Avingtrans

PINPOINT-INVEST-EXIT

2022 Interim Report

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.

Avingtrans PLC (AIM: AVG), the international engineering group which designs, manufactures and supplies original equipment, systems and associated aftermarket services to the energy, medical and industrial sectors, today announces its interim results for the six months ended 30 November 2021.

Financial Highlights

- Group Revenue of £45.1m (2021 H1: £48.7m) in line with management expectations
- Gross Margin improved by 190 bps to 33.6% (2021 H1: 31.7%) as a result of planned cost reductions and improvements in project margins
  Adj.*EBITDA at £5.8m, on lower revenues (2021 H1: £5.8m)
- Adj.*EBITDA margin increased to 12.9% (2021 H1: 12.0%)
- Adj. Profit before tax £3.6m (2021 H1: £3.7m)
- Adj. Diluted Earnings Per Share from continuing operations was slightly down to 10.0p (2021 H1:10.8p)
- Cash inflow from operating activities of £4.0m (2021 H1: £1.1m)
- Net cash excluding IFRS16 debt was £22.7m, (31 May 2021: £23.3m) despite investments in Magnetica, Adaptix and various capex projects.
- Reinstated interim Dividend of 1.6 pence per share (2021 H1: Nil)

**Adjusted to add back amortisation of intangibles from business combinations, acquisition costs and exceptional items.*

Operational highlights

- Revitalisation of Hayward Tyler, Energy Steel and Booth remains on plan
- Order book: robust notwithstanding some contract delays
  - Significant Nuclear sector contract wins in the UK and USA.
  - Sellafield 3M3 box project now worth £70m and moves to volume production phase
  - Exciting potential for Medical in compact, helium-free MRI system applications
- PIE strategy (Pinpoint-Invest-Exit) for organic growth and added value through M&A
  - Magnetica integration proceeding to plan
  - £4.0m investment in Adaptix 3D X-ray completed
  - Exit of HT Luton site hampered by Covid-19, but continuing to pursue

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

“Our proven Pinpoint-Invest-Exit (“PIE”) strategy continues to deliver robust results, exhibited by an increased gross margin, to deliver a stable adjusted EBITDA.

“The Group continues to invest across its three divisions, with a focus on the global energy and medical markets, to position them for maximum shareholder value via eventual exits in the years to come. The MRI system development at Magnetica is proceeding to plan and we are seeing on-going improvements in other business units, such as at Booth, as demonstrated by the first half results. Our value creation targets continue to be accomplished as anticipated and are underpinned by a conservative approach to debt, which is important during the on-going crisis.

“Our markets continue to evolve and strategic M&A opportunities remain a priority for us. Businesses like ours can command high valuations at the point of exit. Whilst the Board remains vigilant, we are confident about the current direction and potential future opportunities across our markets.

“Timing of contract revenue recognition has provided management with good visibility over H2 2022 revenue, despite some Covid-19 induced order delays and the Board is therefore cautiously optimistic in achieving full year market expectations.”

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About Avingtrans plc: Avingtrans designs, manufactures and supplies original equipment, systems and associated aftermarket services to the energy, medical and industrial markets worldwide.

Business units

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

Energy Steel, Inc – Rochester Hills, Michigan, USA
Provider of custom fabrications for the nuclear industry, specialising in: OEM parts obsolescence; custom fabrications; engineering design solutions; product refurbishment; on-site technical support.

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.

Booth Industries - Bolton, UK
Designs, manufactures, installs and services doors and walls which can be tailored to be: blast & explosion proof; fireproof; acoustically shielded; high security/safety; or combinations of the above.

Ormandy Group, Bradford, UK
Design, manufacturers and servicing of off-site plant, heat exchangers and other HVAC (heating, ventilation and air conditioning) products

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

Magnetica Ltd - Brisbane, Australia
Magnetica Limited specialises in the development of next generation MRI technologies, including dedicated extremity MRI systems and MRI system components. Magnetica has successfully built and tested a compact, integrated 3 Tesla orthopaedic MRI system, demonstrating clinical-quality imaging. Commercialisation of this system (and others) is on-going. Magnetica's structure now includes two other business units:

Scientific Magnetics - Abingdon, UK
Designs and manufactures superconducting magnet systems and associated cryogenics for a variety of markets including MRI and provides services for Nuclear Magnetic Resonance instruments.

Tecmag Inc, Houston, USA
Designs, manufactures and installs instrumentation, including consoles, system upgrades, and probes, mainly for Magnetic Resonance Imaging (MRI) and Nuclear Magnetic Resonance (NMR) systems.

Chairman's Statement

We are pleased to report another robust first half performance by Avingtrans, despite the drag factors still being caused by the Covid-19 pandemic. A creditable and stable revenue performance versus H1 FY21 has again been enhanced by an improved EBITDA margin, thanks in part to the on-going recovery progress at Booth. The margin mix improved again versus last year, as a result of planned cost reductions and improvements in project margins. Pleasingly, net cash remained close to the year end position, notwithstanding investments in Magnetica, Adaptix and various capex projects. Despite the Covid-19 delay effects, new orders have continued to flow. Our supply chains have also experienced disruption, but we have been broadly able to anticipate and mitigate these negative effects.

Our proven Pinpoint-Invest-Exit ("PIE") strategy continues to deliver results, with Booth and Energy Steel still improving. The merger of Magnetica with our Scientific Magnetics and Tecmag businesses has progressed as planned, with only minor headwinds along the way. The Magnetica teams have worked hard to advance the design and build of our own compact MRI product for the orthopaedics market. The prospects for this new entity are exciting and, as planned, we invested £1.2m during the period in the new venture, to propel us towards market launch. To focus on this new activity, we have now almost completed a phased exit from third-party MRI component manufacture.

The divisional management teams have been resilient in tackling the Covid-19 disruption effects. Furthermore, our plans for aftermarket continue in EPM and PSRE as we seek to outperform our competitors for a larger share of the installed base support business, both for our products and theirs. The improved end-user access provides a predictable and repeatable pipeline and enhances profitability. We remain keen to maximise the revenue opportunities arising from the aftermarket access afforded by our own businesses and through partnership deals (eg: with Parker Hannifin and Ruhrpumpen).

