Avingtrans plc
engineering technology group

INTERIM REPORT

SIX MONTHS ENDED 30 NOVEMBER 2014

Avingtrans plc

("Avingtrans" or the "Group")

Interim results for the six months ended 30 November 2014

Avingtrans plc, which designs, manufactures and supplies critical components, modules and associated services to the aerospace, energy and medical sectors, today announces its interim results for the six months ended 30 November 2014.

Financial Highlights

- Revenue reduced by 14% to £27.5m (H1 2014: £32.2m)
  - Affected by Aerospace customer forecast reductions and the oil price decline
- Adjusted EBIT increased to £0.8m, (H1 2014: £0.6m)
- Adjusted diluted earnings per share was 2.9 pence per share (H1 2014: 2.1 pence per share).
- Cash generated from operations was £0.4m (H1 2014: £0.1m)
- Continuing to invest in capability and capacity: £1.5m in the period (H1 2014: £2.8m)
- Net debt was £5.7m (31 May 2014: £3.6m). Gearing 17%
- An enhanced Interim dividend of 1.0 pence per share (H1 2014: 0.9 pence)

Highlights of Continuing Operations
Aerospace hampered by key customer forecast changes in H1

- Customer programme reductions largely confined to H1
  - Now seeing stability returning to mature business and growth on new programs
- Acquisition of competing business RMDG from Tricorn plc
  - Bolsters Sigma's market leading position in Aerospace pipes
- A350 PFW Airbus contract won – worth £25m of revenue over 10 years
- Site rationalisation savings underway – Derby merged into Swadlincote (RMDG) site
- Farnborough concentrating on complex fabrications and Hinckley on pipes
- China pipe production expanding rapidly, with further growth projected.

Energy and Medical division revenues affected by the reduced oil price

- Prospects for Maloney curtailed by oil price – projects delayed or cancelled
- Divisional restructuring underway – Aldridge manufacturing relocating to Chatteris
- Aldridge engineering team to be rehoused locally
  - Aldridge site to be sold, improving the cash position
- Metalcraft China development still slow, due to reduced Siemens volumes.
- Crown's markets continue to improve – over £2m of new orders booked in H1

Commenting on the results, Roger McDowell, Chairman, said:
"Our first half results have been impacted by previously reported external factors, so I am pleased to report that we grasped the nettle of restructuring quickly. As part of the restructuring programme, we will see some one-off costs this year, including site closures, mergers and sales, to make us fitter for the future. Our faith in the Aerospace, Energy and Medical markets is undiminished and we are forging ahead with our strategy, despite short-term set-backs. Our confidence in our full year expectations is underlined by our continued dividend progression, which investors will, no doubt, welcome."

Enquiries:

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About Avingtrans plc:
Avingtrans has become a significant organisation in the design, manufacture and supply of critical components, systems and associated services to global industrial markets from **two divisions: Aerospace and Energy and Medical.**

Aerospace

Sigma Components Ltd – UK and China
Sigma is a market leader in rigid and flexible pipe assemblies and components for prestigious aerospace customers such as Rolls Royce, Bombardier, Airbus, 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 pipe assemblies and components and new product introduction.

Swadlincote, UK: (formerly RMDG): satellite facility to Hinckley, producing pipe assemblies.

Farnborough, UK: 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 technology, parts and machining services to customers in Aerospace, F1/Motorsport and industrial markets.

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

Energy and Medical

Stainless Metalcraft Ltd – Chatteris, UK and Chengdu, 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.

Maloney Metalcraft Ltd – Aldridge, UK
Designs, manufactures and services oil and gas extraction and processing equipment, including process plant for dehydration, sweetening, drying and compression.

Crown International Ltd – Portishead, UK
Designs and manufactures market-leading pole and support systems for roadside signage and safety cameras, rail track signalling and gantries.

Chairman's Statement

Six months is a long time in business, as they say. The oil price storm brewed up quickly and unexpectedly, catching out large and small players in the market alike. We were no exception and we have had to adapt our plans for the Energy and Medical division rapidly in response, whilst continuing to live within our means. Programme volume changes and "de-stocking" by major aerospace customers were also rather unwelcome and only slightly more predictable. This resulted in a similar rapid adaptation, as we sought to live up to our "agility" value, without compromising on quality and integrity. Amidst these rapid course corrections, we have worked hard to keep our longer-term goals in view, with continued investments in technology, capability and systems, to fulfil our strategic ambitions.

