Avingtrans

PINPOINT-INVEST-EXIT

FY23 Interim Results

About

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

www.avingtrans.plc.uk

Avingtrans PLC (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 2022.

Financial Highlights

- Group Revenue increased to £50.0m (2022 H1: £44.5m) in line with management expectations.
- Gross Margin reduced marginally to 32.6% (2022 H1: 33.9%) as a result of OEM versus aftermarket mix Adj.*EBITDA increased by 11.4% to £6.4m, as a result of higher revenues (2022 H1: £5.7m)
- Adj.*EBITDA margin 12.8% (2022 H1: 12.9%)
- Adj. Profit before tax £4.0m (2022 H1: £3.8m)
- Adj. Diluted Earnings Per Share from continuing operations increased to 10.8p (2022 H1:10.2p)
- Cash inflow from operating activities of £4.1m (2022 H1: £4.0m)
- Net cash (excluding IFRS16 debt) at 30 November of £17.3m, (31 May 2022: £16.7m) after further investments in Magnetica, Adaptix and working capital, due to on-going supply chain disruption effects.
- Interim Dividend of 1.7 pence per share (2022 H1: 1.6 pence)

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

Operational highlights

- Investments at Hayward Tyler, Energy Steel and Booth continue to bear fruit
- Order book: stronger than average across the Group:
  - Order cover for FY23 is over 90%, at the end of January 2023
  - Nuclear sector orders and prospects increasing, especially in the USA
- PIE strategy (Pinpoint-Invest-Exit) for organic growth and added value through M&A
  - Exciting potential for Medical in compact, helium-free MRI and 3D X-ray systems
  - Post period end – further Magnetica investment round completed, as planned
  - Further £2.0m convertible loan investment in Adaptix 3D X-ray
  - Planned exit of HT Luton site - continuing to pursue, but progress is slow
  - Post period end, Ormandy acquired the assets of competitors HEVAC and HES for £852k

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

“Our proven Pinpoint-Invest-Exit (“PIE”) model has once again delivered robust results in the period, exhibited by increased revenue and consistent gross margins, despite inflationary pressures and supply chain instabilities, to deliver a double digit % rising 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, by means of exits in the years to come. The MRI system development at Magnetica and 3D X-ray system development at Adaptix are proceeding to plan. We are witnessing on-going improvements in other business units, such as at Booth, as again 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 we see as critical during a period of on-going economic challenges.

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

“Strong order intake and timing of contract revenue recognition has provided management with good visibility over H2 2023 revenue and profits, on-going supply chain disruptions notwithstanding. Therefore, the Board remains cautiously confident about achieving full year market expectations.”

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Avingtrans 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 once again pleased to be able to report a healthy first half performance by Avingtrans, despite the combined impact of on-going supply chain disruptions driven by the Russia / Ukraine conflict and the aftermath of Covid. A solid revenue performance versus H1 FY22 has again been enhanced by an improved EBITDA result, mainly due to increased revenue and profit in the EPM division. The gross margin percentage reduced modestly year on year, due to increased OEM sales in the mix. Gratifyingly, net cash was marginally ahead of the year end position, even after further investments in Magnetica, Adaptix and working capital expenditure, to mitigate supply chain issues. Order cover for FY23 remains robust across all divisions.

Our proven Pinpoint-Invest-Exit ("PIE") model continues to deliver results, with Booth and Energy Steel continuing to improve. Our medical imaging strategy continues to advance with the Magnetica teams making good progress with the design and build of our own compact MRI product for the orthopaedics market. The prospects for this new entity are exciting and, post period end, we committed to a further investment in Magnetica, which will take our overall stake to over 74%. We also made a further investment of £2m in Adaptix, via a loan note and, post period end, we were delighted to hear that their 3D X-ray system for orthopaedics was awarded 510(k)[1] approval by the FDA in the USA. As a corollary, we have now completed our exit from third party MRI component manufacture in China. Also post period end, Ormandy acquired the assets of local competitor businesses HEVAC and HES for £852k and will integrate this business into its existing Bradford site.

The divisional management teams have shown fortitude in tackling the significant supply chain disruption issues which have affected us across the Group and we note some early signs of these issues easing. Our aftermarket plans continue to progress positively in EPM and PSRE, as we seek to outperform our competitors by winning a larger share of the installed base service and support business, both for our products and those of third parties. 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.