The Engineered Pumps and Motors (EPM) division saw a first half revenue decline of 13% year-on-year, with supply chain disruption and contract delays causing temporary issues, but we believe that this will be rectified in the second half. Nevertheless, the divisional margins held up well and Energy Steel's performance was sustained, despite its recent relocation, with further improvements expected by year end. Although the process has been frustrated by the pandemic, the negotiations concerning the HT Luton site are on-going.

Process Solutions and Rotating Equipment (PSRE) made up for the shortfall in EPM, with an 18% increase in revenue vs H1 last year. This was mostly driven by organic growth, though there were also some businesses transfers, as noted below. Profits were also enhanced by over 30% versus last year and the division experienced less disruption from the pandemic than elsewhere. Booth's excellent recovery curve continues to build momentum and the record order book is complemented by increasing revenues and growing profits. Year-on-year profits were also up at Ormandy and HT Fluid Handling. The division has refined its offering to the UK nuclear market – especially to Sellafield, for nuclear decommissioning – where divisional businesses working as a team (eg: Fluid Handling and Metalcraft) have created new business wins. Post-period end, we completed the bolt-on acquisition of mixer business Transkem, which is now co-located with Fluid Handling in East Kilbride, Scotland. Composite Products and Metalcraft China moved into the PSRE division at the start of the period. Although Composites first half was affected by supply chain issues, there was no material impact on the division.

Last, but not least, is the Medical division, where the merger of Magnetica, Sci Mag and Tecmag has created a new MRI OEM, capable of designing and manufacturing entire systems in-house and providing the opportunity to enter and disrupt the medical imaging market. First products for clinical testing are expected to be ready by Q4 2022. We are seeking to target those markets which currently lack effective MRI solutions, such as orthopaedics, neonatal and veterinary. During the period, we made a complementary initial investment in the emerging "medtech" business, Adaptix, which is seeking to disrupt the adjacent X-ray imaging market with a novel product and business model. Post-period-end, we increased our total stake in Adaptix to £4m, representing 11.9% of their issued share capital. As planned, Metalcraft has largely completed the corollary phased exit from third-party MRI component manufacturing, leaving Magnetica unconstrained.

Following another period of solid performance, the Board are reinstating an interim dividend of 1.6 pence per share. It is pleasing to resume our commitment to long term shareholder returns. Our positive view of the prospects for the Group, underpinned by our fiscal conservativism, support this decision.

In conclusion, the Board once again thanks all Avingtrans employees for their steadfastness over the preceding, challenging months. We continue to look forward with cautious optimism and enthusiasm to the period ahead.

Roger McDowell
Chairman
22 February 2022

Strategy and business review

Group Performance

Avingtrans has a Pinpoint-Invest-Exit (PIE) business model, which drives improvements in design, original equipment manufacture (OEM) and associated aftermarket services, affording the Group an improving margin mix, both in the near and longer term. The Group has progressively shifted to an OEM based strategy over time, away from build to print. Our Energy divisions, comprising Engineered Pumps and Motors and Process Solutions and Rotating Equipment, form the bulk of Avingtrans' operations. Effective longer-term development of the Group's smaller Medical Imaging division is also a core focus for management to create shareholder value.

Strategy

Avingtrans is an international precision engineering group, operating in differentiated, specialist markets, within the supply chains of many of the world's best known engineering original equipment manufacturers (OEMs), as well as positioning itself as an OEM to end users. Our core strategy is to build market-leading niche positions in our chosen market sectors – currently focused on the Energy and Medical sectors. Over the longer term, our acquisition strategy has enabled our businesses to develop the critical mass necessary to achieve leadership in our chosen markets.

Our strategy remains consistent with previous statements. The Group's unrelenting objective is to continue the proven strategy of "buy and build" in regulated engineering markets, where we see consolidation opportunities, potentially leading to significantly increased shareholder returns over the medium to long term. At the appropriate time, we will seek to crystallise these gains with periodic sales of businesses at advantageous valuations and return the proceeds to shareholders. We call this strategy PIE – "Pinpoint-Invest-Exit". Previous deals, such as the disposal of Peter Brotherhood in 2021, have clearly demonstrated the success of this approach, producing substantial increases in shareholder value. We have built strong brands and value from smaller constituent parts; we have demonstrated well-developed deal-making skills and prudence in the acquisition of new assets.

The Board continues to focus on improvements in Hayward Tyler's operations, along with driving the performance of Booth, Metalcraft and Energy Steel. This programme is progressing to plan. We are also focused on the opportunity to transform the medical imaging division's performance, thanks to the merger of Magnetica with Scientific Magnetics and Tecmag, as well as the more recent investments in Adaptix. The objective for the Group is to become a leading supplier in targeted energy and medical markets, of operation critical products, with a reputation for high quality and delivery - on-time and on-budget. The Group has production facilities in its three key geographical markets (the Americas, Asia and Europe) with higher volume/lower cost facilities in Asia, and product development and realisation in the UK, the USA and Australia. The Group will continue to invest in breakthrough and disruptive technologies in the energy and medical markets.

Avingtrans' primary focus in Energy is the nuclear sector – harvesting opportunities in decommissioning, life extension and next generation nuclear markets. We are also engaged with a variety of other niches in the renewable energy sector. The Directors will continue to build on our footprint in the wider power and energy sectors.

After the HTG acquisition in 2017, to maximise long term shareholder value via our PIE strategy, we reorganised the Energy assets of the Group into two distinct divisions:

- Engineered Pumps and Motors (EPM) consisting of Hayward Tyler's units in the UK, USA, China and India and Energy Steel, acquired in June 2019.
- Process Solutions and Rotating Equipment (PSRE) consisting of Metalcraft, Peter Brotherhood, Ormandy, the Fluid Handling business in Scotland, Composite Products and also Booth Industries, acquired in June 2019. Peter Brotherhood was subsequently sold, for £35m, in March 2021.

In parallel, the focus of the Group's Medical Imaging division (MII) has evolved, to focus on becoming a market leader in the production of compact, superconducting, cryogen-free MRI systems, targeted at specific applications including orthopaedic imaging and veterinary imaging. Whilst production of certain existing products will continue, to support the division overall, Metalcraft has largely completed a phased exit of third-party MRI component manufacture. This division now consists of Magnetica in Australia (majority stake acquired in January 2021) which has been successfully integrated with Scientific Magnetics and Tecmag in the USA. Subsequently, we have sought to further strengthen our medical imaging strategy, via investment in Adaptix in Oxford, UK.