In our Aerospace division, the integration of RMDG - acquired from Tricorn plc - proceeded to plan and we have now moved our Derby site into this business, to give it the scale required for a sustainable future. The jolt of the customer forecast reductions in the first half impelled us to accelerate our restructuring plans at other sites too and this programme will be completed in the current financial year. Although the volume reduction has impacted profit in the period, underlying margins remain sound, albeit tempered by the on-going investment in new composites technology and the fact that RMDG was a loss making business in the first half. Customer quality and delivery profiles continue to improve and our main trading partners appreciate our consistency.

Similarly, in Energy and Medical, the oil price shock precipitated rapid restructuring actions and we are now enacting a plan to relocate the manufacturing facility at Aldridge. Henceforth, all UK manufacturing for Maloney and Metalcraft will take place at Chatteris, with China still building slowly. The engineering and technical team from Maloney will be relocated to a new facility and the Aldridge site will then be sold, producing a cash benefit. Consequently, results for the division were well behind the original budget in the first half and full year forecasts have been adjusted accordingly. However, investments in capability and new systems continue, to make the business leaner and fitter. Separately, Crown's steady recovery continues with a healthy new order book in the first half.

The end result of the restructuring activity will be a headcount reduction of over 10% across the group, with fewer sites and an improved cost base. It is never easy to let good people go and we do so with a heavy heart, but the stable future of the group as a whole is paramount, to sustain the significant skilled workforce we now have. Our customer relationships are generally excellent and our commitment to quality, delivery and value for money means that we are a supplier of choice for many of the biggest OEMs in our sectors. This reputation is hard won and uppermost in our minds when we are thinking about how to position our businesses for the future, throughout a testing period.

Our commitment to the Civil Aerospace, Energy and Medical Imaging markets is unshaken and these markets continue to provide many opportunities. However, the combined effects of the programme volume changes and the oil price reduction have seen a 14% year on year decline in our revenues, with an attendant impact on profits. Aerospace volumes have now stabilised and the oil sector forecast can't get materially any worse for us, so we anticipate an improved result in the second half. The enhanced Interim dividend once again underlines our commitment to a progressive dividend policy and improving overall shareholder returns, notwithstanding short-term events.

On behalf of our customers, investors and the Board, I would like to thank our employees for their hard work and perseverance during a challenging period.

Roger McDowell
Chairman
25 February 2015

Business Review
Group Performance

Revenue: impacted by aerospace programme changes and oil price
Both divisions were impacted by external events in H1, with revenues reduced by 14% overall, to £27.5m (H1 2014: £32.2m). The aerospace programme changes have stabilised, but the continuing low oil price means that our prospects in that sector remain subdued. Restructuring is underway in both divisions, to mitigate the effects of the revenue changes.

Profit: reduced revenues fed through to reduced profits in the first half
Profit figures were down in H1, though the restructuring activities and recovering sales are expected to improve the results in the second half. The Aerospace sites are now specialising in different specific activities to optimise future results and, for Energy and Medical, manufacturing at the Aldridge site will transfer to Chatteris. Adjusted EBIT increased to £0.8m (H1 2014: £0.6m).

Earnings per Share (EPS):
Adjusted diluted earnings per share for the period ended 30 November 2014 was 2.9 pence per share (H1 2014: 2.1 pence per share) based on weighted average number of shares of 28,160,575 (H1 2014: 28,327,057).

Funding and Liquidity: stable debt position, despite market turbulence
The net cash flow from operations was £0.4m, (H1 2014: £0.1m).
Net debt at 30 November 2014 stood at £5.7m, (31 May 2014: £3.6m). ***Gearing*** 17% (31 May 2014: 11%). Note that £1.2m of the increased debt relates to the all-cash acquisition of RMDG Aerospace from Tricorn plc.

Dividend: consistent progression maintained
The Board has recommended an Interim dividend of 1.0 pence per share (H1 2014: 0.9 pence per share) which will be paid on 19 June 2015 to shareholders on the register at 29 May 2015.Our commitment to a progressive policy underlines our confidence in the long-term outlook for the business.

