

INTERIM RESULTS

SIX MONTHS TO
30 NOVEMBER 2007



Avingtrans plc
engineering technology group

Avingtrans PLC
Interim Announcement
Results for the 6 months ended 30 November 2007

Chairman's Statement

I am pleased to announce the results of Avingtrans plc for the six months ended 30 November 2007.

This statement is the first Avingtrans has had to provide under the new IFRS rules, the most significant difference being the rules around capitalisation and amortisation of goodwill and intangibles. Explanations are fully detailed in the accounting policies and notes in the interim announcement.

The period was one of mixed fortunes for the group, with sales up at a new record high of £21,137,000 (2006:£17,159,000) but with operating profit before share based payments and amortisation/impairment of intangibles down at £1,355,000 (2006:£1,871,000) and net cash outflow from operating activities down on expectations at £114,000. The below expected result was directly related to issues arising from the acquisition of B&D Patterns (B&D) in September 2006.

Though Avingtrans' turnover rose, largely as a result of the acquisition of B&D, a number of unprofitable contracts with B&D's aerospace customers caused a lower level of operating profit to be experienced in the Aerospace Division throughout most of the period. This situation was only corrected by severe cost reduction exercises and price renegotiations with customers and agents which started in May 2007 and were concluded in December 2007, bringing B&D back into on-going profitability.

An investigation has been commenced into the possibility of warranty claims against the previous owners of B&D.

Progress in the rest of the Group was generally to plan with the first aerospace orders for Sigma at its new Chinese facility, new products at Crown UK and continuing growth in the Medical & Research and Industrial Products Divisions.

Finally I am pleased to announce that in September 2007 the Group began the external search for my replacement as Chairman and as per the announcement on 22 February 2008 we are delighted to welcome Mr Roger McDowell to the Board with immediate effect pending his appointment as Chairman on 10 March 2008, when I will stand down. Mr McDowell is an experienced and successful Chairman and director of a number of engineering companies and the Board wishes him well on his appointment to his new position at Avingtrans.

Financial Performance

Turnover for the six months ended 30 November 2007 was £21,137,000 (2006: £17,159,000) an increase of 23.2%.

Operating profit before share based payments and amortisation/impairment of intangibles was £1,355,000 (2006: £1,871,000). Profit after tax for the period increased to £602,000 (2006: £159,000). Under IFRS the acquisition of B&D Patterns resulted in intangibles of £4,245,000 being recognised, including £4,026,000 for Customer relationships. However, immediately after acquisition it was apparent that these relationships were significantly impaired resulting in a write off of £2,654,000 to the Income Statement in the six months to November 2006.

The Company had a cash outflow from operating activities during the period of £114,000 (2006: £297,000 inflow). During the period, the Company made bank debt repayments of £629,000 (2006: £360,000) Net debt at 30 November 2007 was £11,180,000 (30 November 2006: £11,185,000), with gearing 72% (30 November 2006: 81%).

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Earnings per Share

Earnings per share, for the period ended 30 November 2007, before share based payments and amortisation/impairment of intangibles was 4.3p (2006: 13.3p). Basic earnings per share was 3.4p (2006: 4.9p loss) and fully diluted earnings per share was 3.4p (2006: 4.9p loss).

Dividend

The Board has agreed a dividend of 0.5p for the half year to be paid on 19 May 2008 to shareholders on the register at 18 April 2008.

Operations

Medical & Research Division

Order intake remains high with exciting prospects for Rolls Royce repeat work on a range of large scale fuel cell containers, continuing interest in submersible vessels for the navy's of Korea and Singapore and a strong workload continuing on MRI scanners for various international OEMs. Sales on some non-medical equipment were slightly down on expectation during the six months under review due to late release on some orders. Sales on medical equipment were to expectations.

At Crown order intake and product interest was strong during the period, following the showing of new support poles for roadside speed cameras at the Traffex 07 Exhibition where Crown poles were shown on every exhibiting camera stand. A significant order for Network Rail signalling equipment was received for delivery in the second half of the period and enquiry levels on camera poles for overseas customers remained high.