Our businesses have the capability to engineer products in developed markets and to produce those products partly, or wholly, in low-cost-countries, where appropriate. This allows us and our customers to access low-cost sourcing at minimum risk, as well as positioning us neatly in the development of the Chinese, Indian and other Asian markets for our products. We are well established in China, providing integrated supply chain options for our blue-chip customers.

An overarching strategic theme for Avingtrans, is to proactively nurture and grow the proportion of our business stemming from aftersales. We are targeting both our own installed base and the wider competitive installed base of such equipment, in areas where we can offer an advantage to our end-user customers. This focus now applies mainly to our Energy businesses, with the Medical division now strategically pivoting to new products and services.

Energy - Engineered Pumps and Motors ("EPM")

For Hayward Tyler ("HT"), the main priorities remain to strengthen the aftermarket capabilities and to maximise opportunities in the nuclear life extension market. The division suffered from Covid-19 induced order delays in H1, which meant reduced revenue and profit. However, the delayed orders have now either been received post period end or are pending and we therefore expect the division to be in line with expectations for the year as a whole.

At HT Luton, aftermarket activities remain the focus, including the servicing of third-party equipment. The £10m contract in Sweden with Vattenfall for the Forsmark plant (for nuclear life extension) will complete this year and the majority of the cash should be collected by the year end. Further defence orders have been received and are being executed on target. However, hydrocarbon related orders were still somewhat disrupted by Covid-19, as were the regional supply chains, though the situation is gradually improving. We are still progressing with the sale of the Luton site, albeit that this process has, as previously noted, been elongated by Covid-19.

HT Inc in Vermont (USA) again suffered from some Covid-19 order delays in H1, but the majority of these contracts are expected to be confirmed in H2. HT Inc continues to see solid order intake in the nuclear life extension market in the USA. HT Inc's new R&D opportunities in next generation nuclear power have made good progress, with further TerraPower prototype products shipped in the period.

HT Kunshan (China) has been less affected by Covid-19 overall and has seen solid order intake, including an improving position in the aftermarket business.

In India, Covid-19 delays continued to cause issues, but the local team weathered the storm well and the H1 performance was satisfactory.

Energy Steel ('ES') in Michigan (USA), continues to recover steadily, with some significant new orders confirmed post period end, notably from ITER. ES is now well settled-in to its new building in Rochester Hills, having exited the previous building at the end of FY21.

Energy – Process Solutions and Rotating Equipment ("PSRE")

Whilst there is now a less broad opportunity following the exit of PB, PSRE is equally focused on the aftermarket, where feasible, which is improving the margin mix. PSRE was less affected by Covid-19 delays in H1, resulting in materially improved revenue and profit, which compensated for the delays seen at EPM.

Metalcraft's progress with the Sellafield 3M3 ("three-metre-cubed") boxes was rewarded with the June 2021 award of phase 2 of the contract, now worth £70m in total over the next six years. The next 3M3 box contract tender, expected to be worth over £900m, is expected to be tendered in 2023 by Sellafield. At the Chatteris site, construction of the new training centre is nearing completion. This is a landmark building for the town and a boost for local apprenticeships, which dovetails neatly with the Government's "levelling-up" agenda. Metalcraft in China is wrapping-up its activities for Siemens on MRI component supply and turning its attention to other opportunities.

Ormandy's performance was solid in the period and order intake remains robust. The pandemic may provide opportunities for us to capitalise on Ormandy's position in the HVAC sector.

Booth Industries has sustained a positive trajectory, responding well to the Avingtrans PIE treatment. A record order book, including the £36m order for HS2 cross-tunnel doors, continues to build. The HS2 project momentum is building, with the proposal for the next phase recently laid before parliament. Although Covid-19 caused delays to the new building extension in Bolton, the construction work is now complete and operations have commenced in the facility, which incorporates a range of energy saving measures.

The Fluid Handling business in Scotland has been a consistently good performer since acquisition and has fitted well into our ambitions to build a wider nuclear capability. The business has maintained a strong order book and this was bolstered by the (post-period-end) bolt-on acquisition of Transkem, specialising in industrial mixers.

Finally, Composite Products had a subdued first half, with some supply chain issues holding back results, although the impact on the group was not material.

Medical and Industrial Imaging ("MII")

The merger of Scientific Magnetics (SciMag) and Tecmag with Magnetica has continued to progress well with the three businesses meshing effectively. The key objective is to produce compact, superconducting, helium-free MRI systems entirely in-house. The merger also added complementary capabilities in system architecture, asymmetric magnet design and gradient and radio frequency (RF) coil manufacture to our previous knowhow.

Our initial estimate of the addressable orthopaedic imaging market is circa £400m p.a. (Approximately 10% of the total MRI hardware and service market). However, our intended "pay per scan" business model could mean that the opportunity is significantly larger. It is more difficult to quantify other market segments (eg: veterinary imaging) at this stage, because there are no available equivalent, dedicated products. We have invested an additional £1.2m in Magnetica thereby increasing our shareholding to 60.0% of the issued share capital. The plan remains for Magnetica to have orthopaedic MRI products ready for clinical testing in late 2022, despite some supply chain delays to the programme. We believe that materially reducing the size and total costs of these dedicated MRI systems, coupled with them being much easier to set-up in a variety of locations, as well as increasing the scan rate by up to 300%, will produce a compelling sales proposition. In addition, these dedicated systems could free-up capacity on the existing MRI system installed base, which should be a major benefit to healthcare organisations.

SciMag and Tecmag will rebrand to Magnetica in due course, to present a seamless image of the new entity. However, there is still merit in continuing with various existing products and services at SciMag and Tecmag, so long as they do not detract from our core vision for MRI, which holds out the prospect of materially increasing the value of Magnetica over the coming years.

In the half, Avingtrans made an initial investment of £2.5m in Adaptix, Oxford, UK, with another £1.5m invested post-period-end. This £4m investment represents 11.9% of Adaptix's issued share capital. Adaptix has recently launched a compact 3D x-ray system for orthopaedic and veterinary applications, with an encouraging market response. The strategies of Magnetica and Adaptix are convergent, and we see potentially large benefits in combining their approaches to market in technology, software, distribution channels amongst others.

