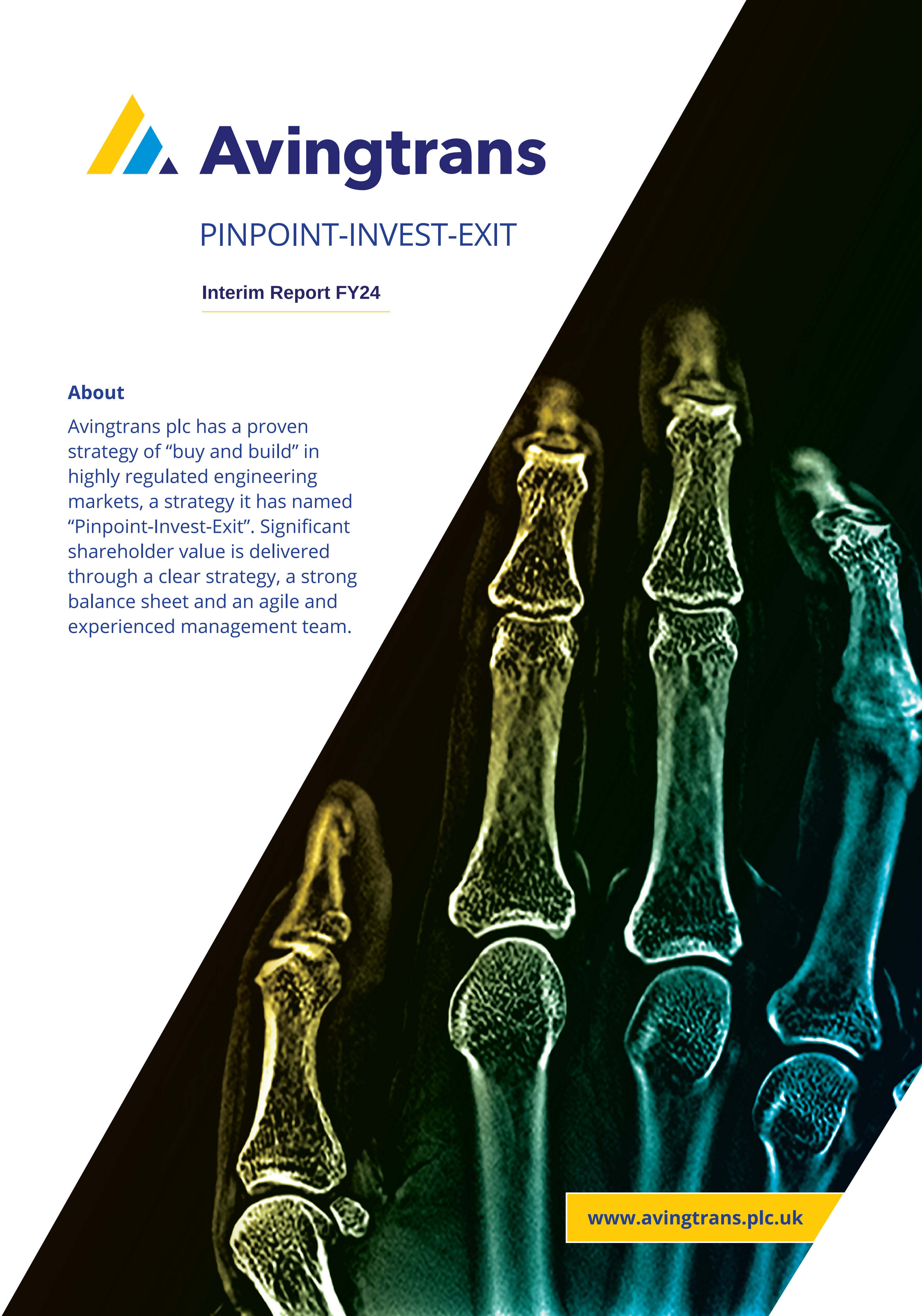
Avingtrans

PINPOINT-INVEST-EXIT

Interim Report FY24

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 2023.

