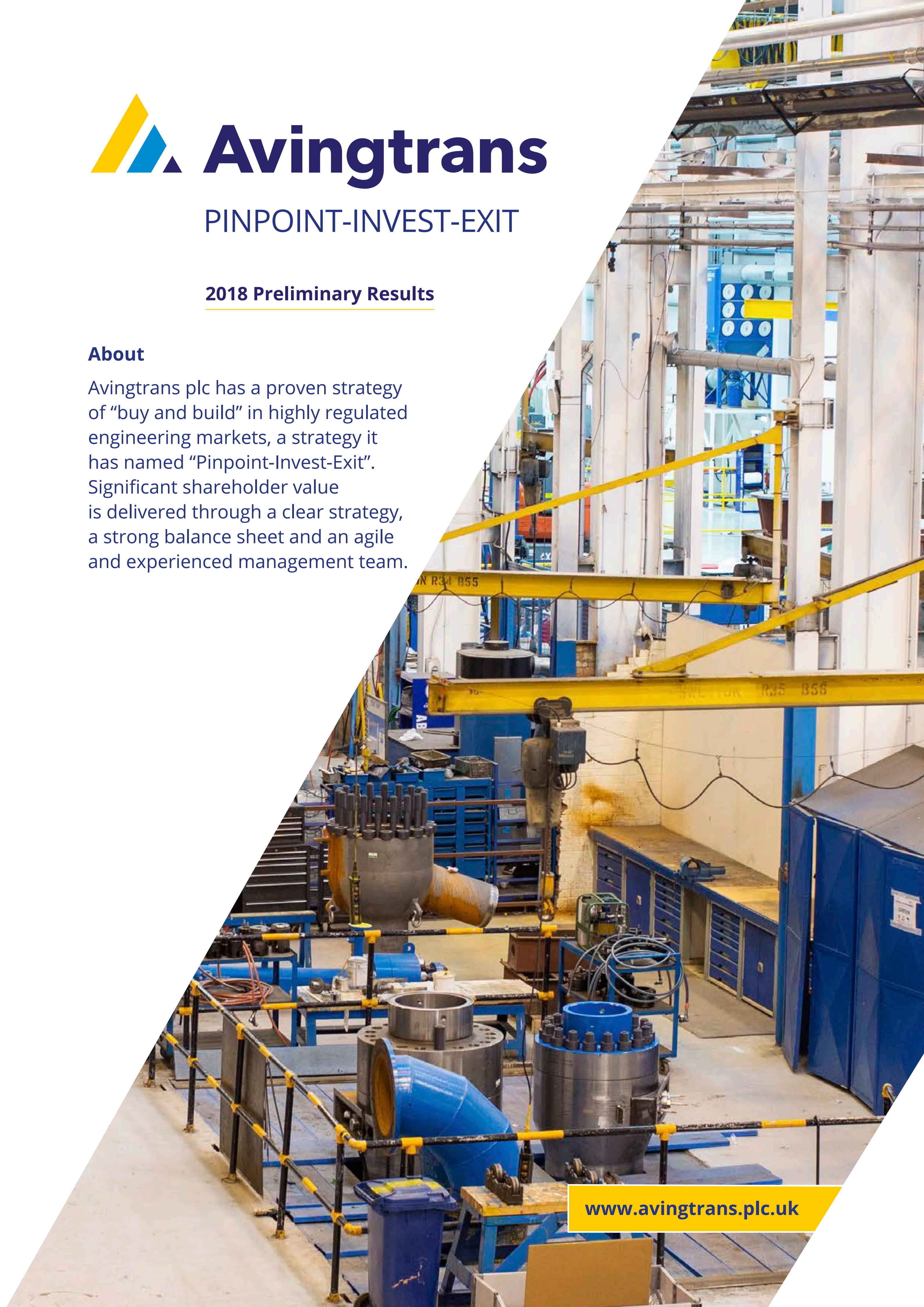
Avingtrans

PINPOINT-INVEST-EXIT

2018 Preliminary Results



About

Avingtrans plc has a proven strategy of "buy and build" in highly regulated engineering markets, a strategy it has named "Pinpoint-Invest-Exit". Significant shareholder value is delivered through a clear strategy, a strong balance sheet and an agile and experienced management team.

www.avingtrans.plc.uk

Avingtrans plc
(“Avingtrans” or the “Group”)
Preliminary Results for the year ended 31 May 2018

Avingtrans plc, which designs, manufactures and supplies critical components, modules, systems and associated services to the energy, medical and industrial sectors, is pleased to announce its preliminary results for the twelve months ended 31 May 2018. The results include nine months contribution from Hayward Tyler Group (“HTG”), the acquisition of which was completed on 1 September 2017. The Board is pleased to report that the integration of the HTG business has gone well and has now completed, ahead of schedule; further proof of the Group’s Pinpoint-Invest-Exit (“PIE”) strategy in action.

Financial Highlights
- Revenue increased by 247% to £78.9m (2017: £22.7m), driven by HTG acquisition
- Underlying revenue growth, excluding acquisitions was 10.9%
- Improved Gross Margins at 25.5% (2017: 17.9%)
- Adjusted EBITDA increased by 690%, to £5.7m (2017: £0.7m)
- Adjusted Profit before Tax increased by 820%, to £2.4m (2017: £0.3m)
- Adjusted Diluted earnings per share increased to 8.4p (2017: 1.1p)
- Cash outflow from operating activities £6.9m (2017: £3.3m)
- Net Debt was £7.1m (31 May 2017: net cash of £26.4m)
- Increased final dividend of 2.3p per share (2017: 2.2p). Full year 3.6p (2017: 3.4p)

Operational Highlights
Energy
- Revenues up to £68.4m (2017: £12.6m) driven by the HTG acquisition
- Restructuring and integration of HTG complete
- Ormandy acquisition completed for £0.1m. Integration proceeding to plan
- Sellafield pre-production phase completed. Now moving into ramp-up phase
- Prestigious award for SME skills investment at Metalcraft

Medical
- Revenues broadly flat at £10.4m (2017: £10.1m), transitioning to new markets
- Siemens shipments remained steady in the UK and China
- Scientific Magnetics secured first service contracts with partner MR Resources Inc.
- Expansion of relationship with QOne NMR Instruments in Wuhan, China
- Rapiscan relationship with Composite Products continues to build positively

Post Period-End Highlights
- £5m UK government contract won by Peter Brotherhood
- DOE Funding secured for innovative renewable solar technologies

Commenting on the results, Roger McDowell, Chairman, said:
“It has been an exciting year, during which, the Group continued to execute its Pinpoint-Invest-Exit strategy (PIE) through the acquisitions of Hayward Tyler Group (HTG) and also Ormandy Group. With an eye on eventual exits, we have restructured the Group into two separate energy divisions and an incubator medical division. A highlight of FY2018 was the speedy and successful integration of the substantial Hayward Tyler Group acquisition. The new Energy divisional structures and management teams have become effective quickly and their focus is clearly on growth, to build two formidable and valuable divisions. The nascent medical division made slower progress, though we have galvanised our strategic path by partnering on service with MR Resources Inc.

