Avingtrans plc

engineering technology group

INTERIM REPORT

SIX MONTHS ENDED 30 NOVEMBER 2015

Avingtrans plc

("Avingtrans" or the "Group")

Interim results for the six months ended 30 November 2015

Avingtrans plc, which designs, manufactures and supplies critical components, modules and associated services to the aerospace, energy and medical sectors, today announces its interim results for the six months ended 30 November 2015.

Financial Highlights

- Revenue reduced by 5% to £26.3m (H1 2015: £27.5m)
  - Residual year on year reduction caused by oil price decline – now fully absorbed
- Adjusted PBT increased by 38%, to £1.2m, (H1 2015: £0.8m)
- Adjusted diluted earnings per share was 3.4 pence per share (H1 2015: 2.9 pence per share).
- Cash utilised by operations was £0.5m (H1 2015: £0.4m generated)
- Investment in capability and capacity: £0.7m in the period (H1 2015: £1.5m)
- Net debt marginally increased to £6.1m (31 May 2015: £5.9m). Gearing 18%
- Interim dividend up 10% to 1.1 pence per share (H1 2015: 1.0 pence)

Operational Highlights

Aerospace – pleasing recovery of long term EBIT growth – up to 11% (7% in H1 FY15)

- Customer programmes recovering – revenue up 4%
- Site rationalisation continued: Swadlincote site merged into our biggest site at Hinckley
- Farnborough and Sandiacre sites continue to progress positively
- China pipe production expanding to plan – further investment expected in FY17
- Composite pipe technology attracting increased customer attention – first trial parts ordered

Energy and Medical - revenues down 19%, but margins stable – revenues weighted to H2

- Maloney now concentrating on gas market: project wins with Saudi Aramco and Samsung
- Divisional restructuring complete – Aldridge manufacturing site sold for £1.1m, net of costs
- On-track for full year profit, vs small loss last year
- Preparations for Sellafield 3M3 box contract proceeding to plan – H2 start of operations
- Post period end: new contracts with Rapiscan and Bruker – expands Metalcraft's markets
- Metalcraft China development progressing to plan – underpinned by new contract wins
- Crown's markets stable – exciting prospects with FET technology and composites

Post Period End

- Acquisition of Rolls-Royce pipe manufacturing assets agreed for £3.5m
  - Balances Sigma's programme portfolio
  - Key future role in Trent XWB engine

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

"Following last year's headwinds, we have now completed our restructuring programme with the Maloney manufacturing operations relocated to Chatteris and the Sigma operations relocated to Hinckley, which is now our pipe manufacturing centre of excellence. Consequently, our first half performance improved and there are further improvements to come.

Post period end, we have agreed to buy Rolls-Royce's pipe production assets for £3.5m. This strategic acquisition will cement Sigma's market lead in aerospace pipes and gives us greater visibility over future activity levels. Sigma's new composite pipe and SigmaLite lightweight technology is also developing quickly and this will provide us and our customers with a powerful differentiator in future. Our full year revenues are expected to increase - due to second half weighting, especially in Energy and Medical. This confidence in the outlook for 2016 was boosted by the recent contract wins with Rapiscan and Bruker, thus underlining our continued dividend progression."

Enquiries:

Avingtrans plc **01159 499020**
Roger McDowell, Chairman
Steve McQuillan, Chief Executive Officer
Stephen King, Chief Financial Officer

Numis **0207 260 1000**
David Poutney (Corporate Broking)
Richard Thomas (Corporate Finance and Nominated Adviser)

Newgate **0207 653 9850**
(Financial PR)
Adam Lloyd / Ed Treadwell

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

Aerospace

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

Hinckley, UK: centre for rigid pipe assemblies and components and new product introduction, including new composite pipe technology

Farnborough, UK: centre for fabrications, ducts and other complex assemblies

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

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

Energy and Medical

Stainless Metalcraft Ltd
Chatteris, UK and Chengdu, China: Provider of safety-critical equipment for the energy, medical, science and research communities, worldwide, specialising in precision pressure and vacuum vessels and associated fabrications, sub-assemblies and systems.