Operations
Aerospace Division (Sigma Components)
The 15% year on year revenue decline in the first half has taken its toll on the short-term result for the division. This was precipitated by key customer programme rate changes and buffer-stock reductions which filtered down through the whole supply chain. In response, Sigma accelerated its site rationalisation plans, resulting in us merging the Derby facility into the newly acquired Swadlincote site. The integration of the new site is proceeding as expected and should put RMDG on a much sounder footing and make the business sustainable for the future. Excluding RMDG revenues of £0.9m, the division would be 19% down on sales year on year. However, as RMDG lost £0.2m in the period, underlying Aerospace margins were 9% (2014:10%).

Additionally, we have been moving products between the Farnborough, Hinckley and Chengdu sites, to optimise their specialisms on particular product types and volumes. This results in better performance for the customers, as well as improving our cost control for the future. Coupled with the on-going Epicor ERP system roll-out and the government sponsored "Sharing in Growth" programme, we now have the makings of a really excellent supply network under our control. This will make us more competitive and we have seen the first evidence of this in our recent £25m/10year contract win for PFW/Airbus, relating to parts for the A350 programme.

Indeed, although we have seen a revenue decline in the first half of this year, volumes now seem to be stable and the underlying market conditions remain positive. This confirms that the issue was restricted to a supply chain and is not a market wide problem.

Our composites business continues to pursue its strategic aim of developing new products and capability for the division. To this end, the "Compipe" EU-funded technology project has advanced positively, producing unique IP. This is encouraging and we are now pursuing other sources of funding to continue with our new product ambitions. It seems like the exciting products we are developing will have applications beyond aerospace, so we will need to decide the best way to develop this technology in due course.

With the revenue reduction and continued investment in technology, Aerospace margins were squeezed down to 7% in H1 (2014: 10%) but we expect some improvement to these margins in the second half, as volumes recover.

Summarising activities at the Aerospace sites:

- Hinckley bore the brunt of the volume reduction in H1 and the structure is being adjusted accordingly, whilst allowing for anticipated new programme growth.
- After the RMDG acquisition, the Swadlincote and Derby operations have been merged, to give this operation critical mass and make it sustainable for the future.
- Farnborough's positive improvement track continued, with quality and delivery performance enhancements being recognised by its customers.
- Chengdu continued to develop as planned. Pipe production and assembly is now expanding there, in anticipation of further growth in the next financial year.
- Buckingham (Composites) made steady technological progress and we believe that the new patentable, technology we are developing will become the mainstay of this business in future, whilst continuing to reduce our exposure to the volatile F1 and motorsport sectors.
- Sandiacre's (C&H, Polishing) positive progress continued in H1, with the operation being our most dependable site in terms of revenue and profit predictability.

Energy & Medical Division (Metalcraft, Maloney Metalcraft and Crown)
As investors will recall, we bought Maloney Metalcraft from Exterran at the start of the last financial year. The business was in a distressed state and we set about restoring its position in the oil and gas market, from a low base point. This restoration was progressing according to plan until the start of the oil price reduction, which began around September 2014, at which time no-one anticipated the scale of the reduction that was to follow. As events have unfolded, our prospect bank has deteriorated and we have rebased our forecasts and accelerated our restructuring plans, to cope with the downturn in business.

Therefore, we have taken the decision to exit the Aldridge manufacturing site and the process to sell the building is now underway. Manufacturing operations will henceforth be centred at Chatteris, whilst a new leased facility in the Aldridge area will house our engineering and technical team. This structure supports an important decision to change the make/buy balance in the Maloney business, which will see us globally outsource more of the manufacturing for oil and gas projects than in the past. Strategic manufacturing capability will be retained at Chatteris and we will continue to control design, final assembly and test in the group. This change allows the Maloney business to be more competitive in this market and also to adjust better to the variable project workload over time than previously.

The other manufacturing operations at Chatteris are unaffected and we continue to work there on the new manufacturing systems deployment and with the government sponsored "Sharing in Growth" programme, to improve the capability of this site. Progress on this journey is encouraging.

The development of Metalcraft China has been sluggish, principally due to Siemens ramp rate there, as previously reported. In response, we are in dialogue with other customers in the Asian medical imaging market to make up the shortfall and widen the business base. In light of the oil and gas downturn, we have reviewed our operations there carefully and decided that we should persevere for the long-term, despite the slow progress.

