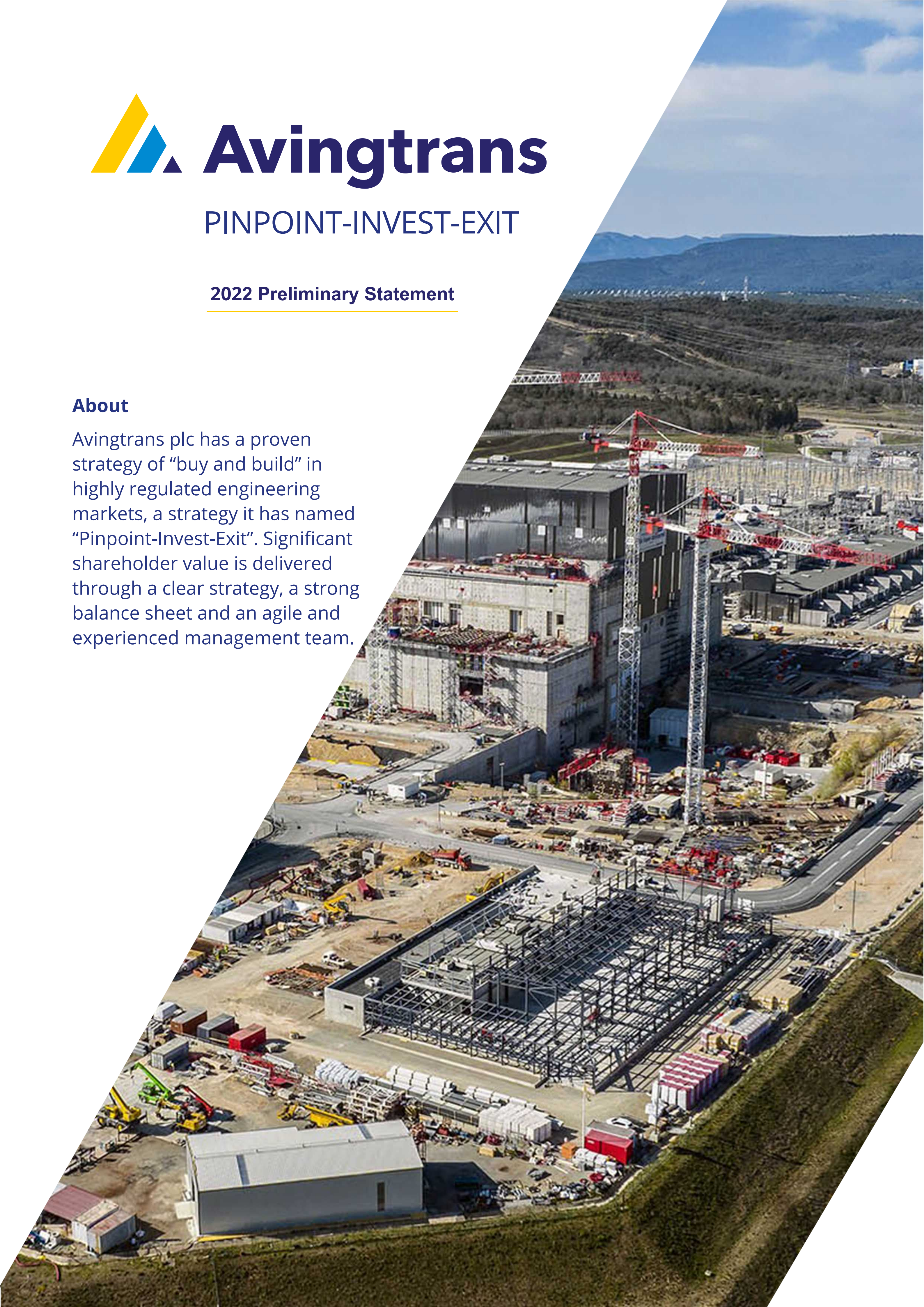
Avingtrans

PINPOINT-INVEST-EXIT

2022 Preliminary Statement



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), 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 year ended 31 May 2022.

Financial Highlights

- Revenue from continuing operations increased by 1.9% to £100.4m (2021: £98.5m)
- Gross Margin improved by 360 basis points to 34.0% (2021: 30.4%)
- Adjusted[1] EBITDA from continuing operations increased slightly to £12.7m (2021: £12.5m)
- Adjusted[1] PBT from continuing operations increased to £8.2m (2021: £7.7m)
- Adjusted[1] Diluted earnings per share from continuing operations reduced slightly to 21.8p (2021: 22.4p) due to increased tax charge
- Net Cash (excluding IFRS16) of £16.7m (31 May 2021: £23.3m) following investment in business
- Final Dividend 2.6p per share (2021: 4.0p) resulting in a total dividend for the year of 4.2p (2021: 4.0p)

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

Operational Highlights

Energy

- Revenue increased 5.7% to £97.9m (2021: £92.7m)
- Metalcraft contract progressed to next phase to supply the Sellafield 3M3 boxes - up by £20m to £70m
- Booth continues to recover strongly and has completed its factory extension for the HS2 contract
- Hayward Tyler and Energy Steel win multiple nuclear bids, including next generation enabling contracts
- Apprentice training school at Chatteris completed and handed over to operator, West Suffolk College
- Energy Steel restructured and moved to new, smaller facility in Michigan
- Acquired Transkem for £0.6m (net of cash) plus deferred consideration £0.4m. Concluded the successful integration into Fluid Handling in East Kilbride

Medical

- Revenue decreased to £2.5m (2021: £5.8m) following pivot away from 3rd party component manufacture
- Compact helium-free MRI system making good progress – expected to launch in Q4 calendar 2023
- Complementary £4.0m (11.9%) stake purchased in emerging 3D X-ray leader, Adaptix, in Oxford, UK
- Adaptix has launched its veterinary product and submitted its 510(K) to FDA in USA for orthopaedics
- Potentially significant market opportunities in the target imaging markets for both businesses

Current Trading & Outlook

- In the quarter since 31 May 22 the Group has generally performed as expected
- The Board remains cautiously confident about the current strategic direction and potential future opportunities across our markets
- We will continue to refine our business by pinpointing specific additional acquisitions as the opportunities arise, to create superior shareholder value, whilst maintaining a prudent level of financial headroom, to enable us to endure any subsequent headwinds.

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

"Once again, the pugnacity of the Group was tested and I'm pleased to report that we stoically fought our way through, despite multiple counterpunches and headwinds. With a strong balance sheet, we moved to invest in capex and new technologies in our existing businesses; bought bolt-on business, Transkem, for Fluid Handling; invested in 3D X-ray pioneer Adaptix; as well as continuing to invest in Magnetica - all with an eye on amplifying our impact in potentially disruptive nuclear and medical imaging markets. The commotions may continue, but we remain agile and steady on our feet – a great tribute to our management teams and all of our employees."

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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,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 and 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.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Chairman's Statement

The latest financial year saw the Group deliver another solid performance across the board, notwithstanding the on-going "bullwhip" disruptive effects generated by the pandemic and the Russia-Ukraine conflict. The Board is pleased with the Group's performance for the year, with robust adjusted EBITDA (note 2) from continuing operations and a stable net cash position at the year end, following investments in Magnetica, Adaptix and Transkem in the period. All Group businesses have experienced supply chain disruptions and customer order delays, but we have successfully circumvented these issues to deliver the expected results and our order book position going into FY23 is both robust and secure.

We deployed our evergreen Pinpoint-Invest-Exit ("PIE") strategy with the further investment in medical imaging at Magnetica being reinforced by investment in the 3D X-ray business, Adaptix, based in Oxford. Both businesses are making good progress towards launching disruptive and complementary medical imaging products, notably for orthopaedics applications. We also completed the bolt-on acquisition of Transkem in Scotland, which has strengthened the market credentials of the Fluid Handling business there.

