ANNUAL REPORT 2015

Avingtrans plc

engineering technology group

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Avingtrans plc is engaged in the provision of highly engineered components, systems and services to the aerospace, energy and medical industries worldwide.

CONTENTS

Sigma UK and China

A market leader in the design and manufacture of rigid and flexible pipe assemblies and components for prestigious aerospace customers such as Rolls Royce, Safran and Meggitt. Also manufactures precision prismatic components, composite components and provides polishing and surface finishing services for the aerospace and motorsport industries.

Metalcraft UK and China

A leader in safety-critical equipment for the energy, medical, science and research communities, worldwide, specialising in precision pressure and vacuum vessels and associated fabrications and systems. Also designs, manufactures and services oil and gas extraction and processing equipment, including process plant for dehydration, sweetening, drying and compression.

- **Crown International – UK**

Design, manufacture, repair and service of the 'CrownPole™', used in conjunction with roadside safety cameras, advanced railway signal systems and road signage poles for motorways and major trunk roads.

Avingtrans plc
engineering technology group

ANNUAL REPORT
YEAR ENDED 31 MAY 2015

INTRODUCTION

The Board of Directors, left to right,
Graham Thornton, Jeremy Hamer, Les Thomas,
Stephen King, Roger McDowell, Steve McQuillan.

Commenting on the results, Roger McDowell, Chairman said:

“As previously communicated, the oil price collapse took its toll on Group results and we were further buffeted by aerospace customer destocking in our first half. We reacted quickly to mitigate the effects of these challenges, limiting the revenue decline to 4% and the decline in EBITDA to 6%. Adjusted diluted earnings per share correspondingly decreased to 10.1 pence. Despite continuing investment of £2.4m and the £1.2m acquisition of the assets of RMDG from Tricorn plc, group net debt only increased to £5.9m – lower than market expectations - with gearing at a modest 17%. Our aerospace orders have since stabilised, but the oil sector remains depressed. Therefore, we have turned our attentions elsewhere, with an impressive sign of the future coming from our £47m, 10 year contract win with Sellafield Ltd. Our robust position has enabled the Board to propose a 2.0 pence per share final dividend, making 3.0 pence for the year, an increase of 11%.”

FINANCIAL HIGHLIGHTS

- Turnover decreased to £58.7m (2014: £60.3m)
- Adjusted[1] earnings before interest, depreciation and amortisation £5.3m (2014: £5.6m)
- Adjusted[1] profit before tax £2.9m (2014: £3.5m)
- Fully diluted, adjusted[1] EPS from Continuing Operations of 10.1 pence per share (2014: 13.7 pence per share)
- Net Debt £5.9m (2014: £3.6m). Gearing 17% (2014: 11%)

1 –adjusted to add back amortisation of intangibles from business combinations, acquisition costs and exceptional items.

OPERATIONAL HIGHLIGHTS

- Aerospace hampered by H1 customer destocking, with a decrease in revenues of 7% vs 2014
- Restructuring of aerospace operations and closure of the Derby site
- New contract wins with Airbus/PFW (£25m/10yr) and Sonaca (£5m/5yr)
- Acquisition of RMDG assets for £1.2m from Tricorn plc boosted market share
- Energy and Medical division revenues were flat, constrained by the low oil price
- Divisional restructuring implemented at Energy and Medical – Aldridge building sold (£1.1m) post year end
- EBIT losses significantly reduced, with a second half profit demonstrating progress
- Exciting £47m, 10-year nuclear decommissioning contract win with Sellafield Ltd.

Company information

Directors
R S McDowell (Non-executive Chairman)
S McQuillan (Chief Executive Officer)
S M King (Chief Financial Officer)
J J Hamer (Non-executive)
G K Thornton (Non-executive)
L J Thomas (Non-executive appointed 1 September 2014)

Secretary
S M King

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Chairman's Statement

This has been a challenging year for the group and we have coped with some strong headwinds in the period and have responded quickly to changing market conditions. As previously reported, we were impacted during the year by the oil price decline. This is an on-going issue and we have taken strong remedial action to contain this problem. We are also very grateful to our newest non-executive director, Les Thomas, the CEO of Ithaca Energy Inc, who arrived during the year in the teeth of the storm and helped us to successfully navigate choppy waters.

Simultaneously, in our financial first half, we suffered from a material decline in aerospace output, due to customer programme volume changes and destocking. Whilst this challenge has not fully abated, it has reduced markedly and we have had success in restructuring our aerospace division and in winning new business, to mitigate the effect on profit. Notably, we won a £25m, ten year contract with PFW (part of Airbus) to produce parts and assemblies for the A350, from our Farnborough facility. As expected, the RMDG business (Swadlincote) whose assets were acquired from Tricorn plc for £1.2m in the period – made a £0.3m loss, which also affected the outcome for the year.

The run rate revenues in our financial second half returned to the level of the previous period. However, we were unable to make up for the first half shortfall, so that the overall result was a decline in both revenue and profit over the full twelve months, albeit broadly in line with revised market expectations. This is frustrating, but the actions we took steadied the ship and prepared us for a growth path once again in the FY16 year. Whilst we made good progress with our restructuring programme in both divisions (Aerospace and Energy and Medical), it was not possible to complete this activity and some residual restructuring will spill over into the current financial year (FY16).

Post year end, we sold the freehold of the Maloney Metalcraft building at Aldridge for £1.1m, net of costs, which further reduced the run rate cost of that operation, in a continuingly depressed oil and gas market. On the other hand, the Energy and Medical division was boosted, , by the win of a £47m, ten year contract with Sellafield, for the provision of 3M3 (three-metre-cubed) boxes, for the storage of intermediate level nuclear waste. This contract, together with a parallel contract awarded to another vendor, is the first step in a commercially significant programme by the UK government, under the auspices of the Nuclear Decommissioning Authority (NDA), to repackage the legacy nuclear waste for long term storage. Metalcraft is well-placed to be a key partner for Sellafield in this programme, over the next 30 years.

Therefore, despite some setbacks, our passion for the Aerospace, Energy and Medical markets is undimmed and these markets still provide strong medium-term prospects for growth.

We continued to invest in new skills in both divisions, driven by the government sponsored "Sharing in Growth" (SiG) programmes, where we are an active participant. It wasn't the best year to make big investments, but we continued to invest in new technology – particularly in composites – assisted by some grant funding. We also invested £1.0m in new capex, production IT systems, etc, as part of an on-going journey towards world-class manufacturing capability.

Given the challenges faced in the year, we were satisfied with the Aerospace recovery in the second half and with the year on year progress in Energy and Medical, oil price notwithstanding. Both divisions have to do better, but we have solid foundations to build on. The second half improvement allowed us to deliver a result close to revised expectations, with revenue down 4% versus the previous period and adjusted EBITDA also down by 6%, bearing in mind that EBITDA was negatively affected by RMDG. Orders and prospects remain at a high level, except for oil and gas, where the prospect bank is depressed. With a less favourable tax position this year, adjusted diluted earnings per share declined by 26%, to 10.1 pence. Gearing rose to 17% on Net debt increasing by £2.3m, to £5.9m, though half of the increase was attributable to the RMDG asset purchase. Therefore, the balance sheet remains in good shape, despite the investment in the year, of £2.4m.

Please rest assured we do not intend to hide behind external market change factors, however convenient that may be. We know our performance must improve and we believe it can do so – significantly. Accordingly, the Board has declared an increased final dividend, of 2.0 pence per share, rendering a full year total of 3.0 pence, once again underlining our commitment to consistently improve returns to our shareholders.

Finally, I would like to take this opportunity to thank our employees for their hard work and dedication to deliver excellent quality engineering products and services, especially in the difficult circumstances of the last 12 months.

Roger McDowell
Chairman
29 September 2015

Strategic Report

Group Performance

Strategy Summary

We are a precision engineering group, operating in differentiated, specialist niches in the supply chains of many of the world's best known engineering original equipment manufacturers, for example: Rolls Royce, Siemens and Safran. Our core strategy is to build market-leading niche positions in our chosen sectors of Aerospace, Energy and Medical and our acquisitions have enabled Sigma and Metalcraft to develop the critical mass necessary to achieve leadership in their respective sectors.

Our core businesses have the capability to engineer products in Europe and produce those products partly or wholly in Asia, allowing us and our customers to access low cost sourcing at minimum risk, as well as positioning us neatly in the development of the Chinese and Asian markets for our products. Sigma and Metalcraft are both well established in China, providing integrated supply chain options for our customers.

Niche Market Positioning

Aerospace: Our strength lies in civil aerospace, where we produce pipes for a number of aero-engine suppliers into the large civil airliner market; and where we enjoy market leadership in Europe, as well as a leading position as an independent supplier globally. In addition, we are building a position in assemblies and fabrications beyond pipes – e.g. in ducts, nacelles, etc – that will allow us to access an even larger market. We also have UK market leadership in the domain of aerospace component polishing and finishing through Sigma's C&H subsidiary.

Energy and medical: We are developing our position as a leading European supplier of energy industry process modules, vertically integrating this capability with the vessel manufacturing capability at Metalcraft. This same vertical integration capability lends itself to the "new nuclear" and nuclear decommissioning markets, as well as a variety of other niches in the renewable energy sector and emerging markets like shale gas.

Metalcraft's cryogenic vessel manufacturing pedigree, spanning over 40 years, makes us a supplier of choice to OEMs in markets where this capability is critical; notably in magnetic resonance imaging, or related sectors. We enjoy a global market leading position in this particular supply niche.

We have strengthened our capability to manage sophisticated outsourced manufacturing programmes for our customers, thus accessing business of enduring value, with the prospect of further sales growth. We remain focused on markets where we can sustain a significant competitive, long term advantage and where the regulatory and technical requirements provide competitive barriers to entry.

Operations

Aerospace Division (Sigma)

Operational Key Performance Indicators (KPIs)

	2015	2014
• Customer Quality – defects in parts per million (ppm)	**5,209**	3,732
• Customer on time in-full deliveries (%)	**81**	80
• Annualised staff turnover (%)	**12.8**	11.9
• Health, Safety and Environment incidents per head per annum	**0.06**	0.1

The divisional quality and delivery performance were sustained in the year, despite the implementation of new IT systems and the introduction of the RMDG performance into the statistics. Underlying staff turnover is higher than ideal, though turnover in China is partly responsible for this and our staff retention there is above average for the region. Health and safety incidents showed a welcome positive trend.

The civil aerospace market remains robust, as evidenced at the Paris air show in June 2015. Between them, Airbus and Boeing have a backlog of circa 12,000 commercial jet orders to deliver and their 20 year demand projections remain at record levels. So, overall market trends are still positive for Sigma, although, in contrast, we saw output reductions in the early part of the year.

Strategic Report (Continued)

Operations (continued)

Aerospace Division (Sigma) (continued)

The acquisition of RMDG was challenging, since this business was underperforming and loss-making on acquisition and its arrival into the group coincided with a critical destocking decision by key customers. This issue was acutely seen in our first financial quarter, after which volumes. However, the damage was done to the year's result, since it is not easy in aerospace to replace lost volume quickly. Therefore, divisional restructuring plans were accelerated to mitigate the damage and the benefits of this action are anticipated to be seen in the financial year ended 31 May 2016. The division sustained its leadership position in the aerospace pipes market niche. Despite the first half setback, we continued to invest in our new composite pipe technology and the prototypes we produced created a buzz at the Paris air show amongst customers and competitors alike. We secured further grant funding for composites technology in the period and continued our internal investment programme.

Prudent capital expenditure at Sigma continued, as we rolled out our new Epicor manufacturing IT systems, to underpin our aspiring world-class supplier status. Our OEM partners appreciate the improvements in quality, delivery and capability that our focus is bringing.

The Q1 blip drove down annual sales by 7%, to £35.9m, or an underlying 13%, when first year sales from RMDG are excluded, as compared to the prior year. Our order book is still strong, with new long term agreements secured with PFW/Airbus for A350 parts (worth £25m over 10 years) and with Sonaca (worth £5m over 5 years). These contracts help further diversify our customer portfolio, whilst also better balancing airframe vs engine applications.

Overall EBIT Aerospace margins were down significantly to 8%, driven by the Q1 destocking issue, losses at RMDG and our decision to continue with the composites investment programme. We expect to eliminate two of these three drag factors in the current financial year, so margins should rebound to prior levels. However, on-going investment in new technology is expected, since we see this as an essential longer-term differentiator.

Briefly summarising the main developments at the Aerospace sites:

- Hinckley's performance was severely impacted by Q1 destocking events, though matters improved in the second half. Hinckley is becoming the pipe production centre of excellence for the division.
- We exited the Derby site during the year and transferred its production to Hinckley and Swadlincote (RMDG). We will conclude the lease arrangements for this site in the current financial year.
- Swadlincote (RMDG) had a challenging first year in the group and we have worked hard to stabilize volumes and margins there. As expected, the acquired business made a loss in the year of £0.3m.
- Farnborough's performance continued to improve in the period and the site is consistently profitable. Delivery and quality are close to normal levels of aerospace customer requirements. This site joined the Sharing in Growth (SiG) programme in the year.
- Chengdu's sales growth was curtailed by the associated Hinckley Q1 sales reduction, though output had stabilised by year-end. The capacity of the site will be increased this year, in anticipation of further customer demand and the need to expand pipe production in China.
- Buckingham (Composites) saw development expenditure and investment and, therefore, losses increase in the period, as we focused on new customer development and new technology composite pipes. This technology is exciting and has applications in a number of sectors.
- Sandiacre (C&H) had another strong and consistent year, with the barrel-type polishing equipment investment paying dividends and we anticipate further capital expenditure of this sort in the FY16 year.