On a brighter note, the results for Crown remain encouraging, with a modest first half profit and a pleasing set of project wins, worth over £2m of revenue in the period.

Overall, divisional sales were down by 13% versus the first half of last year, driven by the lack of sales at Maloney, which was precipitated by the oil price reduction. This resulted in a first half loss, albeit at an underlying running rate which was less than the prior year. The restructuring plan will start to bear fruit in the second half and we expect a material improvement in results for the division, as a consequence of the reduced costs and also from higher sales in sectors other than oil & gas.

Outlook

Our Aerospace strategy is working and the drive to diversify our customer base is evident in the PFW Airbus contract win. The transformation of Energy and Medical has been severely challenged by the oil price, but this accelerated our plans and pushed us further into new sectors other than oil & gas.

Whilst the short-term results are below our original expectations, our strategic plans for the group remain intact. **Sigma Components** and **Metalcraft** are leading players in their niche markets and both businesses are becoming world class supply chain partners. Despite recent market issues, our strategy should lead to growing investor returns, as stability is restored. With robust, long-term blue-chip customer relationships, we remain confident about the future of Avingtrans and achieving the Board's full year expectations.

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Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
25 February 2015	25 February 2015	25 February 2015

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2014

	6 months to 30 Nov 2014 £'000	6 months to 30 Nov 2013 £'000	Year to 31 May 2014 £'000
Revenue	**27,545**	32,195	60,265
Cost of sales	**(21,491)**	(26,278)	(45,808)
Gross profit	**6,054**	5,917	14,457
Distribution costs	**(632)**	(753)	(1,266)
Share based payment expense	**(24)**	(24)	(46)
Acquisition costs	**(68)**	(172)	(171)
Restructuring costs	**(180)**	(130)	(269)
Start-up costs – China	**(237)**	(149)	(318)
Amortisation of intangibles from business combinations	**(69)**	(69)	(137)
Other administrative expenses	**(4,489)**	(4,596)	(12,181)
Total administrative expenses	**(5,067)**	(5,140)	(13,122)
Bargain purchase on acquisition	**-**	2,916	2,615
Operating profit	**355**	2,940	2,684
Finance income	**1**	1	8
Finance costs	**(97)**	(75)	(166)
Profit before taxation	**259**	2,866	2,526
Taxation (Note 3)	**(34)**	89	388
Profit for the financial period	**225**	2,955	2,914
Earnings per share :			
From continuing operations			
- Basic	**0.8p**	10.7p	10.6p
- Diluted	**0.9p**	10.4p	10.4p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2014

	6 months to 30 Nov 2014 £'000	6 months to 30 Nov 2013 £'000	Year to 31 May 2014 £'000
Profit for the period	**225**	2,955	2,914
Exchange differences on translation of foreign operations	**334**	22	(357)
Total comprehensive income for the period	**559**	2,977	2,557

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2014

	6 months to 30 Nov 2014 £'000	6 months to 30 Nov 2013 £'000	Year to 31 May 2014 £'000
Operating activities			
Cash flows from operating activities	**476**	(17)	1,787
Finance costs paid	**(97)**	(74)	(166)
Income tax repaid/(paid)	**30**	174	(71)
Net cash inflow from operating activities	**409**	83	1,550
Investing activities			
Acquisition of subsidiary undertakings (Note 5)	**(1,137)**	2,039	2,039
Finance income	**1**	1	8
Purchase of intangible assets	**(861)**	(669)	(1,275)
Purchase of property, plant and equipment	**(671)**	(2,110)	(2,992)
Proceeds from sale of property, plant and equipment	**270**	56	320
Net cash used by investing activities	**(2,398)**	(683)	(1,900)
Financing activities			
Equity dividends paid	**(248)**	(189)	(599)
Repayments of bank loans	**(283)**	(329)	(680)
Repayments of obligations under finance leases	**(526)**	(322)	(786)
Proceeds from issue of ordinary shares	**-**	137	137
Borrowings raised	**274**	373	1,188
Net cash outflow from financing activities	**(783)**	(330)	(740)
Net decrease in cash and cash equivalents	**(2,772)**	(930)	(1,090)
Cash and cash equivalents at beginning of period	**1,428**	2,681	2,681
Effect of foreign exchange rate changes	**143**	(13)	(163)
Cash and cash equivalents at end of period	**(1,201)**	1,738	1,428