We are nurturing an unswerving focus on aftermarket opportunities, as we service end-user customers with fast, local and flexible solutions, resulting in strong growth prospects. Nuclear life extension and decommissioning markets also continue to provide fertile ground for growth, underpinned by contract wins in the UK, USA, South Korea and mainland Europe. However, we are mindful of avoiding over-dependence on nuclear and thus, we are developing into new markets, such as renewables with (eg) funding from the DoE in the USA for future generation solar plants. Exciting times lie ahead.”

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

Energy and Medical

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

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

Hayward Tyler – Luton & East Kilbride, UK and USA, China and India
Specialises in the design, manufacture and servicing of performance-critical motors and pumps in challenging environments.

Peter Brotherhood – Peterborough, UK
Specialises in the design, manufacture and servicing of performance-critical steam turbines, turbo gen-sets, compressors, gear boxes and combined heat and power systems.

Composite Products Ltd – Buckingham, UK
Centre for composite technology, parts and assemblies, serving customers in industrial markets.

Scientific Magnetics – Abingdon, UK
Designs and manufactures superconducting magnet systems and associated cryogenic systems for a variety of markets.

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

Chairman's Statement

In an exciting year of execution and delivery for Avingtrans, it is pleasing to report an improved overall performance for FY2018, which saw significant acquisition activity and investment as the Group continued to execute its Pinpoint-Invest-Exit strategy (PIE).

The main highlight of our financial year was the successful integration of the substantial Hayward Tyler Group (HTG) acquisition, completed ahead of schedule. The Board are pleased to report that in integrating HTG, it has been able to achieve its targeted cost savings and the combined businesses are demonstrating the anticipated synergies, with an invigorated combined sales force and operational efficiencies. Avingtrans also completed the acquisition of the assets of Ormandy Group in the year; a leading provider of offsite heat exchange solutions, which now forms part of the Maloney Metalcraft business.

With one eye on eventual exits, we have restructured the Group into two separate energy divisions and an incubator medical division; Process Solutions and Rotating Equipment (PSRE), Engineered Pumps and Motors (EPM) and Medical and Industrial Imaging (MII).

The new Energy divisional structures and management teams have become effective in short order and with two solid platforms displaying good global reach, product and service diversity, their focus is now clearly on growing into formidable and valuable businesses.

From Avingtrans' existing assets and the Board's ongoing strategy of shrewd acquisitions, the Group has laid the foundations to create a new medical and industrial imaging division, which promises to produce a unique market offering.

Common across all three divisions is a strategic aim to develop robust value propositions, including aftermarket services to support OEM and end-user customers, who are either operating Group products or systems, or who have operational problems that the Group can solve with its combined capabilities. This improved end-user model not only drives profitability and gives a more predictable and repeatable pipeline, but also boosts product and service development and innovation, given the deep knowledge of customer risks and issues that is developed. We are particularly keen to maximise the revenue opportunities arising from the aftermarket access afforded by recent acquisitions and partnerships.

The Process Solutions and Rotating Equipment (PSRE) division recently added the assets of Ormandy to its portfolio and in parallel is continuing to refine its offering to the UK nuclear decommissioning market – especially to Sellafield - whilst also using this capability to position for longer term new nuclear technologies.

The Engineered Pumps and Motors (EPM) division bolstered its capability in India with a new motor rewind centre and has now opened a new 4000 square metres facility in Kunshan, China. Both of these enhanced capabilities will help secure the end-user business in the region, including the valuable aftermarket. These facilities also act as operational hubs for the sale of original equipment, cost effective sourcing, engineering and tendering, as the shift for EPM to become a seamless global operation takes shape. We are also considering the options to maximise the site utilisation at Luton, UK, given this evolving strategy.

The Medical and Industrial Imaging (MII) division continues to show modest revenue growth, with both the UK and Chinese businesses establishing their positions in the supply chain. As the new equipment business develops into growing niche markets, the addition of Scientific Magnetics Ltd and the MR Resources Inc. pan-European partnership - to bring Nuclear Magnetic Resonance (NMR) system support, servicing and service contracts to European NMR users - will underpin the significant investment in this division.

For the seventh successive year, the Board has declared an increased final dividend of 2.3 pence per share, producing a full year total of 3.6 pence per share, underlining our commitment to long term shareholder returns and our positive view about the short and longer-term prospects for the Group.

Finally, during the year, Ewan Lloyd-Baker (formerly CEO, HTG) and John Clarke (formerly CEO of the Nuclear Decommissioning Authority) joined the Board as NEDs. I warmly welcome them and all of the HTG and Ormandy staff to Avingtrans. Their passionate and energetic efforts to create world class engineering enterprises will enrich the Group. On behalf of the shareholders, I thank them and all Avingtrans employees for their hard work and commitment to the Group during the past 12 months, as we look forward with relish to FY2019.

Roger McDowell
Chairman
2 October 2018

Strategy and business review

Group Performance

Group Strategy

Our core strategy is to buy and build engineering companies in niche markets where we see consolidation opportunities; a strategy we call Pinpoint-Invest-Exit ("PIE"). We have had a strong track record in returning significant shareholder value over the past decade and 2018 was another successful year; further demonstrable proof of execution and transition into the global energy space through the successful acquisition and effective integration of the HTG business.

With an increased presence in the market place, strength in depth of the management team and a lean central structure with a focus on its divisions, the Group is poised to continue this growth and the Board has renewed its focus on seeking valuable additions to the Avingtrans proposition.

All of the Group's key financial metrics showing positive growth in what continued to be challenging market conditions in some areas (e.g. Oil and Gas) and despite a period of restructuring for the Group; the successful and swift integration of HTG was executed efficiently and effectively.

The three new divisions are fully operational and the business is focused on the global Energy and Medical markets. Both of these markets play into some of the world's mega-trends, including continued urbanisation and general prosperity, an ageing population and a transition towards a cleaner and healthier planet. For example, world GDP is expected to more than double by 2040, driven by increasing prosperity in emerging economies, as more than 2.5 billion people are lifted from low incomes.

Divisional Strategies

Engineered Pumps and Motors (EPM, Energy): EPM continues to develop its nuclear installed base (civil and defence) – notably for life extension applications - and its offering to the fossil fuels market sectors. In addition, the EPM business is developing solutions for new nuclear technologies and other low carbon energy sources, concentrated solar for example, to capitalise on the global energy supply transition.

Process Solutions and Rotating Equipment (PSRE, Energy): The primary strategy is developing a comprehensive offering to the nuclear decommissioning and reprocessing markets, building on the long-term contracts to build nuclear waste storage containers and the installed base of equipment across the vast Sellafield site. In parallel, continuing to support the nuclear submarine fleet and facilities for the UK MOD and targeted opportunities in the equally highly regulated offshore Oil & Gas markets.

Medical and Industrial Imaging (MII, Medical): The focus for the medical division is to become a niche market leader in the production of high integrity components and systems for medical and scientific equipment manufacturers including MRI, proton therapy and Nuclear Magnetic Resonance (NMR).