Energy and Medical Division (Metalcraft, Maloney Metalcraft and Crown)

Operational Key Performance Indicators (KPIs)

	2015	2014
• Customer Quality – defect free deliveries (%)	**99.3**	99.3
• Customer on time in-full deliveries (%)	**97.0**	92.5
• Annualised staff turnover (%)	**5.7**	8.6
• Health, Safety and Environment incidents per head per annum	**0.1**	0.2

The divisional quality and delivery performance were sustained in the year, despite disruption coming from the implementation of new IT systems. Staff turnover reduced and is at an acceptable level for this type of business. Health and safety incidents

Strategic Report (Continued)

showed a welcome positive trend.

Operations (continued)

Energy and Medical Division (Metalcraft, Maloney Metalcraft and Crown) (continued)

The abrupt reduction in the oil price shattered the nascent recovery at Maloney. The prospect bank that we had been carefully nurturing evaporated, as customers delayed, or cancelled their investment decisions, in response to the sharp drop in expected returns. This reaction was quite universal, with relatively few projects surviving once the smoke cleared. In consequence, we took swift action to downsize the Maloney business and exit the Aldridge manufacturing site. The sale of the building was completed just after our year-end and we achieved a sale price for the freehold of £1.1m, net of costs.

The oil price shock meant that our growth intentions gave way to control of costs and the division scarcely grew at all, with revenue up by only 1% over the prior year. Although we still recorded a small loss for the year, the division did make a modest profit in the second half and the -1% EBIT overall was much improved over the previous twelve months. This loss included the anticipated on-going start-up costs at our Metalcraft China facility, where the build-up of MRI business from Siemens and others has been slower than we would like. Crown continued to grow and made a profit again, as transport infrastructure business gradually returned and as we worked on an exciting new product for a new customer in the recycling arena.

World energy consumption drivers continue to be positive overall, given increasing globalisation and the demographics of an ageing world population are encouraging for the medical imaging and diagnostics market. However, the most significant development for Metalcraft recently has been the award of the £47m /10 year contract with Sellafield Ltd to produce 3M3 (three-metre-cubed) boxes, for the storage of intermediate level nuclear waste. This contract was awarded with a parallel contract to another vendor. This represents the first step in a commercially significant programme by the UK government, under the auspices of the Nuclear Decommissioning Authority (NDA), to repackage the legacy nuclear waste for long term storage. Metalcraft is well-placed to be a key partner for Sellafield in this programme, over the next 30 years, during which time the total value of similar equipment required is likely to exceed £1bn, according to Sellafield's own estimates.

Summarising developments over the year at the Energy and Medical sites:

- Metalcraft, Chatteris: business with Siemens and Cummins in the UK was steady. Site delivery and quality consistency improved and we began to see the initial growth of other repeat customers. Key customer Heatric (Meggitt) saw the downside of the oil price and hence, there was less business from them in the year. The site rolled out the Epicor IT systems and this has been bedding-in reasonably well over the last few months. The exciting nuclear decommissioning contract win from Sellafield will result in site preparations in the current financial year, but very little volume of business, as the ramp up is quite slow. Further prospects in the sector are now in view.
- Metalcraft, Chengdu: as previously reported, start-up losses have been higher than in our original plans for the facility, but they are predictable and containable, as we seek to win business from a broader customer set. In that respect, progress is heartening.
- Maloney Metalcraft, Aldridge: as noted above, the oil price shock killed the prospects for the business and forced us into a rapid cost base rethink. Whilst some restructuring costs have spilled over into the new financial year, the project to reshape the business is proceeding well and the sale of the building just after year-end is an important piece of the plan to complete. A deal with the new owners of the building means that we are able to retain the engineering offices on a lease and thus avoid a disruptive relocation of the technical team. The win of the $3m Samsung Algerian gas field project in the second half proved that the sector is not dead – just hibernating.
- Crown grew once more, with transport infrastructure sales increasing from a low base. There was also good progress with the first project for a new customer involved in the recycling market. Prospects for this technology seem very encouraging, thus broadening the strategic options for Crown.

Financial Performance

Key Performance Indicators
The Group uses a number of financial key performance indicators to monitor the business, as set out below.

Revenue: sales decline arrested in second half
Full year Group **revenue** was down by 4%, to £57.8m (2014: £60.3m). Aerospace saw a 7% decline, including the revenue from RMDG, driven by customer destocking in H1. Energy and Medical saw marginal 1% growth, with the oil price severely holding back the division's progress.

Profit: underlying margins stable on lower volumes
Adjusted **EBITDA** was down by 6% (note 1), to £5.3m (2014: £5.6m). Aerospace profits were held back by expected losses at

Strategic Report (Continued)

RMDG and by the reduced first half revenue from customer destocking. Energy and Medical made a modest profit in H2, after making a small loss in the first half, thus recording a marginal loss for the year.

Financial Performance (continued)

Gross margins were 25% (2014: 24%), holding up reasonably in adverse conditions.

Tax: less favourable position this year
The effective rate of taxation was 5.3%, whereas 2014 was a 15.3% tax credit. During the year we benefited from the release of an IBA deferred tax liability on the Maloney site and have continued to benefit from Research and Development tax credits in the UK and losses utilised in China. The tax position will "normalise" in the coming years, though we anticipate some on-going benefits – e.g. R&D tax credits.

Earnings per Share (EPS): back to "normal"
With a less favourable tax position, adjusted diluted earnings per share declined by 26% to 10.1p pence per share (2014: 13.7 pence per share), based on 28.0 million shares (diluted weighted average).

Funding and Liquidity: Balance sheet still strong
The net cash inflow from operating activities was £1.6m (2014: £1.6m).

Net indebtedness (note 21) at year end stood at £5.9m (2014: Net indebtedness: £3.6m). Balance sheet **gearing** was 17% (2014: 11%). Although we should note that around half of the increase is attributable to the acquisition of RMDG assets from Tricorn plc in the period.

Dividend: steady progress
The Board again voted to underline our progressive dividend policy and we are pleased to be able to recommend at the AGM an improved final dividend of 2.0 pence per share (2014: 1.8 pence per share). This will be paid on 11 December 2015, to shareholders on the register at 6 November 2015.

The Group continues to focus on exciting trading opportunities in the Aerospace and Energy sectors and we see further prospects to develop our offering, which should deliver long term growth and shareholder value. The continued backing of our investors, coupled with a positive relationship with the Group's principal bankers, means we expect to have more than adequate financial resources to continue to invest in the business. We also continue to develop relationships with an array of potential stakeholders, assisted by our consistent dividend track record.

Principal risks and uncertainties facing the Group

The principal risks and uncertainties facing the Group include:

- the acceptance by end customers of its products – the Group mitigates this risk by developing a number of diverse products across its industry sectors in addition the business continues to build strong relationships with longstanding customers and open lines of communication to ensure that any challenges are identified early and are resolved with the customer prior to delivery;
- changes in customer requirements and in levels of demand in the market – the Group is reliant on the relative strength of the global economy as a whole, but the risk is somewhat mitigated via the diversity of the markets the Group operates in. The Group is always conscious of the need to react to demand changes, due to this risk. In addition, the business continues to work with key customers to develop longer term plans concerning delivery and timing of production, to build efficiency into the process;
- competitive pressure on pricing – this risk is mitigated by the high level of technological quality offered by the Group's products, its strong relationships with its key customers, as well as lower operating costs through its fully owned Chinese facilities;
- delays in product design and launch programmes – as the Group's products are technically advanced the timescale of developing new products is uncertain. However, this is mitigated by strong long term relationships with customers and ensuring sufficient working capital to support this investment;
- technological changes – mitigated by continued investment in research and development;
- operational risks associated with operating in overseas markets – the Group mitigates this risk by using a senior management team based both in the UK and China. Senior Management from the UK regularly visit and monitor the financial and operational performance of overseas sites.

Strategic Report (Continued)

People

During the year, we strengthened our leadership team, with the appointment of Les Thomas, the CEO of Ithaca Energy Inc, to the plc Board underlining our commitment to the Energy market.

There were no other Board or top team management changes in the period, but we continued to reinforce our management teams in both divisions. Each of the businesses deepened its base of skilled engineering and technical personnel, with intellectual property development becoming more important to our future. Skills availability remains challenging, in a tightening labour market, but we do not expect to be unduly constrained by any shortages and we continue to invest in skills – e.g. through apprenticeships – at several locations. Both divisions significantly reduced headcount in the last year, following the oil price and aerospace destocking issues detailed elsewhere.

Outlook

The group is a niche engineering market leader in the Aerospace, Energy and Medical sectors. With attractive structural growth markets and durable customer relationships, we remain cautiously confident about the future of Avingtrans. The oil price shock has shown that we can cope well with downturns and we have the agility and credibility to switch to other pertinent markets to sustain our businesses. In particular, prospects for Civil Aerospace and Nuclear Decommissioning are highly attractive.

Our strategy continues to produce significant new business wins that support our results and provide good visibility of longer term earnings. We have an excellent customer base which we can build upon and differentiated product niches to exploit. We remain well placed to benefit from further market consolidation.

The RMDG acquisition again emphasised our intention to build shareholder value through targeted merger and acquisition activity. Although we cannot state that this will result in any further transactions during the current financial period, we will pursue further opportunities to enhance long-term value.

Sigma and Metalcraft are clear leaders in their chosen niche markets, providing customers with consistent quality as part of a world class supplier journey. Our growing Chinese presence is providing a crucial competitive advantage. Investors are asked to endorse our strategy and join us in developing a great British engineering story. As ever, we are grateful for your support.

The Strategic Report was approved by the Board on 29 September 2015 and signed on its behalf by:

Roger McDowell
Chairman
29 September 2015

Steve McQuillan
Chief Executive Officer
29 September 2015

Stephen King
Chief Financial Officer
29 September 2015

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 May 2015.

Going concern

During the year the Group has managed its working capital and cash flows resulting in an operating cash inflow of £1.6m for the year. At 31 May 2015 the Group has net debt of £5.9m as detailed in note 21 (2014: £3.6m) and net assets of £34.2m (2014: £32.7m). As discussed in more detail in the Chairman's statement and Strategic report, looking into 2015/16 and beyond, the Group has a number of exciting opportunities across all of its operations that should deliver growth and shareholder value.

The Directors have prepared detailed cash flow forecasts for the Group for the period extending to 31 December 2016, alongside three year budgets which indicate that the Group expects to have adequate financial resources to continue in business and work within its current banking arrangements to deliver on its short term strategic objectives. Coupled with an ongoing supportive relationship with the Group's principal bankers, HSBC, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts.

Results and dividends

The Group's profit for the year before tax amounted to £1,871,000 (2014: £2,526,000) for continuing operations. The results for the year ended 31 May 2014 included a bargain purchase on the acquisition of Maloney Metalcraft of £2,615,000. A final dividend of 2.0p is proposed for the year ended 31 May 2015 (2014: 1.8 pence), taking the total dividend for the year to 3.0 pence (2014: total 2.7 pence).

Substantial shareholdings

As at 29 September 2015, the following had notified the Company that they held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares '000	***Percentage of issued share capital owned***
Nigel Wray	5,194	18.7%
R S McDowell's Pension Fund	2,406	8.7%
P McDowell's Pension Fund	2,376	8.6%
Helium Special Situations Fund	1,944	7.0%
Funds managed by Unicorn Asset Management Limited	1,661	6.0%
Funds managed Close Brothers Asset Management	1,010	3.6%
Funds Managed by RBC Trustees Limited	895	3.2%
Maven Capital Partners UK LLP	834	3.0%
K M Baker	832	3.0%

Directors and their interests

The present Directors of the Company and those that served during the year are set out on page 1. Their interests in the share capital of the Company are set out below.

	Ordinary shares of 5p each	
	31 May 2015	*31 May 2014*
R S McDowell	**2,406,409**	2,376,409
S McQuillan	**330,566**	213,538
S M King	**286,071**	208,052
J J Hamer	**114,500**	114,500
G K Thornton	**40,000**	40,000
L J Thomas	-	-

Share options

The Directors' interests with respect to options to acquire ordinary shares are detailed in the Report of the Directors on Remuneration.

Report of the Directors (Continued)

Interests in contracts

No Director was materially interested in any contract during the year.

Financial instruments

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Group's principal financial instruments comprise cash and bank deposits, bank loans and overdrafts and obligations under finance leases together with trade receivables and trade payables that arise directly from its operations. The Group has not entered into derivative transactions. Information about the use of financial instruments by the Group is given in note 21 to the financial statements.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships.