Vehicle Sensor Technology (VST) which has a five year supply and service agreement with Vehicle Occupancy Ltd (VOL) is pleased to report on-going positive development of VOL's main product known as Dtect which can be used to detect the number of occupants of a motor car. VOL, in which Avingtrans has a 7% shareholding, carried out proving trials at Mallory Park during the period and the product was awarded the accolade of the Institute of Engineering Technology's "Transport innovation of the year".

Industrial Products Division

Order intake and sales continued very strong in the period, fuelled by demand for machine tool and medical equipment needs in Germany, UK and the USA. Orders, sales and margins were above those experienced last year. Actions to develop new sales opportunities and to improve capability and increase capacity were instigated during the period including the purchasing of further high technology machines for Jenaer Gewindetechnik in Germany.

Aerospace Division

As reported earlier in the report, the Division suffered badly from under-performing contracts inherited at its newest acquisition B&D causing a lower level of operating profit for the first half of the year. Management believe they now have the situation under control and have improved relationships with its major customers by taking on significant new orders and working to develop long range plans to utilise the divisions' capability to combine UK based product development skills with subsequent low cost manufacturing at our Sigma Chinese unit in Chengdu, which though suffering a slow start up is now enviably accredited as a supplier to most major aerospace customers in Europe and the USA.

C&H also with a slow start to the year is now working at normal operating levels for turbine blades and continued to strengthen its relationship with Messier Dowty for the polishing of landing gear for Airbus.

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Directors and Senior Management

As mentioned earlier in the report the Board have agreed that, with the problems at B&D now under control, and a number of other opportunities becoming available to drive the Company forward, it is a good time to exercise my retirement plan first mentioned over a year ago. Accordingly I am standing down as Chairman on 10 March 2008 and Mr Roger McDowell will take over. As Chairman for the past five years and as a significant shareholder I welcome Roger to the chair of the Company and wish him all the success for the future.

During the period under review Steven Lawrence, who joined the Company as Managing Director on the day I became Chairman, and with whom I have worked closely in developing the Company from the original cash shell, to its current position as a focused AIM engineering group also indicated his intention to stand down and will be leaving on the 31st of May 2008. I therefore offer my sincere thanks for his successful efforts over the past five years and wish him well in the future. The decision on Steven's replacement will not be made until after the appointment of our new Chairman.

I should also like to express my thanks to my fellow directors, divisional managers and co-workers in the UK, Germany, the USA and China for their support and endeavours during our time together.

Current trading

After the corrective work carried out at B&D during the first half, it was encouraging to note that the unit returned to profit in January 2008. Also during January 2008 Sigma was awarded a number of significant aerospace orders and C&H secured a new long term agreement valued at in excess of £4m revenue from Safran Group Company Messier Dowty for aerospace components used on the Airbus. The contract is for an initial three years and will be in addition to its existing turbine blade refinishing programme.

Stainless Metalcraft is continuing to serve Siemens and other world class MRI scanner manufacturers with critical components. Sales in MRI products are expected to reduce slightly in the future as world demand slackens. Efforts continue to improve margins in this line and seek opportunities in other products and other markets in the Far-East.

The Industrial Products division continues to experience strong demand for its products. This is expected to continue beyond the current year end and into FY 2009.

Notwithstanding the threat of recession in world markets and the restrictions on credit currently being experienced by industry, the outlook, in the short term at least, for Avingtrans appears positive.

K.M.Baker
Chairman
27 February 2008

Condensed Consolidated Income Statement (Unaudited)
for the 6 months ended 30 November 2007

	6 months to 30 November 2007 £000	6 months to 30 November 2006 £000	Year to 31 May 2007 £000
Note			
Continuing operations			
Revenue	21,137	17,159	40,026
Cost of sales	(15,742)	(12,846)	(29,806)
Gross profit	5,395	4,313	10,220
Distribution costs	(486)	(371)	(885)
Administrative expenses	(3,554)	(2,071)	(5,383)
Operating profit before share based payments and amortisation/impairment of intangibles	1,355	1,871	3,952
Share based payments	(20)	(29)	(67)
Amortisation of intangibles	(128)	(245)	(337)
Impairment of intangibles	-	(2,654)	(2,654)
Operating profit/(loss)	1,207	(1,057)	894
Finance income	5	8	16
Finance costs	(414)	(230)	(681)
Profit/(loss) before taxation	798	(1,279)	229
Taxation	(196)	493	(70)
Profit/(loss) for the period attributable to equity shareholders	602	(786)	159
Earnings/(loss) per share - total and continuing operations			
– Basic	3.4p	(4.9)p	0.9p
Earnings/(loss) per share - total and continuing operations			
– Diluted	3.4p	(4.9)p	0.9p

