1,224
Other intangible assets	284
Property, plant and equipment	2,584
Inventories	3,236
Trade and other receivables	1,160
Cash and cash equivalents	596
Trade and other payables	(1,093)
Obligations under finance leases	(912)
Borrowings	(335)
Current tax liabilities	(65)
Deferred tax	(73)
Net Assets	6,606
Gain on disposal	**6,084**
Total consideration (net of costs of £695,000)	12,690
Less cash disposed of	(261)
Net consideration received	**12,429**

Included in the above result is £585,000 of foreign exchange translation reserves realised on disposal of the Industrial Products division.