Despite the external macroeconomic events, our divisional management teams have demonstrated their agility and resilience in the period, continuing to build strong business platforms.

Aftermarket growth in Engineered Pumps and Motors (EPM) and Process Solutions and Rotating Equipment (PSRE) held-up well and remains central to our value propositions, in order to support OEM and end-user customers. The improving sentiment in the nuclear and oil and gas sectors is generally positive for the Group and this is already manifesting through increased orders in those areas. Our end-user access drives improved profitability and underpins product and service development.

Overall, the EPM division delivered an improved result for the year, despite disruptions to supply chains and order placement. Energy Steel continued to recover positively, with good aftermarket prospects, having moved to a smaller, optimal facility at the start of the period. In the period, we put the potential sale of the HT Luton site on hold, after the original bidder withdrew its offer. We have since had renewed interest in the site, so we are currently considering our options.

The PSRE division has delivered another year of solid progress, with Booth going from strength to strength. In the period, we were delighted to confirm the transition of the important 3M3 box contract with Sellafield to the volume production phase and with an enhanced contract value, up by £20m, to £70m. The new apprentice training school on the Chatteris site was completed and the first intake began in September 2022, as planned.

The investment in Adaptix has cemented the position of the Medical and Industrial Imaging (MII) division as a new niche imaging player, with disruptive X-ray and MRI products in the pipeline. Our eyes are firmly fixed on the market prospects in orthopaedic with Adaptix anticipating the launch of an orthopaedic X-ray product in the coming months and Magnetica on-track to launch their MRI orthopaedic product later in 2023. The Board is excited about the potential of the division, which is expected to yield longer term positive returns for the Group, albeit potentially via a different vehicle to maximise returns, rather than our standard "PIE" process for more mature businesses.

Given the encouraging overall results for the year, the Board believes that it is appropriate to propose a final year dividend of 2.6 pence per share, resulting in a total dividend of 4.2p.

With a robust balance sheet, the Group continues to seek further shareholder value enhancing M&A opportunities, though we will be cautious and selective, given the extreme pressures on the manufacturing sector at present.

Finally, I applaud all Avingtrans employees old and new, for the dedication and resilience that they continue to display in a testing environment.

Roger McDowell
Chairman
27 September 2022

Strategy and business review
Group Strategy

Our core strategy is to buy and build engineering companies in niche markets, particularly where we see turnaround and consolidation prospects; a strategy we call Pinpoint-Invest-Exit ("PIE"). We have had a strong track record in returning significant shareholder value over the past decade.

With an increased presence in our target markets, a focus on aftermarkets, strength in depth of the management teams and a lean central structure, the Group continues to grow profitably – despite the effects of macroeconomic disruptions - and the Board is focused on seeking additions to the Avingtrans value-add proposition.

The majority of the Group's adjusted key financial metrics trended positively in the period, despite the ongoing impacts of Covid-19 and the Russia-Ukraine conflict.

The Group is focused on the global Energy and Medical markets, both of which play into some of the world's mega-trends, such as: Urbanisation; an ageing population; and an accelerating transition towards a cleaner and healthier planet.

Divisional Strategies

Engineered Pumps and Motors (Energy - EPM): EPM continues to develop its nuclear installed base (civil, defence and national security) – notably for life extension applications - and its offering to the hydrocarbon market sectors. Energy Steel in North America (acquired in June 2019), which specialises in nuclear life extension, continues to recover well. In addition, the EPM business is developing solutions for new nuclear technologies and other low carbon energy sources, such as concentrated solar, to capitalise on the global energy supply transition. During FY22, EPM delivered a number of key contracts, including more pumps for next generation nuclear business TerraPower in the USA and life extension equipment to the Forsmark nuclear power station in Sweden. Partnership agreements (eg with Ruhrpumpen and Shinhoo) are an important element of the EPM strategy, providing us with a broader product portfolio and cross-selling opportunities.

Process Solutions and Rotating Equipment (Energy - PSRE): Here, the primary strategy is to develop 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. During the period, Metalcraft and Sellafield Limited entered into the second phase of the contract to provide high integrity stainless steel storage boxes for Sellafield. The 3M3 ('three metre cubed') box contract is now worth up to £70m, being a £20m uplift to the original contract awarded in 2015. In the year, the division's nuclear credentials were enhanced by the strong recovery of Booth Industries, which also broadens our market reach into Critical National Infrastructure (CNI). Booth's multi-year contract with HS2, worth £36m, is progressing well. The PSRE division continues to benefit from a strong prospect pipeline and remains well placed to bid for these opportunities as they arise.

Medical and Industrial Imaging (Medical - MII): Following the Magnetica acquisition in January 2021, the focus for the medical division pivoted towards becoming a niche market leader in the production of compact helium-free MRI systems, for applications such as orthopaedic and veterinary imaging. This is an exciting opportunity for the Group. In parallel, we have exited from volume MRI components supply to customers such as Siemens, preferring to concentrate on our own product development. In support of the core strategy, the division will continue to work on niche Nuclear Magnetic Resonance (NMR) and scientific magnet products and services, since these are complementary technologies. During the year, we made a strategic and highly complementary £4m investment in emerging medtech leader Adaptix, based in Oxford, UK. Adaptix's 3D X-ray technology is being developed in parallel to Magnetica's MRI technology and the two businesses are working in an increasingly synergistic manner.

The common theme which we are seeking to develop across the energy and medical divisions, is the continued pressure on aftermarket expenditure, where operational efficiency, reliability and safety are paramount and operators are looking to their supply chain partners to provide long term support of both new infrastructure and legacy installations.

Pinpoint-Invest-Exit

Continuing our Pinpoint-Invest-Exit strategy, Avingtrans increased its stake in Magnetica to 61.3% in the period, as well as completing the £4m (11.9%) investment in Adaptix, as noted above. We also acquired industrial mixer specialist, Transkem, in Glasgow, and merged this business with our Fluid Handling business in East Kilbride, to widen its market offering. The integration of Transkem is complete and we sold the associated building in early 2022.

Pinpoint-Invest-Exit (continued)

The progress of previous acquisitions, Booth and Energy Steel, were gratifying, as both businesses contributed strongly to the results of their respective divisions.

Avingtrans remains confident about the current strategic direction and potential future opportunities across its chosen markets. If anything, some of our markets (eg Nuclear) have seen their standing rise because of the global disruptions seen in the current year, which have caused energy costs to rocket and caused governments to review energy security.

Markets - Energy

The global demand for energy continues unabated and we believe that we will see a consistent period of growth over the next few years. The after effect of the pandemic seemed to be a drive towards increased efficiency and decarbonisation. However, the Russia-Ukraine conflict has also heightened political awareness of the need for energy security and this appears to have rebalanced the rush to renewable energy in the short to medium term, which may benefit our businesses, notably in the nuclear sector.

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 much 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, we are still experiencing buoyant market segments, 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 – i.e. Small Modular (SMR), or Advanced Generation IV Reactors – e.g. with TerraPower and GE-Hitachi. In addition, these segments all have the backdrop of a consolidating supply chain and paucity of expert knowledge.

The USA still operates the biggest civil nuclear fleet in the world, with 93 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. In addition, recent events have even caused Germany and Japan to reconsider their stance on nuclear energy.

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 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 new opportunities – e.g. in products to remove toxins from the exhaust stacks of power stations.
- **Gas** – natural gas, primarily in the form of combined cycle gas turbine power plants has been a growing market space, primarily in the West, albeit now disrupted by the Russia-Ukraine conflict. The Group continues to develop 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 pumps for concentrated solar applications.