The Engineered Pumps and Motors (EPM) division saw a first half revenue rebound by 16.8% year-on-year, despite the supply chain disruptions. Divisional margins also increased with Energy Steel's performance being sustained and further improvements expected by the year end. Although the Luton site sale process has been frustrated, first by the pandemic and now by the current economic challenges, the negotiations are on-going.

Process Solutions and Rotating Equipment (PSRE) reported more modest growth in revenue in H1, with divisional EBITDA consistent year-on-year, following a large jump in FY22. Booth's pleasing trajectory continues, with the record order book being complemented by steadily increasing revenues and profits. Year-on-year profits were also up modestly at Ormandy. The Sellafield 3M3 box contract is now solidly into its second phase at Metalcraft, with a steady flow of boxes being delivered each month. Composite Products' first half was subdued but there was no material impact on the division.

Meanwhile, in the Medical division, Magnetica has made steady progress in the development of its compact MRI system, which we expect to launch at the end of 2023. As noted above, post period end, we completed the latest fund-raising process for Magnetica and we made a further investment in Adaptix. Both businesses are targeting market sectors which currently lack effective MRI and X-ray solutions, such as orthopaedics and veterinary applications.

Following another solid performance, the Board is declaring an increase in the interim dividend of 6%, to 1.7 pence per share, demonstrating our continuing commitment to provide long term shareholder returns. Our positive view of Group prospects, supported by our prudent fiscal stance, underpins this decision.

In conclusion, the Board would like to thank all Avingtrans employees for their determination and resilience during another challenging period. We look forward with guarded optimism and are enthusiastic about the period to come.

Roger McDowell
Chairman
21 February 2023

Note 1: A 510(k) is a premarket submission made to the FDA in the USA, to demonstrate that the device to be marketed is as safe and effective,

Strategy and business review

Group Performance

Avingtrans has a proven Pinpoint-Invest-Exit (PIE) business model, which drives improvements in design, original equipment manufacturing (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 a product-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 transactions, 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 and services, 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 lower cost facilities in Asia, where appropriate 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.

Following the HTG acquisition in 2017, in order to maximise long term shareholder value via our PIE model, we reorganised the Energy assets of the Group into two distinct divisions, currently comprising:

- Engineered Pumps and Motors (EPM) consisting of Hayward Tyler's units in the UK (in Luton and East Kilbride), USA (in Vermont and Michigan), China and India.
- Process Solutions and Rotating Equipment (PSRE) consisting of Metalcraft, Ormandy, Composite Products and Booth Industries.

In parallel, the focus of the Group's Medical Imaging division (MII) has fully pivoted to becoming a market leader in the production of compact, superconducting, cryogen-free MRI systems, targeted at specific applications including orthopaedic imaging and veterinary imaging. Production of certain existing products continues to support the division overall. Metalcraft has completed a phased exit of third-party MRI component manufacturing. This division now consists of Magnetica in Australia (the majority stake was acquired in January 2021) which has been successfully integrated with Scientific Magnetics, UK and Tecmag in the USA. Subsequently, we have sought to further strengthen our medical imaging strategy, via investments in Adaptix 3D X-ray technology, 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. Hayward Tyler is well established in China and India, providing integrated supply chain options for our blue-chip customers.

A central strategic theme for Avingtrans is to proactively nurture and grow the proportion of our business stemming from aftersales. In trojan horse fashion, we are targeting both our own installed base and the wider competitive installed bases 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 having pivoted to new medical imaging products and services.

Energy - Engineered Pumps and Motors ("EPM")

For Hayward Tyler ("HT"), the main priorities remain to strengthen the aftermarket capabilities - so often the Achilles heel of engineering businesses - and to maximise opportunities in the nuclear life extension market. Whilst the division continues to suffer from supply chain disruptions, EPM was nevertheless able to deliver a robust result in H1, with a strong order book and prospects for the year ahead.

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) was completed in the period and the cash was collected by period end. Further defence orders have been received and are being executed on target.

Hydrocarbon related orders saw a significant bounce back as the UK North Sea sector reopened for business. We are still doggedly progressing with the sale of the Luton site, albeit that this process has, as previously noted, been elongated by Covid-19 and the economic downturn.

The HT 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 the bolt-on acquisition of Transkem (a specialist in industrial mixers) has gone to plan.

HT Inc in Vermont (USA) again suffered from on-going supply chain disruptions, but it was able to make good progress on the previously booked KHNP orders in the period. The business 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 supply chain issues and has developed a healthy order book, including an improving position in the aftermarket business, with new orders coming from Chinese electricity producers working on reducing the environmental impact of electricity production.