One common theme we are looking to exploit across energy and medical, is the continued pressure on aftermarket expenditure, especially in OECD countries, where operational efficiency, reliability and safety are paramount and operators are looking to their supply chain partners to provide long term support of aging infrastructure and legacy installations. Connecting with end-users and understanding and solving operational problems for the present and the future has the added benefit of focusing the front end development work on products and services that strengthen the Group's position as a through-life / aftermarket partner in its chosen end markets.

As energy capital goods markets continue to recover, M&A activity remains strong and businesses like ours are commanding high valuations. Avingtrans remains confident about the current strategic direction and potential future opportunities across all of its chosen markets.

Markets - Energy

The global demand for energy continues to rise steadily, driven primarily by population increase and continued urbanisation and improved prosperity. In the longer term, the latest estimates show that overall demand may slow, due to increased efficiency and decarbonisation, but for the time being the global energy compound annual growth rate (CAGR) can be assumed to be of the order of 2%.

The energy market can be dissected by use, by region and by fuel with some general observations as follows:

- End Use – industry remains the prime user with over 50% demand, the other 50% is split mostly between transport and buildings, with transport seeing a slight future reduction due mainly to efficiencies and vehicle electrification.

Markets – Energy (continued)

- End Region – almost all of the growth in energy demand comes from fast-growing developing economies. China, India and other emerging Asian countries account for around two-thirds of the growth.
- Fuel Type – the energy mix by fuel continues to diversify, with the fastest growing being renewables, but also with gas growing faster than coal and oil. The transition is still slow however and coal as a fuel for generating electricity will remain the number one choice throughout the next decade, even though the introduction of new plants is in long term decline.

End User/Aftermarket

As the overall energy landscape continues to evolve, the demand for best in class through-life support to operators and end-users continues to be paramount. Increasing mean time between failures, improving the predictability of equipment performance and increasing efficiency and ultimately operator and public safety are consistent market drivers across all the energy markets.

Operators and end-users are demanding a blend of quick response through local support with an overarching requirement to drive improvements through equipment upgrades and modernisation. In the West, where facilities are being operated for longer than their intended design lives - and often a drive for increased capacity alongside tougher regulations - there is a strong demand for true solution providers in the supply chain to partner with end-users for the longer term.

The Avingtrans energy divisions are well positioned to grow in this end-user market space. With increased relevance and global reach, balanced alongside heritage and renowned expertise, they can find niche positions and value propositions alongside the huge global players and the local independents.

Nuclear

Nuclear energy as a low carbon, baseload power source for the future remains an uncertain market place with respect to future growth. Almost all the 1GW+ new build opportunities are currently in Asia, with the exception of the UK programme, and as the market develops the Asian developers, alongside the Russians, with their ability to fund projects, are dominating this section of the market.

However, we still foresee buoyant market segments supporting the operational fleet, continued safe operation and life extensions, the back end of the fuel cycle, decommissioning and reprocessing, and the development of the next generation of technologies ie Small Modular (SMR) or Advanced Generation IV Reactors. In addition they all have the backdrop of a dwindling supply chain and expert knowledge which plays directly to the Avingtrans capability.

The USA still operates the biggest civil nuclear fleet in the world, 99 reactors generating more than 30% of the world's nuclear electricity. When coupled with the heritage Westinghouse technology operating in Europe and Asia, the EPM division's long standing position in this market place is fertile ground for further growth. Obsolescence is a key issue globally for nuclear operators and the Avingtrans Energy Divisions are well positioned to support operators with this key operational issue.

The UK remains dominant when it comes to decommissioning and reprocessing, both in terms of innovative technology and overall spend. The Group is embedded in the future manufacture of waste containers for Sellafield and with an installed base and experience across this market, will continue to expand its presence in the UK and globally in the longer term.

The development of new nuclear technologies is ongoing, with pockets of development in the USA, UK, China, Russia and South Korea. The USA and China are dominating activity and the Group views these new technologies as an attractive route forwards for nuclear and, with its increased presence and product offering, is positioned well to develop as an industry partner.

Power Generation

The world continues to electrify, with an ever increasing amount of primary energy going to the power sector which remains a key focus across the Group's energy divisions. Aside nuclear, discussed in the previous section, the main sub-sectors are as follows:

- **Coal** – The Group continues to see good aftermarket from coal fired power stations even though the demand for new power stations is in decline. Opportunities still exist in India, China, South East Asia, Eastern Europe and the Middle East and EPM is optimising its product line to take market share and to create tomorrow's aftermarket.

Markets – Energy (continued)

- **Gas** – Natural gas, primarily in the form of combined cycle gas turbine power plants is a growing market space, primarily in the West. Still not dominated by Asian EPCs and equipment suppliers, the Group is moving into this market space with both existing and new product lines.
- **Renewables** – renewable technologies and their supporting infrastructure are a growing market globally. The Group has a broad range of products that can be applied directly to this market and also expertise that can be used to develop new products for niche parts of this market such as molten salt for concentrated solar applications. With biomass and waste to energy being developed slowly in Europe and concentrated solar being driven by China and the USA, the Group is well positioned to exploit this growing market from across its entire energy portfolio.

Oil & Gas
After several years of oversupply, the industry feels much healthier than it did 12 months ago and the price of oil has rebounded with Brent crude now trading above $70 a barrel. The industry is recovering from the recent years of weak prices, low capital expenditure, portfolio realignments, and productivity efficiencies and the effect is starting to be seen across the Oil & Gas sector.

- **Upstream** – Investment in exploration is now increasing 6% year on year, which although still only half what it was at the beginning of the decade, marks a massive change over recent years. Operating expenditure is now being released to secure current operations, resulting in capex beginning to be slowly released for major new projects. The Group is witnessing the front end of this activity through increased bidding and is optimistic regarding future projects. The ongoing investments in disruptive technologies such as the subsea boosting technology from F-Subsea that EPM is an exclusive partner to, are now poised to move through the development phase to full deployment, as the market reopens.
- **Midstream** – The longer term midstream trend of interest to the Group, is the evolving liquefied natural gas (LNG) market, for which there is a growing demand and a continual import export transition developing. However, although the market predictions for FLNG and FRSU vessels remain bullish, in reality activity in the supply chain remains stagnant. The Group maintains a close eye on developments and supports projects at the appropriate level from early engineering ("FEED") studies. Timing remains challenging, but the Group is confident of securing some projects.
- **Downstream -** Slower growth in liquids demand combined with continued growth of LNG and biofuels continues to put pressure on global refining. New refinery projects which are already planned or under construction for the next five years are judged to be sufficient to meet new capacity. However, the Group's equipment is installed in critical systems on existing plants where continued operation is key, so aftermarket opportunities are strong. In some cases, such as the UK, where the supply chain companies are reducing in number, the Group is well positioned to adopt long term service partnerships across a range of systems and rotating equipment.

Digitalisation
Companies across the energy market continue to invest in digital technologies to improve productivity, efficiency and predictability in the field. At equipment level this translates to a series of devices, sensors and databases that can both predict breakdowns before they occur and ensure equipment is running at its optimum performance. The Group has successfully launched its first monitoring product, DataHawkTM, for Boiler Circulating Pumps and will build off this success to add this capability to both a wider set of original equipment and its aftermarket service offering.