Condensed Consolidated Balance Sheet (Unaudited)
at 30 November 2007

	30 November 2007 £000	30 November 2006 £000	31 May 2007 £000
Assets			
Non-current assets			
Goodwill	10,226	10,226	10,226
Other intangible assets	1,538	1,451	1,584
Property, plant and equipment	10,694	10,560	11,106
Investments	215	15	12
Deferred tax assets	-	-	-
	22,673	22,252	22,928
Current assets			
Inventories	6,538	4,972	5,968
Trade and other receivables	7,731	8,310	8,695
Cash and cash equivalents	1,058	580	1,216
	15,327	13,862	15,879
Total assets	38,000	36,114	38,807
Liabilities			
Current liabilities			
Trade and other payables	(7,747)	(8,376)	(9,751)
Obligations under finance leases	(701)	(789)	(798)
Borrowings	(4,949)	(3,302)	(3,750)
Current tax liabilities	(824)	(277)	(783)
Total current liabilities	(14,221)	(12,744)	(15,082)
Non-current liabilities			
Borrowings	(4,800)	(5,963)	(5,321)
Obligations under finance leases	(1,788)	(1,711)	(1,853)
Deferred tax	(945)	(1,120)	(952)
Deferred consideration	(750)	(750)	(750)
Total non-current liabilities	(8,283)	(9,544)	(8,876)
Total liabilities	(22,504)	(22,288)	(23,958)
Net assets	15,496	13,826	14,849
Shareholders' equity			
Share capital	882	866	879
Share premium account	6,271	6,140	6,241
Capital redemption reserve	814	813	814
Merger reserve	402	402	402
Translation reserve	87	(50)	(37)
Other reserves	180	180	180
Retained earnings	6,860	5,475	6,370
Total equity attributable to equity holders of the parent	15,496	13,826	14,849

Condensed Consolidated Statement of Recognised Income and Expense
(Unaudited)
for the 6 months ended 30 November 2007

	6 months to 30 November 2007 £000	6 months to 30 November 2006 £000	Year to 31 May 2007 £000
Exchange differences on translation of foreign operations	124	(50)	(37)
Profit/(loss) for the year	602	(786)	159
Total recognised income and expense for the year	726	(836)	122

Condensed Consolidated Cash Flow Statement (Unaudited)
for the 6 months ended 30 November 2007

	6 months to 30 November 2007 £000	6 months to 30 November 2006 £000	Year to 31 May 2007 £000
Net cash from operating activities	538	702	3,528
Interest paid	(417)	(234)	(684)
Income tax paid	(235)	(171)	(356)
Net cash from operating activities	(114)	297	2,488
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash)	-	(8,181)	(8,185)
Acquisition of investment	(215)	-	-
Purchase of intangible assets	(87)	(86)	(279)
Purchase of property, plant and equipment	(201)	(535)	(1,298)
Proceeds from sale of property, plant and equipment	1	128	128
Proceeds from sale of investments	19	-	-
Interest received	5	8	16
Net cash used in investing activities	(478)	(8,666)	(9,618)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	33	1,909	2,023
Capital element of finance lease repayments	(423)	(484)	(925)
Borrowings raised	239	4,643	4,641
Borrowings repaid	(629)	(360)	(964)
Dividends paid	(131)	(77)	(164)
Net cash used in financing activities	(911)	5,631	4,611
Net decrease in cash and cash equivalents	(1,503)	(2,738)	(2,519)
Cash and cash equivalents at beginning of period	(1,302)	1,224	1,224
Exchange gains/(losses) on cash and cash equivalents	66	(10)	(7)
Cash and cash equivalents at end of period	(2,739)	(1,524)	(1,302)