In India, the local team delivered a solid H1 performance.

Energy Steel ('ES') in Michigan (USA), continues to steadily improve, with some significant new orders confirmed in the period, 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")

PSRE is equally focused on the aftermarket where feasible, which has gradually improved the margin mix. Following a jump in performance last year, PSRE was also affected by supply chain disruptions in H1, resulting in a relatively flat, if consistent performance outcome versus H1 of FY22, although the division expects to see improvement in H2.

Metalcraft has made good progress with Phase 2 of the Sellafield 3M3 ("three-cubic-metres") box contract, now worth £70m in total over the next six years. The next follow-on 3M3 box contract tender, expected to be worth over £900m, is now expected to be tendered in 2025 by Sellafield. At the Chatteris site, construction of the new training centre was completed in the period and the first intake of apprentices commenced on time. 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 has wrapped-up its activities for Siemens on MRI component supply.

Ormandy's performance was again solid in the period and order intake remains strong. Post period end, Ormandy acquired the assets of HEVAC and HES for £852k. The plan is to integrate the majority of the HEVAC employees into the Ormandy site, which is expected to produce cost savings and thus return HEVAC to profit.

Booth Industries maintained a strong growth trajectory. Booth has a record order book, including the £36m order for HS2 cross-tunnel doors. This project reached a key milestone recently, with approval of the door design by HS2. The new building extension in Bolton (Project Apollo) is fully operational and it incorporates a range of energy saving measures, in contrast to the earlier, more spartan facilities.

Finally, Composite Products had a relatively subdued first half, with some supply chain issues and customer induced delays holding back results, although the impact on the Group was not material.

Medical and Industrial Imaging ("MII")

Magnetica, Scientific Magnetics (SciMag) and Tecmag are working effectively together to make good progress on our promethean development of compact, superconducting, helium-free MRI systems entirely in-house. Magnetica remains broadly on track to launch its first orthopaedic product later in calendar Q4 2023, as planned.

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 potential market segments (e.g. veterinary imaging) at this stage because equivalent, dedicated products do not exist. In the latest investment round, which completed post period end, Avingtrans committed to increase its investment in Magnetica, which will ultimately increase its shareholding to c74% of the issued share capital. 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. Orders for existing SciMag and Tecmag products held up well in the period.

In the half, Avingtrans made a further investment of £2.0m in Adaptix, Oxford, UK, via a convertible loan note, on favourable terms. This brings the total investment in Adaptix to £6m. Adaptix launched its compact 3D x-ray system for orthopaedics in the USA late in 2022, to an encouraging market response. Post-period end, Adaptix received its so called 510(k) approval to sell the product in the USA, from the FDA. The strategies of Magnetica and Adaptix are convergent, and we see potentially large benefits in combining their approaches to market in technology, software and distribution channels amongst others.

Markets – Energy

The global demand for energy experienced a hiatus during the pandemic but we are seeing a consistent return to growth. According to a recent report by BP, the effect of the pandemic and the Russia / Ukraine conflict may be to drive the world faster towards increased efficiency and decarbonisation. This trend could 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

As a result of the Russia / Ukraine conflict, global government attitudes to nuclear power have risen, phoenix-like, from the ashes of previous perceived energy security. Nevertheless, 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 and proposed French programmes. 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 Reactors (SMRs), or Advanced Generation IV Reactors – eg with TerraPower, USA. 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 92 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 bolsters the Group's capabilities in this regard.

The UK remains pre-eminent when it comes to decommissioning, 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 long 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 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 include:

- **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 globally. Opportunities still exist in India, China, Southeast Asia, Eastern Europe and the Middle East. EPM is putting products into new applications, eg – scrubbers, to reduce emissions from power stations.
- **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 has expertise that can be used to develop new products for parts of this market, such as molten salt for concentrated solar power applications.

Hydrocarbons

As oil demand has picked up following both the pandemic easing and then being driven by the Russia / Ukraine conflict, so the oil price has followed – and the Brent crude price is now trading in the range of $75 to $85 per barrel. As a result, new capital expenditure in this sector has begun to recover but our forecasts remain prudent, although we continue to see momentum building in aftermarket orders.