Markets - Energy (continued)

Hydrocarbons

The conflict in Ukraine has pushed European gas prices to record highs and created unprecedented levels of volatility. In response, the European Union is taking steps to reduce its reliance on oil & gas, by maximising supplies from alternative sources. The oil & gas fields of the Norwegian Shelf have for a long time been the principal market for our Hayward Tyler businesses range of subsea and submersible pumps and motors. Over the past few months, we have begun to benefit from the increasing demand for both new equipment and aftermarket services to supply this market. Most informed forecasts are suggesting sustained, or perhaps even higher prices to come.

Markets – Medical

The Diagnostic (medical) and molecular imaging markets are large global sectors, dominated by a few large systems manufacturers. The total Medical Imaging Market is estimated to be worth $32bn in 2022, according to Grand View Research and is expected to continue to grow at 5% per annum until 2030. 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) and we have continued to invest in Magnetica. The objective of this pivot is 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. In the period, we completed a £4m (11.9%) investment in Adaptix, an emerging medtech leader in the field of 3D X-ray equipment. The development paths of Magnetica and Adaptix are convergent, which enables both businesses to benefit from efficiency and cost gains, as well as optimising the route to market – especially in orthopaedics. Market drivers for these segments include an ageing global population and the rising incidence of chronic diseases.

The growing prevalence of chronic diseases, especially in older populations, is increasing demand for medical imaging in hospitals and other diagnostic clinics. Technical innovations, including advances in artificial intelligence, have increased the reliability and accuracy of medical imaging, thus driving further demand in global healthcare. Medical imaging proved invaluable during the pandemic, to diagnose and treat patients with Covid-19. On the other hand, the market is somewhat inhibited by the high cost of medical imaging systems.

X-ray systems accounted for circa 32% market share in 2021, with MRI systems at around 18%. We estimate that over 20% of all diagnostic imaging scans are of limbs. Therefore, the maximum combined addressable medical imaging market for Magnetica and Adaptix is circa $3bn, in theory. However, the actual addressable market is smaller, since neither business is targeting sales to hospitals – preferring to focus the product deployment on (eg) specialist orthopaedic clinics, where the product attributes are a close match to their needs. Both businesses intend to target other imaging markets – notably veterinary – where the lack of dedicated products has hampered the widespread use of imaging systems.

End User/Aftermarket

Diagnostic imaging 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, though there are a few independent MRI service businesses in existence. Avingtrans is not present in the MRI aftermarket at this time.

Operations

Operational Key Performance Indicators (KPI's) for continuing operations

	2022	2021
• Percentage of total continuing revenue deriving from aftermarket (AM) sales (%)	42.0	41.4
• Customer quality – defect free deliveries (%)	93.6	98.9
• Customer on-time in-full deliveries (%)	80.5	69.8
• Annualised staff turnover including restructuring (%)	17.4	22.0
• Health and Safety incidents per head per annum	0.07	0.07
• Environmental incidents per annum	0	0

The AM sales % has improved marginally. This is mainly due to an increase in demand for nuclear spares following a change in government energy policy in South Korea.

Whilst customer quality continues to suffer slightly from Covid related disruptions, we were pleased to have seen improvements to on-time in full (OTIF) deliveries, following targeted plans on Covid induced supply chain disruptions, albeit that our performance here is still below pre-pandemic levels

Annualised staff turnover has fallen, since no significant restructuring exercises having been undertaken in the reporting period. In the prior year, there was restructuring at EPM (caused by Covid-19 effects on the oil and gas market) and at Metalcraft (driven by our exit from the MRI component manufacturing business).

H&S incidents per head per annum is flat at 0.07, following many years of gradual improvement in this measure. Whilst this is a little disappointing, given the improvements we have made to a number of facilities, it is likely that we are getting close to a level where further improvement is increasingly difficult.

As in 2021, there were zero environmental incidents recorded in the Group.

EPM Division – Energy

In the EPM division, comprising of Hayward Tyler and Energy Steel, the main priorities remain to strengthen the aftermarket capabilities and to maximise opportunities in the nuclear life extension market.

The division's results further improved in the period, having been disrupted by Covid-19 previously. Some adverse Covid-19 effects continued during the year, with order delays and supply chain disruptions still evident, but the impact was less pronounced than in the prior year.

At HT Luton, aftermarket activities continue to grow, including the servicing of third-party equipment. In hydrocarbons, new equipment and aftermarket opportunities have refilled the prospects hopper, with global disruptions and UK government windfall tax initiatives increasing investment in this area. The £10m contract with Vattenfall for the Forsmark plant (for nuclear life extension) was successfully completed in the period, with only some final payments to be received in the new financial year. Further defence orders have been received and are being executed on target, with HT receiving a silver award from Rolls Royce, in recognition of the excellent quality and delivery performance in the last couple of years. In the period, we put the potential sale of the HT Luton site on hold for the present, after the original bidder withdrew their offer. We have since had renewed interest in the site, so we are currently considering our options, as the commercial conditions have changed since we first marketed the site.

HT Inc in Vermont (USA) continued to see good order intake in the nuclear life extension market in the USA - and with KHNP, South Korea, although delays in order intake again affected the results in the US. Proactive procurement blunted the impact of the delays, at the expense of a temporary increase in working capital. HT Inc's new R&D opportunities – for example in next generation nuclear power - are forging ahead, with further orders received from TerraPower, post period end.

HT Kunshan (China) had a good year, with a number of new orders being received and a strong pipeline to follow, resulting from the Chinese government initiative to reduce emissions from coal fired power stations. This has given HT a new product line to pursue in the short to medium term.

HT India continued to suffer from disruptions due to Covid-19, but the business was, nonetheless, able to turn in a solid performance in the period.

Operations (continued)

EPM Division (continued)

Energy Steel ('ES') in Michigan (USA), continued on its recovery path, with an improved set of results from the previous year. At the start of the year, ES completed a move to a new smaller facility, reducing overheads and rightsizing its capacity. The business has been winning new orders from a broader market footprint, including US nuclear decommissioning National Waste Project (NWP) and the ITER fusion project.

PSRE Division – Energy, safety and security

PSRE had another very solid year, albeit somewhat impacted by the supply chain disruptions and order delays seen elsewhere in the Group.

Booth has made a full recovery and has a record order book, including the HS2 £36m contract awarded in the prior year. Booth also completed its factory extension, with production there now in full swing. We have successfully rebuilt Booth into a leader in its high integrity doors market niches, both in the UK and now commencing internationally. We are also making good progress in building an aftermarket business at Booth, where we see good growth potential.

Metalcraft's progress with the Sellafield 3M3 boxes was good, with the initial phase of the program now complete. In the period, Sellafield confirmed our transition to phase two of the box contract. The contract value was also boosted to £70m (previously £50m) with circa 1000 boxes to be delivered over the next six years. Metalcraft is the only supplier to transition to phase two of the contract. Frustratingly, the next 3M3 box contract tender remains on the horizon, with uncertain timing, but we are very well placed to pursue this contract and it does not impact on our forecasts, which allow for customer delays. Metalcraft China completed its exit from MRI third party component manufacture and reintegrated with its sister business in the UK.

Ormandy's results in the HVAC market were not as good as we would have liked, but the business again turned in a reasonable profit in difficult market conditions, which was a creditable achievement. The order book also remains stable.

Our Fluid Handling business in Scotland maintained its consistency, with another good performance in the period. During the year we completed the bolt-on acquisition of Transkem, an industrial mixers business, which was based in Glasgow. This product line complements our other fluid handling activities, and the two businesses are now fully merged on the East Kilbride site, with the Transkem building being sold in the second half of the period.