Cash generated from operations

	6 months to 30 November 2007 £000	6 months to 30 November 2006 £000	Year to 31 May 2007 £000
Continuing operations			
Profit/(loss) before income tax	798	(1,279)	229
Adjustments for:			
Depreciation	673	569	1,154
Amortisation and impairment of Intangible assets	128	2,899	2,991
(Profit) on disposal of property, plant and equipment	(7)	(121)	(121)
Impairment of investment	-	-	3
Finance income	(5)	(8)	(16)
Finance expense	414	230	681
Share based payment charge	20	29	67
Changes in working capital			
(Increase) in inventories	(519)	(662)	(1,529)
Decrease/(increase) in trade and other receivables	1,188	(1,147)	(1,465)
(Decrease)/increase in trade and other payables	(2,171)	174	1,500
Other non cash charges	19	18	34
Cashflows from operating activities	538	702	3,528

1. Accounting Policies

Basis of preparation

The next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Accordingly, this interim financial report has been prepared in accordance with the recognition and measurement principles of IFRS as adopted by the EU. The comparative data for the year to 31 May 2007 and for the six months to 30 November 2006 have been restated and reconciliations are included in note 6 to explain the changes.

These interim financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the group are set out below.

The group has taken advantage of certain exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 May 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

At the date of this interim statement, the following Standards and Interpretations, which have not been applied during the year were in issue but not yet effective:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)

IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)

IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 12 Service Concession Arrangements (effective 1 January 2008)

IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IAS 1 (revised) and IFRS 8. The amendment to IAS 1 affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements. IFRS 8 will require the preparer to give additional segment disclosures when it comes into effect for periods commencing on or after 1 January 2009.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 30 November 2007. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the condensed consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to date of transition to IFRS

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 June 2006.

Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interests are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Goodwill

Goodwill representing the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Goodwill written off to reserves prior to the date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when goods are despatched, completion of the product or the product being ready for delivery, based on specific contract terms.
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally when goods are despatched, completion of the product or the product being ready for delivery, based on specific contract terms.
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity
- the stage of completion of the transaction at the balance sheet date can be measured reliably and is estimated by reference to when completion of the service or the product being ready for delivery, based on specific contract terms, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the shareholders right to receive payment is established.

Construction contracts

Contract revenue reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to the value of the goods provided to the balance sheet date as a proportion of the total value of the contract.

Where the outcome of a long term contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred where it is probable that they will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably
- it is probable that economic benefits associated with the contract will flow to the group
- both the contract costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably, and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

The gross amount due from customers for contract work is presented as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Intangible assets

Intangible assets are amortised over the following periods:

- Order Book Period of order cover
- Customer relationships 10 years

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the group intends to complete the intangible asset and use or sell it
- the group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Amortisation commences upon completion of the asset, and is shown within administrative expenses.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the group recognises them as a single asset provided the individual assets have similar useful lives.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale is included in "other income" or "other expense" in the income statement.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment other than freehold land by equal annual instalments over their estimated useful economic lives. The rates/periods generally applicable are:

Freehold properties	2%
Leasehold properties	Period of lease
Plant and machinery	6.7 - 20%
Fixtures, fittings and tools	12.5%
Motor vehicles	25%
Computer equipment	33%

Material residual value estimates are updated as required, but at least annually.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets include cash and trade and other receivables.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

The group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Employee benefits

Defined Contribution Pension Scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Share-based payment

Equity settled share-based payment

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "retained earnings".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement by equal annual instalments over the expected useful lives of the relevant assets.

Government grants in respect of assistance of a revenue nature are credited to the income statement in the same period as the related expenditure.

2. Segment reporting

Avingtrans plc operates three main business segments:

- Aerospace - manufacture of rigid pipe assemblies and prismatic components for aero engines and precision polishing of aircraft components
- Medical and Research - Manufacture of machined and fabricated vacuum components for diagnostic imagery, science and research communities. Design and manufacture fabricated poles and cabinets for roadside safety cameras and rail track signalling.
- Industrial Products - Design, manufacture, distribution and service of precision ballscrews, spindles and related linear and rotary products servicing the original equipment and after markets in global industry

The revenues and net result generated by each of Avingtrans plc's business segments are summarised as follows:

6 months to 30 November 2007

	Aerospace £'000	Medical and Research £'000	Industrial Products £'000	Consolidation £'000	Group £'000
Revenue	6,005	11,365	3,767		21,137
Operating profit	162	806	402	(163)	1,207
Finance income					5
Finance costs					(414)
Profit before tax					798
Tax					(196)
Profit after tax					602