As planned, Metalcraft's UK and China businesses have now largely exited from third-party MRI component manufacturing. Metalcraft now reports entirely within the PSRE division, as does Composite Products. The MRI components exit and business transfers result in previously forecast c.80% reduction in Medical revenues versus H1 last year.

Markets - Energy

The global demand for energy experienced a hiatus due to Covid-19 but we are seeing a consistent return to growth and the effect of the pandemic may be to drive faster towards increased efficiency and decarbonisation. This trend may benefit our businesses in the nuclear and renewables sectors.

End User/Aftermarket

Operators and end-users demand a blend of quick response through local support and a requirement to drive improvements through equipment upgrades and modernisation. In the West, where facilities are being operated for longer than their intended design lives, there is a strong demand for 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.

Nuclear

Nuclear energy as a low carbon, baseload power source remains an asymmetric market with respect to future growth. Almost all the 1GW+ new build opportunities are currently in Asia, with the exception of the limited UK programme. However, certain market segments remain robust, including supporting the operational fleet, continued safe operation and life extensions, decommissioning and reprocessing. We are also working on the long-term development of the next generation of technologies, such as Small Modular (SMR), or Advanced Generation IV Reactors – eg with TerraPower. In addition, these segments have a consolidating supply chain and a lack of expert knowledge.

The USA still operates the biggest civil nuclear fleet in the world, with 94 reactors generating around 30 percent of the world's nuclear electricity. Coupled with the heritage Westinghouse technology operating in Europe and Asia, the EPM division's long-standing position in this market provides opportunities for further growth. Obsolescence and life extension are key issues for nuclear operators worldwide and the Avingtrans Energy Divisions are well positioned to support operators in addressing this critical risk. Energy Steel bolstered the Group's capabilities in this regard.

The UK remains pre-eminent when it comes to decommissioning and reprocessing, in terms of innovative technology and overall spend. The Group is embedded in the future manufacture of waste containers for Sellafield and 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 activity in the UK, South Korea, the USA and China dominating development activity. The Group views these new technologies as an attractive route forward for nuclear and is well positioned to develop as a global industry partner.

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

- **Coal** – the Group continues to see good aftermarket activity 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. EPM is optimising its product line to take market share and to create tomorrow's aftermarket.
- **Gas** – natural gas, primarily in the form of combined cycle gas turbine power plants is a growing market space, primarily in the West. The Group is moving into this market with both existing and new product lines.
- **Renewables** – renewable technologies and their supporting infrastructure are a growing market globally. The Group has a range of products that can be applied directly to this market segment and also has expertise that can be used to develop new products for niche parts of this market such as molten salt for concentrated solar applications.

Hydrocarbons
As oil demand has picked up following the pandemic easing, so the oil price has followed and the Brent crude price is now trading in the range of $90 to $95 per barrel, with informed forecasts suggesting a price of $100 a barrel is possible next year. As a result, new capital expenditure in this sector has recently begun to recover but our forecasts continue to exhibit prudence, with some limited restructuring activity in EPM being completed in the half, mainly due to the relocation of Energy Steel. Aftermarket orders continue to increase.

Markets – Medical

The diagnostic imaging market is a large global sector, dominated by a few large systems manufacturers. In 2020, the total Diagnostic Imaging Market was estimated to be worth$33.5bn, according to *ResearchAndMarkets* and is expected to continue to grow at over 5% per annum until 2027. The largest market is the USA, followed by Europe and Japan. The fastest growing markets are China and India.

Following the acquisition of a majority stake in Magnetica (AUS) in January 2021, we merged Magnetica with Scientific Magnetics (UK) and Tecmag (US), to create an innovative, niche-MRI systems supplier, which can address specific parts of the market, not well served by dedicated products at present. This includes orthopaedic and veterinary imaging. Although Magnetica is primarily targeting the Magnetic Resonance Imaging (MRI) market, Nuclear Magnetic Resonance (NMR) and magnets for physics continue to be of interest, due to the similar requirements for superconducting magnets and cryogenics. Market drivers for MRI include: an increased incidence of chronic diseases; the rise in geriatric populations; growing awareness about early benefits of diagnosis; and the introduction of advanced systems with superior image quality.

According to *ResearchAndMarkets*, MRI itself is approximately 19% by value of the total diagnostic Imaging market and is projected to grow at 5.4% p.a. In the period, our initial investment in Adaptix allowed us access to the X-ray segment of diagnostic imaging. X-ray itself represents circa 32% of the total market. For both Magnetica and Adaptix, the portion of the X-ray and MRI markets we believe we can access is over 20% of the total, representing a potential addressable market of over $3bn.

End User/Aftermarket
The MRI market segment is dominated by a handful of manufacturers, including GE, Siemens, Philips and Canon, who account for circa 80% of revenue globally. These players also dominate the aftermarket, although there are a few independent MRI service businesses in existence. Magnetica is not present in the MRI aftermarket at this time but will naturally service the aftermarket for its own products once these are launched.

As noted above, the MRI market segment is dominated by a handful of global manufacturers and we do not intend to compete with them directly, since we are planning to create new niche markets for MRI. However, following the pivot to niche full system supply, Avingtrans has moved in parallel to exit third-party MRI component supply and this process is almost complete. We note a significant reduction in divisional revenues year on year (c80%), with a resultant net operating loss, as component manufacture ends, since there is now a gap before we launch our own systems. Our first target is orthopaedic imaging, where encouraging development of our prototype system is on-going. The earliest commercial launch of this product could be later in 2023, subject to regulatory approval in target markets. In the period, Adaptix launched its first 3D X-ray product – also targeted at orthopaedic imaging.

Security

High security and integrity doors were a new market for the Group, following the acquisition of Booth. Global safety and security concerns, as well as risk mitigation on large infrastructure projects, are key drivers for growth at Booth and we are cultivating these opportunities carefully. Thus far, most of Booth's sales are still in the UK but recent market research shows that there is untapped international potential, in certain compatible markets. We also believe that there is an aftermarket opportunity, which is now being developed.

Threat detection standards for baggage handling at airports and package scanning have been tightened everywhere around the world – especially in Europe and the USA. With many millions of bags and packages flowing across border crossings every day, screening devices have to comply with threat detection standards without impacting throughput. Rapiscan, the biggest customer for Composite Products, is a market leader in this sector, whose presence is increasing as new standards are rolled out.