Markets – Medical
The Diagnostic (medical) and molecular imaging markets are large global sectors, dominated by a few large systems manufacturers. The total Diagnostic Imaging Market is c$34bn (2016) and expected to grow at 5% per annum over the next 10 years.

The largest market is the USA (25%), followed by Europe (19%) and Japan (17%). China (12%) and India (3%) are the fastest growing markets. Three companies (Siemens, GE and Philips) account for an estimated 78% of revenue in the market.

The Avingtrans medical division is primarily targeting the Magnetic Resonance Imaging (MRI) and Nuclear Magnetic Resonance (NMR) segments of these markets, due to the common thread requirements for superconducting magnets and cryogenics. These two segments account for approximately 85% of our business in the medical division. Market drivers for these segments include ageing populations worldwide and the global pharmaceutical industry's research needs. MRI is approximately 16% by value of the total diagnostic Imaging market and projected to grow at 5% p.a. NMR is a smaller market, currently estimated at $650m p.a. and growing also at 5% p.a, with Bruker enjoying a current market share of over 80%.

Markets – Medical (continued)

End User/Aftermarket
The MRI market segment is dominated by a handful of global manufacturers, including GE, Siemens and Philips. These players also dominate the aftermarket, though there are a few independent MRI service businesses in existence. Avingtrans is not present in the MRI aftermarket at this time.

The NMR market is similar, currently dominated by Bruker (CH/DE) and Jeol (JA). Avingtrans is now closely aligned MR Resources Inc, a well-established US business, which services the NMR aftermarket. The Avingtrans medical division is well positioned in this end-user market space and has now started to win service contracts with European NMR users, following our recent partnership agreement with MR Resources.

MRI
As noted above, the MRI market segment is dominated by a handful of global manufacturers. For component and sub-system supply, Avingtrans is most aligned to the market leader, Siemens and also to Canon, which acquired the Toshiba MRI business in recent years. As far as full system supply is concerned, we are currently investigating a number of niche MRI applications (eg veterinary imaging) and their associated routes to market, with the intention of pinpointing the most promising of these for future investment.

NMR
The previous attempts by Avingtrans to align with the market leader Bruker were unfruitful, so we have pivoted to align with new market entrant Q One Instruments of Wuhan, China and also with MR Resources of the USA, as noted above. Together, we form an alliance to challenge the dominance of the existing players and to provide the customers with an additional source for NMR products, service and support. Former NMR customers of Agilent (formerly Varian) are also being given much needed support. Whilst early days for this initiative, we are already seeing success in winning support contracts for end users and the prospect list for Q One Instruments is promising.

Operations
The two energy divisions are now fully restructured and the necessary right-sizing of both Hayward Tyler and Peter Brotherhood was completed quickly and effectively, being assisted by a common IT platform.

Operational Key Performance Indicators (KPIs)

	2018	2017
• Customer Quality – defect free deliveries (%)	97.3	99.2
• Customer on time in-full deliveries (%)	84.2	99.7
• Annualised staff turnover including restructuring (%)	17.3	10.2
• Health, Safety and Environmental incidents per head per annum	0.14	0.13

Customer quality and on-time deliveries were adversely affected this year – mainly due to lower performance in HTG, which was struggling with deliveries, as a result of cash flow issues and a resulting creditor overhang. These statistics have been gradually improving since the acquisition. Staff turnover was also impacted by the substantial restructuring of HTG in the period. Pleasingly, HSE statistics were similar between the businesses.

EPM Division – Energy
The EPM division, which represents the bulk of the legacy Hayward Tyler companies (excluding East Kilbride) has an enviable installed base across the globe and strong brand recognition. Coupled with its strong domain knowledge across the energy market and its core competencies in wet wound electrical motors, canned motor pumps and nuclear codes and standards, the division continues to expand its end-user offering.

The division finds itself in a relatively strong position, since it is more agile than some of its bigger competitors, has a respected OEM brand unlike the local independents and is able to offer a strong solution-based offering for its own installed base as well as other Original Equipment Manufacturers.

With a fully developed presence in Europe and North America, the division has now completed the opening of its delayed new China facility and the new motor rewind centre in India. The integration of these regional centres alongside other regional partners in key territories will give the division expanded global reach, capability and the platform to expand its end-user business.

Operations (continued)

In the UK, EPM has recently signed an Authorised Channel and Service Partner agreement with Baker Hughes, a GE company (BHGE), which has significant installed base in the UK, but no effective local facility to service, overhaul and upgrade their equipment. Customers are demanding a quicker, more local response and, between EPM and BHGE, both respected but non-competing OEMs, this partnership will provide both incremental growth and also a template for other such opportunities around the world.

In addition to the drive for improved end-user business, EPM is also addressing the shift towards a low carbon energy future. Its experience and product knowledge have allowed it to gain its first order from a Gen IV nuclear developer in the USA for a future molten salt technology and also funding from the US Department of Energy to develop molten salt pump technology for advanced concentrated solar applications. With its new range of pumps and its optimised seal-less circulating pumps for natural gas and a range of renewable technologies, EPM is slowly but surely reducing its reliance on coal fired power stations.

PSRE Division – Energy

Following the roll out of the new divisional structure, PSRE acquired the trade and assets of Ormandy Ltd for £0.1m. The Ormandy Group manufactures off-site plant, heat exchangers and other HVAC (heating, ventilation and air conditioning) products and the synergies that exist between the Ormandy Group and the PSRE businesses will allow Ormandy to re-establish its presence in an improving market space.

The Hayward Tyler fluid handling business in East Kilbride, Scotland was moved into the PSRE division, to expand its capability and capacity to support the nuclear decommissioning and reprocessing market in the UK. This further strengthened the division's strategic relationship with Sellafield Limited and the Nuclear Decommissioning Authority. Given the addition of John Clarke as a NED, this active market place clearly remains a key focus for us.

In parallel to the end-of-fuel-cycle nuclear market above - and with the addition of the Peter Brotherhood capability - the Group also has a keen interest in both the UK nuclear submarine fleet and associated facilities, as well as developing new nuclear technologies like SMRs (Small Modular Reactors). The division has a good installed base on the UK submarine fleet, is the chosen manufacturing partner for the Astute steam turbines and through this experience has the right capability, nuclear culture and experience to support longer term nuclear technologies.

Away from nuclear, the divisional brands also have a strong presence in the Oil and Gas market place through the likes of Peter Brotherhood and Maloney Metalcraft. This market remains challenging, but activity is increasing and with the global demand for LNG still predicted to grow significantly, the Group is quietly confident about future opportunities that play to its strengths in high quality, highly engineered, highly regulated engineering solutions.

Aligned with the overall Group strategy to focus on end-user business, the division has seen an increase in the ratio of end-user to OEM sales. In particular Peter Brotherhood saw increased aftermarket sales across its installed base, including on one occasion an entire replacement steam turbine. End user service arrangements have been signed to gain better access to the reciprocating compressor installed base and a refresh of the channel partners and agents has been concluded, to allow complete focus on this aspect of the business. The business has a well-developed end-user value proposition and with improved agility and customer relevance, is confident of further growth.