Environment

The Group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Group has not incurred any significant fines or penalties or been investigated for any significant breach of environmental regulations.

Research and development

During the year £1,403,000 (2014: £742,000) of development costs (per note 10) were capitalised as intangible assets. This was predominately at Metalcraft in relation to new customer's MRI designs and waste storage equipment and in Sigma relating to the development of new designs for rigid pipes, light weight fittings and aerospace fabrications.

Disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible will retrain employees who become disabled, so that they can continue their employment in another position. The Group engages, promotes, and trains staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress.

Directors' indemnities

The Company has taken out directors' and officers' liability insurance for the benefit of its Directors during the year which remains in force at the date of this report.

Employee involvement

It is the policy of the Group to communicate with employees by employee representation on works and staff committees and by briefing meetings conducted by senior management. Career development is encouraged through suitable training.

Report of the Directors (Continued)

Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Strategic Report and the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK accounting standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Group and Parent company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP ("Grant Thornton") are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

The report of the Directors was approved by the Board on 29 September 2015 and signed on its behalf by:

S M King
Director

Corporate Governance

The Group is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for good corporate governance. Although the Group is not required to comply with the UK Corporate Governance Code and does not voluntarily comply, this statement describes how the principles of corporate governance are applied to the Group.

Directors

The Board of Avingtrans plc comprised two Executive Directors and four Non-Executive Directors. During the year the Board was chaired by R S McDowell and assisted by the Senior Independent Non-executive Director J J Hamer, who together have primary responsibility for running the Board.

The Chief Executive, S McQuillan, had executive responsibilities for the operations, results and strategic development of the Group during the year. S M King is Chief Financial Officer and Company Secretary. The Board structure ensures that no individual or group dominates the decision making process.

The Non-executive Directors are considered to be independent of management and from any business relationship which could materially interfere with their independent judgement. The Senior Independent Non-executive Director is J J Hamer and is available to shareholders if they have concerns.

The Board meets regularly with no less than ten such meetings held in each calendar year. There is a formal schedule of matters specifically reserved to the Board for its decision to enable it to take overall control of the Group's affairs. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Group's expense in the furtherance of their duties. Management has an obligation to provide the Board with appropriate and timely information to enable it to discharge its duties. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.

The Nominations Committee is responsible for monitoring and reviewing the membership and composition of the Board, including the decision to recommend the appointment or re-appointment of a Director. The Board and Committee regularly review the composition of the Board to identify areas where additional experience is required to balance the Board.

The Company's Articles of Association ensure Directors retire at the third Annual General Meeting after the Annual General Meeting at which they were elected and may, if eligible, offer themselves for re-election.

R S McDowell chairs the Nominations Committee, with J J Hamer chairing the Audit Committee and G K Thornton chairing the Remuneration Committee. The Non-executive Directors and the Chairman are members of all the above committees.

Directors' remuneration

The responsibilities of the Remuneration Committee, are set out in the Report of the Directors on Remuneration on pages 14 to 15.

Relations with shareholders

The Board attaches a high level of importance to maintaining good relationships with shareholders, whether they are institutions or private investors.

The Board encourages all Directors to attend shareholder meetings and institutional presentations, where they are available for questions from shareholders. This enables the Board to develop an understanding of the views of shareholders.

The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors and actively encourages participative dialogue.

The Company counts all proxy votes and except where a poll is called, it indicates the level of proxies lodged on each resolution and the balance for and against the resolution, after it has been dealt with on a show of hands.

A separate resolution on each substantially separate issue is proposed at the Annual General Meeting. The Chairman of the Board and each of the Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions at the Annual General Meeting. All Directors are expected to attend the Annual General Meeting.

In 2009 the Company amended its Articles to include electronic communication with its members. The Annual Report and Financial Statements and Interim Report are automatically uploaded to www.avingtrans.plc.uk. All members are given the option to receive a paper copy or an email copy of the Annual Report. Notice of the Annual General Meeting is sent to shareholders at least 20 days before the meeting.

Corporate Governance (Continued)

Accountability and Audit

The respective responsibilities of Directors and the Auditor are set out on pages 11 and 16. The Board has established an Audit Committee. The Audit Committee's primary responsibilities include the monitoring of internal control, approving accounting policies, agreeing the treatment of major accounting issues, appointment and remuneration of the external auditor and reviewing the interim and annual financial statements before submission to the Board. It meets twice a year with the external auditor to review their findings. At these meetings the Non-executive Directors have the opportunity to discuss findings with the auditor in the absence of the Executive Directors.

To follow best practice and in accordance with Ethical Standard 1 issued by the Auditing Practices Board, the external auditor has held discussions with the audit committee on the subject of auditor independence and has confirmed their independence in writing.

Internal control

The Directors acknowledge that they are responsible for ensuring that the Group has in place a system of internal control which is both effective and appropriate to the nature and size of the business.

The Board, through the Audit Committee, has reviewed the operation and effectiveness of the system of internal control throughout the accounting year and the period to the date of approval of the financial statements, although it should be understood that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Group's system of control includes:

- a comprehensive budgeting system with annual budgets approved by the Directors
- monthly monitoring of actual results against budget and regular review of variances
- close involvement of Directors who approve all significant transactions
- financial and operating control procedures for all management of the Group
- identification and appraisal by the Board of the major risks affecting the business and the financial controls
- bank facilities and other treasury functions are monitored and policy changes approved by the Board.

The Board has considered the need for an internal audit function and concluded that this would not be appropriate at present due to the size of the Group.

S M King
Company Secretary
29 September 2015

Report of the Directors on Remuneration

Composition

The Remuneration Committee during the period comprised G K Thornton (Chairman), R S McDowell, J J Hamer and L J Thomas.

Principal function

The remuneration packages, including contract periods of Executive Directors and senior management, are determined by the Remuneration Committee. It ensures that the remuneration packages are appropriate for their responsibilities, taking into consideration the overall financial and business position of the Group. The remuneration of R S McDowell is determined by the three Non-executive Directors.

Base salary and benefits

The Committee sets the salary of each Executive Director by reference to the responsibility of the position held, performance of the individual and external market data. Salaries are reviewed annually.

Annual performance related bonus

The Company operates a bonus scheme for its Directors which enables it to attract and retain high calibre senior management personnel who make a major contribution to the financial performance of the Group. Bonuses paid under the scheme are accrued under the annual bonus plan approved by the Remuneration Committee. The plan is based on various financial metrics around cash and financial performance.

Share options

The Committee is responsible for approving grants of share options to the Executive Directors. Options may be exercised between three and ten years from the date the option is granted but only if certain performance criteria are satisfied, as set out on page 15.

Pensions

The Company is responsible for the contributions to the defined contribution schemes selected by the Executive Directors. Details of contributions provided in the year are set out in note 5 to the financial statements.

Service agreements

R S McDowell, S McQuillan and S M King have service contracts which are terminable on 12 months' notice by either party. The Committee consider that these contracts are in line with the market.

Non-executive Directors

Non-executive Directors' remuneration is reviewed by all members of the Board other than the Non-executive Director under review and takes the form solely of fees. J J Hamer, G Thornton and L Thomas have a letter of appointment terminable on three months' notice by either party.

Compensation for loss of office

There are no predetermined special provisions for Executive or Non-executive Directors with regard to compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly with the aim not to reward poor performance.

Directors' emoluments

Details of the remuneration of all Directors are set out in note 4 to the financial statements.

Report of the Directors on Remuneration (Continued)

Share options

Details of the share options of all Directors are as follows:

	Date of grant	*At 31 May 2014*	*Granted*	*Exercised*	*At 31 May 2015*	*Weighted average exercise price £*
Executive:						
S McQuillan	26/9/2011	195,000	-	195,000	-	0.510
	18/12/2012	175,000	-	-	175,000	0.960
	22/11/2013	95,000	-	-	95,000	1.760
	10/12/2014	-	100,000	-	100,000	1.110
		465,000	100,000	195,000	370,000	1.241
S M King	25/9/2010	40,000	-	-	40,000	0.395
	26/9/2011	130,000	-	130,000	-	0.510
	18/12/2012	125,000	-	-	125,000	0.960
	22/11/2013	84,000	-	-	84,000	1.760
	10/12/2014	-	75,000	-	75,000	1.110
		379,000	75,000	130,000	324,000	1.139

The share options are exercisable between three and ten years from the date of grant if the growth in adjusted basic earnings per share of Avingtrans plc during the three years between grant date and vesting date is at least equal to the increase in the Retail Price Index during the same period.

G K Thornton
Chairman of the Remuneration Committee
29 September 2015

Independent Auditor's Report to the Members of Avingtrans plc

We have audited the financial statements of Avingtrans plc for the year ended 31 May 2015 which comprise the principal accounting policies, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated and parent company balance sheets, the consolidated statement of cash flows, and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
29 September 2015

Principal Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 that are relevant to companies which apply IFRS. The Company has elected to prepare its Parent Company financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP); these are presented on pages 54 to 58.

The following Standards and Interpretations, which are relevant to the Group but have not been applied during the year, were in issue but not yet effective:

Framework	Pronouncement		Effective date
IFRS			**EU**
IFRS	IFRS 9	Financial Instruments	Not yet EU-adopted
IFRS	IFRS 14	Regulatory Deferral Accounts	Not yet EU-adopted
IFRS	IFRS 15	Revenue from Contracts with Customers	Not yet EU-adopted
IFRS	Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Not yet EU-adopted
IFRS	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	Not yet EU-adopted
IFRS	Amendments to IAS 16 and IAS 41	Bearer Plants	Not yet EU-adopted
IFRS	Amendments to IAS 27	Equity Method in Separate Financial Statements	Not yet EU-adopted
IFRS	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	Not yet EU-adopted
IFRS	IAS 1	Presentation of Financial Statements	Not yet EU-adopted
IFRS	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet EU-adopted
IFRS	IFRIC 21	Levies	EU mandatory effective date periods starting on or after 17 June 2014
IFRS	Amendments IAS 19	Defined Benefit Plans: Employee contributions	EU mandatory effective date financial periods commencing on or after 1 February 2015
IFRS	Annual Improvements 2010-2012		EU mandatory effective date financial periods commencing on or after 1 February 2015
IFRS	Annual Improvements 2011-2013		EU mandatory effective date financial periods commencing on or after 1 January 2015
IFRS	Annual Improvements 2012-2014		Not yet EU-adopted

The directors to not consider that the implementation of the above standards will have a material impact on the Group financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 May 2015. Subsidiaries are entities over which the Group has the rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group obtains and exercises control of its subsidiaries through voting rights. Employee Benefit Trusts ("EBT") are consolidated on the basis that the parent has control as it bears the risks and rewards of having established the trust, thus the assets and liabilities of the EBT are included on the Group balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

All intra-group transactions have been eliminated on consolidation. 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.

Principal Accounting Policies (Continued)

Business combinations

Business combinations are accounted for by using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities are included in the 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 recognised on business combinations is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Acquisition costs are expensed through the income statement as incurred.

An intangible asset acquired in a business combination is deemed to have a cost to the Group equal to 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 single assets provided the individual assets have similar useful lives.

Goodwill

Goodwill represents the future economic benefits arising from business combinations that are not individually identified and separately recognised. Goodwill is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

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 the income statement 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

Each of the Group's trading subsidiaries is involved in the supply of goods and follows a consistent accounting policy. This policy is reviewed regularly by the directors to accommodate changes in circumstances. 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, or the product is complete and is 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, or the product is complete and is 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

The Group's revenue in relation to services is primarily from polishing and repairs. These services take place over a short time frame and revenue regarding the rendering of services is recognised when the service has been completed. At 31 May 2015 and 31 May 2014 there are no significant unprovided services.

Principal Accounting Policies (Continued)

Long term contracts

Long-term contracts are accounted for in accordance with IAS 11. 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 work done 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. 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 payments on account for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

Recognition of losses on all contracts as a result of delays and liquidated damages is made in the year in which the loss is first foreseen and is recognised as a deduction from amounts recoverable from the customer or added to payments on account. This includes recognition of liquidated damages to the extent they expect to be paid in respect of any anticipated delays to the delivery of projects.

Dilapidations

When there is reasonable certainty of the cash outflow in respect of dilapidations this is provided for within accruals in the financial statements. Where there is significant uncertainty in respect of the amount or timing of the payment of dilapidations, this is included within provisions.

Dividends

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

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 administrative expenses 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 buildings	2%
Leasehold improvements	Period of lease
Plant and machinery	6.7 - 20%
Equipment and motor vehicles	12.5% - 33%

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

Principal Accounting Policies (Continued)

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). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. 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 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. Discount factors are determined individually for each cash generating unit and reflect current market assessments at the time value of money and asset-specific risk factors.

If the impairment is subsequently reversed, the carrying amount, except for goodwill, is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment been recognised. Impairment losses in respect of goodwill are not reversed.

Leased assets

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 as a finance cost 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. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Interest income

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.