Financial Performance

Key Performance Indicators
The Group uses a number of financial key performance indicators to monitor the business, as set out below. The Company publishes more detailed and operational KPIs in its annual report.

Revenue: slight reduction, driven, as expected by the Medical division strategy
Overall Group revenue decreased by 7.3% to £45.1m (2021 H1: £48.7m). Although the pandemic continued to affect group results, the main driver in year-on-year revenue reduction was the previously announced decision to exit MRI component manufacturing, as we pivot to our own imaging products combined with some delayed orders in EPM.

Gross margin ('GM') incrementally improving
GM improved to 33.6% (2021 H1: 31.7%) driven by on-going product mix improvement and aftermarket margins.

Profit margin: EBITDA flat, with improving margin on reduced revenues
Adjusted EBITDA (note 4) was flat at £5.8m, on lower revenues (2021 H1: £5.8m) despite the anticipated revenue and profit reduction in the Medical division, resulting from the planned MRI component manufacturing exit. This was mainly due to the improved margin mix in the PSRE division, with Booth continuing to recover well. EPM's margin increased, due to the relative percentage of AM business, offsetting the overall Divisions' H1 revenue decrease, as a result of delayed orders.

Tax: future profits and cash protected by available losses
The effective rate of taxation at Group level was a 8.1% tax charge (2021 H1: 8.3%). A slight reduction from H1 FY21, due to the utilisation of losses previously recognised as a deferred tax asset and the recognition of additional losses previously unrecognised. A prior year adjustment was also made for a tax credit for US taxes. The Group tax position will continue to be aided in the coming years by the utilisation of losses available in the UK, US and China.

Adjusted Earnings per Share (EPS):
Adjusted diluted earnings per share from continuing operations was slightly down to 10.0p (2021 H1:10.8p), due to the underlying cost, resulting from the Medical division concentrating on the development of the MRI project offsetting overall improved results in the Energy divisions. After adjusting out the Non Controlling Interest (NCI) element (arising from the Minority interest in the Medical Division), the Adjusted diluted earnings per share for H1 2021 would be 10.7p (2021 H1:10.8p).

Basic and diluted earnings per share from continuing operations increased to 9.0p (2021: 6.9p) and to 8.7p (2021 H1: 6.8p).

Funding and Liquidity: net cash position remains robust
Net cash was £22.7m, excluding IFRS16 debt (31 May 2021: £23.3m). Cash was maintained at close to the year end level, despite the previously highlighted investment in Magnetica, Capex (mainly building extension at Booth) in the period and our initial £2.5m investment in Adaptix. Cash inflow from operating activities in the period was £4.0m (2021 H1: £1.1m) after a £1.3m increase in working capital.

Dividend: interim dividend to be reinstated.
The Board is reinstating its progressive dividend policy for the interims, following the suspension last year, due to Covid-19. The dividend is 1.6 pence per share. The dividend will paid on 17 June 2022, to shareholders on the register at 13 May 2022.

ESG (Environmental, Social, and Governance)

Avingtrans is endeavouring to attain a high level of clarity on ESG matters. We will be reporting on these topics once more in our next Annual Report. However, we comment on some ESG related matters below, to keep our investors informed.

People
As announced earlier today, Jo Reedman will join the Board from 1st March 2022 as an independent non-executive director. As a former Capital Goods City analyst, Jo brings a wealth of knowledge in many of our key markets and experience to Avingtrans and we warmly welcome her to the Board. There were no other changes at Board or divisional management level.

We continue to strengthen the management teams in the divisions, with further appointments being made in the period and with an emphasis on aftermarket opportunities, notably at Booth. Skills availability is always challenging, especially so after the pandemic, but we do not expect to be materially disadvantaged in the market. We continue to invest significant effort in developing skills and talent, both through structured apprenticeship programmes and graduate development plans, across a number of business units. The construction of the apprentice training school based at Metalcraft is nearing completion and, post-period end, we have partnered with West Suffolk College (WSC) to be the operator and training provider at the centre. The Group continues to be recognised nationally for the strength of its apprenticeship training schemes.

Health, Safety and Environment (HSE)
The Group takes HSE matters and its related responsibilities very seriously.

As regular acquirers, we find varying levels of capability and knowledge across 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 (eg HTG) generally 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 and reviews 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, nor been investigated for any significant breach of HSE regulations.

Covid-19 has again been the biggest health and safety issue for the Group, along with everyone else. Fortunately, the nature of our products and the topography of our factories have given us a good base to work from, to make our workplaces Covid-19 safe. We have an overall set of guidelines to work to, derived from government policies around the world and local teams in each business adapt these to the specifics of their individual site. These measures include:

- Shielding of vulnerable employees
- Working from home where feasible
- Factory and office re-layouts to facilitate social distancing
- Enhanced cleaning and site hygiene
- Additional use of PPE equipment where necessary
- Minimisation and careful management of third-party visitors to our sites

Where our employees have to visit other third-party sites, they have protocols from their business unit to follow and must also adhere to the policies and procedures of the site which they are visiting. Each business has a team responsible for ensuring that the Covid-19 plan is kept up to date and adapted, if required, as the circumstances of the pandemic have evolved. Taken as a whole, these measures have allowed us to operate at a high level of effectiveness throughout the pandemic and ensured that we have minimised any loss of output, whilst keeping employees safe.

Social Responsibility
The Group maintains the highest ethical and professional standards across all of its activities and social responsibility is 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.

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, to an extent, 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 refreshed in all areas of the business, to ensure that the Act is complied with.

Outlook

Avingtrans is a niche engineering market leader, predominantly in selected Energy and Medical sectors, with a successful profitable growth record, underpinned by our successful 'PIE' strategy. Acquisitions provide further opportunities for the Group to build enduring value for investors in resilient engineering market niches. As ever, we remain frugal and seek to crystallise value and return capital when the timing is right, as part of the PIE strategy implementation, as demonstrated again in 2021, with the valuable exit of Peter Brotherhood. We believe that our PIE strategy has served us well in the Covid crisis and could result in further opportunities to grow shareholder value.

The Group continues to invest across its three divisions, with a focus on the global energy and medical markets, to position them for maximum shareholder value via eventual exits in the years to come. The integration of Magnetica is proceeding to plan and we are seeing on-going improvements in other business units – eg at Booth, as demonstrated by the first half results. Our value creation targets continue to be accomplished as planned and are underpinned by a conservative approach to debt, which is important during the on-going crisis.