6 months to 30 November 2006

	Aerospace £'000	Medical and Research £'000	Industrial Products £'000	Consolidation £'000	Group £'000
Revenue	3,911	9,865	3,383		17,159
Operating (loss)/ profit	(2,037)	708	351	(79)	(1,057)
Finance income					8
Finance costs					(230)
Loss before tax					(1,279)
Tax					493
Loss after tax					(786)

Year to 31 May 2007

	Aerospace £'000	Medical and Research £'000	Industrial Products £'000	Consolidation £'000	Group £'000
Revenue	10,305	22,985	6,736		40,026
Operating (loss)/ profit	(1,705)	2,261	570	(232)	894
Finance income					16
Finance costs					(681)
Profit before tax					229
Tax					(70)
Profit after tax					159

3. 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 warrants and EMI share options.

	6 months to 30 November 2007 No	6 months to 30 November 2006 No	Year to 31 May 2007 No
Weighted average number of shares – basic	17,579,184	16,154,181	16,805,321
Warrant/ Share Option adjustment	249,435	470,544	545,151
Weighted average number of shares – diluted	17,828,619	16,624,725	17,350,472
	£'000	£'000	£'000
Earnings/(loss) attributable to shareholders	602	(786)	159
Share based payments	20	29	67
Amortisation of intangibles	128	245	337
Impairment of intangibles	-	2,654	2,654
Adjusted earnings attributable to shareholders	750	2,142	3,217
Basic earnings/(loss) per share	3.4p	(4.9)p	0.9p
Adjusted basic earnings per share	4.3p	13.3p	19.1p
Diluted earnings/(loss) per share	3.4p	(4.9)p	0.9p
Adjusted diluted earnings per share	4.2p	12.9p	18.5p

The Directors believe that the above adjusted earnings per share calculation is a more appropriate reflection of the Group performance. Owing to loss reported in the 6 months ended 30 November 2006 and the year ended 31 May 2007 the share options and warrants are not dilutive.

4. Business Combinations

Fair value adjustments of £370,000 primarily relating to contractual losses arising on onerous contracts committed prior to acquisition have been made in the period, resulting in a increase in Goodwill of £370,000.

5. Analysis of Net Debt

	1 June 2007 £'000	Cash flow £'000	Other non- cash changes £'000	Exchange movements £'000	30 November 2007 £'000
Cash at bank and in hand	1,216	(233)	-	75	1,058
Bank overdrafts	(2,518)	(1,270)	-	(9)	(3,797)
	<u>(1,302)</u>	<u>(1,503)</u>	<u>-</u>	<u>66</u>	<u>(2,739)</u>
Bank loans	(6,553)	629	(28)	-	(5,952)
Hire purchase and finance leases	(2,651)	423	(239)	(22)	(2,489)
	<u>(9,204)</u>	<u>1,052</u>	<u>(267)</u>	<u>(22)</u>	<u>(8,441)</u>
Net debt	<u>(10,506)</u>	<u>(451)</u>	<u>(267)</u>	<u>44</u>	<u>(11,180)</u>

6. Reconciliation of equity and profit under UK GAAP to IFRS

Avingtrans PLC reported under UK GAAP in its previously published financial statements for the year ended 31 May 2007. The analysis below shows a reconciliation of equity and profit as reported under UK GAAP as at 31 May 2007 to the revised equity and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of equity under UK GAAP to IFRS at the transition date for the Group, being 1 June 2006.

Reconciliation of consolidated equity at 1 June 2006 (date of transition to IFRS)