Taxation

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

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Principal Accounting Policies (Continued)

Taxation (continued)

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 the 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 and laws 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 consolidated income statement, except where they relate to items that are charged or credited to other comprehensive income or directly to equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Intangible assets

i) Order Book and Customer Relationships

Customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

The useful lives for these intangible assets are finite.

These intangible assets are amortised on a straight-line basis over the following periods:

- Order Book – Period of order cover
- Customer relationships – Up to 10 years

The amortisation charge is shown within amortisation of intangibles in the income statement.

ii) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

The useful lives for these intangible assets are finite.

Software is amortised over three years and the amortisation charge is shown within administrative expenses in the income statement.

iii) Intellectual property

Intellectual property is amortised over a period of 20 years and the amortisation charge is shown within administrative expenses in the income statement. The useful lives for these intangible assets are finite.

iv) Internally generated development costs

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.

Principal Accounting Policies (Continued)

Intangible assets (continued)

For a project meeting these criteria, subsequent costs incurred will be capitalised until the product or process is available for use, at which point amortisation commences on a straight line basis over the product's estimated useful life, generally 3 – 8 years. The useful lives for these intangible assets are finite. Where businesses are in start up or have a specific contract covering the amortisation then a period longer than 8 years could be used. Amortisation costs are shown within administrative expenses.

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

The cost of an internally generated development costs comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on project development along with an appropriate portion of relevant overheads.

Equity

Share capital represents the nominal value of shares that have been issued.

When the Company purchases its own shares, the consideration is deducted from equity (attributable to the Company's equity holders until the shares are either cancelled or issued) as an investment in own shares reserve. Such shares are held at cost.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Capital redemption reserve represents the nominal value of shares cancelled.

Merger reserve was created on the acquisition of Sigma UK Limited.

Other reserves were created on redemption of preference shares.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve.

Retained earnings include all current and prior period retained profits. It also includes charges related to share-based employee remuneration.

All transactions with owners of the parent are recorded separately within equity.

Financial assets

The Group's financial assets include:

i) trade and other receivables that are classified as loans and receivables
ii) cash and cash equivalents that are classified as loans and receivables
iii) unlisted investments classified as available for sale.

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.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for any impairment. Any change to their value through impairment or reversal of impairment is recognised in profit or loss.

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 discounted future cash flows.

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured at fair value (with movements in fair value recognised through income statement or other comprehensive income as required), unless the fair value cannot be measured reliably and in this case these assets are valued at cost. Gains and losses arising from investments classified as available for sale are recognised in the income statement when they are sold or when the investment is impaired.

Principal Accounting Policies (Continued)

Financial assets (Continued)

In the case of impairment of available for sale assets, any loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

The Group's financial liabilities include:

i) trade and other payables that are classified as other financial liabilities
ii) borrowings that are classified as other financial liabilities
iii) deferred consideration that is classified as other 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. All other financial liabilities are recorded initially at fair value, net of direct issue costs. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and bank overdrafts, and ring fenced cash obtained from the EU grant. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-current assets and liabilities classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Defined contribution pension scheme

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

Equity settled share-based payments

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 profit or loss 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.

Principal Accounting Policies (Continued)

Foreign currencies

The individual Financial Statements of each Group entity are presented in the currency in the primary economic environment of which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position are presented in sterling (£) 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. Foreign exchange gains and losses resulting from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. 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.

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 profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item recognised in other comprehensive income, otherwise such gains and losses are recognised in profit or loss.

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 a rate which is considered to be approximate to the rate prevailing at the date of the transaction. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and accumulated in the "translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences are reclassified from equity to profit or loss when the gain or loss is recognised.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the Chief Executive, who is considered to be the chief operating decision maker. The Chief Executive focuses on information by operating division and the Group has therefore identified the following reportable operating segments:

- Aerospace
- Energy and Medical

The Chief Executive also reviews information by geographical area and whilst this is considered supplementary to the operating information, it is disclosed in the financial statements to provide additional information. Those areas are:

- United Kingdom
- Europe
- North America
- Rest of World

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.

Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has announced the plan's main features to those affected by it.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Principal Accounting Policies (Continued)

Critical accounting judgements and key sources of estimation uncertainty

Certain estimates and judgements need to be made by the directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required, for example, as at the reporting date not all assets/liabilities have been settled. There are inherent areas of judgement and estimation due to the high-technology development work carried out by the Group in all of its operational sectors. There are also areas of judgement within the longer term Energy and Medical contracts that the Group enters into which require a view regarding their ultimate outcome and the recoverability of assets.

The major areas of estimation within the financial statements are as follows:

Revenue and margin recognition on construction and long-term service contracts and related provisions

The Group recognises revenue and gross margin on construction and long-term service contracts using the percentage of completion method based on milestones; in addition, when a project review indicates a negative gross margin, the estimated loss at completion is immediately recognised.

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically-advanced products exposes the Group to risks of product failure significantly beyond the terms of standard contractual warranties applicable to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications or delays caused by unexpected conditions or events.

Exceptional items

Exceptional items are identified as such by virtue of their size, and nature of incidence. These items are disclosed on the face of the Income Statement to aid the understanding of the group's performance. Transaction which may give rise to exceptional items are principally acquisition, start up and restructuring costs.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. The assumptions and sensitivities applied by management in determining whether there is any impairment of goodwill are set out in note 10.

Recoverability of internally-generated intangible assets

During the year, management reconsidered the recoverability of its internally-generated intangible assets ensuring that the projects continue to progress in a satisfactory manner, and that customer reaction has reconfirmed management's previous estimates of anticipated revenue streams from the projects. Whether capitalised development costs are subsequently impaired requires an estimation of the future discounted cashflows of the associated product. Management have based their estimate of the future cashflows on current year orders extended over the life of the product. Further details are included in note 10.

Recoverability of WIP, trade receivables and accrued income

Management estimate the recoverable amount of balances relating to ongoing contracts that are incomplete at the date of approval of the financial statements. In particular in relation to claims the Directors prepare a best estimate of the amount expected to be recovered at the balance sheet date by reference to ongoing negotiations with the customer. Management do not accrue for the full amount of the claim and periodically revisit the claim and their assessment of the amount expected to be recovered. WIP, trade receivables and accrued income are detailed in notes 13 and 14.

Warranties

Warranty accruals are made for specific product issues based on an estimate on the likely cost arising. It has been deemed prudent to provide for an amount based on historical information.

Principal Accounting Policies (Continued)

Loss making contracts

From time to time the group enters into contracts which ultimately do not generate the anticipated profits at the time of execution. Where contracts are expected to make losses management prepare their best estimate of the total losses expected on that contract and make a full provision in the period which the loss is first foreseen. When considering the profitability of contracts where management anticipate delays in the delivery of projects, they take into consideration any expected payments in respect of contractual liquidated damages on late delivery. Estimates have been used in assessing the total value of losses expected on a contract at Sigma Components (Farnborough) and on contracts at Maloney Metalcraft and amounts released thereafter as obligations passed. In respect of liquidated damages, where the conditions are met for payment management provide for these in full.

The major areas for judgements within the financial statements are as follows:

Recognition of intangible assets

During the year management have capitalised £1,403k of development costs associated with ongoing projects. As defined in the accounting policy management carefully consider the conditions set out in assessing whether to capitalise certain costs. Assessing the future revenues and the availability of resources to complete the project involves significant judgement by the management team who are experienced in delivering these types of projects.

Deferred tax asset

Judgement is applied in assessing whether a deferred tax asset is recognised on carried forward losses based on anticipated profit streams, as set out in note 22.

Consolidated Income Statement

For the year ended 31 May 2015

	Note	2015 £'000	2014 £'000
Revenue	1	**57,819**	60,265
Cost of sales		**(43,297)**	(45,808)
Gross profit		**14,522**	14,457
Distribution costs		**(1,226)**	(1,266)
Share based payment expense		**(43)**	(46)
Acquisition costs		**(68)**	(171)
Restructuring costs		**(360)**	(269)
Start up costs – China		**(450)**	(318)
Amortisation of intangibles from business combinations		**(137)**	(137)
Other administrative expenses		**(10,156)**	(12,181)
Total administrative expenses		**(11,214)**	(13,122)
Bargain purchase on acquisition	29	**-**	2,615
Operating profit	1	**2,082**	2,684
Finance income	2	**1**	8
Finance costs	3	**(212)**	(166)
Profit before taxation		**1,871**	2,526
Taxation	6	**(100)**	388
Profit for the financial year attributable to equity shareholders		**1,771**	2,914
Earnings per share:			
From continuing operations			
- Basic	8	**6.4p**	10.6p
- Diluted	8	**6.3p**	10.4p

Consolidated Statement of Comprehensive Income

	2015 £'000	2014 £'000
Profit for the year	**1,771**	2,914
Other comprehensive income for the year, net of tax:		
Items that may/will subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**395**	(357)
Total comprehensive income for the year attributable to equity shareholders	**2,166**	2,557

The principal accounting policies and notes on pages 17 to 52 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 May 2015

	Share capital £'000	*Share premium account £'000*	*Capital redemp -tion reserve £'000*	*Merger reserve £'000*	*Trans -lation 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
Ordinary shares issued	26	513	-	-	-	-	-	-	539
Dividends paid	-	-	-	-	-	-	-	(599)	(599)
Investment in own shares	-	-	-	-	-	-	(403)	-	(403)
Share-based payments	-	-	-	-	-	-	-	46	46
Transactions with owners	26	513	-	-	-	-	(403)	(553)	(417)
Profit for the year	-	-	-	-	-	-	-	2,914	2,914
Other comprehensive income									
Exchange rate loss	-	-	-	-	(357)	-	-	-	(357)
Total comprehensive income for the year	-	-	-	-	(357)	-	-	2,914	2,557
Balance 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
Ordinary shares issued	6	55	-	-	-	-	-	-	61
Dividends paid	-	-	-	-	-	-	-	(740)	(740)
Share-based payments	-	-	-	-	-	-	-	43	43
Transactions with owners	6	55	-	-	-	-	-	(697)	(636)
Profit for the year	-	-	-	-	-	-	-	1,771	1,771
Other comprehensive income									
Exchange gain	-	-	-	-	395	-	-	-	395
Total comprehensive income for the year	-	-	-	-	395	-	-	1,771	2,166
Balance at 31 May 2015	**1,385**	**10,873**	**814**	**402**	**(202)**	**180**	**(1,000)**	**21,733**	**34,185**

The principal accounting policies and notes on pages 17 to 52 form part of these financial statements.

Consolidated Balance Sheet

For the year ended 31 May 2015	*Note*	*2015* *£'000*	*2014* *£'000*
Non current assets			
Goodwill	9	**9,557**	9,557
Other intangible assets	10	**3,442**	2,691
Property, plant and equipment	11	**11,861**	12,607
Deferred tax	22	**64**	83
Available for sale financial assets	12	**-**	-
		24,924	24,938
Current assets			
Inventories	13	**10,733**	11,071
Trade and other receivables	14	**19,030**	17,740
Current tax asset	6	**277**	104
Cash and cash equivalents		**6,337**	7,204
		36,377	36,119
Assets held for sale	16	**631**	-
Total assets		**61,932**	61,057
Current liabilities			
Trade and other payables	18	**(14,338)**	(15,811)
Obligations under finance leases	19	**(695)**	(773)
Borrowings	18	**(8,357)**	(6,436)
Current tax liabilities	6	**(334)**	(129)
Provisions	17	**-**	(689)
Total current liabilities		**(23,724)**	(23,838)
Non-current liabilities			
Borrowings	19	**(2,434)**	(2,267)
Obligations under finance leases	20	**(765)**	(1,314)
Deferred tax	22	**(824)**	(983)
Total non-current liabilities		**(4,023)**	(4,564)
Total liabilities		**(27,747)**	(28,402)
Net assets		**34,185**	32,655
Equity			
Share capital	23	**1,385**	1,379
Share premium account		**10,873**	10,818
Capital redemption reserve		**814**	814
Merger reserve		**402**	402
Translation reserve		**(202)**	(597)
Other reserves		**180**	180
Investment in own shares	28	**(1,000)**	(1,000)
Retained earnings		**21,733**	20,659
Total equity attributable to equity holders of the parent		**34,185**	32,655

The principal accounting policies and notes on pages 17 to 52 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2015 and signed on its behalf by:

S M King
Director
Company number: 1968354

Consolidated Statement of Cash Flow

For the year ended 31 May 2015

	Note	*2015 £'000*	*2014 £'000*
Operating activities			
Cash flows from operating activities	25	**1,832**	1,787
Finance costs paid		**(213)**	(166)
Income tax repaid/(paid)		**27**	(71)
Net cash inflow from operating activities		**1,646**	1,550
Investing activities			
Acquisition of subsidiary undertakings, net of cash acquired	29	**(1,137)**	2,039
Finance income		**1**	8
Purchase of intangible assets		**(1,582)**	(1,275)
Purchase of property, plant and equipment		**(832)**	(2,992)
Proceeds from sale of property, plant and equipment		**103**	320
Net cash used by in investing activities		**(3,447)**	(1,900)
Financing activities			
Equity dividends paid		**(740)**	(599)
Repayments of bank loans		**(440)**	(680)
Repayments of obligations under finance leases		**(901)**	(786)
Proceeds from issue of ordinary shares		**61**	137
Borrowings raised		**1,875**	1,188
Net cash outflow from financing activities		**(145)**	(740)
Net decrease in cash and cash equivalents		**(1,946)**	(1,090)
Cash and cash equivalents at beginning of year		**1,428**	2,681
Effect of foreign exchange rate changes on cash		**157**	(163)
Cash and cash equivalents at end of year	25	**(361)**	1,428

The principal accounting policies and notes on pages 17 to 52 form part of these financial statements.