The energy divisions have a strong emphasis on the nuclear power, thermal and hydrocarbon markets and the associated aftermarkets. The medical division has successfully pivoted to focus on novel compact MRI systems for niche applications. To drive profitability and market engagement, each division has a clear strategy to support end-user aftermarket operations, servicing their own equipment and that of pertinent third parties, where appropriate, to capitalise on the continued customer demand for efficient, reliable and safe facilities.

The on-going disruption caused by the pandemic remains our biggest uncertainty and we have continued to experience supply chain disruptions and contract delays. However, these issues now appear to be easing in the second half. Inflationary pressures are beginning to have an impact on our businesses, but we are broadly able to mitigate these risks, to maintain stable margins.

Our markets continue to evolve and strategic M&A opportunities remain a priority for us. Businesses like ours can command high valuations at the point of exit. Whilst the Board remains vigilant, we are confident about the current direction and potential future opportunities across our markets. We will continue to refine our strategy by pinpointing specific additional acquisitions, as the opportunities arise, to build businesses which can create sustainable shareholder value, whilst maintaining a prudent level of financial headroom, to buffer us against any unforeseen headwinds, whether deriving from Covid-19, inflation, or elsewhere.

Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	Chief Executive Officer	Chief Financial Officer
22 February 2022	22 February 2022	22 February 2022

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2021

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Revenue	**45,128**	48,699	98,516
Cost of sales	**(29,973)**	(33,271)	(68,586)
Gross profit	**15,155**	15,428	29,930
Distribution costs	**(1,577)**	(1,536)	(3,024)
Other administrative expenses	**(10,467)**	(11,103)	(20,821)
Operating profit before amortisation of acquired intangibles, other non-underlying items and exceptional items	**3,683**	4,004	8,188
Amortisation of intangibles from business combinations	**(404)**	(525)	(1,008)
Other non-underlying items	**(76)**	(52)	(90)
Acquisition costs	**-**	-	(234)
Restructuring costs	**(92)**	(638)	(771)
Operating profit	**3,111**	2,789	6,085
Finance income (Note 5)	**145**	8	73
Finance costs (Note 5)	**(137)**	(390)	(711)
Profit before taxation	**3,119**	2,407	5,447
Taxation (Note 3)	**(252)**	(199)	(383)
Profit after taxation from continuing operations	**2,867**	2,208	5,064
(Loss)/profit after taxation from discontinuing operations	**-**	(950)	22,136
Profit for the financial period	**2,867**	1,258	27,200
Profit is attributable to:			
Owners of Avingtrans PLC	**3,111**	1,258	27,366
Non-controlling interest	**(244)**	-	(166)
Total	**2,867**	1,258	27,200
Profit per share:			
From continuing operations			
- Basic (Note 6)	**9.0p**	6.9p	15.9p
- Diluted (Note 6)	**8.7p**	6.8p	15.6p
From continuing and discontinuing operations			
- Basic (Note 6)	**9.0p**	4.0p	85.4p
- Diluted (Note 6)	**8.7p**	3.9p	83.6p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2021

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Profit for the period	**2,867**	1,258	27,200
Items that will not be subsequently be reclassified to profit or loss			
Remeasurement of net defined benefit liability	**-**	-	(662)
Income tax relating to items not reclassified	**-**	-	49
Items that may/will subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	**631**	(602)	(1,162)
Total comprehensive profit for the period	**3,498**	656	25,425

Summarised consolidated balance sheet (Unaudited)
at 30 November 2021

	30 Nov 2021 £'000	30 Nov 2020 £'000	31 May 2021 £'000
Non current assets			
Goodwill	**21,233**	23,459	21,222
Other intangible assets	**14,547**	13,239	14,464
Property, plant and equipment	**25,013**	32,330	25,281
Investments	**2,500**	-	-
Deferred tax asset	**1,757**	1,262	1,767
Pension and other employee obligations	**1,425**	1,782	1,284
	66,475	72,072	64,018
Current assets			
Inventories	**11,756**	15,326	10,076
Trade and other receivables: falling due within one year	**38,293**	41,220	36,010
Trade and other receivables: falling due after one year	**1,650**	-	1,798
Current tax asset	**598**	522	633
Cash and cash equivalents	**29,304**	7,277	30,078
	81,601	64,345	78,595
Total assets	**148,076**	136,417	142,613
Current liabilities			
Trade and other payables	**(28,511)**	(33,376)	(26,587)
Lease liabilities	**(1,020)**	(1,775)	(1,310)
Borrowings	**(4,799)**	(9,271)	(2,160)
Current tax liabilities	**(309)**	(48)	(672)
Provisions	**(1,711)**	(5,254)	(1,742)
Derivatives	**(6)**	(105)	(144)
Total current liabilities	**(36,356)**	(49,829)	(32,615)
Non-current liabilities			
Borrowings	**(839)**	(3,707)	(3,368)
Lease liabilities	**(2,691)**	(8,386)	(2,965)
Deferred tax	**(4,094)**	(2,224)	(3,456)
Contingent consideration	**-**	(256)	-
Other creditors	**(1,235)**	(1,245)	(1,246)
Total non-current liabilities	**(8,859)**	(15,818)	(11,035)
Total liabilities	**(45,215)**	(65,647)	(43,650)
Net assets	**102,861**	70,770	98,963
Equity			
Share capital	**1,607**	1,593	1,599
Share premium account	**15,663**	15,118	15,347
Capital redemption reserve	**1,299**	1,299	1,299
Translation reserve	**(73)**	(172)	(732)
Merger reserve	**28,949**	28,949	28,949
Other reserves	**1,457**	180	1,457
Investment in own shares	**(4,235)**	(4,235)	(4,235)
Retained earnings	**56,332**	28,039	53,614
Total equity attributable to equity holders of the parent	**100,999**	70,770	97,298
Non-controlling interest	**1,862**	-	1,665
Total equity	**102,861**	70,770	98,963