		(a)	(b)	(c)		
	UK GAAP £000	IFRS 3 Business combinati ons £000	IAS 12 Income taxes £000	IAS 21 Foreign Exchange Rates £000	Reclass- ifications £000	IFRS £000
Non-current assets						
Goodwill	6,768					6,768
Other intangible assets	9					9
Property, plant and equipment	6,203					6,203
Investments	15					15
	12,995					12,995
Current assets						
Inventories	3,190					3,190
Trade and other receivables	4,931					4,931
Cash and cash equivalents	1,398					1,398
	9,519					9,519
Current liabilities						
Trade and other payables	(4,800)					(4,800)
Obligations under finance leases	(553)					(553)
Borrowings	(802)					(802)
Current tax liabilities	(129)					(129)
	(6,284)					(6,284)
Non-current liabilities						
Borrowings	(2,222)					(2,222)
Obligations under finance leases	(1,112)					(1,112)
Deferred tax	(240)		(272)			(512)
Other non-current liabilities	-					-
	(3,574)		(272)			(3,846)
Net assets	12,656		(272)			12,384
Shareholders' equity						
Share capital	771					771
Share premium account	4310					4,310
Capital redemption reserve	813					813
Merger reserve	-					-
Translation reserve	2				(2)	-
Other reserves	180					180
Retained earnings	6,580		(272)		2	6,310

Reconciliation of consolidated profit for six months ended 30 November 2006

		(a)	(b)	(c)		
	UK GAAP £000	IFRS 3 Business combinations £000	IAS 12 Income taxes £000	IAS 21 Foreign Exchange Rates £000	Reclass- ifications £000	IFRS £000
Revenue	17,159					17,159
Cost of sales	(12,846)					(12,846)
Gross profit	4,313					4,313
Distribution costs	(371)					(371)
Administrative expenses	(2,437)	324		13	29	(2,071)
Share based remuneration	-				(29)	(29)
Amortisation of intangibles	-	(245)				(245)
Impairment of Intangible	-	(2,654)				(2,654)
Operating profit	1,505	(2,575)		13	-	(1,057)
Finance income	8					8
Finance costs	(230)					(230)
Profit before taxation	1,283	(2,575)		13	-	(1,279)
Taxation	(382)		875			493
Profit/(loss) attributable to equity shareholders	901	(2,575)	875	13	-	(786)

6. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Reconciliation of consolidated equity at 30 November 2006

		(a)	(b)	(c)		
	UK GAAP £000	IFRS 3 Business combinati ons £000	IAS 12 Income taxes £000	IAS 21 Foreign Exchange Rates £000	Reclass- ifications £000	IFRS £000
Non-current assets						
Goodwill	12,697	(3,922)	1,451			10,226
Other intangible assets	96	1,347			8	1,451
Property, plant and equipment	10,568				(8)	10,560
Investments	15					15
	23,376	(2,575)	1,451		-	22,252
Current assets						
Inventories	4,972					4,972
Trade and other receivables	8,310					8,310
Cash and cash equivalents	580					580
	13,862					13,862
Current liabilities						
Trade and other payables	(8,376)					(8,376)
Obligations under finance leases	(789)					(789)
Borrowings	(3,302)					(3,302)
Current tax liabilities	(277)					(277)
	(12,744)					(12,744)
Non-current liabilities						
Borrowings	(5,963)					(5,963)
Obligations under finance leases	(1,711)					(1,711)
Deferred tax	(272)		(848)			(1,120)
Other non-current liabilities	(750)					(750)
	(8,696)		(848)			(9,544)
Net assets	15,798	(2,575)	603			13,826
Shareholders' equity						
Share capital	866					866
Share premium account	6,140					6,140
Capital redemption reserve	813					813
Merger reserve	402					402
Translation reserve	(35)				(13)	(50)
Other reserves	180					180
Retained earnings	7,432	(2,575)	603	13	2	5,475

UK GAAP Non-current assets and liabilities in respect of the balance sheet at 30 November 2006 have been adjusted by £3.15 million and £1.0 million to reflect adjustments made to purchase consideration and fair value adjustments made at 31 May 2007.

Reconciliation of consolidated profit for year ended 31 May 2007

		(a)	(b)	(c)		
	UK GAAP £000	IFRS 3 Business combinations £000	IAS 12 Income taxes £000	IAS 21 Foreign Exchange Rates £000	Reclass- ifications £000	IFRS £000
Revenue	40,026					40,026
Cost of sales	(29,806)					(29,806)
Gross profit	10,220					10,220
Distribution costs	(885)					(885)
Administrative expenses	(6,029)	558		6	82	(5,383)
Share based remuneration	-				(67)	(67)
Amortisation of intangibles	-	(322)			(15)	(337)
Impairment of Intangibles	-	(2,654)				(2,654)
Operating profit	3,306	(2,418)		6		894
Finance income	16					16
Finance costs	(681)					(681)
Profit before taxation	2,641	(2,418)		6		229
Taxation	(972)		902			(70)
Profit attributable to equity shareholders	1,669	(2,418)	902	6	-	159