Notes to the Annual Report

For the year ended 31 May 2015

1 Segmental analysis

For management purposes, the Group is currently organised into two (2014: two) main segments – Aerospace and Energy and Medical. These divisions are the basis on which the Group reports to the Chief Executive.

Principal activities are as follows:

- Aerospace – manufacture of rigid pipe assemblies and prismatic components for aero engines and precision polishing of aircraft components.
- Energy and Medical – in the design and manufacture of machined and fabricated pressure and vacuum vessels and process plant and equipment for the power, oil & gas and medical markets. Plus, design and manufacture of fabricated poles and cabinets for roadside safety cameras and rail track signalling.

Information about these businesses is presented below:

Year ended 31 May 2015	***Aerospace £'000***	***Energy and Medical £'000***	***Unallocated Central items £'000***	***Total £'000***
Revenue	**35,858**	**21,961**	**-**	**57,819**
Operating profit/(loss)	**2,748**	**(177)**	**(489)**	**2,082**
Net finance costs				**(211)**
Taxation				**(100)**
Profit after tax				**1,771**
Segment non-current assets	**14,286**	**10,638**	**-**	**24,924**
Segment assets	**35,631**	**22,162**	**4,139**	**61,932**
Segment liabilities	**(14,975)**	**(9,960)**	**(2,812)**	**(27,747)**
Net assets	**20,656**	**12,202**	**1,327**	**34,185**
Non-current asset additions				
Intangible assets	**1,243**	**339**	**-**	**1,582**
Tangible assets	**796**	**390**	**-**	**1,186**
	2,039	**729**	**-**	**2,768**

Unallocated assets/(liabilities) consist primarily of interest bearing assets and liabilities and income tax assets and liabilities.

Aerospace results include a business combination acquiring certain of the trade and assets of RMDG Limited (note 29) which contributed £2,314,000 and a loss of £275,000 to Group revenue and profit after tax respectively.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

1 Segmental analysis (continued)

Year ended 31 May 2014	***Aerospace £'000***	***Energy and Medical £'000***	***Unallocated Central items £'000***	***Total £'000***
Revenue	38,528	21,737	-	60,265
Operating profit/(loss)	4,350	(1,243)	(423)	2,684
Net finance costs				(158)
Taxation				388
Profit after tax				2,914
Segment non-current assets	14,419	10,519	-	24,938
Segment assets	35,400	21,947	3,710	61,057
Segment liabilities	(14,211)	(10,871)	(3,320)	(28,402)
Net assets	21,189	11,076	390	32,655
Non-current asset additions				
Intangible assets	881	394	-	1,275
Tangible assets	1,302	1,690	-	2,992
	2,183	2,084	-	4,267

Unallocated assets/(liabilities) consist primarily of interest bearing assets and liabilities and income tax assets and liabilities.

Energy and Medical results includes the £2,615,000 bargain purchase on acquisition (note 29) of the Exterran UK limited (renamed Maloney Metalcraft).

Geographical

The following tables provides an analysis of the Group's revenue by destination and the location of non-current assets by geographical market:

	2015 Revenue £'000	*2014 Revenue £'000*	***2015 Non-current Assets £'000***	*2014 Non-current Assets £'000*
United Kingdom	**52,998**	54,416	**21,388**	21,737
Europe	**6,248**	5,488	**-**	-
North America	**895**	896	**-**	-
Rest of World	**3,987**	3,614	**3,536**	3,201
Eliminations	**(6,309)**	(4,149)	**-**	-
	57,819	60,265	**24,924**	24,938

The Group has Aerospace revenue of £12,744,000 (2014: £13,314,000) and Energy & Medical revenue of £7,228,000 (2014: £7,597,000) with single external customers under common control, which each represent more than 10% of the Group's revenue.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

1 Profit before taxation - continuing

Profit before taxation is stated after charging/(crediting):

	2015	*2014*
	£'000	*£'000*
Depreciation of property, plant and equipment	**1,438**	1,229
Profit on disposal of property, plant and equipment	**(102)**	(261)
Amortisation of internally generated intangible assets	**694**	754
Amortisation of intangible assets from business combinations	**137**	137
Cost of inventories recognised as an expense	**35,903**	38,970
(Gain)/loss on foreign exchange transactions	**(148)**	345
Staff costs (note 5)	**22,634**	25,018
Operating lease rentals:		
- Land and buildings	**665**	437
- Machinery	**75**	62

Auditors remuneration

	2014	*2013*
	£'000	*£'000*
Fees payable to the Company's auditor for the audit of the financial statements	**12**	12
Fees payable to the Company's auditor and its associates for other services:		
- Audit of the financial statements of the Company's subsidiaries and associates pursuant to legislation	**111**	102
- Tax compliance services	**27**	20
- All other services	**12**	20

Fees payable to the Company's auditor Grant Thornton UK LLP and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Group financial statements are required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 to disclose such fees on a consolidated basis.

Adjusted Earnings before interest, tax, depreciation and amortisation

	2015	*2014*
	£'000	*£'000*
Profit before tax	**1,871**	2,526
Share based payment expense	**43**	46
Acquisition costs	**68**	171
Restructuring costs	**360**	269
Start up costs – China	**450**	318
Amortisation of intangible assets from business combinations	**137**	137
Adjusted profit before tax	**2,929**	3,467
Finance income	**(1)**	(8)
Finance cost	**212**	166
Adjusted Earnings before interest, tax and amortisation from business combinations ('EBITA')	**3,140**	3,625
Depreciation	**1,438**	1,229
Amortisation of other intangible assets	**694**	754
Adjusted Earnings before interest, tax, depreciation and amortisation ('EBITDA')	**5,272**	5,608

The Directors believe that the above adjusted earnings are a more appropriate reflection of the Group performance.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

2 Finance income

	2015 ***£'000***	*2014* *£'000*
Interest from bank deposits	**1**	8

3 Finance costs

	2015 ***£'000***	*2014* *£'000*
Interest on bank loans and overdrafts wholly repayable within five years	**84**	47
Interest on bank loans and overdrafts wholly repayable after five years	**54**	69
Interest on finance lease agreements	**74**	50
	212	166

4 Directors' emoluments

Particulars of directors' emoluments are as follows:

	Salary and Fees £'000	***Benefits £'000***	***Long Term Incentive £'000***	***Total 2015 £'000***	*Total 2014 £'000*	***Pension Total 2015 £'000***	*Pension Total 2014 £'000*
Non-executive:							
R S McDowell	63	-	-	**63**	62	**-**	-
J J Hamer	30	-	-	**30**	30	**-**	-
LJ Thomas	21	-	-	**21**	-	**-**	-
GK Thornton	31	-	-	**31**	33	**-**	-
Executive:							
S McQuillan	220	1	8	**229**	227	27	25
S M King	168	1	6	**175**	166	33	29
Total emoluments	533	2	14	**549**	518	60	54

The fees of JJ Hamer, LJ Thomas and GK Thornton were paid to Fin Dec Limited, Heriot Resources Ltd and RG Associates respectively.

The non-cash benefits comprise the provision of private health insurance for S McQuillan and S M King. The number of Directors who are accruing benefits under money purchase schemes is two (2014: two).

The long term incentive represents the initial interest in the Joint Ownership Scheme (see note 28).

Employers National Insurance Contributions made relating to directors' emoluments were £65,000 (2014: £67,000).

During 2015 S McQuillan and S M King exercised 195,000 and 130,000 share options respectively as set out on page 15 resulting in gains of £100,000 and £67,000 (2014: S McQuillan and S M King exercised 50,000, 25,000 share options resulting in gains of £56,000, and £23,000).

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

5 Employees

Particulars of employees, including Executive Directors:

	2015	*2014*
	£'000	*£'000*
Wages and salaries	**19,730**	22,019
Social security costs	**2,178**	2,305
Other pension costs	**683**	648
Share-based payment expense	**43**	46
	22,634	25,018

The average monthly number of employees (including Executive Directors) during the year was:

	2015	*2014*
	Number	*Number*
Production	**687**	734
Selling and distribution	**32**	30
Administration	**106**	111
	825	875

The remuneration of the Directors and Senior Management, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2015	*2014*
	£'000	*£'000*
Short term employee benefits (including NIC)	**798**	829
Post-employment benefits	**94**	95
Share-based payments	**26**	27
	918	951

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

6 Taxation

	2015	*2014*
	£'000	*£'000*
Current tax	**240**	(214)
Deferred tax (note 22)	**(140)**	(174)
	100	(388)

UK corporation tax is calculated at 20.83% (2014: 22.67%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015	*2014*
	£'000	*£'000*
Profit before taxation	**1,871**	2,526
Theoretical tax at UK corporation tax rate of 20.83% (2014: 22.67%)	**390**	573
Effects of:		
Other expenditure that is not tax deductible	**63**	(576)
Un-provided deferred tax differences	**(315)**	-
Utilisation of overseas losses not recognised	**(87)**	(24)
Adjustments in respect of prior years	**49**	(254)
Change in deferred tax rate	**-**	(107)
Total tax charge	**100**	(388)

The Group has tax losses carried forward of approximately £5.2million at 31 May 2015 (2014: £5.4million) that may be relievable against future profits.

The Group's corporation tax assets and liabilities can be summarised as follows:

	2015	*2014*
	£'000	*£'000*
Current tax assets		
UK Corporation tax	**277**	104
	277	104
Current tax liabilities		
UK Corporation tax	**334**	129
	334	129

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. It has not yet been possible to quantity the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

7 Dividends

	2015	*2014*
	£'000	*£'000*
Interim dividend paid of 0.9p per ordinary share (2014: 0.7p)	**248**	189
Final dividend paid of 1.8p per ordinary share (2014: 1.5p)	**492**	410
	740	599

The interim dividend declared in the half year statement of 1.0p per ordinary share was paid on 19 June 2015.

8 Earnings per ordinary share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 which requires that earnings should be based on the net profit or loss 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 EMI, CSOP and ExSOP share options.

	2015	*2014*
	Number	*Number*
Weighted average number of shares – basic	**27,643,480**	27,363,979
Share option adjustment	**343,457**	716,303
Weighted average number of shares – diluted	**27,986,937**	28,080,282

	2015	*2014*
	£'000	*£'000*
Earnings attributable to shareholders	**1,771**	2,914
Share-based payments	**43**	46
Restructuring costs	**360**	269
Start up costs – China	**450**	318
Acquisition costs	**68**	171
Amortisation of acquisition related intangibles	**137**	137
Adjusted post tax earnings attributable to shareholders	**2,829**	3,855
Basic earnings per share	**6.4p**	10.6p
Adjusted basic earnings per share	**10.2p**	14.1p
Diluted earnings per share	**6.3p**	10.4p
Adjusted diluted earnings per share	**10.1p**	13.7p

The Directors believe that the above adjusted earnings per share calculation is a more appropriate reflection of the Group's underlying performance.

There are 802,500 share options at 31 May 2015 (2014: 343,000) that are not included within diluted earnings per share because they are anti-dilutive.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

9 Goodwill

	Total £'000
Cost	
At 1 June 2013 and 1 June 2014	10,407
At 31 May 2015	**10,407**
Accumulated impairment losses	
At 1 June 2013 and 1 June 2014	850
At 31 May 2015	**850**
Net book value	
At 31 May 2015	**9,557**
At 31 May 2014	9,557

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2015 £'000	*2014 £'000*
Aerospace	**5,007**	5,007
Energy and Medical	**4,550**	4,550
	9,557	9,557

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the revenue growth rates, expected changes to selling prices and direct costs during the period and discount rates.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and derives cash flows for the following two years based on estimated growth rates for the specific markets in which each CGU operates. The Group uses its past experience in compiling the cashflow forecasts. The estimated growth rate does not exceed the average long-term growth rate for the relevant markets. A rate of 4% has been used for Aerospace and 4% for Energy and Medical. Recent changes to management and improvements to the contract negotiation and costing processes are expected to increase margins in the Energy and Medical division.

Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The rate used to discount the forecast cash flows is 10% which is considered appropriate for both sectors in which the business operates based on the Group's borrowings adjusted for the aggregate risk in the respective markets.

Management have sensitised these key assumptions for each CGU within what is considered a reasonably possible range for the markets in which they operate and have concluded that a 2% growth in revenue and discount rate of 12% would not result in the carrying amount of goodwill exceeding the recoverable amount.