Markets – Medical

The diagnostic imaging market is a large global sector, dominated by a few large systems manufacturers. In 2022, the total Diagnostic Imaging Market was estimated to be worth $32.3bn, according to *Grand View Research* and is expected to continue to grow at almost 5% per annum until 2030. The largest market is the USA, followed by Europe and Japan. The fastest growing markets are China and India.

After 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, for example, 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 spectrometers, 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 5.0% 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 33% 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 titans like 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 and Adaptix are not present in the MRI aftermarket at this time but both will naturally service the aftermarket for their 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 Magnetica and Adaptix are planning to create new niche markets for MRI and X-ray. Following the pivot to niche full system supply, Avingtrans moved in parallel to exit third-party MRI component supply and this process is now complete, culminating with the sale of Metalcraft China, post period end. Our first target is orthopaedic imaging, where encouraging development of Magnetica's prototype system is on-going. The earliest commercial launch of this product could be later in 2023, subject to regulatory approval in target markets. Post period end, Adaptix received its 510(k) approval from the FDA in the USA, for its 3D X-ray product – also targeted at orthopaedic imaging.

Security

High security and integrity doors became a new market for the Group, following the acquisition of Booth Industries in 2019. 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 the business has begun to build up a prospect pipeline overseas. 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. The figures relate only to continuing operations.

Revenue: increase year on year largely driven by additional OEM business in EPM
Overall Group revenue increased by 12.3% to £50.0m (2022 H1: £44.5m). All three divisions saw some improvement but the increase was mainly driven by additional OEM business in the EPM division.

Gross margin ('GM') – a modest reduction
GM decreased to 32.6% (2022 H1: 33.9%), driven by increased OEM sales in the mix.

Profit margin: EBITDA increase driven by increased revenue.
Adjusted EBITDA (note 4) increased by 11.4%, to £6.4m, on higher revenues (2022 H1: £5.7m) mainly due to increased revenue and profit in the EPM division, in turn driven by higher orders from nuclear life extension and recovery in the North Sea sector.

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 prior year adjustment kept the rate lower than expected and the use of brought forward losses in the UK. The Group tax position will continue to be aided in the coming years by the utilisation of historic losses available in the UK and US.

Adjusted Earnings per Share (EPS): modest improvement.
Adjusted diluted earnings per share from continuing operations was up at 10.8p (2022 H1:10.2p).
Basic and diluted earnings per share from continuing operations reduced to 7.8p (2022 H1: 9.0p) and to 7.6p (2022 H1: 8.7p).

Funding and Liquidity: net cash position remains robust.
Net cash increased to £17.3m, excluding IFRS16 debt (31 May 2022: £16.7m), despite the further investments in Magnetica and Adaptix and in additional working capital, used to mitigate on-going supply chain disruption risks. Cash inflow from operating activities in the period was £4.1m (2022 H1: £4.0m)

Dividend: interim dividend progressively increased.
The Board is continuing with its policy of gradual increases in dividends. The dividend is 1.7 pence per share (2022 H1: 1.6 pence). The dividend will be paid on 16 June 2023, to shareholders on the register as at 12 May 2023.

ESG (Environmental, Social, and Governance)

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

People
There were no personnel changes at Board or divisional management level.

Despite a currently tight labour market in the UK and the USA, 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, where applicable. Skills availability is always challenging, especially so this year 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 was completed and we have partnered with West Suffolk College (WSC) to be the operator and training provider at the centre. The first apprentices have now commenced their courses in the new building. The Group continues to be recognised nationally for the strength of its apprenticeship training schemes.

Sustainability

We have developed a robust governance structure which supports proactive and collaborative working aimed at addressing Environmental, Social and Governance (ESG) risks and opportunities across the Group.

Our approach to sustainability is aligned with the UN's Sustainable Development Goals (SDGs) and our priorities are:

- Health, safety, and wellbeing
- Operational eco-efficiency
- Development of cleaner technologies

Health, safety and wellbeing

As regular acquirers, we find varying levels of capability and knowledge across different businesses. A frequent investment need in smaller acquisitions is to spread HSE best practice from other Group businesses and bring local processes up to the required standards. Larger acquisitions (eg HTG previously) 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 and the Board takes an active interest in progress, during site visits around board meetings.

Operational eco-efficiency

We are very pleased with the reduction in carbon intensity which the UK sites achieved in FY22, with tCO2e £m of revenue falling from 40.2 to 36.8. We are looking to build on this success in FY23, with further replacement of lighting with LEDs, local sourcing of materials, and transport emission reduction strategies.