Financial Highlights

- Group Revenue increased by 30.4% to £65.2m (2023 H1: £50.0m) in line with management expectations.
- Gross Margin reduced slightly to 31.6% (2023 H1: 32.6%) as a result of OEM versus aftermarket mix.
- Adj.*EBITDA increased by 14.1% to £7.3m, as a result of higher revenues (2023 H1: £6.4m).
- Adj.*EBITDA margin reduced to 11.2% (2023 H1: 12.8%), mainly due to higher OEM sales, and increased investment in the Medical division.
- Adj. Profit before tax £4.4m (2023 H1: £4.0m).
- Adj. Diluted Earnings Per Share from continuing operations increased to 11.7p (2023 H1: 9.8p).
- Cash outflow from operating activities of £3.6m (2023 H1: inflow £4.1m).
- Net debt (excl IFRS16 debt) at 30 November 2023 of £2.2m, (31 May 2023: £13.0m net cash) driven by:
  - the investment in Slack & Parr (“S&P”);
  - acquisition of remaining 82% of Adaptix;
  - ongoing investment in Magnetica; and
  - a working capital outflow due to the timing of milestones of certain contracts and on-going supply chain disruption.
- Interim Dividend of 1.8 pence per share (2023 H1: 1.7 pence).

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

Operational Highlights

Advanced Engineering Systems Division

- Revenue increased by 31.3% to £63.7m, with continuing robust order cover.
- EBITDA increased by 20.0% to £8.5m (2023 H1: £7.1m), driven by increased revenue
- Post period end, EPM and PSRE merged, to form new AES division, led by Austen Adams.
- Acquisition of the assets of S&P in August 2023 for £4.1m, including plant lease debt absorbed.
- Successful full integration of HES/Hevac into Ormandy Bradford.
- Two new nuclear decommissioning contracts for Metalcraft worth £14.5m combined.
- HT Luton wins £2.5m defence contracts from Rolls Royce and a further £3.0m from Forsmark.
- HT Inc wins $10.0m contract from TerraPower for next gen nuclear power station.

Medical and Industrial Imaging Division

- Revenue steady year on year at £1.5m, pending the volume build-up of new MRI and X-ray products.
- LBITDA increased to (£0.6m), vs 2023 H1: (£0.2m) as MRI and X-ray development projects gathered pace
- Acquisition of Adaptix for a total of £7.2m, including absorbed and repaid debts.
- Magnetica appointed first US distributor, Televere Systems.
- Adaptix also appointed Televere as first US distributor, post period end.
- Positive launch at RSNA imaging conference – demonstrating market demand for both products.
- Adaptix equipping Scottish facility to manufacture key system components for Vet and Ortho products.
- Magnetica expanded into a bigger factory, to facilitate volume MRI system production, starting in FY25.
- Tecmag moved into improved premises, to gear up for Magnetica and Adaptix product sales in the USA.
- Adaptix commenced sales of Vet products in the UK and USA. Volumes expected to increase in next FY.

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

"Despite some continuing supply chain instability and inflationary pressures, our tried-and-tested Pinpoint-Invest-Exit ("PIE") approach produced strong results during the period, as evidenced by increased revenue and stable gross margins, resulting in a double-digit percentage growth in adjusted EBITDA.

"The Group has restructured itself, with the mature engineering business now all in one Advanced Engineering Systems (AES) division. We continue to invest in AES and also in the Medical and Industrial Imaging (MII) division. We are now deliberately structured for future exits that should maximise shareholder value. The marketing of the 3D X-ray systems at Adaptix and the development of MRI system at Magnetica are proceeding to plan, to hit key milestones in 2024. The first half results again demonstrate that we are proactively managing continuing progress in the AES division. Our value creation goals are on track, supported by a conservative approach to debt, which the Board deem to be prudent at this time..

“Our markets are always changing and Avingtrans continues to prioritise taking advantage of selected M&A opportunities, with the shrewd acquisitions of the assets of Slack and Parr and Adaptix in the first half, the latter greatly contributing to our exciting Medical division. We believe that the MII business will command a substantial valuation in due course. We remain optimistic about our prospects and the potential future opportunities across our markets.

We have solid visibility over H2 FY24 revenue and profits, thanks to a strong order intake and timely contract revenue recognition. Additionally, there are no destocking issues, since Group products are “make to order”. Thus, the Board continues to be confident about our expectations for the full year and views the future positively.”

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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.

Slack and Parr, Kegworth, UK
Focused on the design, manufacture and servicing of advanced precision gear metering pumps, industrial dosing pumps and hydraulics flow divider solutions.

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.

Adaptix Ltd, Oxford & Edinburgh, UK
Designs and manufactures novel 3D X-ray systems, with imaging from a stationary source, at a significantly lower dose than CT. Markets include orthopaedics, veterinary and non-destructive evaluation.