Finally, the Crown business remains a small but solid performer in the division with new applications becoming apparent for its "smart" pole solutions. The first of these was the previously won contract for Fluor, for flame-detector masts. These masts are being deployed in a large scale petrochemical plant, to improve overall site safety.

MII - Medical Division

Strategic progress at Scientific Magnetics is promising, but the expected resulting orders have been slower to materialise than originally thought and this business made a loss for the year, as anticipated at the half year. However, we have continued to invest in the business for the longer term and, early in 2018, we launched a Europe-wide Nuclear Magnetic Resonance (NMR) service and support offering with our US partner, MR Resources Inc. This potentially exciting development will only start to bear fruit in the current financial year, but this new service offering means that all three divisions now have access to a solid aftermarket revenue stream.

Metalcraft UK's business with Siemens for MRI components continues to be steady, but progress in China with other vacuum vessel customers – e.g. Alltech - was somewhat slower in ramping up and was behind plan overall for the year. Composite Products had a solid year, with deliveries to Rapiscan improving steadily and showing promise for next year. Other smaller accounts also supported revenues at this unit and a return to profit.

Financial Performance

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

Revenue: HTG acquisition drives growth
Overall Group revenue increased to £78.9m (2017: £22.7m), primarily driven by the effect of the HTG acquisition. Underlying revenue growth, excluding acquisitions was 10.9%.

Gross margin was 25.5% (2017: 17.9%) helped by higher HTG gross margin, whilst margins excluding HTG were slightly down at 15.2%, due to completion of a few legacy loss-making contracts following the Ormandy acquisition and underutilisation at Scientific Magnetics, as it undergoes a transition to new markets.

Profit margin: results skewed positively by acquisition effects
Adjusted EBITDA (note 2) increased by 690% to £5.7m (2017: £0.7m) with HTG contributing £5.1m in the 9 months following acquisition. Operating loss increased to £3.8m (2017: £0.5m) mainly due to the significant HTG exceptional costs which were incurred in the period, initially for the acquisitions (£1.6m), subsequently for right-sizing and restructuring £1.7m and the amortisation of intangibles from business combinations (£3.3m). Of this £1.9m EBIT related to HTG (note 5) and £2.6m (note 1) from central costs including the direct costs of the HTG acquisition £1.5m (note 5).

Tax: potential US upside to come next year
The effective rate of taxation at Group level was a 0.3% tax credit primarily due to a deferred tax credit arising from the amortisation of business intangibles offsetting the US tax charge, whereas FY17 was a 3.9% tax charge. Following the acquisition of HTG, we have a US business historically paying 39% tax which reduced to c.27% following the recent US announcements from January 2018. The effective tax charge for the Group is also impacted by the non-allowable transaction costs in the current year and not recognising all the trading tax losses in the UK. The tax position will be aided in the coming years, not only through the reduced US rate, but also as we utilise elements of the UK and China tax losses.

Adjusted Earnings per Share (EPS):
Adjusted diluted earnings per share for continuing operations improved to 8.4p (2017: 1.1p)

Funding and Liquidity: Net Debt post acquisition remains low
Net Debt was £7.1m (31 May 2017: Net cash: £26.4m). HTG's higher cost debt (£11.5m) elements were repaid at acquisition and a further £10.7m absorbed, with HTG costs of £3.7m also being incurred and paid. During the period, £3m was removed from the HTG creditor overhang at the time of acquisition, with further right-sizing restructuring costs of £1.7m and Avingtrans acquisition costs of £1.6m also being paid alongside a further working capital investment of £4.4m, principally HTG post acquisition. Following the acquisition of Ormandy, it has been trading out a few remaining loss-making contracts and rebuilding its business to be in a profitable position. However, this has required a cash investment for working capital and initial underutilisation, which has since improved. Notwithstanding this significant cash investment in the acquisitions during the year, the Directors consider the Group to have sufficient financial resources to deliver its short term strategic objectives, and maintain a strong relationship with its banking partners.

Interest increased due to the additional debt assumed for the HTG acquisition. Additionally it includes exceptional costs of £0.2m arising from the loss on derivatives and the unwinding of discounting on the dilapidation provision.

Dividend: steady progress continues
The Board again proposes to underpin our progressive dividend policy. We are pleased to be able to recommend an improved final dividend of 2.3 pence per share (2017: 2.2 pence per share). We intend to continue on this progressive path, subject to the outcome of acquisition activities in the coming years. The dividend will be paid on 7 December 2018, to shareholders on the register at 26 October 2018.

Acquisition: fair value review
The fair value of the assets and liabilities of the acquisitions (note 5) were reviewed including as assessment of the carrying value in use of the properties which resulted in an impairment of the Luton facility of £4.5m.

People

At Board level, Ewan Lloyd-Baker was formally admitted to the Board upon completion of the acquisition of HTG. John Clarke, formerly the CEO of the Nuclear Decommissioning Authority (NDA), also joined the Board as a non-executive director. Within the Group structure, Colin Elcoate was confirmed as the Chief Commercial Officer for Avingtrans.

The new divisional structure has driven other top management changes, as follows:

- Mike Turmelle was promoted to Divisional Managing Director of the EPM division
- Austen Adams continued as Divisional Managing Director of the expanded PSRE division
- Austen Adams is also Acting Divisional Managing Director of the MII division and will continue in this role until the medical businesses fully separate from our energy assets and a full senior team is in place.

The management teams in the three divisions continue to be strengthened, with a number key appointments being made in the year and with emphasis on the importance of the aftermarket opportunities. Skills availability is always challenging, but we do not expect to be unduly constrained by shortages. Avingtrans continues to invest significant effort in developing skills, both through structured apprenticeship programmes and also graduate development plans. The Group continues to be recognised nationally for the strength of its apprenticeship and graduate training schemes. Metalcraft recently won the top accolade for 'SME Investment in Skills' at the SEMTA (Scientific, Engineering, Manufacturing & Technology Alliance) 2018 Awards.

Our global workforce is now becoming more integrated and this provides additional capability, capacity and innovative thinking around the clock, to support to our global blue-chip customer base.

Health, Safety and Environment (HSE)

The Group takes HSE matters and its related responsibilities very seriously.

As regular acquirers of businesses, we find different levels of capability and knowledge in different businesses. Often, a key investment need in smaller acquisitions is to spread HSE best practice from other Group businesses and bring local processes up to required standards. Larger acquisitions like HTG have well developed HSE practices and we seek to learn from these in other business units.

Health and Safety incident reporting has improved across the Group and incident trends have generally been improving over recent years. Near miss reporting and knowledge exchange is also positively encouraged, to facilitate learning and improvement. At Board level, Les Thomas has HSE oversight and he conducts inspections with local management as appropriate.

The Group's environmental policy 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 HSE regulations.

Social Responsibility

It is paramount that the Group maintains the highest ethical and professional standards across all of its activities and that social responsibility should be embedded in operations and decision making. We understand the importance of managing the impact that the business can have on employees, customers, suppliers and other stakeholders. The impact is regularly reviewed to sustain improvements, which in turn support the long-term performance of the business.