Whilst a five year horizon is shorter than the expected remaining life of the relevant CGUs, the directors consider this a suitable period to apply in performing impairment reviews due to the inherent uncertainty in further extrapolating three year forecasts.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

10 Other intangible assets

	Customer relationships £'000	*Order book £'000*	*Development costs £'000*	*Software £'000*	*Total £'000*
Cost					
At 1 June 2013	4,026	364	3,331	257	7,978
Additions	-	-	742	533	1,275
At 1 June 2014	4,026	364	4,073	790	9,253
Additions	-	-	1,403	179	1,582
At 31 May 2015	**4,026**	**364**	**5,476**	**969**	**10,835**
Accumulated amortisation					
At 1 June 2013	3,580	364	1,594	133	5,671
Charge for the year	137	-	641	113	891
At 1 June 2014	3,717	364	2,235	246	6,562
Charge for the year	137	-	509	185	831
At 31 May 2015	**3,854**	**364**	**2,744**	**431**	**7,393**
Net book value at 31 May 2015	**172**	**-**	**2,732**	**538**	**3,442**
Net book value at 31 May 2014	309	-	1,838	544	2,691

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

11 Property, plant and equipment

	Freehold land and buildings £'000	*Leasehold improve-ments £'000*	*Plant and Machinery £'000*	*Equipment and motor vehicles £'000*	*Total £'000*
Cost					
At 1 June 2013	5,272	320	9,522	1,322	16,436
Additions	10	64	2,033	885	2,992
Acquisition of subsidiary undertakings	664	-	-	-	664
Disposals	-	-	(679)	(87)	(766)
Reclassification from investment property	-	-	110	(110)	-
Exchange adjustments	-	-	(93)	(12)	(105)
At 1 June 2014	5,946	384	10,893	1,998	19,221
Additions	10	1	521	300	832
Acquisition of subsidiary undertakings	-	-	354	-	354
Disposals	-	(8)	(785)	(169)	(962)
Transfer to Assets held for sale	(1,224)	-	(15)	(124)	(1,363)
Exchange adjustments	-	-	125	23	148
At 31 May 2015	**4,732**	**377**	**11,093**	**2,028**	**18,230**
Depreciation					
At 1 June 2013	442	114	4,906	636	6,098
Charge in the year	80	28	835	286	1,229
Disposals	-	-	(652)	(55)	(707)
Disposal of subsidiary undertakings	-	-	33	(33)	-
Exchange adjustments	-	-	(5)	(1)	(6)
At 1 June 2014	522	142	5,117	833	6,614
Charge in the year	84	26	970	358	1,438
Disposals	-	(8)	(784)	(169)	(961)
Transfer to Assets held for sale	(593)	-	(15)	(124)	(732)
Exchange adjustments			9	1	10
At 31 May 2015	**13**	**160**	**5,297**	**899**	**6,369**
Net book value at 31 May 2015	**4,719**	**217**	**5,796**	**1,129**	**11,861**
Net book value at 31 May 2014	5,424	242	5,776	1,165	12,607

Leased assets
The net book value of assets held under finance leases are as follows:

	Freehold land and buildings £'000	*Plant and machinery £'000*	*Equipment and motor vehicles £'000*	*Total £'000*
Net book value				
At 31 May 2015	**2**	**1,352**	**400**	**1,754**
At 31 May 2014	2	1,762	278	2,042

Depreciation charged on assets held under finance leases was £585,000 (2014: £396,000).

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

12 Available for sale financial assets

	Unlisted investments £'000
Cost	
At 1 June 2013, 2014 and 31 May 2015	**219**
Provision	
At 1 June 2013, 2014 and 31 May 2015	**219**
Net book value at 31 May 2015 and 31 May 2014	**-**

The unlisted investment relates to a 7% holding in Vehicle Occupancy Limited ('VOL'). Per IAS 39 this investment should be re-valued to fair value at each reporting date. However, VOL has a call option over the Group's shareholding to acquire those shares at cost and the fair value cannot be measured reliably as this is an unlisted start-up company, so is valued at cost less impairment.

13 Inventories

	2015 £'000	*2014 £'000*
Raw materials and consumables	**6,228**	5,560
Work in progress	**4,053**	4,340
Finished goods	**452**	1,171
	10,733	11,071

The replacement cost of the above stocks would not be significantly different from the values stated.

14 Trade and other receivables

	2015 £'000	*2014 £'000*
Amounts falling due within one year		
Trade receivables	**15,566**	12,557
Allowance for doubtful debts	**(128)**	(184)
	15,438	12,373
Other receivables	**589**	2,038
Prepayments and accrued income	**1,919**	2,569
Amounts receivable under long term contracts	**1,084**	760
	19,030	17,740

The average credit period taken on sales of goods is 76 days (2014: 65 days) in respect of the Group. No interest is generally charged on the receivables until legal action is taken. Thereafter, interest is charged at 8% above bank base rate on the outstanding balance.

The Group has impaired all trade receivables to the present value of estimated future cash receipts where it considers the collection of the receivable is doubtful.

The Group's maximum exposure to credit risk is limited to trade receivables net of allowance for doubtful debts.

The decrease in allowance for doubtful debts is largely in respect of Sigma (Farnborough) Limited.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

14 Trade and other receivables (continued)

Ageing of past due but not impaired trade receivables

	2015	*2014*
	£'000	*£'000*
60 - 90 days	**464**	476
90 - 120 days	**2,217**	236
120+ days	**1,134**	1,010
Total	**3,815**	1,722

Movement in the allowance for doubtful debts

	2015	*2014*
	£'000	*£'000*
Balance brought forward	**184**	649
On acquisition of subsidiaries	**-**	168
Impairment losses recognised	**36**	22
Amounts written off as uncollectible	**(55)**	(270)
Amounts recovered	**(37)**	(385)
Balance carried forward	**128**	184

Included in the allowance for doubtful debts are individually impaired receivables.

Ageing of impaired receivables:

	2015	*2014*
	£'000	*£'000*
60 - 90 days	**3**	-
90 - 120 days	**3**	-
120+ days	**121**	184
Total	**127**	**184**

The Directors consider that the carrying amount of trade and other receivables approximates to fair value.

15 Long term contracts

	2015	*2014*
	£'000	*£'000*
Gross amounts due from customers for contract work (included in current assets)	**1,018**	341
Gross amounts due to customers for contract work (included in current liabilities)	**(647)**	(286)
	371	55
Contract costs incurred plus recognised profits less recognised losses to date	**5,566**	2,313
Less: progress billings	**(5,195)**	(2,258)
	371	55

Revenue arising from long term contracts was £7,312,000 (2014: £5,702,644). All revenues arose in the energy and medical division.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

16 Assets held for sale

At the end of 2015 management decided to relocate the direct production work undertaken at the Aldridge site within the Energy and Medical division to the Chatteris site, making the site superfluous to requirements. Consequently, the freehold site at Aldridge was classified as held for sale.

On 1 July 2015 the freehold site was sold for £1.1m net of costs resulting in a profit of £0.5m.

17 Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	Dilapidations £'000	***Other £'000***	***Total £'000***
Carrying amount at 1 June 2014	289	400	**689**
Amounts utilised	(103)	(400)	**(503)**
Reversals	(186)	-	**(186)**
Carrying amount at 31 May 2015	**-**	**-**	**-**

The sites where provision had been made for dilapidation were exited at 31 May 2015. Other provisions related to various legal and other claims by customers which were settled during the year.

18 Trade and other payables

	2015 £'000	*2014 £'000*
Trade payables	**7,118**	8,527
Other tax and social security	**2,008**	1,786
Other payables	**235**	445
Payments on account	**527**	1,157
Accruals and deferred income	**4,450**	3,896
	14,338	15,811

19 Borrowings

Secured borrowings	***2015 £'000***	*2014 £'000*
Bank overdrafts	**6,698**	5,776
Bank loans	**4,093**	2,927
Total borrowings	**10,791**	8,703
Amount due for settlement within 12 months	**8,357**	6,436
Amount due for settlement after 12 months	**2,434**	2,267

	2015 £'000	*2014 £'000*
Bank loans due within one to two years	**524**	307
Bank loans due within two to five years	**850**	975
Bank loans due after five years:	**1,060**	985
	2,434	2,267

Bank loans of £2,492,000 (2014: £2,927,000) are secured on certain assets of the Group.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

19 Borrowings (continued)

£1,298,000 (2014: £659,000) of bank overdrafts are secured on certain trade receivables of UK group companies. At 31 May 2015 the Group had £7,712,000 (2014: £6,025,000) of undrawn committed borrowing facilities expiring within one year which the Directors expect to be renewed. All borrowings were at variable rates relative to local base rates.

20 Obligations under finance leases

	Minimum lease payments		***Present value of minimum lease payments***	
	2015	*2014*	***2015***	*2014*
	£'000	*£'000*	***£'000***	*£'000*
Amounts due within one year	**722**	819	**695**	773
Amounts due in two to five years	**830**	1,434	**765**	1,314
Total obligations under finance leases	**1,522**	2,253	**1,460**	2,087
Less future finance charges	**(92)**	(166)	**-**	-
Present value of lease obligations	**1,460**	2,087	**1,460**	2,087

Finance lease liabilities are secured on the related assets.

At 31 May 2015 the Group had £439,000 fixed hire purchase and finance lease liabilities (2014: £493,000), the weighted average interest rate is 5.0% (2014: 5.3%) and the weighted average period until maturity is 22 months (2014: 31 months). All finance lease liabilities were at variable rates relative to local base rates.

21 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 19 and 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Board closely monitor current and forecast cash balances at monthly Board meetings to allow the Group to maximise return to shareholders by way of dividends, whilst maintaining suitable amounts of liquid funds and facilities to allow acquisitions to be funded as opportunities arise and continued investment in property, plant and equipment and research and development. The level of dividends are set by the Board to meet the expectations of the shareholders based on cash generated by the Group.

The gearing ratio at the year-end is as follows:

	2015	*2014*
	£'000	*£'000*
Debt	**(12,251)**	(10,790)
Cash and cash equivalents	**6,337**	7,204
Net debt	**(5,914)**	(3,586)
Equity	**34,185**	32,655
Net debt to equity ratio	**17.3%**	11.0%

Debt is defined as long and short-term borrowings, as detailed in notes 19 and 20. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

21 Financial instruments (continued)

Analysis of financial instruments by IAS 39 category

	Carrying value	
	2015	*2014*
Financial assets	***£'000***	*£'000*
Loans and receivables comprising:		
Trade receivables	**15,290**	12,373
Amounts receivable under long term contracts	**816**	760
Cash and cash equivalents	**6,337**	7,204
	22,443	20,337
Financial liabilities		
Other financial liabilities at amortised cost		
Trade payables	**7,118**	8,527
Payments on account	**527**	1,157
Accruals	**4,450**	3,896
	12,095	13,580
Borrowings	**10,791**	8,703
	10,791	8,703
Financial liabilities at amortised cost	**22,886**	22,283
Undiscounted contractual maturity of financial liabilities:		
Amounts due within one year	**17,308**	17,460
Amounts due in two to five years	**2,336**	2,880
Amounts due after five years	**1,097**	1,021
	20,741	21,361
Less future finance charges	**(310)**	(442)
Financial liabilities at carrying value	**20,431**	20,919

The fair value of the financial instruments set out above is not materially different to the book value.

Financial risk management objectives

Management monitor and manage the financial risks relating to the operations of the Group. These risks include currency risk, interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates particularly in US dollars and the Euro.

Foreign currency risk management

The Group enters into forward foreign currency contracts to eliminate exposures on certain material sales or purchases denominated in foreign currency once a significant commitment has been made.

The Group presently has no forward sale contracts (2014: none) to manage the transactional currency exposure on certain contracts outstanding as at 31 May 2015.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies on overseas assets. These changes are considered to be reasonably possible based on observation of current market conditions.

	Euro currency impact		*US $ currency impact*		*RmB currency impact*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*
	£'000	*£'000*	***£'000***	*£'000*	***£'000***	*£'000*
Impact (+/-) on						
Profit for the financial year/equity	**2**	(3)	**(123)**	(95)	**-**	-

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

21 Financial instruments (continued)

Interest rate risk management

The Group finances its operations where necessary through bank loans, overdrafts and finance lease facilities. The bank loans and overdrafts are at floating rates principally at negotiated margins using pooling of the Group's requirements to achieve this. The finance lease facilities are held at both fixed and floating rates.

If interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank overdrafts attracting interest at floating rates) were to change by + or – 0.5% the impact on the results in the income statement and equity would be an increase/decrease of £16,000. These charges are considered to be reasonably possible based on observation of current market conditions.

Price risk management

Where possible the Group enters into long term contracts with suppliers to mitigate any significant exposure to materials and utilities price risk.

Credit risk management

The Group's principal financial assets are bank balances, cash, and trade receivables.

The Group's principal credit risk is attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has two major customer's which represent 22.8% and 17.1% respectively (2014: one customer 26.4%) of trade receivables, the Group has no other significant concentration of receivables. The bad debt provision and ageing has reduced during the year predominately due to the impact of improvements in credit control of the subsidiaries acquired in the previous year and building their relationships with key customers.