Composite Products had a steady year, with stable deliveries to Rapiscan for package scanning equipment and the on-going development of other customers, such as Prodrive.

MII - Medical Division

MII has successfully pivoted away from the custom business previously targeted by Scientific Magnetics (SM) and is continuing to work towards new products in Magnetic Resonance Imaging (MRI), driven by the acquisition of a majority stake in Magnetica (MNA) in January 2021. With MNA, SM and Tecmag now all integrated as one business, the focus is fully on niche-MRI systems. We are making good progress on this exciting project, with the first orthopaedic product expected to be launched in 2023. MNA (via Tecmag in Houston) will continue to work on products for the adjunct Nuclear Magnetic Resonance (NMR) market, including service and support offerings with our third-party partners.

In parallel with our pivot to MRI systems, Metalcraft's UK and China business for MRI components has now been exited successfully.

During the period, we completed an investment in Adaptix (Oxford, UK) worth £4m in total, being a 11.9% stake in the business. Adaptix is an emerging medtech business, focused on the development of disruptive 3D X-ray equipment, for a variety of applications, including veterinary and orthopaedic markets. The plans of Adaptix and Magnetica are convergent, and we are seeking to exploit this parallel track, to optimise costs in both businesses and to improve market penetration. In the period, Adaptix began to place first products in the veterinary imaging market and, post period end, submitted its 510(k) FDA application for its product for the orthopaedic market in the USA.

Financial Performance

Key Performance Indicators
The Group uses a number of financial key performance indicators to monitor the business, as set out below (all items are "from continuing operations", after restating for discontinued Peter Brotherhood in FY21).

Revenue: 1.9% increase – underlying organic growth continues
Overall Group continuing revenue increased to £100.4m (2021: £98.5m), driven largely by organic growth in the EPM and PSRE divisions, offset by the planned and executed exit of 3rd party MRI components in the Medical division.

Profit margin: Another improvement in results, despite global disruption
Adjusted EBITDA (note 2) increased slightly, to £12.7m (2021: £12.5m). PSRE was boosted by strong results across the division, with robust results at Booth. The profit margins in the EPM division also continued to improve, as market conditions stabilised somewhat, following previous adverse Covid 19 effects. Medical losses widened, as expected, with the exit of MRI component manufacture and the increased investment in Magnetica.

Operating profit was £7.2m (2021: £6.1m), in line with the EBITDA improvement seen above, and lower exceptional costs.

Gross margin: Continued strong progress.
Group gross margin improved to 34.0% (2021: 30.4%) with ongoing improving gross margin mix from the former HTG business units and further recovery at Booth, due to our transformation programme.

Tax: Future profits and cash protected by available losses
The effective rate of taxation at Group level was a 13.8% tax charge. A US tax rebate in FY22 (note 3) kept the charge lower than expected and the use of brought forward losses in the UK. The tax position will be aided further in the coming years by utilisation of losses in the UK and China. We continue to be cautious, not recognising all of the potential trading tax losses in the UK.

Adjusted diluted Earnings per Share (EPS) sustained
Adjusted diluted earnings per share from continuing operations (note 4) reduced slightly to 21.8p (2021: 22.4p) reflecting the underlying growth in results, offset by a higher tax charge (FY21 had a lower overall tax charge following the use of US tax losses). Adjusted diluted earnings per share attributable to Shareholders was 21.8p (2021: 96.2p), FY21 included 73.9p from the disposal of PB and discontinued operations.

Basic and diluted earnings per share attributable to Shareholders from continuing activities increased to 18.9p (2021: 15.9p) and to 18.3p (2021: 15.6p).

Funding and Liquidity: Ongoing strong net cash position
Net cash (including IFRS16 debt) at 31 May 2022 was £13.3m, excluding IFRS16 debt net cash was £16.7m (31 May 2021: Net cash (including IFRS16 debt) £20.3m, excluding IFRS16 debt was £23.3m). The cash flows generated from the strong underlying profits were subdued by a £8.2m working capital outflow, mainly due to the delayed timing of various contracts but also the envisaged further working capital outflow for the ES and Booth acquisitions, resulting in an operating cash inflow of £3.7m for the year (2021: £6.4m). In addition to £4.0m invested in Adaptix, £2.0m was invested in development costs primarily in relation to Magnetica's compact helium-free MRI system and £3.0m into property plant and equipment, (Booth extension £0.5m, £1.1m lease renewals at Ormandy and Sci-Mag, HTI lathe £0.2m) with the Group still in a strong net cash position. The Directors consider that the Group has sufficient financial resources to deliver strategy, so the Group is actively looking for further value enhancing opportunities.

Dividend: Progressive dividend fully reinstated
The Board reinstated a full year dividend in FY21 and has now reinstated half year and full year dividends in FY22. A final dividend of 2.6p per share is proposed, making a total dividend of 4.2p per share (2021: 4.0p). The dividend will be paid on 9 December 2022, to shareholders on the register at 28 October 2022.

People

At Board level, Jo Reedman joined the Board on 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 level. However, at divisional management level, we have seen some increased staff turnover, since the pandemic has caused many people to reassess their lives and careers. As a result, we have new leaders at HT Inc – Drew van Norman and at Energy Steel – Marcus Alexander. Pleasingly, both Drew and Marcus are internal promotions. We also have a new leader at Tecmag, with Carl Glass joining the business in the period. After the acquisition of Transkem, Paul Noble retired and Stuart Gibson took over as leader of the combined business. We wish all of our new leaders well in their roles and our thanks and best wishes go to Paul for a long and happy retirement.

In addition, the next tier management teams in each of the three divisions continue to be strengthened, with a number of key appointments being made in the year, notably in Medical, which is growing quite quickly. Skills availability is always a challenge, the more so after Brexit, the effects of Covid-19. However, we do not expect to be unduly constrained by shortages, although the global economic situation is causing wage inflation across the Group and making recruitment more difficult. We continue to invest significant effort in developing skills in-house, through structured apprenticeship programmes and graduate development plans. The construction of the apprentice training school, based at Metalcraft, is complete and 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.

Environmental, Social and Governance (ESG) Report

Avingtrans believe that operating in a safe, ethical and responsible manner is at the heart of creating sustainable value for all our stakeholders.

Our goal is to embed sustainability into our pinpoint-invest-exit business strategy. In 2021, we reassessed our approach to sustainability, with a view of integrating a sustainability strategy into our core business activities, aligning ourselves with the UN's Sustainable Development Goals (SDGs).

The SDGs set out the UN agenda for people, planet and prosperity and aim to achieve a prosperous, inclusive and sustainable society for all by 2030.

The SDGs provide all businesses with a new lens through which to translate the world's needs and ambitions into business solutions. These solutions will enable companies to better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to resources, and strengthen their supply chains, while moving the world towards a sustainable and inclusive development path.

We have reviewed the SDGs alongside our operations and consider the following to be our priorities:
- Health, safety, and wellbeing
- Operational eco-efficiency
- Development of new technologies

Environmental

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 year there have been no instances (2021: none) of non-compliance with environmental laws and regulations. The Group has not incurred any fines or penalties, nor been investigated for any significant breach of Environmental laws and regulations.

Statement of carbon emissions -compliance with Streamlined Energy and Carbon Reporting (SECR)

The Group has elected to voluntarily disclose the carbon reporting emissions under the SECR regime, to provide stakeholders with a clear understanding of the group's position with regards to carbon emissions. In the prior year, we captured energy use across our UK sites and in the current reporting period, we have rolled this out globally.

The Avingtrans business model is Pinpoint, Invest, Exit, with businesses typically sold within a three to five year time frame, allowing for global market conditions. As a result of our business model, we expect to see significant fluctuation in energy use each year. Our focus is very much at a site level, driving each site to set a target to improve efficiency and reduce emissions.