Maloney Metalcraft Ltd
Aldridge, UK: Design, programme management and services for oil and gas extraction and processing equipment, including process plant for dehydration, sweetening, drying and compression.

Crown International Ltd
Portishead, UK: Design and manufacture of market-leading pole and support systems for roadside signage and safety cameras, rail track signalling and gantries.

Buckingham, UK: centre for composite technology for industrial markets (transferred from Aerospace division).

Chairman's Statement

Following last year's in-flight turbulence in our first half, this year has been a somewhat calmer voyage so far. We have now completed the restructuring processes that were precipitated by the aerospace destocking and oil price slide in 2015. This involved the sale of our oil and gas manufacturing site in Aldridge, with transfer of production to Chatteris. This sale resulted in a £0.4m exceptional gain, net of costs.

Similarly, in the Aerospace division, we had already completed the closure of the Sigma Derby site. A review of future capacity requirements meant that we did not need the Swadlincote site either and we have exited production at this site in the first half, successfully transferring all of this production to our Hinckley pipe manufacturing centre of excellence. The resulting savings in operating costs will flow down to the bottom line in the second half and beyond. We are already seeing the benefits of these efficiency gains in Aerospace and our swift action in Energy and Medical has stemmed losses in oil and gas and given us a stable platform to build upon.

Whereas the Aerospace division is enjoying a relatively smooth year in terms of output, the Energy and Medical division is second half weighted, having won important projects in the gas market with Samsung and Saudi Aramco, as well as the start of Sellafield 3M3 Box operations to come in H2. Crown is also second half weighted, due to road infrastructure projects in progress and the development of the FET environmental technology product that is proceeding broadly to plan.

The Sellafield project is the precursor to a significant expansion of long term business in the nuclear decommissioning sector. Our first contract is for 1,100 waste storage containers over 10 years (worth £47m in revenue), but Sellafield require over 40,000 such containers over the next 20 to 30 years. Thus, we believe that a long term partnership is in prospect with Sellafield, utilising Metalcraft's expertise in producing high integrity vessels and containers, to time and budget, as we have done in other markets. This is potentially transformational for the division over the next few years. We are also delighted with the new contracts with Bruker and Rapiscan, as these demonstrate our ability to grow the division in new market sectors.

The Aerospace division achieved another long term goal, after the period end, by agreeing to acquire the pipe manufacturing assets of Rolls-Royce for £3.5m. The deal is expected to complete in March 2016 and is expected to contribute to our 2017 financial year. This business is located in Nuneaton, close to our Hinckley site and in Xi'an, China, about 400 miles northeast of our Chengdu factory. Thus, investors will readily appreciate the strategic significance of this deal with Rolls-Royce.

In particular, we are delighted that the deal facilitates discussions with Rolls-Royce about the supply of pipes for their exciting new engine platform, the Trent XWB. In the meantime, Sigma will produce all of the pipes for this engine during the ramp up phase and we are discussing the longer term supply arrangements at present. The new business employs 242 people across the two sites and comes with the assets required to continue supply to Rolls-Royce on the XWB and other engine programmes.

By the end of this financial year, we should be able to demonstrate to shareholders the full benefits of the changes we have wrought, albeit that another change programme in Aerospace will be underway to integrate the new acquisition. We are shaping our investment plans dynamically to meet current circumstances and are continuing to focus on the Civil Aerospace, Energy and Medical Imaging, since these markets continue to provide excellent long term prospects. The 10% increase in our Interim dividend again underlines our commitment to a progressive dividend policy and our confidence in the outlook for the full year.

On behalf of our valued customers, our loyal investors and the Board, I would like to thank our employees for their continued dedication hard work during the last few months of significant change for the group.