Liquidity risk management

The Group funds acquisitions through a mixture of cash, equity and long term debt. Short term financing needs are met by working capital facilities.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a monthly 13 week projection. Long-term liquidity needs for up to a two year period are projected monthly and reviewed quarterly. The Group maintains cash and working capital facilities to meet its liquidity requirements for up to 30-day periods. Funding in regards to long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

All facilities are secured on the assets of the Group.

For the year ended 31 May 2015

22 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	***Other temporary differences £'000***	***Share based payment £'000***	***Tax losses £'000***	***Total £'000***
At 1 June 2013	784	112	-	(6)	890
Credit to income – continuing operations	(47)	(92)	-	(35)	(174)
Acquisitions and disposals	184	-	-	-	184
At 1 June 2014	921	20	-	(41)	900
Credit to income – continuing operations	(132)	(49)	-	41	(140)
At 31 May 2015	**789**	**(29)**	**-**	**-**	**760**

Certain deferred tax assets and liabilities have been offset where the relevant criteria are met. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 £'000	*2014 £'000*
Deferred tax liabilities	**824**	983
Deferred tax assets	**(64)**	(83)
	760	900

At the balance sheet date the Group has unused tax losses of £5.2 million (2014: £5.4 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2014: £nil) of such losses. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely. In addition the Group has an unrecognised deferred tax asset of £30k (2014: £146k) in respect of share based payments.

At the balance sheet date the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £nil (2014: £nil). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23 Called up share capital

	2015		*2014*	
	No.	***£'000***	*No.*	*£'000*
Allotted, issued and fully paid				
Ordinary shares of 5p each	**27,711,564**	**1,385**	27,587,564	1,379

Reconciliation of movement in allotted, issued and fully paid share capital

	No.	***£'000***
At 1 June 2013 and 31 May 2014	27,587,564	1,379
Shares issued in period	124,000	6
At 31 May 2015	**27,711,564**	**1,385**

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

23 Called up share capital (continued)

The Company has a share option scheme under which options to subscribe for the Company's shares have been awarded to certain directors and employees. During the year 124,000 options were exercised, 5,000 and 119,000 at 39.5p and 49.5p respectively. The market price on the day of exercise was 107.5p and 111p. Further details of the scheme are given in note 24.

The market price of the Company's shares at the end of the year was 111p (2014: 163p). The highest and lowest market prices during the year were 163p and 99.5p (2014: 183p and 114p respectively).

24 Share-based payments

The Group has recognised a portion of the fair value of these options in calculating the profit for the current and prior year.

	2015		*2014*	
	Options (No. '000)	***Weighted Average Exercise price p***	*Options (No. '000)*	*Weighted Average Exercise price p*
Outstanding at the start of the year	**1,466.7**	**94.25**	1,542.8	64.23
Lapsed during the year	**(20.0)**	**49.50**	(110.0)	68.36
Issued during the year	**459.5**	**110.24**	343.0	176.00
Exercised during the year	**(480.7)**	**50.51**	(309.1)	43.99
Outstanding at the end of the year	**1,425.5**	**114.78**	1,466.7	94.25
Exercisable at the end of the year	**149.0**	**47.57**	45.0	39.50

The options outstanding at 31 May 2015 had exercise prices in the range 39.5p to 176p and a weighted average remaining contractual life of 8.3 years (2014: 8.2 years). The average market share price of options at date of exercise was 127.0p (2014: 132.5p).

The terms of these options are as follows:

Date of grant	*Options outstanding at 31 May 2015*	*Vesting period*	*Market value at date of grant (p)*	*Exercise price (p)*	*Exercise period*
24/9/2010	40,000	3 years	39.50	39.50	25/9/2013 to 24/9/2020
26/9/2011	75,000	3 years	51.00	51.00	27/9/2014 to 26/9/2021
3/10/2011	34,000	3 years	49.50	49.50	4/10/2014 to 3/10/2021
18/12/2012	305,000	3 years	96.00	96.00	19/12/2015 to 18/12/2022
19/12/2012	169,000	3 years	96.00	96.00	20/12/2015 to 19/12/2022
22/11/2013	343,000	3 years	176.00	176.00	23/12/2016 to 22/12/2023
9/12/2014	174,500	3 years	109.00	109.00	10/12/2017 to 9/12/2024
10/12/2014	285,000	3 years	111.00	111.00	11/12/2017 to 10/12/2024

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

24 Share-based payments (continued)

The performance condition for each of these options is that the increase in adjusted EPS must be at least equal to the increase in RPI over the vesting period.

All share options are equity settled. The adjusted EPS is the basic earnings per share published in the Preliminary Announcement of Results with adjustments made for amortisation of acquisition related intangibles costs of share based payments, and exceptional items agreed by the Remuneration Committee. Further adjustments to the above performance conditions may be approved by the Remuneration Committee to reflect future changes in accounting standards.

The fair value of the options was calculated by external consultants, Pegg, Franklin & Co and Pinsent Masons.

Options granted with performance conditions are valued using the Black-Scholes model. The inputs into the Black-Scholes model to value these options were as follows:

Scheme: date of grant	***9/12/2014***	***10/12/2014***
Exercise price (p)	109.00	111.00
Expected life of option	3 years	3 years
Expected volatility of return to shareholders	25%	25%
Risk free interest rate	1.0%	1.0%
Expected dividend yield	3.0%	3.0%

For all awards, recipients are required to remain in employment with the Group over the vesting period.

Future volatility at the date of grant has been estimated by reference to the historical volatility at that time.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Total charge to the income statement in respect of share-based payments

	2015	*2014*
	£'000	*£'000*
In respect of:		
Equity settled share options	**43**	46

There are no share based payment transactions that were expensed immediately. A deferred tax credit of £nil (2014: £nil) was recognised during the year in respect of share based payments.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

25 Notes to the consolidated cash flow statement

Cash flows from operating activities:

	2015	*2014*
	£'000	*£'000*
Continuing operations		
Profit before income tax from continuing operations	**1,871**	2,526
Adjustments for:		
Depreciation	**1,438**	1,229
Amortisation of intangible assets	**831**	891
Profit on disposal of property, plant and equipment	**(102)**	(261)
Finance income	**(1)**	(8)
Finance expenses	**212**	166
Research and Development Expenditure Credit	**(235)**	-
Share based payment charge	**43**	46
Bargain purchase on acquisition (note 29)	**-**	(2,615)
Changes in working capital		
Decrease/(increase) in inventories	**1,128**	(146)
(Increase)/decrease in trade and other receivables	**(1,192)**	1,564
Decrease in trade and other payables	**(1,477)**	(1,611)
Decrease in provisions	**(689)**	-
Other non cash changes	**5**	6
Cashflows from operating activities	**1,832**	1,787

	2015	*2014*
	£'000	*£'000*
Cash and cash equivalents		
Cash	**6,337**	7,204
Overdrafts	**(6,698)**	(5,776)
	(361)	1,428

26 Related party transactions

Remuneration of key management personnel

The remuneration of the Directors and senior management is set out in note 5 in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the Director's Remuneration Report on pages 14 to 15. The Directors benefited from dividends paid in the year (note 7) on their shareholdings as set out in the Directors report page 10.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

27 Financial commitments

a) Capital commitments

Commitments for capital expenditure were as follows:

	2015	*2014*
	£'000	*£'000*
Contracted for, but not provided in the accounts	**40**	58

b) Operating lease commitments

At the balance sheet date the Group had outstanding commitments for minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	*2014*
	£'000	*£'000*
Land and buildings lease obligations falling due:		
Within one year	**603**	573
In the second to fifth years inclusive	**651**	1,124
	1,254	1,697
Other asset lease obligations falling due:		
Within one year	**52**	37
In the second to fifth years inclusive	**60**	60
	112	97

Operating lease payments represent rentals payable by the Group for certain of its office properties, motor vehicles and items of plant and equipment. Property leases are negotiated for an average term of 10 years and rentals are fixed for an average of five years with an option to extend for a further five years at the then prevailing market rate.

28 Investment in own shares

On 22 June 2011 the Company approved, adopted and established the Avingtrans Employees' Share Trust ('the ExSOP Trust). A summary of the Trust Deed is as follows:

- It has been established that the original trustee is RBC CEES Trustee Limited
- The primary objective of the ExSOP Trust is to hold the capital and income of the Trust for the beneficiaries
- The beneficiaries and the Trustee jointly subscribe for an initial interest in the shares purchased by the Trust
- If the performance condition as set out in note 24 is achieved the option can be exercised by the beneficiaries

During the year nil (2014: 229,000) shares were purchased at a cost of £nil (2014: £403,000) by the Trust and beneficiaries, an interest in which was allocated to the Executive Directors as beneficiaries (as shown in note 24). All shares held by the trust are under option to Directors. Costs are charged to profit and loss as incurred.

The above holdings are held at a cost of £1,000,000 (2014: £1,000,000) and shown as a deduction from equity in the statement of changes in shareholders' equity.

Notes to the Annual Report (Continued)

For the year ended 31 May 2015

29 Acquisitions and disposals

Business combinations – Sigma Swadlincote

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 acquisition was made to enhance the Group's position in the aerospace market. The provisional net assets at the date of acquisition were as follows:

Fair value of assets and liabilities acquired	***£'000***
Property, plant and equipment	**354**
Inventories	**770**
Trade and other receivables	**17**
Trade and other payables	**(4)**
Net assets	**1,137**
Intangibles assets identified	-
Goodwill	-
	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**

Management did not identify any intangible assets on acquisition of this business which was in a distressed state.

Acquisition costs arising from this transaction of £68,000 have been included in administration expenses before operating profit.

Since acquisition the assets acquired contributed the following to the Group's cashflows:

	2015 ***£'000***
Operating cashflows	**(395)**
Investing activities	-
Financing activities	-

Business combination – Maloney Metalcraft

On 3 July 2013 the Group acquired 100 percent of the issued share capital of Maloney Metalcraft Limited (formerly Exterran (UK) Limited). The acquisition of this business resulted in a gain on acquisition of £2,615,000 as a consequence of buying the business in a distressed state. The gain on bargain purchase was separately presented in the income statement before operating profit.

30 Events after the balance sheet date

On 1 July 2015 Maloney sold its freehold site for £1.1m net of costs (note 16) resulting in a profit of £0.5m.

Company Balance Sheet

For the year ended 31 May 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	3	**16,961**	16,936
		16,961	16,936
Current assets			
Debtors: amounts falling due within one year	4	**12,732**	13,337
Debtors: amounts falling due after one year	4	**400**	400
Cash at bank and in hand		**4,116**	3,689
		17,248	17,426
Creditors: amounts falling due within one year	5	**(2,868)**	(2,092)
Net current assets		**14,380**	15,334
Total assets less current liabilities		**31,341**	32,270
Creditors: amounts falling due after more than one year	6	**(2,180)**	(2,267)
Net assets		**29,161**	30,003
Capital and reserves			
Called up share capital	7	**1,385**	1,379
Share premium account	8	**10,873**	10,818
Capital redemption reserve	8	**814**	814
Merger reserve	8	**402**	402
Other reserves	8	**180**	180
Investment in own shares	8	**(1,000)**	(1,000)
Profit and loss account	8	**16,507**	17,410
Equity shareholders' funds	8	**29,161**	30,003

The financial statements were approved by the Board of Directors on and authorised for issue 29 September 2015 and signed on its behalf by:

S M King
Director

The notes on pages 54 to 58 form part of these financial statements

Notes to the Company Accounts

For the year ended 31 May 2015

1 Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. Under section 408(3) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt with in the financial statements of the holding company was £206,000 (2014: profit £1,798,000).

Employee Benefit Trusts ("EBT") are accounted for under UITF 38 and are consolidated in the company accounts on the basis that the company has control as it bears the risks and rewards of having established the trust. Thus the assets and liabilities of the EBT are included on its balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

Investments

Investments in subsidiary undertakings, participating interests and unlisted investments are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Financing costs

In accordance with FRS 4 costs incurred in connection with the issue of shares are deducted from equity. Costs in respect of loans are deducted from loans to arrive at net proceeds. The effective interest method is used to spread these costs over the term of the loan.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets, being charged to tax if and only when the replacement assets are sold.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Pensions

The Company makes contributions to defined contribution schemes. The cost of providing pension benefits is charged to the profit and loss account as they become payable.

Share based payments

The Company issues equity-settled share-based payments to certain of its employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The other side of the entry is credited to the profit and loss account reserve.

The fair value of awards have been measured by a Black-Scholes model. Adjustments are made to the number of options expected to be exercised to reflect the likelihood that options will not be exercised due to non-market conditions. These estimates are reviewed annually and the original charge revised where appropriate.

Subsidiary companies also issue equity settled share based payments in the parent company to certain employees.

The fair value of options to purchase shares in the parent company which have been issued to employees of subsidiary companies is recognised as an additional cost of investment by the parent company. The other side of the entry is credited to the profit and loss account reserve but not distributable as not realised profit.