The Group applies a location-based approach, where each site tracks energy usage and fuel consumption. These are then converted into energy usage (kWh) and carbon emissions (tCO2e), using relevant conversion factors. 2021 and 2022 emission conversion factors are published by the Department for Environment, Food and Rural Affairs and the Department for Business, Energy & Industrial Strategy.

The data in the tables below is drawn from our 7 locations in the UK and 7 locations overseas. Carbon reporting is aligned to our financial statements, consequently we have excluded the results from our discontinued operations.

The following highlights Avingtrans' emissions and intensity ratios:

	2022 United Kingdom	2022 Overseas	2022 Group	2021 United Kingdom
Scope 1:				
Gas	737	238	**975**	714
Oil	605	-	**605**	471
Distribution	14	4	**18**	103
Company vehicle travel	12	18	**30**	3
	1,368	260	**1,628**	1,291
Scope 2 – Purchased electricity	737	368	**1,105**	1,119
Total emissions tCO_2e	2,105	628	**2,733**	2,410
Total energy consumption mWh	9,673	2,105	**11,778**	11,271
Intensity metrics:				
Employees – UK sites	445	265	**710**	423
Emissions tCO_2e per employee	4.7	2.4	**3.8**	5.7
Revenue (£m) – UK sites	57.2	43.2	**100.4**	60.0
Emissions tCO_2e per £m of revenue	36.8	14.5	**27.2**	40.2

The inclusion of overseas entities significantly decreases the Group's carbon intensity. This is partly driven by their focus on aftermarket revenues, which are less energy intensive, compared with original equipment revenues. Furthermore, our largest overseas manufacturing facility is based in Vermont, a state which generates nearly 100% of its electrical power from renewables. Consequently, carbon emissions from electricity usage are very minor.

The Group has seen a significant fall in tCO2e £m of revenue for its UK sites in 2022. The decrease is primarily driven by the FY21 discontinuation of component supply for Siemens MRI, which required the use of energy intensive stress relieving ovens in the manufacturing process. Furthermore, investment in operational eco-efficiency, particularly LED lighting, has driven improvements.

Carbon and energy reduction targets have been established at a site level. Most sites have established targets and strategies as part of their ISO 14001 Environmental Management System accreditation. Our Booth subsidiary is leading the way, with a commitment to achieving net zero by the end of calendar year 2023. This will be achieved through choosing low emission electricity providers, investment to improve operational efficiency, and a carbon offsetting programme.

Operational eco-efficiency

Operational eco-efficiency plays a key role in our business. It supports our plan to maximise profitability, strengthen our competitive position, and provide customers with the highest quality of services. Our efforts to reduce energy use and prevent pollution also support our commitment to our employees, the environment, and the communities in which we operate.

Green manufacturing facility
During the year, our subsidiary, Booth, opened its new factory wing, which promises to help deliver a more flexible and greener manufacturing facility. Designed to meet a CO2 emission rate of 38.2kg/CO2/m2, the new facility uses a variety of thermal, lighting and energy saving advances, to improve the energy efficiency of the building and limit CO_2 emissions. Circa 95% of the demolition materials removed, following the removal of the pre-existing building, were recycled, with the remaining five per cent consisting of asbestos-containing materials, which were disposed of safely.

Development of new technologies

Small Modular Reactors
Small Modular Reactors ("SMRs") are advanced power plants, which can be largely built in factories as modules, to minimise costly on-site construction, allowing manufacturers to reduce costs, by producing many identical units. More than 70 designs of small modular reactor are in development in 18 countries around the world, mostly based on "Generation III+" reactor technologies, which are relatively close to commercial readiness.

The UK arm of our Hayward Tyler business is collaborating with the Nuclear Advanced Manufacturing Research Centre, to develop new designs of reactor coolant pumps (RCPs) for small modular reactors (SMRs) and help the UK supply chain prepare to produce critical components for the global SMR market.

Next generation nuclear power: Molten Chloride Fast Reactor
Our US Hayward Tyler business has developed high-temperature molten salt pumps, destined for a state-of-the-art Integrated Effects Test (IET) facility, under development by Southern Company and TerraPower, to advance development of the Molten Chloride Fast Reactor (MCFR). This is a transformational, fourth-generation, molten salt nuclear technology, designed to enable low-cost, economywide decarbonization. Located at TerraPower's Everett, Washington facility, the IET is a non-nuclear, externally heated multi-loop system, intended to test and validate integrated operation of MCFR systems, as well as demonstrate multiple auxiliary MCFR functions.

From fission to fusion
The International Thermonuclear Experiment Reactor ("ITER") is currently under construction in France. It will be used as a global demonstrator of fusion technologies, in the lead up to eventual full-scale fusion power plants. Like nuclear fission, fusion is free of carbon emissions (except for construction), but also has the benefit of a much smaller and less hazardous waste stream. Hayward Tyler in the USA is working with the US government, to design and produce specialist pumps for ITER, as part of the US contribution to the project.

Nuclear waste remediation
At the end of FY21, our Metalcraft business, secured the next phase of its contract with Sellafield, to manufacture 1,000 $3m^3$ boxes. The boxes will be used to store intermediate level waste retrieved from silos at legacy locations in Cumbria. In environmental terms, this storage project represents one of the most positive and important intergenerational equity deliverables of the next few decades, developing and implementing critical technology, to bequeath a pristine environment to posterity.

Building on our FY21 success, our Energy Steel business secured a contract in FY22, to supply materials and subassemblies required for the Nuclear Waste Partnership LLC's waste isolation pilot plant in New Mexico, the nation's only deep geological long-lived radioactive waste repository.

Renewables: Concentrated Solar Power
Hayward Tyler in China supplied a glandless pump package to a major Chinese EPC, Shanghai Electric Corporation, for installation at Bin Rashid Al Maktoum Solar Park Phase IV. This is a 950MW Concentrated Solar Power and Photovoltaic hybrid power plant. The project makes use of three different technologies to generate clean energy, consisting of 600MW from a parabolic basin complex, 100MW from a solar tower, and 250MW from PV panels.

It is the world's largest project using Concentrated Solar Power on a single location. The Dubai solar park is an important project supporting the Dubai Clean Energy Strategy, which aims to increase Dubai's use of clean energy to 75% of their total energy mix by 2050.

Magnetic Resonance Imaging ("MRI"): Going helium-free
Existing MRI systems rely on liquid helium, to cool the superconducting magnets at the heart of each system. Helium is a scarce, non-renewable resource, mostly obtained as a by-product of oil extraction. Therefore, in our new compact MRI designs, we are seeking to take advantage of the smaller system footprint, to enable us to rely on mechanical cooling only, thus eliminating use of helium in these systems.

Cleaning up the oceans
Most subsea motors utilise glycols as a control fluid, lubricating and protecting equipment from degradation in a wide range of temperatures and pressures on the ocean floor. Discharges of glycols can be extremely damaging to undersea ecosystems. Recently, new greener glycols have been developed which pose a significantly reduced risk to the marine environment. During FY22, our Hayward Tyler business have been testing the suitability of the greener glycols with results indicating the fluid is compatible with our product. In FY23, the greener glycols will be sold in our products as default.

Social

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 gender, 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 have been rolling-out a "dignity and respect" training program across the Group. 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.

Apprenticeships and training
All larger group locations are running apprenticeship schemes for young people, both to act as socially responsible employers and to optimise the demographics of our workforce over the mid to long term.

During the year, we completed construction of an apprentice training school, based at Metalcraft, Chatteris. We have partnered with West Suffolk College (WSC) to be the operator and training provider at the centre, which will take on between 80 and 130 students each year. Construction of the centre has been funded through a £3.16 million grant from Cambridgeshire and Peterborough Combined Authority.