We continue to develop appropriate metrics and targets for the Group. A significant part of our operating activities in the Medical and Industrial Imaging division is the development of new products and technologies, which do not currently generate revenues. Consequently, we are looking at moving to a tCO2e per employee or labour hour model for FY23.

Development of cleaner technologies

Our Hayward Tyler business continues to have success winning work for new nuclear projects, securing a contract extension during the period relating to the US Department of Energy's Advanced Reactor Demonstration Program. For this program Hayward Tyler are developing high-temperature molten salt pumps destined for a state-of-the-art Integrated Effects Test facility, under development by Southern Company and TerraPower to advance development of the Molten Chloride Fast Reactor.

Magnetica's helium-free, compact MRI product development is proceeding to plan, with an expected launch of the orthopaedic product in Q4 2023. Helium is a scarce, non-renewable resource, mostly obtained as a by-product of oil extraction.

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 supports 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. Avingtrans 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

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 exits in the years to come. Magnetica is making good progress on the development of compact MRI systems, reinforced by the strategic collaboration with Adaptix in 3D X-ray. We continue to see improvements in other business units – eg at Booth and Energy Steel, 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 on-going economic challenges.

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 and associated 3D X-ray 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 to supply chains remains our biggest uncertainty, though we believe that we have perhaps now passed “peak disruption”. Inflationary pressures are continuing to have an impact on our businesses, but we remain broadly able to mitigate these risks, to maintain stable margins, though not without considerable effort.

Our markets are continuously evolving and strategic M&A opportunities remain a priority for us. We remain particularly interested in turnaround opportunities and in longer term buy and build scenarios. 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 mitigate any unforeseen risks. After the performance in the first half coupled with the strength in our order book, the Group is well placed to achieve market expectations for the full year.

Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	Chief Executive Officer	Chief Financial Officer
21 February 2023	21 February 2023	21 February 2023

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2022

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Revenue	**50,010**	44,541	99,075
Cost of sales	**(33,714)**	(29,434)	(65,241)
Gross profit	**16,296**	15,107	33,834
Distribution costs	**(2,319)**	(1,566)	(3,630)
Other administrative expenses	**(10,390)**	(10,369)	(23,019)
Operating profit before amortisation of acquired intangibles, other non-underlying items and exceptional items	**4,203**	3,744	8,494
Amortisation of intangibles from business combinations	**(583)**	(404)	(869)
Other non-underlying items	**(2)**	(76)	(318)
Acquisition costs	**-**	-	(29)
Restructuring costs	**(31)**	(92)	(93)
Operating profit	**3,587**	3,172	7,185
Finance income (Note 5)	**2**	145	176
Finance costs (Note 5)	**(291)**	(134)	(386)
Profit before taxation	**3,298**	3,183	6,975
Taxation (Note 3)	**(454)**	(252)	(971)
Profit after taxation from continuing operations	**2,844**	2,931	6,004
(Loss)/profit after taxation from discontinuing operations	**(327)**	(64)	57
Profit for the financial period	**2,517**	2,867	6,061
Profit is attributable to:			
Owners of Avingtrans PLC	**2,660**	3,111	6,478
Non-controlling interest	**(143)**	(244)	(417)
Total	**2,517**	2,867	6,061
Profit per share:			
From continuing operations			
- Basic (Note 6)	**8.8p**	9.2p	18.7p
- Diluted (Note 6)	**8.6p**	8.9p	18.1p
From continuing and discontinuing operations			
- Basic (Note 6)	**7.8p**	9.0p	18.9p
- Diluted (Note 6)	**7.6p**	8.7p	18.3p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2022

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Profit for the period	**2,517**	2,867	6,061
Items that will not be subsequently be reclassified to profit or loss			
Remeasurement of net defined benefit liability	**-**	-	95
Income tax relating to items not reclassified	**-**	-	(24)
Items that may/will subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	**514**	631	1,445
Total comprehensive profit for the period	**3,031**	3,498	7,577