Notes to the Company Accounts

For the year ended 31 May 2015

1 Accounting policies (continued

Equity

Share capital represents the nominal value of shares that have been issued.

When the Company purchases its own shares (either directly or via an EBT within its control), the consideration is deducted from equity (attributable to the Company's equity holders until the shares are either cancelled or issued) as an investment in own shares reserve. Such shares are held at cost. When issued, own shares are accounted for on a first in, first out basis and are issued at no gain no loss.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The capital redemption reserve represents the nominal value of shares cancelled.

The merger reserve was created on the acquisition of Sigma UK Limited (formerly B&D Pattern Limited).

Other reserves were created on redemption of preference shares.

Profit and loss account includes all current and prior period retained profits. It also includes charges related to share-based employee remuneration.

2 Employees

The only employees of the Company are the directors, whose emoluments are detailed in note 4 to the Consolidated Financial Statements.

3 Investments

	Unlisted investments £'000	*Group undertakings £'000*	*Capital contributions £'000*	*Total £'000*
Cost				
At 1 June 2014	219	21,254	106	21,579
Additions	-	-	25	25
At 31 May 2015	**219**	**21,254**	**131**	**21,604**
Provision				
At 1 June 2014	219	4,424	-	4,643
At 31 May 2015	**219**	**4,424**	**-**	**4,643**
Net book value				
At 31 May 2015	**-**	**16,830**	**131**	**16,961**
At 31 May 2014	-	16,830	106	16,936

Notes to the Company Accounts

For the year ended 31 May 2015

3 Investments (continued)

The principal subsidiaries of the Company are:

Name	**Country of incorporation**	**Principal activity**
C & H Precision Finishers Limited	England and Wales	Precision engineering
Crown UK Limited	England and Wales	Precision engineering
Stainless Metalcraft (Chatteris) Limited	England and Wales	Precision engineering
Metalcraft (Chengdu) Limited	China	Precision engineering
Metalcraft (Sichuan) Limited	China	Precision engineering
Maloney Metalcraft Limited	England and Wales	Precision engineering
Sigma Precision Components Limited	England and Wales	Precision engineering
Chengdu Sigma Precision Components Limited	China	Precision engineering
Sigma Components Derby Limited	England and Wales	Precision engineering
Sigma Components Farnborough Limited	England and Wales	Precision engineering
Sigma Precision Components UK Limited	England and Wales	Precision engineering
Sigma Composites Limited	England and Wales	Precision engineering

The Company owns 100% of the issued share capital of all of the subsidiary undertakings with the exception of Chengdu Sigma Precision Components Limited which is a 100% subsidiary of Sigma Precision Components Limited, and Metalcraft (Chengdu) Limited and Metalcraft (Sichuan) Limited which are 100% subsidiaries of Stainless Metalcraft (Chatteris) Limited.

4 Debtors

	2015	*2014*
	£'000	*£'000*
Amounts: falling due within one year		
Amounts owed by group undertakings	**12,709**	13,316
Prepayments and accrued income	**23**	21
	12,732	13,337
Amounts: falling due after one year		
Amounts owed by group undertakings	**400**	400

Amounts owed by group undertakings falling due after one year are unsecured, interest bearing and are repayable on giving one year's notice.

5 Creditors: amounts falling due within one year

	2015	*2014*
	£'000	*£'000*
Current portion of long-term loans	**264**	299
Trade creditors	**28**	39
Amounts owed to group undertakings	**945**	1,568
Other tax and social security	**134**	143
Other creditors	**23**	23
Accruals and deferred income	**1,474**	20
	2,868	2,092

Notes to the Company Accounts

For the year ended 31 May 2015

6 Creditors: amounts falling due after more than one year

	2015 £'000	*2014 £'000*
Long-term loans	**2,180**	2,267
	2,180	2,267

The maturity profile of financial liabilities is:

	2015 £'000	*2014 £'000*
Due within one year:		
Current portion of bank loans	**264**	299
	264	299
Due within one to two years:		
Bank loans	**271**	307
	271	307
Due within two to five years:		
Bank loans	**849**	974
	849	974
Due after five years:		
Bank loans	**1,060**	986
	1,060	986

In accordance with FRS4 offset against the borrowings above are unamortised capitalised finance charges of £19,000 (2014: £24,000).

Details of the borrowing and security arrangements are set out in note 19 of the consolidated financial statements.

7 Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in note 23 to the consolidated financial statements.

8 Reserves

	Share premium account £'000	***Capital redemption reserve £'000***	***Merger reserve £'000***	***Other reserves £'000***	***Investment in own shares £'000***	***Profit and loss account £'000***
At 1 June 2014	10,818	814	402	180	(1,000)	17,410
Loss for the financial year	-	-	-	-	-	(206)
Premium on issue of shares	55	-	-	-	-	-
Dividends	-	-	-	-	-	(740)
Share based payment	-	-	-	-	-	43
At 31 May 2015	**10,873**	**814**	**402**	**180**	**(1,000)**	**16,507**

Notes to the Company Accounts

For the year ended 31 May 2015

9 Reconciliation of movements in equity shareholders' funds

	2015	*2014*
	£'000	*£'000*
(Loss)/profit for the financial year	**(206)**	1,798
Dividends	**(740)**	(599)
Issue of share capital	**61**	539
Investment in own shares	**-**	(403)
Share based payment	**43**	46
Net change to equity shareholders' funds	**(842)**	1,381
Equity shareholders' funds at 1 June	**30,003**	28,622
Equity shareholders' funds at 31 May	**29,161**	30,003

10 Financial commitments

The Company had no financial commitments at 31 May 2015 (2014: £nil).

11 Related party transactions

The company has taken the exemption offered by FRS 8 not to disclose transactions with 100% owned subsidiaries.

The Directors benefited from dividends paid in the year (note 7) on their shareholdings as set out in the Directors report page 10.

12 Ultimate controlling party

Due to the share ownership structure, there is no overall controlling party for Avingtrans plc, key shareholders are identified on page 9.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Avingtrans Plc will be held at the Holiday Inn, Bostocks Lane, Sandiacre, Nottingham, NG10 5NJ on 11 November 2015 at 11:15am for the following purposes:

1. To receive and adopt the reports of the Directors and the auditor and the financial statements for the year ended 31 May 2015.

2. To declare a final dividend of 2.0p per ordinary share payable on 11 December 2015 payable to shareholders on the register of members on 6 November 2015.

3. To re-elect Jeremy Hamer as a Director.

4. To re-elect Graham Thornton as a Director.

5. To reappoint Grant Thornton UK LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration to be fixed by the Directors.

   To transact any other ordinary business of an Annual General Meeting and as special business to consider the following Resolutions, Resolutions 6 and 7 being proposed as Ordinary Resolutions and Resolution 8 as a Special Resolution.

6. That the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities as defined in Section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal value of £457,241 provided that this authority shall expire in whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities in pursuance of any such offer or agreement as if the authority conferred by this Resolution had not expired, and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to section 551 of the Act.

7. That the Company be generally and unconditionally authorised, in accordance with Article 9 of its Articles of Association and Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5p each of the Company on such terms and in such manner as the Directors may from time to time determine provided that:

   a. the maximum number of ordinary shares authorised to be purchased is 2,771,156;

   b. the minimum price which may be paid for an ordinary share is 5p (exclusive of expenses and advance corporation tax, if any, payable by the Company);

   c. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company derived from the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased (exclusive of expenses and advance corporation tax, if any, payable by the Company); and

   d. the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may, prior to such expiry, make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

8. That the Directors be empowered pursuant to Section 571 of the Act to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority conferred upon them by Resolution 6 as if Section 561 of the Act did not apply to any such allotment provided that such power shall be limited:

   a. to the allotment of equity securities in connection with a rights issue or other offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all the ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them subject to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of any territory or the requirements of a regulatory body; and

Notice of Annual General Meeting

b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £138,558 and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution, except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

By order of the Board

S M King **Registered office**
Precision House
Derby Road Industrial Estate
Sandiacre
Nottingham
NG10 5HU

Dated 29 September 2015

Notice of Annual General Meeting

Notes:

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at 6.00 pm on 9 November 2015; or if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Meeting.

Attending in person

2. If you wish to attend the Meeting in person, please bring photographic identification with you to the meeting.

Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.

5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to Capita Asset Services of PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and received by Capita Asset Services of PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11:15am on 9 November 2015.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services of PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notice of Annual General Meeting

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

    - By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services of PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

    - In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    In either case, the revocation notice must be received by the Capita Asset Services of PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 9 November 2015 at 11.15am.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

12. As at 11:00 am on 29 September 2015, the Company's issued share capital comprised 27,711,564 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11.00am on 29 September 2015 is 27, 711,564.

Documents on display

13. The following documents will be available for inspection at Precision House, Derby Road Industrial Estate, Derby Road, Sandiacre, Nottingham NG10 5HU from 20 October 2015 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting:

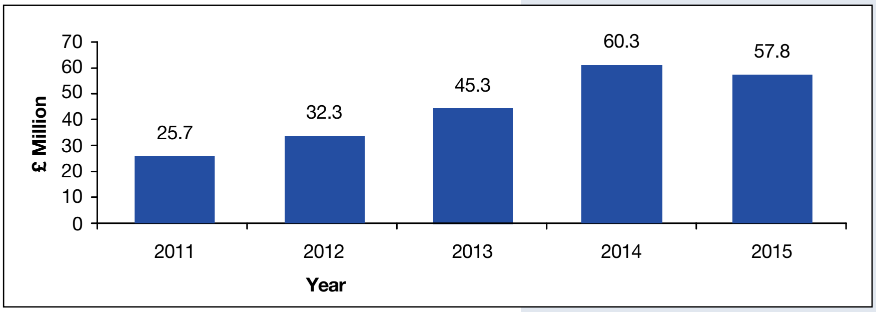
    - Copies of the letters of appointment of the directors of the Company.

Avingtrans plc

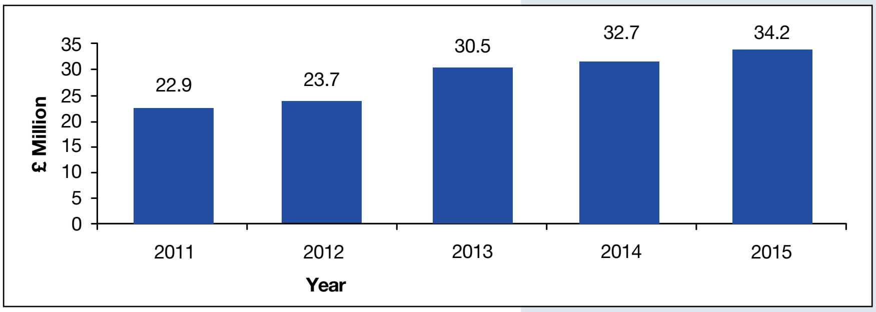
engineering technology group

5 year performance

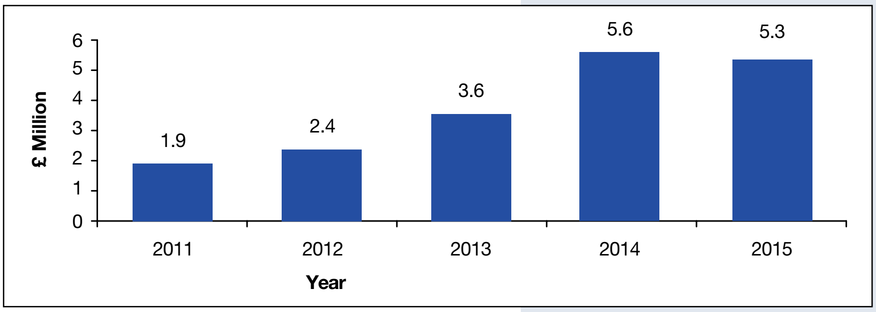
REVENUE



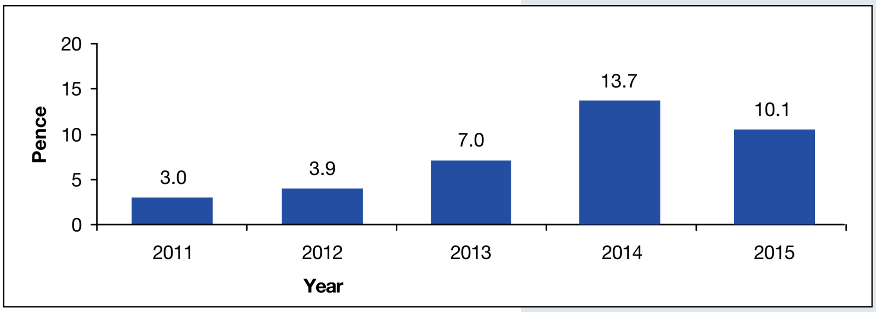
NET ASSETS



EBITDA (adjusted)



EPS - Diluted (adjusted)



2011 adjusted to exclude results for Industrial products sold Nov 12.

The results above are under IAS (International Accounting Standards). Adjusted for share based payments, impairment of goodwill, amortisation/impairment of intangibles and exceptionals

Aerospace

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