6. Reconciliation of equity and profit under UK GAAP to IFRS (continued)

Reconciliation of consolidated equity at 31 May 2007

	UK GAAP £000	(a) IFRS 3 Business combinati ons £000	(b) IAS 12 Income taxes £000	(c) IAS 21 Foreign Exchange Rates £000	Reclass- ifications £000	IFRS £000
Non-current assets						
Goodwill	12,462	(3,687)	1,451			10,226
Other intangible assets	273	1,269			42	1,584
Property, plant and equipment	11,148				(42)	11,106
Investments	12					12
	23,895	(2,418)	1451		-	22,928
Current assets						
Inventories	5,968					5,968
Trade and other receivables	8,695					8,695
Cash and cash equivalents	1,216					1,216
	15,879					15,879
Current liabilities						
Trade and other payables	(9,751)					(9,751)
Obligations under finance leases	(798)					(798)
Borrowings	(3,750)					(3,750)
Current tax liabilities	(783)					(783)
	(15,082)					(15,082)
Non-current liabilities						
Borrowings	(5,321)					(5,321)
Obligations under finance leases	(1,853)					(1,853)
Deferred tax	(131)		(821)			(952)
Other non-current liabilities	(750)					(750)
	(8,055)		(821)			(8,876)
Net assets	16,637	(2,418)	630			14,849
Shareholders' equity						
Share capital	879					879
Share premium account	6,241					6,241
Capital redemption reserve	814					814
Merger reserve	402					402
Translation reserve	(29)			(6)	(2)	(37)
Other reserves	180					180
Retained earnings	8,150	(2,418)	630	6	2	6,370

UK GAAP Non-current assets and current liabilities in respect of the balance sheet at 31 May 2007 have been adjusted by £0.4 million to reflect adjustments further fair value adjustments made at 30 November 2007.

Explanation of reconciling items between UK GAAP and IFRS

The standards and interpretations giving rise to the most significant changes to the previously reported profit of the Group and equity of the Group and company are:

(a) IFRS 3 - Business combinations

IFRS 3 requires goodwill to be capitalised and subjected to an annual impairment test rather than amortised by way of equal annual charges as required by UK GAAP. The standard also requires separable, identifiable, intangible assets arising on acquisition to be capitalised at fair value and amortised over their estimated useful economic lives.

The Group acquired B&D Patterns on 21 September 2006. Under IFRS intangibles of £4,245,000 were recognised, including £4,026,000 for customer relationships. Immediately after acquisition it became apparent that these relationships and contracts were significantly impaired resulting in a write off of £2,654,000 to the Income Statement. The balance of the customer relationship intangible is written off over a 10 year period.

Goodwill of £558,000 in the year to 31 May 07 (6 months £324,000) was amortised under UK GAAP. Under IFRS goodwill is not amortised but is tested annually for impairment and hence the goodwill recognised under UK GAAP has been written back to the Income Statement

(b) IAS 12 Income Taxes

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised by applying the appropriate tax rate to the temporary differences arising between the carrying values of assets and liabilities and their tax base. This contrasts with UK GAAP, which considers timing differences arising in the income statement.

(c) IAS 21 The Effects of Changes in Foreign Exchange Rates

The Group has taken advantage of the exemption available in IFRS 1 and set to zero the cumulative translation differences arising on the translation of all foreign operations at 1 June 2006. Subsequent translation differences have been classified as a separate component of equity in accordance with IAS 21.

Foreign exchange differences on an Intercompany loan which offset the movement on translation of foreign operations previously treated as hedging have been credited/expensed to the Income Statement.

Reclassifications

Computer software costs previously capitalised as tangible fixed assets have been reclassified as intangible assets. The computer software costs primarily relate to purchased software packages.

Cash flows

Income taxes presented as a separate category of cash flows under UK GAAP have been included in operating cash flows under IFRS. Dividends presented as a separate category under UK GAAP have been including in financing cash flows under IFRS. There are no other significant adjustments to the cash flows presented under IFRS.