Summarised consolidated balance sheet (Unaudited)
at 30 November 2022

	30 Nov 2022 £'000	30 Nov 2021 £'000	31 May 2022 £'000
Non current assets			
Goodwill	**21,420**	21,233	21,420
Other intangible assets	**16,224**	14,547	15,675
Property, plant and equipment	**23,195**	25,013	25,239
Investments	**4,000**	2,500	4,000
Deferred tax asset	**1,756**	1,757	1,544
Pension and other employee obligations	**1,829**	1,425	1,688
	68,424	66,475	69,566
Current assets			
Inventories	**13,945**	11,756	11,759
Trade and other receivables: falling due within one year	**49,213**	38,293	46,817
Trade and other receivables: falling due after one year	**1,518**	1,650	1,579
Current tax asset	**285**	598	686
Assets held for sale	**1,614**	-	-
Cash and cash equivalents	**22,007**	29,304	24,287
	88,583	81,601	85,128
Total assets	**157,007**	148,076	154,694
Current liabilities			
Trade and other payables	**(32,496)**	(28,511)	(29,629)
Lease liabilities	**(1,083)**	(1,020)	(1,605)
Borrowings	**(2,676)**	(4,799)	(5,497)
Current tax liabilities	**(941)**	(309)	(710)
Provisions	**(1,659)**	(1,711)	(1,770)
Derivatives	**(10)**	(6)	-
Liabilities associated with assets held for sale	**(218)**	-	-
Total current liabilities	**(39,082)**	(36,356)	(39,211)
Non-current liabilities			
Borrowings	**(674)**	(839)	(762)
Lease liabilities	**(3,069)**	(2,691)	(3,097)
Deferred tax	**(4,458)**	(4,094)	(4,465)
Other creditors	**(1,268)**	(1,235)	(1,342)
Total non-current liabilities	**(9,469)**	(8,859)	(9,666)
Total liabilities	**(48,551)**	(45,215)	(48,877)
Net assets	**108,455**	102,861	105,817
Equity			
Share capital	**1,607**	1,607	1,607
Share premium account	**15,693**	15,663	15,693
Capital redemption reserve	**1,299**	1,299	1,299
Translation reserve	**1,368**	(73)	825
Merger reserve	**28,949**	28,949	28,949
Other reserves	**1,457**	1,457	1,457
Investment in own shares	**(4,235)**	(4,235)	(4,235)
Retained earnings	**60,490**	56,332	58,223
Total equity attributable to equity holders of the parent	**106,628**	100,999	103,818
Non-controlling interest	**1,827**	1,862	1,999
Total equity	**108,455**	102,861	105,817

Consolidated statement of changes in equity (Unaudited) at 30 November 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 earning £'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)	1458	(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 gain	-	-	-	-	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**
At 1 Dec 2021	1,607	15,663	1,299	28,949	(73)	1,458	(4,235)	56,332	100,999	1,862	102,861
Ordinary shares issued		30	-	-	-	-	-	-	30	-	30
Dividends paid	-	-	-	-	-	-	-	(1,265)	(1,265)	-	(1,265)
Share-based payments	-	-	-	-	-	-	-	112	112	-	112
Total transactions with owners	-	30	-	-	-	-	-	(1,153)	(1,123)	-	(1,123)
Profit for the period	-	-	-	-	-	-	-	3,367	3,367	(173)	3,194
Investment in subsidiary with non-controlling interest	-	-	-	-	84	-	-	(394)	(310)	310	-
Other comprehensive income											
Actuarial gain for the period on pension scheme	-	-	-	-	-	-	-	95	95	-	95
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	(24)	(24)	-	(24)
Exchange gain	-	-	-	-	814	-	-	-	814	-	814

Total comprehensive income for the period	-	-	-	-	898	-	-	3,044	3,942	137	4,079
Balance at 31 May 2022	**1,607**	**15,693**	**1,299**	**28,949**	**825**	**1,458**	**(4,235)**	**58,223**	**103,818**	**1,999**	**105,817**
At 1 June 2022	1,607	15,693	1,299	28,949	825	1,458	(4,235)	58,223	103,818	1,999	105,817
Ordinary shares issued	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(507)	(507)	-	(507)
Share-based payments	-	-	-	-	-	-	-	114	114	-	114
Total transactions with owners	-	-	-	-	-	-	-	(393)	(393)	-	(393)
Profit for the period	-	-	-	-	-	-	-	2,660	2,660	(143)	2,517
Investment in subsidiary with non-controlling interest	-	-	-	-	29	-	-	-	29	(29)	-
Other comprehensive income											
Exchange rate gain	-	-	-	-	514	-	-	-	514	-	514
Total comprehensive income for the period	-	-	-	-	543	-	-	2,660	3,204	(172)	3,031
Balance at 30 Nov 2022	**1,607**	**15,693**	**1,299**	**28,949**	**1,368**	**1,458**	**(4,235)**	**60,490**	**106,628**	**1,827**	**108,455**