Consolidated statement of changes in equity (Unaudited)
at 30 November 2021

	Share capital £'000	Share premium account £'000	Capital redemp - tion reserve £'000	Merger reserve £'000	Trans- lation reserve £'000	Other reserves £'000	Invest- ment in own shares £'000	Retaine d earning £'000	Total Attribut able owners of the Group £'000	Non- controlli ng interest £'000	Total Equity £'000
At 1 June 2020	1,588	14,970	1,299	28,949	430	180	(4,235)	26,727	69,908	-	69,908
Ordinary shares issued	5	148	-	-	-	-	-	-	153	-	153
Share-based payments	-	-	-	-	-	-	-	54	54	-	54
Total transactions with owners	5	148	-	-	-	-	-	54	207	-	207
Profit for the period	-	-	-	-	-	-	-	1,258	1,258	-	1,258
Other comprehensive income											
Exchange rate loss	-	-	-	-	(602)	-	-	-	(602)	-	(602)
Total comprehensive income for the period	-	-	-	-	(602)	-	-	1,258	656	-	656
Balance at 30 Nov 2020	**1,593**	**15,118**	**1,299**	**28,949**	**(172)**	**180**	**(4,235)**	**28,039**	**70,770**	**-**	**70,770**
At 1 Dec 2020	1,593	15,118	1,299	28,949	(172)	180	(4,235)	28,039	70,770	-	70,770
Ordinary shares issued	6	229	-	-	-	-	-	-	235	-	235
Magnetica acquisition	-	-	-	-	-	-	-	-	-	1,831	1,831
Gain on disposal of non-controlling interest in subsidiary	-	-	-	-	-	1,278	-	-	1,278	-	1,278
Share-based payments	-	-	-	-	-	-	-	79	79	-	79
Total transactions with owners	6	229	-	-	-	1,278	-	79	1,592	1,831	3,423
Profit for the period	-	-	-	-	-	-	-	26,108	26,108	(166)	25,942
Other comprehensive income											

Actuarial gain for the period on pension scheme	-	-	-	-	-	-	-	(662)	(662)	-	(662)
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	49	49	-	49
Exchange rate loss	-	-	-	-	(560)	-	-	-	(560)	-	(560)
Total comprehensive income for the period	-	-	-	-	(560)	-	-	25,495	24,935	(166)	24,769
Balance at 31 May 2021	**1,599**	**15,347**	**1,299**	**28,949**	**(732)**	**1,458**	**(4,235)**	**53,614**	**97,298**	**1,665**	**98,963**
At 1 June 2021	1,599	15,347	1,299	28,949	(732)	1,458	(4,235)	53,614	97,298	1,665	98,963
Ordinary shares issued	8	316	-	-	-	-	-	-	324	-	324
Share-based payments	-	-	-	-	-	-	-	76	76	-	76
Total transactions with owners	8	316	-	-	-	-	-	76	400	-	400
Profit for the period	-	-	-	-	-	-	-	3,111	3,111	(244)	2,867
Investment in subsidiary with non-controlling interest	-	-	-	-	28	-	-	(469)	(441)	441	
Other comprehensive income											
Exchange rate loss	-	-	-	-	631	-	-	-	631	-	631
Total comprehensive income for the period	-	-	-	-	659	-	-	2,642	3,301	197	3,498
Balance at 30 Nov 2021	**1,607**	**15,663**	**1,299**	**28,949**	**(73)**	**1,458**	**(4,235)**	**56,332**	**100,999**	**1,862**	**102,861**

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2021

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Operating activities			
Cash flows from operating activities	**4,499**	1,195	6,877
Finance costs paid	**(193)**	(543)	(723)
Income tax (paid)/repaid	**(140)**	573	491
Contributions to defined benefit plan	**(141)**	(136)	(272)
Net cash inflow from operating activities	**4,025**	1,089	6,373
Investing activities			
Purchase of unlisted investments	**(2,500)**	-	-
Acquisition of subsidiary undertakings	**-**	-	341
Disposal of subsidiary undertaking, net of disposal costs	**-**	-	26,636
Finance income	**-**	15	73
Purchase of intangible assets	**(800)**	(335)	(884)
Purchase of property, plant and equipment	**(1,220)**	(224)	(1,532)
Net cash used by investing activities	**(4,520)**	(544)	24,634
Financing activities			
Equity dividends paid	**-**	-	-
Repayments of bank loans	**(148)**	(280)	(4,397)
Repayments of leases	**(682)**	(1,596)	(1,993)
Proceeds from issue of ordinary shares	**324**	154	388
Borrowings raised	**125**	3,448	149
Net cash outflow from financing activities	**(381)**	1,726	(5,853)
Net (decrease)/increase in cash and cash equivalents	**(876)**	2,271	25,154
Cash and cash equivalents at beginning of period	**29,736**	4,693	4,693
Effect of foreign exchange rate changes	**77**	(61)	(111)
Cash and cash equivalents at end of period	**28,937**	6,903	29,736

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2021

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Profit before income tax from continuing operations	**3,119**	2,408	5,447
Loss before income tax from discontinuing operations	**-**	(985)	(1,732)
Adjustments for:			
Depreciation of property, plant and equipment	**1,844**	2,067	3,461
Amortisation of intangible assets	**277**	260	545
Amortisation of intangibles from business combinations	**404**	629	1,008
Loss on disposal of property, plant and equipment	**61**	8	6
Finance income	**(145)**	(8)	(73)
Finance expense	**137**	590	711
Share based payment charge	**76**	54	133
Changes in working capital			
(Increase)/decrease in inventories	**(979)**	(2,262)	1,468
Decrease/(increase) in trade and other receivables	**2,756**	(5,311)	(5,108)
Increase/(decrease) in trade and other payables	**(2,956)**	3,778	1,457
Decrease in provisions	**(101)**	(1)	(457)
Other non-cash changes	**6**	(32)	11
Cash inflow from operating activities	**4,499**	1,195	6,877

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Cash and cash equivalents			
Cash	**29,304**	7,277	30,078
Overdrafts	**(367)**	(374)	(342)
	28,937	6,903	29,736

Notes to the half year statement
30 November 2021

1. Basis of preparation

The Group's interim results for the six-month period ended 30 November 2021 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 2022. 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 22 February 2022 and will shortly be available on the Group's website at www.avingtrans.plc.uk.

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 2022.