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2014

	6 months to 30 Nov 2014 £'000	6 months to 30 Nov 2013 £'000	Year to 31 May 2014 £'000
Profit before income tax from continuing operations	**259**	2,866	2,526
Adjustments for:			
Depreciation of property, plant and equipment	**665**	635	1,229
Amortisation of intangible assets	**471**	435	891
Profit on disposal of property, plant and equipment	**(166)**	(30)	(261)
Finance income	**(1)**	(1)	(8)
Finance expense	**97**	75	166
Share based payment charge	**24**	24	46
Bargain purchase on acquisition	**-**	(2,916)	(2,615)
Changes in working capital			
Increase in inventories	**(1,128)**	(704)	(146)
Decrease/(increase) in trade and other receivables	**732**	(450)	1,564
(Decrease)/increase in trade and other payables	**(326)**	46	(1,611)
Decrease in provisions	**(154)**	-	-
Other non cash changes	**3**	3	6
Cash inflow/(outflow) from operating activities	**476**	(17)	1,787

Summarised consolidated balance sheet (Unaudited)
at 30 November 2014

	30 Nov 2014 £'000	30 Nov 2013 £'000	31 May 2014 £'000
Non current assets			
Goodwill	**9,557**	9,557	9,557
Other intangible assets	**3,109**	2,541	2,691
Property, plant and equipment	**12,984**	12,867	12,607
Deferred tax	**83**	70	83
	25,733	25,035	24,938
Current assets			
Inventories	**12,979**	11,701	11,071
Trade and other receivables	**17,145**	19,875	17,740
Current tax asset	**74**	26	104
Cash and cash equivalents	**6,287**	7,991	7,204
	36,485	39,593	36,119
Total assets	**62,218**	64,628	61,057
Current liabilities			
Trade and other payables	**(15,577)**	(18,327)	(15,811)
Obligations under finance leases	**(769)**	(657)	(773)
Borrowings	**(7,882)**	(6,996)	(6,436)
Current tax liabilities	**(189)**	(515)	(129)
Provisions	**(535)**	-	(689)
Total current liabilities	**(24,952)**	(26,495)	(23,838)
Non-current liabilities			
Borrowings	**(2,253)**	(2,533)	(2,267)
Obligations under finance leases	**(1,066)**	(1,079)	(1,341)
Deferred tax	**(957)**	(1,057)	(983)
Total non-current liabilities	**(4,276)**	(4,669)	(4,564)
Total liabilities	**(29,228)**	(31,164)	(28,402)
Net assets	**32,990**	33,464	32,655
Equity			
Share capital	**1,379**	1,380	1,379
Share premium account	**10,818**	10,818	10,818
Capital redemption reserve	**814**	814	814
Merger reserve	**402**	402	402
Translation reserve	**(263)**	(218)	(597)
Other reserves	**180**	180	180
Investment in own shares	**(1,000)**	(1,000)	(1,000)
Retained earnings	**20,660**	21,088	20,659
Total equity attributable to equity owners of the parent	**32,990**	33,464	32,655