The Group continues to be recognised nationally for the strength of its apprenticeship training schemes. During the year our Metalcraft business collected a national finalist certificate for the outstanding contribution to the development of apprenticeships.

Health, safety, and wellbeing

The Group takes H&S matters and its related responsibilities very seriously.

As regular acquirers of businesses, we find different levels of capability and knowledge in different situations. Often, a key investment need in smaller acquisitions is to spread H&S best practice from other Group businesses and bring local processes up to required standards. Larger acquisitions (such as HTG previously) usually have well developed H&S processes and we seek to learn from these in other business units.

Employee equality, welfare and engagement are critical for developing our key asset. We focus on pro-active actions, including, internal training, certifications, and employee engagement through listening, survey and involvement.

Covid-19 has been the biggest health and safety issue for the Group this year. 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 continue to evolve. Taken as a whole, these measures have allowed us to operate at a consistently high level of effectiveness throughout the pandemic and ensured that we have minimised any loss of output, whilst keeping all employees safe.

Our Health and Safety KPIs can be found in the key performance indices section of the strategic report (page 8). Somewhat disappointingly, incidents per employee per annum have remained flat in the current year, despite several initiatives. At Board level, Les Thomas has H&S oversight and he conducts inspections with local management, as appropriate.

During the year there have been no fatalities or serious injuries at any of our sites.

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, principally in the Energy and Medical and Industrial sectors, with a successful profitable growth record, underpinned by our 'PIE' strategy. Recent acquisitions will provide further opportunities for the Group to build enduring value for investors in resilient market niches. We will continue to be frugal and seek to crystallise value and return capital when the timing is right, as part of the PIE strategy implementation. Our PIE strategy has served us well in the current crisis and could result in further opportunities to grow shareholder value.

The Group continues to invest in 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. Magnetica's MRI product development is proceeding to plan, with an expected launch of the orthopaedic product later in 2023, subject to FDA approval in the USA. This activity is now complemented by the complementary investment in Adaptix. The previous acquisitions of Booth and Energy Steel continued to recover well, as demonstrated by the results in the period. The Group is in a strong net cash position, so we are proactively pursuing potential PIE prospects, with the ability to capitalise on any suitable strategic opportunities. Our value creation targets continue to be accomplished as planned and are underpinned by a conservative approach to debt.

The energy divisions have a strong emphasis on the thermal power, nuclear and hydrocarbon markets and aftermarkets. The medical division has pivoted to focus on compact, helium-free MRI systems, which the Board believes could create significant future shareholder value. To drive profitability and market engagement, each division has a clear strategy to support end-user aftermarket operations, servicing its own equipment and (where pertinent) that of third parties, to capitalise on the continued market demand for efficient, reliable and safe facilities.

The Russia-Ukraine conflict and resulting inflationary effects on the global economy is now our biggest uncertainty. However, we have taken effective cost and risk mitigation actions so far, to limit any potential downside and we will continue to be on our guard.

Despite the current global macroeconomic environment, our markets continue to develop and M&A opportunities remain a priority for us. Businesses like ours can command high valuations at the point of exit, as demonstrated by the disposal of Peter Brotherhood in FY21. The Board remains cautiously confident about the current strategic direction and potential future opportunities across our markets. We will continue to refine our business by pinpointing specific additional acquisitions as the opportunities arise, to create superior shareholder value, whilst maintaining a prudent level of financial headroom, to enable us to endure any subsequent headwinds.

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

Roger McDowell
Chairman
27 September 2022

Steve McQuillan
Chief Executive Officer
27 September 2022

Stephen King
Chief Financial Officer
27 September 2022

Consolidated Income Statement

	Note	2022 £'000	2021 £'000
Revenue	1	**100,405**	98,516
Cost of sales		**(66,261)**	(68,586)
Gross profit		**34,144**	29,930
Distribution costs		**(3,653)**	(3,024)
Administrative expenses		**(23,242)**	(20,821)
Operating profit before amortisation of acquired intangibles, other non-underlying items and exceptional items		**8,558**	8,188
Amortisation of acquired intangibles	2	**(869)**	(1,008)
Share based payment	2	**(188)**	(133)
Acquisition costs	2	**(29)**	(234)
Restructuring costs		**(93)**	(771)
Other exceptional items		**(130)**	43
Operating profit	1	**7,249**	6,085
Finance income	2	**176**	73
Finance costs	2	**(393)**	(711)
Profit before taxation		**7,032**	5,447
Taxation	3	**(971)**	(383)
Profit after taxation from continuing operations		**6,061**	5,064
Profit after taxation from discontinued operations		**-**	22,136
Profit for the financial year		**6,061**	27,200
Profit is attributable to:			
Owners of Avingtrans PLC		**6,478**	27,366
Non-controlling interest		**(417)**	(166)
Total		**6,061**	27,200
Earnings per share:			
From continuing operations			
- Basic	4	**18.9p**	15.9p
-Diluted	4	**18.3p**	15.6p
From continuing and discontinuing operations			
-Basic	4	**18.9p**	85.4p
-Diluted	4	**18.3p**	83.6p

Consolidated Statement of Comprehensive Income

	2022 £'000	2021 £'000
Profit for the year	**6,061**	27,200
Items that will not subsequently be reclassified to profit or loss		
Remeasurement of defined benefit liability	**95**	(662)
Income tax relating to items not reclassified	**(24)**	49
Items that may/will subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1,445**	(1,162)
Total comprehensive income for the year attributable to equity shareholders	**7,577**	25,425

Consolidated Balance Sheet
at 31 May 2022

	2022	2021
	£'000	£'000
Non current assets		
Goodwill	**21,420**	21,222
Other intangible assets	**15,675**	14,464
Property, plant and equipment	**25,239**	25,281
Deferred tax	**1,544**	1,767
Unlisted Investments	**4,000**	-
Pension and other employee obligations	**1,688**	1,284
	69,566	64,018
Current assets		
Inventories	**11,759**	10,076
Trade and other receivables: falling due within one year	**46,817**	36,010
Trade and other receivables: falling due after one year	**1,579**	1,798
Current tax asset	**686**	633
Cash and cash equivalents	**24,287**	30,078
	85,128	78,595
Total assets	**154,694**	142,613
Current liabilities		
Trade and other payables	**(29,629)**	(26,587)
Lease liabilities	**(1,605)**	(1,310)
Borrowings	**(5,497)**	(2,160)
Current tax liabilities	**(710)**	(672)
Provisions	**(1,770)**	(1,742)
Derivatives	**-**	(144)
Total current liabilities	**(39,211)**	(32,615)
Non-current liabilities		
Borrowings	**(762)**	(3,368)
Lease liabilities	**(3,097)**	(2,965)
Deferred tax	**(4,465)**	(3,456)
Other creditors	**(1,342)**	(1,246)
Total non-current liabilities	**(9,666)**	(11,035)
Total liabilities	**(48,877)**	(43,650)
Net assets	**105,817**	98,963
Equity		
Share capital	**1,607**	1,599
Share premium account	**15,693**	15,347
Capital redemption reserve	**1,299**	1,299
Translation reserve	**825**	(732)
Merger reserve	**28,949**	28,949
Other reserves	**1,457**	1,457
Investment in own shares	**(4,235)**	(4,235)
Retained earnings	**58,223**	53,614
Total equity attributable to equity holders of the parent	**103,818**	97,298
Non-controlling interest	**1,999**	1,665
Total equity	**105,817**	98,963