The statutory accounts for the year ended 31 May 2021, 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

	Energy EPM	Energy PSRE	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000	£'000
6 months to 30 November 2021					
Original equipment	**6,131**	**20,493**	**813**	**-**	**27,437**
Aftermarket	**16,486**	**1,205**	**-**	**-**	**17,691**
Revenue	**22,617**	**21,698**	**813**	**-**	**45,128**
Operating profit/(loss)	**1,435**	**2,705**	**(524)**	**(504)**	**3,111**
Net finance costs					**8**
Taxation					**(252)**
Profit after tax from continuing operations					**2,867**

Notes to the half year statement
30 November 2021

	Energy EPM	Energy PSRE	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 May 2021					
Original equipment	15,427	35,361	9,367	-	60,155
Aftermarket	35,956	2,210	195	-	38,361
Revenue	51,383	37,571	9,562	-	98,516
Operating profit/(loss)	2,833	4,312	(302)	(758)	6,085
Net finance costs					(638)
Taxation					(383)
Profit after tax from continuing operations					5,064

	Energy EPM	Energy PSRE	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000	£'000
6 months to 30 November 2020					
Original equipment	7,528	17,301	4,365	-	29,194
Aftermarket	18,469	1,011	25	-	19,505
Revenue	25,997	18,312	4,390	-	48,699
Operating profit/(loss)	**1,307**	**1,899**	99	**(516)**	**2,789**
Net finance costs					(382)
Taxation					(199)
Profit after tax from continuing operations					2,208

3. Taxation

The taxation charge is based upon the expected effective rate for the year ended 31 May 2022.

Notes to the half year statement
30 November 2021

4. Adjusted Earnings before interest, tax, depreciation and amortisation

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Profit before tax from continuing operations	**3,119**	2,407	5,447
Share based payment expense	**76**	52	133
Acquisition costs	**-**	-	234
Restructuring costs	**92**	638	771
Other exceptionals	**-**	-	(43)
(Gain)/loss on derivatives	**(139)**	70	109
Amortisation of intangibles from business combinations	**404**	525	1,008
Adjusted profit before tax	**3,552**	3,692	7,659
Finance income	**(145)**	(8)	(73)
Finance cost	**137**	390	711
Gain/(loss)/ on derivatives/unwinding of discounting on dilapidation provision	**139**	(70)	(109)
Adjusted profit before interest, tax and amortisation from business combinations ('EBITA')	**3,683**	4,004	8,188
Depreciation	**1,844**	1,593	3,461
Amortisation of other intangible assets	**222**	236	545
Amortisation of contract assets	**55**	-	310
Adjusted Earnings before interest, tax, depreciation and amortisation ('EBITDA')	**5,804**	5,833	12,504

5. Finance income and costs

	6 months to 30 Nov 2021 £'000	6 months to 30 Nov 2020 £'000	Year to 31 May 2021 £'000
Finance income			
Bank balances and deposits	**6**	-	11
Gain on the fair value of derivative contracts	**139**	-	-
Interest from other	**-**	8	62
	145	8	73
Finance costs			
Interest on banking facilities and lease liabilities	**137**	320	567
Loss on the fair value of derivative contracts	**-**	70	144
	137	390	711

Notes to the half year statement
30 November 2021

6. 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 ExSOP share options.

	6 months to 30 Nov 2021 No	6 months to 30 Nov 2020 No	Year to 31 May 2021 No
Weighted average number of shares – basic	**31,995,372**	31,775,612	31,855,908
Share Option adjustment	**1,031,656**	471,896	670,102
Weighted average number of shares – diluted	**33,027,028**	32,247,508	32,526,010
	£'000	£'000	£'000
Earnings from continuing operations	**2,867**	2,208	5,064
Share based payments	**76**	52	133
Acquisition costs	**-**	-	234
Restructuring costs	**92**	638	771
Other exceptionals	**-**	-	(43)
(Gain)/loss on derivatives	**(139)**	70	109
Amortisation of intangibles from business combinations	**404**	525	1,008
Adjusted earnings from continuing operations	**3,300**	3,493	7,276
From continuing operations:			
Basic earnings per share	**9.0p**	6.9p	15.9p
Adjusted basic earnings per share	**10.3p**	11.0p	22.8p
Diluted earnings per share	**8.7p**	6.8p	15.6p
Adjusted diluted earnings per share	**10.0p**	10.8p	22.4p
Earnings from discontinuing operations	**-**	(115)	24,028
From discontinuing operations:			
Basic loss per share	**-**	(3.0)p	69.5p
Adjusted basic loss per share	**-**	(0.4)p	75.4p
Diluted loss per share	**-**	(2.9)p	68.1p
Adjusted diluted loss per share	**-**	(0.4)p	73.9p
Earnings attributable to shareholders including non-controlling interest	**3,300**	3,378	31,303
Basic earnings per share	**9.0p**	4.0p	85.4p
Adjusted basic earnings per share	**10.3p**	10.6p	98.3p
Diluted earnings per share	**8.7p**	3.9p	83.6p
Adjusted diluted earnings per share	**10.0p**	10.5p	96.2p

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

Notes to the half year statement
30 November 2021

7. Net cash/(debt) and gearing

The gearing ratio at the year-end is as follows:	**30 Nov 2021 £'000**	30 Nov 2020 £'000	31 May 2021 £'000
Cash	**29,304**	7,277	30,078
Loans	**(5,271)**	(12,604)	(5,186)
Lease liability – finance leases under IAS17	**(968)**	(2,104)	(1,210)
Lease liability – under IFRS 16	**(2,743)**	(8,057)	(3,065)
Overdrafts	**(367)**	(374)	(342)
Net cash	**19,955**	(15,862)	20,275
Equity	**102,861**	70,770	98,963
Net cash/(debt) to equity ratio	**19.4%**	(22.4)%	20.5%
Net cash/(debt) to equity ratio excluding IFRS16 debt	**22.1%**	(11.0)%	23.6%

8. Events after the balance sheet date

On 20 January 2021, the Group purchased 150,000 shares in Adaptix Limited, for a total consideration of £1.5m. This increases the Groups shareholding to 400,000 Adaptix shares, representing 11.9% of the current issued share capital.

On 1 December 2021, HT Fluid Handling purchased 100% of Transkem Ltd for £1.2m (including £0.4m deferred consideration, based on the future profitability of the business in the 2yrs to 30 November 2023). Draft Net Assets were £0.8m, including £0.2m freehold property and £0.3m cash. Transkem operates in the complementary fluid mixer sector.