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2022

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Operating activities			
Cash flows from operating activities	**4,639**	4,499	4,173
Finance costs paid	**(301)**	(193)	(388)
Income tax (paid)/repaid	**(78)**	(140)	203
Contributions to defined benefit plan	**(141)**	(141)	(282)
Net cash inflow from operating activities	**4,119**	4,025	3,706
Investing activities			
Purchase of unlisted investments	**-**	(2,500)	(4,000)
Acquisition of subsidiary undertakings	**-**	-	(582)
Finance income	**2**	-	176
Purchase of intangible assets	**(1,358)**	(800)	(1,996)
Purchase of property, plant and equipment	**(722)**	(1,220)	(2,989)
Net cash used by investing activities	**(2,077)**	(4,520)	(9,347)
Financing activities			
Equity dividends paid	**(507)**	-	(1,265)
Repayments of bank loans	**(3,047)**	(148)	(468)
Repayments of leases	**(707)**	(682)	(1,486)
Proceeds from issue of ordinary shares	**-**	324	355
Borrowings raised	**-**	125	2,493
Net cash outflow from financing activities	**(4,261)**	(381)	(371)
Net decrease in cash and cash equivalents	**(2,220)**	(876)	(6,012)
Cash and cash equivalents at beginning of period	**23,902**	29,736	29,736
Effect of foreign exchange rate changes	**(61)**	77	178
Cash and cash equivalents at end of period	**21,622**	28,937	23,902

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2022

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Profit before income tax from continuing operations	**3,299**	3,183	6,975
(Loss)/profit before income tax from discontinuing operations	**(327)**	(64)	57
Adjustments for:			
Depreciation of property, plant and equipment	**2,023**	1,844	3,675
Amortisation of intangible assets	**117**	277	374
Amortisation of intangibles from business combinations	**583**	404	869
Loss on disposal of property, plant and equipment	**10**	61	44
Finance income	**(2)**	(145)	(176)
Finance expense	**291**	137	393
Share based payment charge	**114**	76	188
Changes in working capital			
(Increase)/decrease in inventories	**(2,363)**	(979)	(1,033)
(Increase)/decrease in trade and other receivables	**(2,673)**	2,756	(7,837)
Increase/(decrease) in trade and other payables	**3,719**	(2,956)	783
(Decrease)/increase in provisions	**(139)**	(101)	32
Other non-cash changes	**(10)**	6	(171)
Cash inflow from operating activities	**4,639**	4,499	4,173

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Cash and cash equivalents			
Cash	**22,007**	29,304	24,287
Overdrafts	**(385)**	(367)	(385)
	21,622	28,937	23,902

Notes to the half year statement
30 November 2022

1. Basis of preparation

The Group's interim results for the six-month period ended 30 November 2022 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 2023. 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 21 February 2023 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 2023.

The statutory accounts for the year ended 31 May 2022, 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 2022					
Original equipment	**9,080**	**20,809**	**1,498**	**-**	**31,388**
Aftermarket	**17,341**	**1,280**	**2**	**-**	**18,623**
Revenue	**26,421**	**22,089**	**1,500**	**-**	**50,010**
Operating profit/(loss)	**1,949**	**2,531**	**(310)**	**(582)**	**3,588**
Net finance costs					**(289)**
Taxation					**(454)**
Profit after tax from continuing operations					**2,844**

Notes to the half year statement
30 November 2022

	Energy EPM	Energy PSRE	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 May 2022					
Original equipment	14,089	40,408	2,426	-	56,922
Aftermarket	39,115	3,006	31	-	42,153
Revenue	53,204	43,414	2,457	-	99,075
Operating profit/(loss)	4,592	4,956	(1,291)	(1,072)	7,185
Net finance costs					(210)
Taxation					(971)
Profit after tax from continuing operations					6,004

	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	19,741	813	-	26,685
Aftermarket	16,486	1,369	-	-	17,856
Revenue	22,618	21,110	813	-	44,540
Operating profit/(loss)	1,435	2,764	(524)	(504)	3,171
Net finance costs					11
Taxation					(252)
Profit after tax from continuing operations					2,931

3. Taxation

The taxation charge is based upon the expected effective rate for the year ended 31 May 2023.