Roger McDowell
Chairman
17 February 2016

Strategic Review
Group Performance

Revenue: 5% year on year reduction, as oil price effect washes through
Energy and Medical revenues have stabilised, albeit 19% lower than H1 FY15, absent the sales from oil projects. The division is 2nd half weighted, due to Sellafield 3M3 box start-up and gas project deliveries. Aerospace revenues were up in the first half, with customer delivery rates increasing. Overall, revenues reduced by 5%, to £26.3m (H1 2015: £27.5m), but full year revenues are expected to increase, due to second half weighting, especially in Energy and Medical.

Profit: reduced revenues were mitigated by restructuring, completed in the first half
Profit improved in H1 vs last year, with the restructuring efforts bearing fruit. The Aerospace sites are specialising in different specific activities, to optimise future results and Energy and Medical manufacturing at the Aldridge site has transferred to Chatteris. Consequently, adjusted PBT increased to £1.2m (H1 2015: £0.8m).

Earnings per Share (EPS):
Adjusted diluted earnings per share for the period ended 30 November 2015 was 3.4 pence per share (H1 2015: 2.9 pence per share) based on diluted weighted average number of shares of 27,819,350 (H1 2015: 28,160,575).

Funding and Liquidity: stable debt position, despite market turbulence
The net cash outflow from operations was £0.5m, (H1 2015: £0.4m inflow) primarily due to an increase in working capital.
Net debt at 30 November 2015 stood at £6.1m, a marginal increase from year end (31 May 2015: £5.9m). ***Gearing*** 18% (31 May 2015: 17%).

Dividend: consistent progression maintained
The Board has recommended an Interim dividend of 1.1 pence per share (H1 2015: 1.0 pence per share) which will be paid on 17 June 2016 to shareholders on the register at 27 May 2016. Our commitment to a progressive policy underlines our confidence in the outlook for the business.

Operations
Aerospace Division (Sigma Components)
The recovery in divisional performance was pleasing to see, after the trials and tribulations of the previous H1. Revenue increased by 4% year on year, but EBIT increased by 55%, underlining the importance of the restructuring programme undertaken over the last 12 months. Indeed, the benefits are still flowing through, since the project to exit the Swadlincote site was finalised in the first half, the positive results of this decision will be seen in the second half of the year.

As a result of these site transfers, we have also eliminated a tail of unprofitable business from the aerospace portfolio, pointing to an improving product margin mix in the next financial year. This active portfolio management, coupled with our low cost capabilities in China, which can save up to 30% in product costs, indicates a highly promising future performance in prospect for Sigma.

The results, so far, saw divisional margin increase to a healthy 11% (2015: 7%) in the first half. The restructured division has four major specialist sites:

- Hinckley is focused on pipe production and some specialist machining. Hinckley will also become the centre of production for the new composite “Compipe” technology in due course.
- Farnborough concentrates on fabrications, including ducts and special processing of parts.
- Chengdu, China is our machining centre and also produces high volume pipe assemblies.
- Sandiacre (C&H) houses our polishing and finishing expertise, with a small satellite operation in Cheltenham.

Adding to this increasingly powerful base, we were delighted to agree the acquisition of Roll Royce’s pipe business after the period end, further cementing Sigma’s leadership in this market niche. We estimate that Sigma’s share of the addressable aerospace pipe market will increase to 22% after this acquisition is completed. As well as potential cost synergies, this new business provides Sigma with an excellent opportunity to rebalance its programme portfolio, with the A350 and attendant Trent XWB engines being the brightest prospect for the future. The new business has two main sites:

- Nuneaton, UK – specialising in pipe production – similar to the nearby Hinckley site
- Xi'an, China – specialising in machined parts – dovetailing with our Chengdu site.

Work on the "Sharing in Growth" programme progressed well at our Hinckley and Farnborough sites and provides an excellent framework to further enhance the performance across all sites, underpinned by the now fully operational Epicor ERP system.