Consolidated statement of changes in equity (Unaudited) at 30 November 2014

	Share capital account £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Investment in own shares £'000	Retained earnings £'000	Total £'000
At 1 June 2013	1,353	10,305	814	402	(240)	180	(597)	18,298	30,515
Shares issued	27	513	-	-	-	-	-	-	540
Dividend paid	-	-	-	-	-	-	-	(189)	(189)
Investment in own shares	-	-	-	-	-	-	(403)	-	(403)
Share-based payments	-	-	-	-	-	-	-	24	24
Transactions with owners	27	513	-	-	-	-	(403)	(165)	(28)
Profit for the period	-	-	-	-	-	-	-	2,955	2,955
Other comprehensive income									
Exchange rate gain	-	-	-	-	22	-	-	-	22
Total comprehensive income for the year	-	-	-	-	22	-	-	2,955	2,977
At 30 Nov 2013	1,380	10,818	814	402	(218)	180	(1,000)	21,088	33,464
At 1 Dec 2013	1,380	10,818	814	402	(218)	180	(1,000)	21,088	33,464
Shares issued	(1)	-	-	-	-	-	-	-	(1)
Dividend paid	-	-	-	-	-	-	-	(410)	(410)
Share-based payments	-	-	-	-	-	-	-	22	22
Transactions with owners	(1)	-	-	-	-	-	-	(388)	(389)
Loss for the period	-	-	-	-	-	-	-	(41)	(41)
Other comprehensive income									
Exchange rate loss	-	-	-	-	(379)	-	-	-	(379)
Total comprehensive income for the year	-	-	-	-	(379)	-	-	-	(379)
At 31 May 2014	1,379	10,818	814	402	(597)	180	(1,000)	20,659	32,655
At 1 June 2014	1,379	10,818	814	402	(597)	180	(1,000)	20,659	32,655
Dividend paid	-	-	-	-	-	-	-	(248)	(248)
Share-based payments	-	-	-	-	-	-	-	24	24
Transactions with owners	-	-	-	-	-	-	-	(224)	(224)
Profit for the period	-	-	-	-	-	-	-	225	225
Other comprehensive income									
Exchange rate gain	-	-	-	-	334	-	-	-	334
Total comprehensive income for the year	-	-	-	-	334	-	-	225	559
At 30 Nov 2014	**1,379**	**10,818**	**814**	**402**	**(263)**	**180**	**(1,000)**	**20,660**	**32,990**

Notes to the half year statement
30 November 2014

1. Basis of preparation

The Group's interim results for the six month period ended 30 November 2014 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 2014. 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 24 February 2015 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 2015. The statutory accounts for the year ended 31 May 2014, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditor's 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 2014				
Revenue	**17,410**	**10,135**	**-**	**27,545**
Operating profit/(loss)	**1,236**	**(467)**	**(414)**	**355**
Year ended 31 May 2014				
Revenue	38,528	21,737	-	60,265
Operating profit/(loss)	4,350	(1,243)	(423)	2,684
6 months ended 30 Nov 2013				
Revenue	20,491	11,704	-	32,195
Operating profit/(loss)	2,007	1,254	(321)	2,940

Notes to the half year statement (continued)
30 November 2014

3. Taxation

The taxation credit/(charge) is based upon the expected effective rate for the year ended 31 May 2015.

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 2014 No	6 months to 30 Nov 2013 No	Year to 31 May 2014 No
Weighted average number of shares – basic	**27,587,564**	27,587,564	27,363,979
Share Option adjustment	**573,011**	739,493	716,303
Weighted average number of shares – diluted	**28,160,575**	28,327,057	28,080,282
	£'000	£'000	£'000
Earnings from continuing operations	**225**	2,955	2,914
Share based payments	**24**	24	46
Restructuring costs	**180**	130	269
Start up costs - China	**237**	149	318
Bargain purchase on acquisition	**-**	(2,916)	-
Acquisition costs	**68**	172	171
Amortisation of intangibles	**69**	69	137
Adjusted earnings from continuing operations	**803**	583	3,855
From continuing operations:			
Basic earnings per share	**0.8p**	10.7p	10.6p
Adjusted basic earnings per share	**2.9p**	2.1p	14.1p
Diluted earnings per share	**0.9p**	10.4p	10.4p
Adjusted diluted earnings per share	**2.9p**	2.1p	13.7p

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 2014

5. Acquisition of subsidiary

On 11 August 2014 the group acquired the trade and certain business assets and liabilities relating to the manufacture of aerospace components of RMDG Aerospace Ltd.

The provisional net assets at the date of acquisition were as follows:

	£'000
Fair value of assets and liabilities acquired	**1,137**
Fair value of consideration transferred:	
Cash	**1,137**
Consideration	**1,137**
Cash acquired	**-**
Acquisition costs charged to expenses	**68**
Net cash paid relating to the acquisition	**1,205**

As a consequence of buying the business in a distressed state, the Directors consider that no intangible assets have been acquired.

The impact of the RMDG acquisition on the consolidated income statement is as follows:

	£'000
Revenue	**870**
Gross profit	**96**
Overheads	**(219)**
Acquisition costs	**(68)**
Overall effect on the Consolidated income statement	**(191)**

Since acquisition RMDG contributed the following to the Group's cashflows:

	£'000
Operating cashflows	(328)
Investing activities	-
Financing activities	-