Notes to the half year statement
30 November 2022

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

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Profit before tax from continuing operations	**3,298**	3,183	6,975
Share based payment expense	**114**	76	188
Acquisition costs	**-**	-	29
Restructuring costs	**31**	92	93
Other exceptionals	**2**	-	130
Gain /(loss) on derivatives	**9**	(139)	(144)
Amortisation of intangibles from business combinations	**583**	404	869
Adjusted profit before tax	**4,037**	3,616	8,140
Finance income	**(2)**	(145)	(176)
Finance cost	**291**	134	386
(Loss)/gain on derivatives	**(9)**	139	144
Adjusted profit before interest, tax and amortisation from business combinations ('EBITA')	**4,317**	3,744	8,494
Depreciation	**1,906**	1,724	3,433
Amortisation of other intangible assets	**117**	222	374
Amortisation of contract assets	**61**	55	132
Adjusted Earnings before interest, tax, depreciation and amortisation ('EBITDA')	**6,401**	5,744	12,432

5. Finance income and costs

	6 months to 30 Nov 2022 £'000	6 months to 30 Nov 2021 £'000	Year to 31 May 2022 £'000
Finance income			
Bank balances and deposits	**2**	6	4
Gain on the fair value of derivative contracts	**-**	139	144
Interest from other	**-**	-	28
	2	145	176
Finance costs			
Interest on banking facilities and lease liabilities	**282**	134	386
Loss on the fair value of derivative contracts	**9**	-	-
	291	134	386

Notes to the half year statement
30 November 2022

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 2022 No	6 months to 30 Nov 2021 No	Year to 31 May 2022 No
Weighted average number of shares – basic	**32,141,445**	31,995,372	32,070,325
Share Option adjustment	**939,646**	1,031,656	1,063,674
Weighted average number of shares – diluted	**33,081,091**	33,027,028	33,133,999
	£'000	£'000	£'000
Earnings from continuing operations	**2,844**	2,931	6,004
Share based payments	**114**	76	188
Acquisition costs	**-**	-	29
Restructuring costs	**31**	92	93
Other exceptionals	**2**	-	130
Loss/(gain) on derivatives	**9**	(139)	(144)
Amortisation of intangibles from business combinations	**583**	404	868
Adjusted earnings from continuing operations	**3,583**	3,364	7,168
From continuing operations:			
Basic earnings per share	**8.8p**	9.2p	18.7p
Adjusted basic earnings per share	**11.1p**	10.5p	22.4p
Diluted earnings per share	**8.6p**	8.9p	18.1p
Adjusted diluted earnings per share	**10.8p**	10.2p	21.6p
Earnings from discontinuing operations	**(327)**	(64)	57
From discontinuing operations:			
Basic (loss)/gain per share	**(1.0)p**	(0.2)p	0.2p
Adjusted basic (loss)/gain per share	**(1.0)p**	(0.2)p	0.2p
Diluted (loss)/gain per share	**(1.0)p**	(0.2)p	0.2p
Adjusted diluted (loss)/gain per share	**(1.0)p**	(0.2)p	0.2p
Earnings attributable to shareholders including non-controlling interest	**3,256**	3,300	7,225
Basic earnings per share	**7.8p**	9.0p	18.9p
Adjusted basic earnings per share	**10.1p**	10.3p	22.5p
Diluted earnings per share	**7.6p**	8.7p	18.3p
Adjusted diluted earnings per share	**9.8p**	10.0p	21.8p

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 2022

7. Net cash/(debt) and gearing

The gearing ratio at the year-end is as follows:	**30 Nov 2022** **£'000**	30 Nov 2021 £'000	31 May 2022 £'000
Cash	**22,007**	29,304	24,287
Loans	**(2,965)**	(5,271)	(5,874)
Lease liability – finance leases under IAS17	**(1,406)**	(968)	(1,313)
Lease liability – under IFRS 16	**(2,746)**	(2,743)	(3,389)
Overdrafts	**(385)**	(367)	(385)
Net cash	**14,505**	19,955	13,326
Equity	**108,455**	102,861	105,817
Net cash/(debt) to equity ratio	**13.4%**	19.4%	12.6%
Net cash/(debt) to equity ratio excluding IFRS16 debt	**15.9%**	22.1%	23.6%

8. Events after the balance sheet date

On 1 December, the Group invested £2.0m in Adaptix Limited, in the form of a convertible loan note.

On 30 December 2022, Maloney Metalcraft (Ormandy) acquired the assets of local competitors, HEVAC and HES.

The Group is continuing to negotiate the sale of the Metalcraft China assets following the exit from MRI component supply.