The period also saw first trial orders for lightweight components associated with our composite pipe technology programme. Although volume orders for these parts are still some way off, this is a significant milestone in the development project and we view the future prosperity of Sigma with a great sense of anticipation. During the first half, we also took the decision to transfer the non-aerospace composites business to our Energy and Medical division, in order to optimise the relative performance in each area. Note that the results for the composites business are included in Aerospace in the first half.

In due course, as new engine and airframe programmes ramp-up (notably the Trent XWB and the A350 – an important future aircraft platform for Airbus, with the Rolls-Royce Trent XWB being the exclusive engine) we anticipate that divisional sales will increase to over £50m organically, presenting a powerhouse investment opportunity for shareholders. This business has grown from a relatively small core in just eight years, with significant improvements in performance being delivered along the way.

Energy & Medical Division (Metalcraft, Maloney Metalcraft and Crown)
The oil price continued to fall in the period, fully justifying our early action to limit our exposure to the sector and change the business model, to make it sustainable for the longer term. We concluded the sale of the Maloney Aldridge manufacturing site (net cash of £1.1m) and transferred remaining production to Chatteris. The new business model provides a base which enables us to adequately cover our costs in the meantime and is scalable in future, as and when market conditions improve.

Our efforts to diversify into new markets and new customers has already been rewarded with the team winning two important gas contracts, valued at over £2m each, with Samsung and Saudi Aramco and other gas prospects also in sight. Oil related prospects, on the other hand, are still at a low-ebb, so our defensive posture remains appropriate. As a consequence of the hiatus in the oil industry, the year on year revenues for the division declined by 19% but our decisive restructuring of the business means that first half losses were reduced.

As well as consolidating our position in the medical imaging market, Metalcraft has been making pre-production preparations for the Sellafield contract. This significant piece of business starts in our second half, with the layout of the initial production facilities required to manufacture the "three-meter-cubed" (3M3) intermediate level waste storage containers. This exciting contract will become a bed-rock of the Metalcraft business in the years to come, providing us with a long term volume manufacturing commitment. Discussions with Sellafield about further opportunities are continuing and we are optimistic that we will add to this contract in the coming years.

As with Aerospace, the government sponsored civil nuclear "Sharing in Growth" programme has proven beneficial to us, supporting us to improve the capability of the Chatteris site. The Epicor ERP system is also now fully embedded at Chatteris and the progress on this operational excellence journey is encouraging.

Whilst the development of Metalcraft China has been slow, we have made progress in the period with Siemens and other MRI customers. As turnover is increasing, so losses are gradually reducing. Recently, post period end, we have been energised by the award of a 3-year, £3m contract with Bruker, a world leader analytical instrumentation. We will be manufacturing components for their nuclear magnetic resonance systems (NMR) in the UK and China, presenting us with an exciting new market to pursue. Metalcraft volume manufacturing capabilities and low cost source facilities in China were major determinants in Bruker's decision to award us this contract.

Recently, we took the decision to transfer the non-aerospace operations of our composite business in Buckingham to the Energy and Medical division. This decision has been vindicated by the award of another 3-year, £3m contract with Rapiscan, a leader in the global security screening market, which is deploying new screening technology in airports around the world. Whilst this is not a medical or biopharmaceutical application, the parallels with our existing business there are clear and provide our Energy and Medical division with a new outlet for their expertise.

Prospects for Crown remain encouraging, with road and rail infrastructure investments on-going, although sales here are also second half weighted, due to the phasing of various projects. We have seen promising progress with the FET environmental technology, where the initial carbon capture trial site is proceeding as expected and further tests are underway, to widen the applications of the separation technology.

Outlook

Our Aerospace business is well positioned for the future and operates in markets with very encouraging prospects. The recent acquisition of the Rolls-Royce pipe business further consolidates the strong platform we have created and gives the Board much greater visibility over programme schedules and revenues. Although the Rolls-Royce acquisition increases our business with one customer, the Group's strategy to grow and diversify the customer base is working and we expect to see more business coming from new and existing customers in other markets. The transformation of the Energy and Medical business has been hampered by the fall in the oil price, but the restructuring programme is complete and the Board is excited by the potential, as exemplified by the recent project wins in a number of new markets, especially nuclear.