Consolidated Statement of Changes in Equity
at 31 May 2022

	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 Attributable owners of the Group £'000	Non-controlling 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	11	377	-	-	-	-	-	-	388	-	388
Magnetica acquisition	-	-	-	-	-	-	-	-	-	1,831	1,831
Gain on disposal of non-controlling interest in subsidiary	-	-	-	-	-	1,278	-	-	1,278	-	1,278
Share-based payments	-	-	-	-	-	-	-	133	133	-	133
Total transactions with owners	11	377	-	-	-	1,278	-	133	1,799	1,831	3,630
Profit for the year	-	-	-	-	-	-	-	27,366	27,366	(166)	27,200
Other comprehensive income											
Actuarial gain for the year on pension scheme	-	-	-	-	-	-	-	(662)	(662)	-	(662)
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	49	49	-	49
Exchange loss	-	-	-	-	(1,162)	-	-	-	(1,162)	-	(1,162)
Total comprehensive income for the year	-	-	-	-	(1,162)	-	-	26,753	25,591	(166)	25,425
Balance at 31 May 2021	**1,599**	**15,347**	**1,299**	**28,949**	**(732)**	**1,457**	**(4,235)**	**53,614**	**97,298**	**1,665**	**98,963**

Consolidated statement of changes in equity (continued)
at 31 May 2022

	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	Retained earnings £'000	Total Attributable owners of the Group £'000	Non-controlling interest £'000	Total Equity £'000
At 1 June 2021	1,599	15,347	1,299	28,949	(732)	1,457	(4,235)	53,614	97,298	1,665	98,963
Ordinary shares issued	8	346	-	-	-	-	-	-	354	-	354
Dividends paid	-	-	-	-	-	-	-	(1,265)	(1,265)	-	(1,265)
Share-based payments	-	-	-	-	-	-	-	188	188	-	188
Total transactions with owners	8	346	-	-	-	-	-	(1,077)	(723)	-	(723)
Profit for the year	-	-	-	-	-	-	-	6,478	6,478	(417)	6,061
Investment in subsidiary with non-controlling interest	-	-	-	-	112	-	-	(863)	(751)	751	-
Other comprehensive income											
Actuarial gain for the year on pension scheme	-	-	-	-	-	-	-	95	95	-	95
Deferred tax on actuarial movement on pension scheme	-	-	-	-		-	-	(24)	(24)	-	(24)
Exchange gain	-	-	-	-	1,445	-	-	-	1,445	-	1,445
Total comprehensive income for the year	-	-	-	-	1,557	-	-	5,686	7,243	334	7,577
Balance at 31 May 2022	**1,607**	**15,693**	**1,299**	**28,949**	**825**	**1,457**	**(4,235)**	**58,223**	**103,818**	**1,999**	**105,817**

Consolidated Cash Flow Statement
for the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Operating activities			
Cash flows from operating activities	5	4,173	6,877
Finance costs paid		(388)	(723)
Income tax received		203	491
Contributions to defined benefit plan		(282)	(272)
Net cash inflow from operating activities		3,706	6,373
Investing activities			
Acquisition of subsidiary undertakings, net of cash acquired	6	(582)	341
Investment in unlisted undertaking		(4,000)	26,636
Finance income		176	73
Purchase of intangible assets		(1,996)	(884)
Purchase of property, plant and equipment		(2,989)	(1,532)
Proceeds from sale of property, plant and equipment		44	-
Net cash (used in)/generated from investing activities		(9,347)	24,634
Financing activities			
Equity dividends paid		(1,265)	-
Repayments of bank loans		(468)	(4,397)
Repayment of leases		(1,486)	(1,993)
Proceeds from issue of ordinary shares		355	388
Proceeds from borrowings		2,493	149
Net cash outflow from financing activities		(371)	(5,853)
Net (decrease)/increase in cash and cash equivalents		(6,012)	25,154
Cash and cash equivalents at beginning of year		29,736	4,693
Effect of foreign exchange rate changes on cash		178	(111)
Cash and cash equivalents at end of year		23,902	29,736

1 Segmental analysis

Year ended 31 May 2022	Energy EPM £'000	Energy PSRE £'000	Medical MII £'000	Unallocated central items £'000	Total £'000
Original Equipment	14,089	41,738	2,426	-	58,253
After Market	39,115	3,006	31	-	42,152
Revenue	53,204	44,744	2,457	-	100,405
Operating profit/(loss)	4,592	5,020	(1,291)	(1,072)	7,249
Net finance income/(expense)	(253)	64	(23)	(5)	(217)
Taxation credit/(charge)	(739)	(761)	149	380	(971)
Profit/(loss) after tax from continuing operations	3,600	4,323	(1,165)	(697)	6,061
Segment non-current assets	43,671	14,317	7,578	4,000	69,566
Segment current assets	42,849	21,960	1,828	18,491	85,128
	86,520	36,277	9,406	22,491	154,694
Segment liabilities	(23,567)	(19,069)	(3,539)	(2,702)	(48,877)
Net assets	62,953	17,208	5,867	19,789	105,817
Non-current asset additions					
Intangible assets	234	413	1,615	-	2,262
Tangible assets	962	1,429	598	-	2,989
	1,196	1,842	2,213	-	5,251
Other income statement items:					
Depreciation and amortisation	(2,492)	(1,321)	(367)	-	(4,180)

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

Segmental analysis has been revised for FY21 following the segment move from Medical to PSRE for the non-Magnetica companies – Composite Products and Stainless Metalcraft China.

Year ended 31 May 2021	Energy EPM £'000	Energy PSRE £'000	Medical MII £'000	Unallocated central items £'000	Total £'000
,Original Equipment	15,427	36,674	5,635	-	57,736
After Market	35,956	4,629	195	-	40,780
Revenue	51,383	41,303	5,830	-	98,516
Operating profit/(loss)	2,833	4,234	(224)	(758)	6,085
Net finance income/(expense)	(390)	(218)	(21)	(9)	(638)
Taxation credit/(charge)	191	(651)	1	76	(383)
Profit/ (loss) after tax from continuing operations	2,634	3,365	(244)	(691)	5,064
Segment non-current assets	44,164	13,259	6,595	-	64,018
Segment current assets	34,940	17,225	1,531	24,899	78,595
	79,104	30,484	8,126	24,899	142,613
Segment liabilities	(9,381)	(13,801)	(5,386)	(15,082)	(43,650)
Net assets	69,723	16,683	2,740	9,817	98,963
Non-current asset additions					
Intangible assets	75	318	3,610	-	4,003
Tangible assets	1,544	741	27	-	2,312
	1,619	1,059	3,637	-	6,315
Other income statement items:					
Depreciation and amortisation	(2,409)	(1,449)	(458)	-	(4,316)

1 Segmental analysis (continued)

Geographical

The following tables provides an analysis of the Group's revenue by destination and the location of non-current assets (excluding deferred tax assets and defined benefit pension surplus) by geographical market:

	2022 Revenue £'000	2021 Revenue £'000	**2022 Non-current Assets £'000**	2021 Non-current Assets £'000
United Kingdom	**45,144**	43,594	**31,498**	27,485
Europe (excl. UK)	**6,695**	8,407	**-**	-
United States of America	**23,383**	18,619	**27,933**	27,544
Africa & Middle East	**1,633**	2,137	**-**	-
Americas & Caribbean (excl. USA)	**3,767**	3,523	**-**	-
China	**10,387**	11,137	**1,771**	2,059
Asia Pacific (excl. China)	**9,396**	10,606	**5,132**	3,879
Antarctica	**-**	493	**-**	-
	100,405	98,516	**66,334**	60,967

2 Adjusted Earnings before interest, tax, depreciation and amortisation

	2022 £'000	2021 £'000
Profit before tax from continuing operations	**7,032**	5,447
Share based payment expense	**188**	133
Acquisition costs	**29**	234
Restructuring costs	**93**	771
Other exceptionals	**130**	(43)
(Gain)/loss on derivatives	**(144)**	109
Amortisation of intangibles from business combinations	**869**	1,008
Adjusted profit before tax from continuing operations	**8,197**	7,659
Finance income	**(176)**	(73)
Finance cost	**393**	711
Gain/(loss) on derivatives	**144**	(109)
Adjusted profit before interest, tax and amortisation from business combinations ('EBITA')	**8,558**	8,188
Depreciation	**3,675**	3,461
Amortisation of other intangible assets	**374**	545
Amortisation of contract assets	**132**	310
Adjusted Earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations	**12,739**	12,504

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

All costs noted above, apart from the share based payment expense and amortisation of intangibles had a reduction in the cashflow in the year. The tax impact on the above costs is relatively immaterial.