Our focus is to embed the management of these areas into our business operations, both managing risk and delivering opportunities that can have a positive influence on our business.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them directly and on financial and broader economic factors affecting the Group. The Group regularly reviews its employment policies. The Group is committed to a global policy of equality, providing a working environment that maintains a culture of respect and reflects the diversity of our employees. We are committed to offering equal opportunities to all people regardless of their sex, nationality, ethnicity, language, age, status, sexual orientation, religion or disability.

We believe that employees should be able to work safely in a healthy workplace, without fear of any form of discrimination, bullying or harassment. We believe that the Group should demonstrate a fair gender mix across all levels of our business, whilst recognising that the demographics of precision engineering and manufacturing remain predominantly male, which is largely beyond our control.

Ethical policy

The Group complies with the Bribery Act 2010. We do not tolerate bribery, corruption or other unethical behaviour on the part of any of our businesses or business partners in any part of the world. Employee training has been completed in all areas of the business to ensure that the Act is complied with.

Outlook

Avingtrans is a niche engineering market leader in the Energy and Medical sectors. Recent acquisitions (particularly that of HTG) will afford investors another opportunity to build enduring value with us in a rich seam of engineering market niches. We will continue to be frugal and seek to crystallise value and return capital when the timing is right, as part of our successful PIE strategy.

The Group is now focused on investing in its three new divisions in the global energy and medical markets, to position them for maximum shareholder value via eventual exits in the years to come. To this end, it was essential that the integration and restructuring following the acquisition of HTG was both quick and clinical, allowing the management team to concentrate on profitable future growth.

The energy divisions have a strong emphasis on both the nuclear and off shore Oil & Gas markets, both of which are showing signs of regeneration. The medical division continues to focus on high integrity components and systems for leading medical, industrial and scientific equipment manufacturers.

To drive short term profitability and market engagement, all divisions have clear strategies to support end-user aftermarket operations, whether by servicing their own equipment or that of third parties, to capitalise on the continued drive for efficient, reliable and safe facilities.

We are not unduly concerned by Brexit, since our direct EU exposure is rather limited and we have taken some initial evasive action in our supply chains, with likely further such actions to follow, depending on the exact nature of the Brexit deal. Similarly, US government tariff change risks have been largely mitigated by an agile supply chain response and we will continue to monitor this situation closely.

As markets continue to recover, M&A activity remains strong and businesses like ours can command high valuations at the point of disposal, as was perfectly exemplified by the Sigma sale previously. At Avingtrans, we are confident about the current strategic direction and potential future opportunities across our markets and sphere of influence. We will continue to hone our business by pinpointing specific additional acquisitions as the opportunities arise, to invest and build businesses that we expect to attract premium valuations.

Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	Chief Executive Officer	Chief Financial Officer
2 October 2018	2 October 2018	2 October 2018

Consolidated Income Statement
for the year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Revenue	1	**78,864**	22,714
Cost of sales		**(58,787)**	(18,659)
Gross profit		**20,077**	4,055
Distribution costs		**(4,050)**	(713)
Share based payment expense		**(69)**	(34)
Acquisition costs		**(1,567)**	(101)
Restructuring costs		**(1,699)**	(182)
Tender share buyback costs		**-**	(226)
Amortisation of intangibles from business combinations		**(3,303)**	-
Other administrative expenses		**(13,231)**	(3,265)
Total administrative expenses		**(19,869)**	(3,808)
Operating loss	1	**(3,842)**	(466)
Finance income		**36**	219
Finance costs		**(692)**	(38)
Loss before taxation		**(4,498)**	(285)
Taxation	3	**12**	(11)
Loss for the financial year attributable to equity shareholders		**(4,486)**	(296)
Loss per share:			
From continuing operations			
- Basic	4	**(16.0)p**	(1.3)p
- Diluted	4	**(16.0)p**	(1.3)p

Consolidated statement of Comprehensive income

	2018 £'000	2017 £'000
Loss for the year	**(4,486)**	(296)
Items that will not be subsequently be reclassified to profit or loss		
Remeasurement of net defined benefit liability	**71**	-
Income tax relating to items not reclassified	**(14)**	-
Items that may/will subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(137)**	10
Total comprehensive income for the year attributable to equity shareholders	**(4,566)**	31,732

Consolidated statement of changes in equity at 31 May 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Investment in own shares £'000	Retained earnings £'000	Total £'000
At 1 June 2016	1,387	10,903	814	-	(8)	180	(1,000)	52,477	64,753
Ordinary shares issued	56	1,868	-	-	-	-	-	-	1,924
Dividends paid	-	-	-	-	-	-	-	(886)	(886)
Investment in own shares	-	-	-	-	-	-	(1,250)	-	(1,250)
Tender share buyback	(485)	-	485	-	-	-	-	(19,383)	(19,383)
Share-based payments	-	-	-	-	-	-	-	34	34
Transactions with owners	(429)	1,868	485	-	-	-	(1,250)	(20,235)	(19,561)
Loss for the year	-	-	-	-	-	-	-	(296)	(296)
Other comprehensive income									
Exchange gain	-	-	-	-	10	-	-	-	10
Total comprehensive income for the year	-	-	-	-	10	-	-	(296)	(286)
Balance at 31 May 2017	**958**	**12,771**	**1,299**	**-**	**2**	**180**	**(2,250)**	**31,946**	**44,906**
At 1 June 2017	958	12,771	1,299	-	2	180	(2,250)	31,946	44,906
Ordinary shares issued	595	614	-	28,949	-	-	-	-	30,158
Dividends paid	-	-	-	-	-	-	-	(906)	(906)
Investment in own shares	-	-	-	-	-	-	(585)	-	(585)
Share-based payments	-	-	-	-	-	-	-	69	69
Transactions with owners	595	614	-	28,949	-	-	(585)	(837)	28,736
Loss for the year	-	-	-	-	-	-	-	(4,486)	(4,486)
Other comprehensive income									
Actuarial gain for the year on pension scheme	-	-	-	-	-	-	-	71	71
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	(14)	(14)
Exchange gain	-	-	-	-	(137)	-	-	-	(137)
Total comprehensive income for the year	-	-	-	-	(137)	-	-	(4,429)	(4,566)
Balance at 31 May 2018	**1,553**	**13,385**	**1,299**	**28,949**	**(135)**	**180**	**(2,835)**	**26,680**	**69,076**