Sigma Components and **Metalcraft** are leading players in their markets and supported by the government sponsored SiG programmes and our investments in new technology, automation and IT systems are becoming world class supply chain partners.

With good progression in the aerospace business and results for Energy and Medical anticipated to be skewed towards the second half, we remain optimistic about our prospects for the full year and beyond. Our strategy should lead to growing investor returns as stability is restored and with increasingly robust, long-term, blue-chip customer relationships, we remain confident about the future of Avingtrans and achieving the Board's expectations for the full year.

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Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
17 February 2016	17 February 2016	17 February 2016

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2015

	6 months to 30 Nov 2015 £'000	6 months to 30 Nov 2014 £'000	Year to 31 May 2015 £'000
Revenue	**26,301**	27,545	57,819
Cost of sales	**(18,351)**	(21,491)	(43,297)
Gross profit	**7,950**	6,054	14,522
Distribution costs	**(645)**	(632)	(1,226)
Share based payment expense	**(22)**	(24)	(43)
Acquisition costs	**-**	(68)	(68)
Restructuring costs	**(268)**	(180)	(360)
Net proceeds on disposal of property	**444**	-	-
Start-up costs – China	**-**	(237)	(450)
Amortisation of intangibles from business combinations	**(69)**	(69)	(137)
Other administrative expenses	**(6,086)**	(4,489)	(10,156)
Total administrative expenses	**(6,646)**	(5,067)	(11,214)
Operating profit	**1,304**	355	2,082
Finance income	**1**	1	1
Finance costs	**(68)**	(97)	(212)
Profit before taxation	**1,237**	259	1,871
Taxation (Note 3)	**(214)**	(34)	(100)
Profit for the financial period	**1,023**	225	1,771
Earnings per share:			
From continuing operations (Note 4)			
- Basic	**3.7p**	0.8p	6.4p
- Diluted	**3.7p**	0.9p	6.3p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2015

	6 months to 30 Nov 2015 £'000	6 months to 30 Nov 2014 £'000	Year to 31 May 2015 £'000
Profit for the period	**1,023**	225	1,771
Exchange differences on translation of foreign operations	**(83)**	334	395
Total comprehensive income for the period	**940**	559	2,166

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2015

	6 months to 30 Nov 2015 £'000	6 months to 30 Nov 2014 £'000	Year to 31 May 2015 £'000
Operating activities			
Cash flows from operating activities	**(645)**	476	1,832
Finance costs paid	**(68)**	(97)	(213)
Income tax repaid	**198**	30	27
Net cash (outflow)/inflow from operating activities	**(515)**	409	1,646
Investing activities			
Acquisition of subsidiary undertakings	**-**	(1,137)	(1,137)
Finance income	**1**	1	1
Purchase of intangible assets	**(323)**	(861)	(1,582)
Purchase of property, plant and equipment	**(348)**	(671)	(832)
Proceeds from sale of property, plant and equipment	**1,283**	270	103
Net cash generated/(used) by investing activities	**613**	(2,398)	(3,447)
Financing activities			
Equity dividends paid	**(277)**	(248)	(740)
Repayments of bank loans	**(790)**	(283)	(440)
Repayments of obligations under finance leases	**(380)**	(526)	(901)
Proceeds from issue of ordinary shares	**5**	-	61
Borrowings raised	**187**	274	1,875
Net cash outflow from financing activities	**(1,255)**	(783)	(145)
Net decrease in cash and cash equivalents	**(1,157)**	(2,772)	(1,946)
Cash and cash equivalents at beginning of period	**(361)**	1,428	1,428
Effect of foreign exchange rate changes	**(46)**	143	157
Cash and cash equivalents at end of period	**(1,564)**	(1,201)	(361)