3 Taxation

	2022` **£'000**	2021 £'000
Continuing operations		
Current tax		
Corporation tax – current year	**-**	6
Corporation tax – prior year	**141**	43
Overseas tax – current year	**225**	-
Overseas tax – prior year	**(480)**	738
Total current tax	**(114)**	787
Deferred tax		
Deferred tax – current year	**860**	(241)
Deferred tax – prior year	**170**	(298)
Deferred tax – rate	**55**	135
Total deferred tax	**1,085**	(404)
Tax charge on continuing operations	**971**	383
Tax (credit)/charge on discontinued operations	**-**	(746)
Total tax (credit)/charge in the year	**971**	(363)

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit/loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 31 May 2022 is 25% and deferred tax has been re-measured at this rate. The recent budget on 23 September 2022, the Chancellor of the Exchequer announced that the corporation tax rate would not increase to a maximum of 25% however this not been enacted as at year end.

4 Earnings per ordinary share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

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

	2022 Number	2021 Number
Weighted average number of shares – basic	**32,070,325**	31,855,908
Share option adjustment	**1,063,674**	670,102
Weighted average number of shares – diluted	**33,133,999**	32,526,010

	2022 £'000	2021 £'000
Profit from continuing operations	**6,061**	5,064
Share based payment expense	**188**	133
Acquisition costs	**29**	234
Restructuring costs	**93**	771
Other exceptionals	**130**	(43)
(Gain)/loss on derivatives	**(144)**	109
Amortisation of intangibles from business combinations	**869**	1,008
Adjusted profit after tax from continuing operations	**7,226**	7,276
From continuing operations:		
Basic earnings per share	**18.9p**	15.9p
Adjusted basic earnings per share	**22.5p**	22.8p
Diluted earnings per share	**18.3p**	15.6p
Adjusted diluted earnings per share	**21.8p**	22.4p
Earnings from discontinuing operations:	**-**	24,028
From discontinuing operations		
Basic earnings per share	**-**	69.5p
Adjusted basic earnings per share	**-**	75.4p
Diluted earnings per share	**-**	68.1p
Adjusted diluted earnings per share	**-**	73.9p
Earnings attributable to shareholders including non-controlling interest	**7,226**	31,303
Basic earnings per share	**18.9p**	85.4p
Adjusted basic earnings per share	**22.5p**	98.3p
Diluted earnings per share	**18.3p**	83.6p
Adjusted diluted earnings per share	**21.8p**	96.2p

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.

There are Nil share options at 31 May 2022 (2021: Nil) that are not included within diluted earnings per share because they are anti-dilutive.

5 Notes to the consolidated cash flow statement

Cash flows from operating activities:

	2022 £'000	2021 £'000
Continuing operations		
Profit before income tax from continuing operations	**7,032**	5,447
Loss before income tax from discontinuing operations before disposal	**-**	(1,732)
Adjustments for:		
Depreciation	**3,675**	3,461
Amortisation of intangible assets	**374**	545
Amortisation of intangibles from business combinations	**869**	1,008
Loss on disposal of property, plant and equipment	**44**	6
Finance income	**(176)**	(73)
Finance expenses	**393**	711
Share based payment charge	**188**	133
Changes in working capital		
(Increase)/decrease in inventories	**(1,033)**	1,468
Increase in trade and other receivables	**(7,837)**	(5,108)
Increase in trade and other payables	**783**	1,457
Increase/(decrease) in provisions	**32**	(457)
Other non cash changes	**(171)**	11
Cash flows from operating activities	**4,173**	6,877

	2022 £'000	2021 £'000
Cash and cash equivalents		
Cash	**24,287**	30,078
Overdrafts	**(385)**	(342)
	23,902	29,736

6 Acquisitions and disposals

Business combination – Transkem Plant Limited

On 1 December 2021, the Group acquired 100% of the shares in Transkem Plant Limited ("Transkem") in exchange for consideration of £1,155,000.

Consideration comprises of cash on completion of £812,000 and deferred consideration valued at £343,000.

Transkem are a United Kingdom based engineering company which specialises in the design, manufacture and service mixers and agitators for customers operating within pharmaceuticals, food & drink, and water treatment industries.

The fair value of Transkem's net assets at the date of acquisition were as follows:

	£'000
Goodwill	156
Other intangible assets	223
Property, plant and equipment	56
Short term investments	57
Inventories	24
Trade and other receivables	399
Assets held for sale	232
Cash	230
Total assets	1,377
Trade and other payables	(154)
Current tax liabilities	(15)
Deferred tax liability	(53)
Total liabilities	(222)
Net assets	1,155
Consideration comprises:	
Cash on completion	812
Contingent consideration	343
	1,155

Assets held for sale represents a freehold property which was sold during the period.

Contingent consideration is based on the business achieving profit targets over the 2 year period to 30 November 2023, and has been discounted to fair value using a discount rate of 10.8%.

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

	2022 **£'000**
Revenue	178
Expenses	(209)
Loss before tax	(31)
Tax credit	9
Overall effect on the Consolidated Income Statement	(22)

Since acquisition Transkem contributed the following to the Group's cash flows:

	2022 **£'000**
Net cash inflow from operating activities	493
Net cash used by investing activities	-
Net cash inflow from financing activities	-

7 Net cash and gearing

	2022 £'000	2021 £'000
Cash	**24,287**	30,078
Overdrafts	**(385)**	(342)
Loans	**(5,874)**	(5,186)
Lease liability – finance leases under IAS17	**(1,313)**	(1,210)
Net cash - excluding IFRS 16	**16,715**	23,340
Lease liability – under IFRS 16	**(3,389)**	(3,065)
Net cash	**13,326**	20,275
Equity	**105,817**	98,963
Net cash to equity ratio	**12.6%**	20.5%

8 Preliminary statement and basis of preparation

This preliminary statement, which has been agreed with the auditors, was approved by the Board on 27 September 2022. It is not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The Financial information set out in this announcement does not constitute the Company's Consolidated Financial Statements for the financial years ended 31 May 2022 or 31 May 2021 but are derived from those Financial Statements. Statutory Financial Statements for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's AGM. The auditors Cooper Parry Group Limited have reported on the 2022 financial statements. Their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the Financial Statements for 2022. The group's previous auditors, Grant Thornton UK LLP reported on the 2021 financial statements. Similarly, their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the Financial Statements for 2021.

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 UK 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 2022.

9 Annual report and Accounts

The Report and Accounts for the year ended 31 May 2022 will be available on the Group's website www.avingtrans.plc.uk on or around 10 October 2022. Further copies will be available from the Avingtrans' registered office:

Chatteris Business Park, Chatteris, Cambridgeshire PE16 6SA.

10 Annual General Meeting

The Annual General Meeting of the Group will be held at Shakespeare Martineau LLP, No1 Colmore Square, Birmingham, B4 6AA on 17 November 2022 at 11:00am.