Consolidated Balance Sheet
at 31 May 2018

	2018 £'000	2017 £'000
Non current assets		
Goodwill	**23,369**	5,198
Other intangible assets	**15,612**	1,442
Property, plant and equipment	**27,595**	4,850
Deferred tax	**1,454**	-
Pension and other employee obligations	**1,590**	-
	69,620	11,490
Current assets		
Inventories	**10,341**	5,618
Trade and other receivables : amounts falling due within one year	**34,606**	9,038
Trade and other receivables : amounts falling due after one year	**-**	580
Current tax asset	**608**	52
Cash and cash equivalents	**6,574**	27,703
	52,129	42,991
Total assets	**121,749**	54,481
Current liabilities		
Trade and other payables	**(26,179)**	(7,870)
Obligations under finance leases	**(1,179)**	(142)
Borrowings	**(6,719)**	(179)
Current tax liabilities	**(15)**	-
Provisions	**(6,135)**	-
Derivatives	**(127)**	-
Total current liabilities	**(40,354)**	(8,191)
Non current liabilities		
Borrowings	**(4,435)**	(896)
Obligations under finance leases	**(1,375)**	(37)
Deferred tax	**(2,914)**	(195)
Contingent consideration	**(256)**	(256)
Other creditors	**(3,339)**	-
Total non-current liabilities	**(12,319)**	(1,384)
Total liabilities	**(52,673)**	(9,575)
Net assets	**69,076**	44,906
Equity		
Share capital	**1,553**	958
Share premium account	**13,385**	12,771
Capital redemption reserve	**1,299**	1,299
Translation reserve	**(135)**	2
Merger reserve	**28,949**	-
Other reserves	**180**	180
Investment in own shares	**(2,835)**	(2,250)
Retained earnings	**26,680**	31,946
Total equity attributable to equity holders of the parent	**69,076**	44,906

Consolidated Cash Flow Statement
for the year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Cash flows from operating activities		**(6,142)**	(3,221)
Finance costs paid		**(363)**	(38)
Income tax paid		**(212)**	(1)
Contributions to defined benefit plan		**(175)**	-
Net cash outflow from operating activities		**(6,892)**	(3,260)
Investing activities			
Acquisition of subsidiary undertakings , net of cash acquired	**5**	**(11,896)**	(585)
Finance income		**13**	219
Purchase of intangible assets		**(712)**	(626)
Purchase of property, plant and equipment		**(2,654)**	(484)
Proceeds from sale of property, plant and equipment		**-**	13
Net cash used by investing activities		**(15,249)**	(1,463)
Financing activities			
Equity dividends paid		**(906)**	(886)
Repayments of bank loans		**(3,483)**	(334)
Repayments of obligations under finance leases		**(1,025)**	(292)
Proceeds from issue of ordinary shares		**47**	612
Purchase of shares - tender buyback		**-**	(19,383)
Proceeds from borrowings		**6,289**	-
Net cash inflow/(outflow) from financing activities		**922**	(20,283)
Net decrease in cash and cash equivalents		**(21,219)**	(25,006)
Cash and cash equivalents at beginning of year		**27,703**	52,923
Effect of foreign exchange rate changes on cash		**81**	(214)
Cash and cash equivalents at end of year		**6,565**	27,703

Cash flows from operating activities:
for the year ended 31 May 2018

	2018	2017
	£'000	£'000
Continuing operations		
Loss before income tax from continuing operations	**(4,498)**	(285)
Adjustments for:		
Depreciation	**2,532**	525
Amortisation of intangible assets	**374**	120
Amortisation of intangibles from business combinations	**3,303**	-
Gain on disposal of property, plant and equipment	**-**	(13)
Finance income	**(36)**	(219)
Finance expenses	**692**	38
Share based payment charge	**69**	34
Changes in working capital		
Increase in inventories	**4,144**	(2,482)
Increase trade and other receivables	**(8,618)**	(1,654)
Increase in trade and other payables	**(3,088)**	711
Increase in provisions	**(1,039)**	-
Other non cash changes	**23**	4
Cashflows from operating activities	**(6,142)**	(3,221)

Notes to the Preliminary Statement
31 May 2018

1 **Segmental analysis**

Year ended 31 May 2018	Energy EPM £'000	Energy PSRE £'000	Medical MII £'000	Unallocated central items £'000	Total £'000
Original Equipment	15,194	20,096	10,410	-	45,700
After Market	21,581	11,583	-	-	33,164
Revenue	36,775	31,679	10,410	-	78,864
Operating profit/(loss)	(1,532)	425	(109)	(2,626)	(3,842)
Net finance costs					(656)
Taxation					12
Loss after tax from continuing operations					(4,486)
Segment non-current assets	37,636	27,174	4,810	-	69,620
Segment current assets	23,484	22,322	3,645	2,678	52,129
Segment liabilities	(28,632)	(15,933)	(2,572)	(5,536)	(52,673)
Net assets	32,488	33,563	5,883	(2,858)	69,076
Non-current asset additions					
Intangible assets	10	255	447	-	712
Tangible assets	1,438	854	362	-	2,654
	1,448	1,109	809	-	3,366

Energy-PSRE results include the acquisition of Ormandy and part of HTG acquisition which contributed £1,859,000 and £15,023,000 to Group revenue respectively and £82,000 and £390,000 loss after tax respectively (note 5). Energy-EPM is all part of the HTG acquisition (note 5).

Year ended 31 May 2017	Energy PSRE £'000	Medical MII £'000	Unallocated central items £'000	Total £'000
Original Equipment	301	-	-	301
After Market	12,309	-	-	12,309
Revenue	12,610	10,104	-	22,714
Operating profit/(loss)	456	428	(1,350)	(466)
Net finance costs				181
Taxation				(11)
Loss after tax from continuing operations				(296)
Segment non-current assets	7,482	4,008	-	11,490
Segment current assets	10,314	6,102	26,575	42,991
Segment liabilities	(4,158)	(2,241)	(3,176)	(9,575)
Net assets	13,638	7,869	23,399	44,906
Non-current asset additions				
Intangible assets	587	39	-	626
Tangible assets	316	168	-	484
	903	207	-	1,110

Notes to the Preliminary Statement (continued)
31 May 2018

Geographical

	2018 Revenue £'000	2017 Revenue £'000	2018 Non-current assets £'000	2017 Non-current Assets £'000
United Kingdom	**31,970**	18,635	**49,981**	10,111
Europe (excl UK)	**7,197**	785	**-**	-
United States of America	**14,210**	5	**17,792**	-
Africa & Middle East	**2,766**	1,846	**-**	-
Americas & Caribbean (excl US)	**1,190**	-	**-**	-
China	**5,286**	1,416	**1,841**	1,379
Asia Pacific (excl.China)	**16,117**	-	**6**	-
Rest of World	**128**	27	**-**	-
	78,864	22,714	**69,920**	11,490

The Group had Medical revenue of £nil (2017: £7,229,000) with single external customers under common control, which each represent more than 10% of the Group's revenue.