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2015

	6 months to 30 Nov 2015 £'000	6 months to 30 Nov 2014 £'000	Year to 31 May 2015 £'000
Profit before income tax from continuing operations	**1,237**	259	1,871
Adjustments for:			
Depreciation of property, plant and equipment	**664**	665	1,438
Amortisation of intangible assets	**582**	471	831
Profit on disposal of property, plant and equipment	**(498)**	(166)	(102)
Finance income	**(1)**	(1)	(1)
Finance expense	**68**	97	212
Research and Development Expenditure Credit	**(134)**	-	(235)
Share based payment charge	**22**	24	43
Changes in working capital			
(Increase)/decrease in inventories	**(1,926)**	(1,128)	1,128
Decrease/(increase) in trade and other receivables	**1,837**	732	(1,192)
(Decrease)/increase in trade and other payables	**(2,498)**	(326)	(1,477)
Decrease in provisions	**-**	(154)	(689)
Other non cash changes	**2**	3	5
Cash (outflow)/inflow from operating activities	**(645)**	476	1,832

Summarised consolidated balance sheet (Unaudited) at 30 November 2015

	30 Nov 2015 £'000	30 Nov 2014 £'000	31 May 2015 £'000
Non current assets			
Goodwill	**9,557**	9,557	9,557
Other intangible assets	**3,184**	3,109	3,442
Property, plant and equipment	**11,371**	12,984	11,861
Deferred tax	**64**	83	64
	24,176	25,733	24,924
Current assets			
Inventories	**12,655**	12,979	10,733
Trade and other receivables	**17,196**	17,145	19,030
Current tax asset	**16**	74	277
Cash and cash equivalents	**5,115**	6,287	6,337
	34,982	36,485	36,377
Assets held for sale	**-**	-	631
Total assets	**59,158**	62,218	61,932
Current liabilities			
Trade and other payables	**(11,721)**	(15,577)	(14,338)
Obligations under finance leases	**(684)**	(769)	(695)
Borrowings	**(7,809)**	(7,882)	(8,357)
Current tax liabilities	**(510)**	(189)	(334)
Provisions	**-**	(535)	-
Total current liabilities	**(20,724)**	(24,952)	(23,724)
Non-current liabilities			
Borrowings	**(2,176)**	(2,253)	(2,434)
Obligations under finance leases	**(583)**	(1,066)	(765)
Deferred tax	**(800)**	(957)	(824)
Total non-current liabilities	**(3,559)**	(4,276)	(4,023)
Total liabilities	**(24,283)**	(29,228)	(27,747)
Net assets	**34,875**	32,990	34,185
Equity			
Share capital	**1,386**	1,379	1,385
Share premium account	**10,877**	10,818	10,873
Capital redemption reserve	**814**	814	814
Merger reserve	**402**	402	402
Translation reserve	**(285)**	(263)	(202)
Other reserves	**180**	180	180
Investment in own shares	**(1,000)**	(1,000)	(1,000)
Retained earnings	**22,501**	20,660	21,733
Total equity attributable to equity owners of the parent	**34,875**	32,990	34,185

Consolidated statement of changes in equity (Unaudited)
at 30 November 2015

	Share capital account £'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 2014	1,379	10,818	814	402	(597)	180	(1,000)	20,659	32,655
Dividend paid	-	-	-	-	-	-	-	(248)	(248)
Share-based payments	-	-	-	-	-	-	-	24	24
Transactions with owners	-	-	-	-	-	-	-	(224)	(224)
Profit for the period	-	-	-	-	-	-	-	225	225
Other comprehensive income									
Exchange rate gain	-	-	-	-	334	-	-	-	334
Total comprehensive income for the year	-	-	-	-	334	-	-	225	559
At 30 Nov 2014	1,379	10,818	814	402	(263)	180	(1,000)	20,660	32,990
At 1 Dec 2014	1,379	10,818	814	402	(263)	180	(1,000)	20,660	32,990
Shares issued	6	55	-	-	-	-	-	-	61
Dividend paid	-	-	-	-	-	-	-	(492)	(492)
Share-based payments	-	-	-	-	-	-	-	19	19
Transactions with owners	6	55	-	-	-	-	-	(473)	(412)
Profit for the period	-	-	-	-	-	-	-	1,546	1,546
Other comprehensive income									
Exchange rate gain	-	-	-	-	61	-	-	-	61
Total comprehensive income for the year	-	-	-	-	61	-	-	1,546	1,607
At 31 May 2015	1,385	10,873	814	402	(202)	180	(1,000)	21,733	34,185
At 1 June 2015	1,385	10,873	814	402	(202)	180	(1,000)	21,733	34,185
Shares issued	1	4	-	-	-	-	-	-	5
Dividend paid	-	-	-	-	-	-	-	(277)	(277)
Share-based payments	-	-	-	-	-	-	-	22	22
Transactions with owners	1	4	-	-	-	-	-	(255)	(250)
Profit for the period	-	-	-	-	-	-	-	1,023	1,023
Other comprehensive income									
Exchange rate gain	-	-	-	-	(83)	-	-	-	(83)
Total comprehensive income for the year	-	-	-	-	(83)	-	-	1,023	940
At 30 Nov 2015	**1,386**	**10,877**	**814**	**402**	**(285)**	**180**	**(1,000)**	**22,501**	**34,875**

Notes to the half year statement
30 November 2015

1. Basis of preparation

The Group's interim results for the six month period ended 30 November 2015 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the EU and effective, or expected to be adopted and effective, at 31 May 2015. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 'Interim financial reporting'.

These interim results do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 16 February 2016 and will shortly be available on the Group's website at http://www.avingtrans.plc.uk/pages/reports.html.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments. The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's annual report and financial statements for the year ended 31 May 2016. The statutory accounts for the year ended 31 May 2015, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditor's Report and did not contain a statement under either Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

	Aerospace	Energy and Medical	Unallocated Central items	Total
	£'000	£'000	£'000	£'000
6 months ended 30 Nov 2015				
Revenue	**18,042**	**8,259**	**-**	**26,301**
Operating profit/(loss)	**1,911**	**(167)**	**(440)**	**1,304**
Year ended 31 May 2015				
Revenue	35,858	21,961	-	57,819
Operating profit/(loss)	2,748	(177)	(489)	2,082
6 months ended 30 Nov 2014				
Revenue	17,410	10,135	-	27,545
Operating profit/(loss)	1,236	(467)	(414)	355

Notes to the half year statement (continued)
30 November 2015

3. Taxation

The taxation credit/(charge) is based upon the expected effective rate for the year ended 31 May 2016.

4. Earnings per share

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

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

	6 months to 30 Nov 2015 No	6 months to 30 Nov 2014 No	Year to 31 May 2015 No
Weighted average number of shares – basic	**27,712,449**	27,587,564	27,643,480
Share Option adjustment	**106,901**	573,011	343,457
Weighted average number of shares – diluted	**27,819,350**	28,160,575	27,986,937
	£'000	£'000	£'000
Earnings from continuing operations	**1,023**	225	1,771
Share based payments	**22**	24	43
Restructuring costs	**268**	180	360
Net proceeds on disposal of property	**(444)**		
Start up costs - China	**-**	237	450
Acquisition costs	**-**	68	68
Amortisation of intangibles	**69**	69	137
Adjusted earnings from continuing operations	**938**	803	2,829
From continuing operations:			
Basic earnings per share	**3.7p**	0.8p	6.4p
Adjusted basic earnings per share	**3.4p**	2.9p	10.2p
Diluted earnings per share	**3.7p**	0.9p	6.3p
Adjusted diluted earnings per share	**3.4p**	2.9p	10.1p

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