2 Adjusted Earnings before interest, tax, depreciation and amortisation

	2018 £'000	2017 £'000
Loss before tax from continuing operations	**(4,498)**	(285)
Share based payment expense	**69**	34
Acquisition costs	**1,567**	101
Restructuring costs	**1,699**	182
Tender share buyback costs	**-**	226
Loss on derivatives	**172**	-
Unwinding of discounting on dilapidation provision	**62**	-
Amortisation of intangibles from business combinations	**3,303**	-
Adjusted profit before tax	**2,374**	258
Finance income	**(36)**	(219)
Finance cost	**692**	38
Loss on derivatives/unwinding of discounting on dilapidation provision	**(234)**	-
Adjusted profit/ (loss) before interest, tax and amortisation from business combinations (‘EBITA’)	**2,796**	77
Depreciation	**2,532**	525
Amortisation of other intangible assets	**375**	120
Adjusted Earnings before interest, tax, depreciation and amortisation (‘EBITDA’)	**5,703**	722

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

3 Taxation

	2018 £'000	2017 £'000
Current tax	**1,156**	(58)
Deferred tax	**(1,168)**	69
	(12)	11

Notes to the Preliminary Statement (continued)
31 May 2018

4 Earnings per ordinary share

	2018 Number	2017 Number
Weighted average number of shares – basic	**27,952,066**	22,295,083
Share option adjustment	**360,448**	288,451
Weighted average number of shares – diluted	**28,312,514**	22,583,534

	2018 £'000	2017 £'000
Loss from continuing operations	**(4,486)**	(296)
Share-based payments	**69**	34
Acquisition costs	**1,567**	101
Restructuring costs	**1,699**	182
Tender share buyback costs	**-**	226
Loss on derivatives	**172**	-
Unwinding of discounting on dilapidation provision	**62**	-
Amortisation of intangibles from business combinations	**3,303**	-
Adjusted earnings attributable to shareholders	**2,386**	247
Basic loss per share	**(16.0)p**	(1.3)p
Adjusted basic earnings per share	**8.5p**	1.1p
Diluted loss per share	**(16.0)p**	(1.3)p
Adjusted diluted earnings per share	**8.4p**	1.1p

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

The basic loss per share attributable to ordinary shareholders and diluted loss per share for the year ended 31 May 2019 are identical because the dilutive impact of an exercise of share options would have the effect of reducing the loss per share and is, therefore, is not a dilution under the terms of IAS33.

Notes to the Preliminary Statement (continued)
31 May 2018

5 **Acquisitions**

Business combination – Hayward Tyler Group plc

On 1 September 2017 the Group acquired 100 percent of the issued share capital of Hayward Tyler Group plc ('HTG"'). The acquisition was made to enhance the Group's position in the Energy division. The provisional fair value of net assets acquired at the date of acquisition were as follows:

Fair value of assets and liabilities acquired	**£'000**
Other intangible assets	**837**
Property, plant and equipment	**22,846**
Deferred tax	**392**
Pension and other employee obligations	**1,320**
Inventories	**8,592**
Trade and other receivables	**17,095**
Cash and cash equivalents	**739**
Current tax asset	**1,251**
Derivatives	**45**
Trade and other payables	**(21,110)**
Obligations under finance leases	**(3,307)**
Borrowings	**(7,357)**
Provisions	**(7,175)**
Other creditors	**(3,545)**
Net assets	**10,623**
Business combinations intangibles assets identified	**16,082**
Deferred tax on intangibles identified	**(2,850)**
Goodwill	**18,171**
	42,026
Fair value of consideration transferred:	
Cash	**12,500**
Repayment of loans	**29,526**
Consideration	**42,026**
Cash acquired	**(739)**
Loans repaid	**12,500**
Acquisition costs charged to expenses	**1,469**
Net cash paid relating to the acquisition	**13,230**

The £12,500,000 loans repaid were subject to change of control provisions. Acquisition costs arising from this transaction of £1,469,000 have been included in administration expenses included in overheads before operating profit.

The impact of the HTG acquisition on the Consolidated income statement is as follows:

	£'000
Revenue	**51,798**
Gross profit	**15,954**
Overheads	**(12,954)**
Restructuring costs	**(1,622)**
Amortisation of intangibles from business combinations	**(3,300)**
Operating loss	**(1,922)**
Finance income	**24**
Finance costs	**(959)**
Loss before taxation	**(2,857)**
Taxation	**(668)**
Overall effect on the Consolidated income statement	**(3,525)**

Notes to the Preliminary Statement (continued)
31 May 2018

5 Acquisitions (continued)
Business combination – Hayward Tyler Group plc (continued)

Since acquisition HTG contributed the following to the Group's cashflows:	2018 £'000
Operating cashflows	(4,438)
Investing activities	(1,844)
Financing activities	2,011

Business combination – Ormandy Group

On 19 February 2018 the Group acquired certain of the assets and IP of the Ormandy Group. The acquisition was made to enhance the Group's position in the PSRE - Energy division. The net assets at the date of acquisition were as follows:

Fair value of assets and liabilities acquired	**£'000**
Property, plant and equipment	10
Inventories	268
Trade and other payables	(193)
Net Assets	85
Intangibles assets identified	-
Goodwill & IP	50
	135
Fair value of consideration transferred:	
Cash	135
Consideration	135
Acquisition costs charged to expenses	99
Net cash paid relating to the acquisition	234

Management did not identify any further intangible assets on acquisition of this business due to its distressed state.

Acquisition costs arising from this transaction of £99,000 have been included in administration expenses included in overheads before operating profit.

The impact of the Ormandy acquisition on the Consolidated income statement is as follows:	£'000
Revenue	1,859
Gross profit	115
Overheads	(194)
Restructuring costs	-
Amortisation of intangibles from business combinations	(3)
Operating loss	(82)
Finance income & costs	-
Loss before taxation	(82)
Taxation	(16)
Overall effect on the Consolidated income statement	(66)

Since acquisition Ormandy contributed the following to the Group's cashflows:	2018 £'000
Operating cashflows	(349)
Investing activities	(135)

Notes to the Preliminary Statement (continued)
31 May 2018

6 Net (debt)/cash and gearing

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

	2018	2017
	£'000	£'000
Debt	**(13,708)**	(1,254)
Cash and cash equivalents	**6,565**	27,703
Net (debt)/cash	**(7,143)**	26,449
Equity	**69,076**	44,906
Net (debt)/cash to equity ratio	**(10.3)%**	58.9%

7 Preliminary statement and basis of preparation

This preliminary statement, which has been agreed with the auditors, was approved by the Board on 2 October 2018. It is not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The statutory accounts for the two years ended 31 May 2018 and 2017 received audit reports which were unqualified and did not contain statements under s498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 31 May 2017 have been delivered to the Registrar of Companies but the 31 May 2018 accounts have not yet been filed.

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 that apply to companies reporting under IFRS. The principal accounting policies adopted by the company, which remain unchanged, are set out in the statutory financial statements for the year ended 31 May 2018.

8 Annual report and Accounts

The Report and Accounts for the year ended 31 May 2018 will be available on the Group's website www.avingtrans.plc.uk on or around 8 October 2017. Further copies will be available from the Avingtrans' registered office:

Chatteris Business Park, Chatteris, Cambridgeshire PE16 6SA.

9 Annual General Meeting

The Annual General Meeting of the Group will be held at Shakespeare Martineau LLP, No1 Colmore Square, Birmingham, B4 6AA on 15 November 2018 at 11:00am

HAYWARD TYLER

Peter Brotherhood
150 years of engineering innovation

Maloney Metalcraft

Metalcraft

Ormandy Rycroft Engineering

WHITELEY READ ENGINEERING

Composite Products Ltd

SCIENTIFIC MAGNETICS

crown INTERNATIONAL

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