Chairman's Statement

Despite some ongoing supply chain difficulties caused by various geopolitical events, we are happy to report another strong first half performance by Avingtrans. An improved EBITDA result has once again complemented a robust revenue performance compared to H1 FY23, primarily as a result of higher revenue and profit in the AES division. However, due to a higher level of OEM sales in the mix, the gross margin decreased slightly year on year. Even after the previously communicated significant additional investments in Magnetica and Adaptix and cash being utilised on acquiring Adaptix and the assets of Slack and Parr, our net debt position remains modest.

Both divisions' order cover for the remainder of FY24 remain strong and important new orders were booked in the period, including £14.5m of additional nuclear decommissioning orders for Metalcraft and a new design and development $10m order from TerraPower, for Hayward Tyler in the USA. In addition, there are no "destocking" issues for the Group, since our products are "make to order".

Our well-established Pinpoint-Invest-Exit ("PIE") model continues to yield positive outcomes, with ongoing improvement observed at Booth in particular. Advancements in our medical imaging strategy are evident as the Magnetica teams make significant progress in designing and building our proprietary compact MRI product for the orthopaedics market. Our overall stake in Magnetica is over 74%. Additionally, we completed the acquisition of the remaining 82% of Adaptix for an additional consideration of £7.2m (including absorbed and repaid debts). Its 3D X-ray systems are now being actively marketed, focused on the UK and the USA, in the orthopaedics, veterinary and non-destructive evaluation arenas. In the period, we also bought the assets of specialist pumps manufacture, Slack and Parr (S&P), out of administration, for £4.1m (including assumed plant lease debt. It is early in the recovery cycle, but the signs are positive for S&P so far. Investors will recall that Ormandy acquired the assets of local competitors HEVAC and HES for £852k, in early 2023. This has been successful, with Ormandy reporting significant results improvement, year on year.

Notwithstanding some supply chain disruptions still affecting the Group, our divisional management teams have demonstrated resilience in addressing these challenges. Signs of relief from this issue are gradually emerging. Positive progress continues in our aftermarket plans for AES, where we aim to outperform competitors by securing a larger share of the installed base service and support business, both for our products and third-party offerings. Enhanced end-user access provides a reliable and repeatable pipeline, contributing to increased profitability. We remain focused on maximising revenue opportunities arising from aftermarket access, both from our own businesses and through strategic partnership deals.

The AES division experienced a robust first-half, with revenue up by 31.3% year-on-year. Divisional margins decreased slightly, despite improving performances at Booth and Ormandy, due to the increased OEM sales. The Sellafield 3M3 box contract continues to progress in the second phase at Metalcraft, with a steady monthly delivery of boxes. Hayward Tyler (HT) continues to enjoy strong aftermarket sales, notably in the USA and in China. Although the Luton site sale process faced obstacles due to the pandemic and current economic challenges, active negotiations are ongoing.

In the Medical division, Magnetica continues steady progress in developing its compact MRI system, a prototype of which we were able to exhibit in the period. Magnetica expects to receive FDA 510(k) approval for its product early in FY25. Also, during the period, we completed the acquisition of Adaptix and we have begun to build up the necessary channels to market for their novel 3D x-ray systems, as well as equipping its Scottish facility for volume production.

Following this solid performance, the Board is announcing an increase of c6% in the interim dividend to 1.8 pence per share, reflecting our commitment to delivering long-term shareholder returns. This decision is underpinned by our positive outlook on Group prospects and supported by a prudent fiscal position.

In conclusion, the Board and I express our gratitude to all Avingtrans employees for their determination and resilience during another challenging period. We approach the future with cautious optimism and enthusiasm for the times ahead.

Roger McDowell
Chairman
27 February 2024

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 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 Advanced Engineering Systems division forms the bulk of Avingtrans' operations. Effective longer-term development of the Group's nascent Medical and Industrial Imaging division is also a core focus for management, to create further 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, Infrastructure and Medical sectors. Over the longer term, our acquisition strategy has enabled our businesses to develop the critical mass necessary to achieve leading positions 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 and 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, Ormandy and Metalcraft. This programme is progressing to plan. We are also focused on the opportunity to transform the medical imaging division's performance, via novel MRI products at Magnetica, as well as the more recent acquisition of Adaptix with its novel X-ray systems. The objective for the Group is to become a leading supplier in targeted energy, infrastructure 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 regions (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 its chosen 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 management will continue to build on our footprint in the wider power and energy sectors.

In order to maximise long term shareholder value via our PIE model, we reorganised the engineering businesses of the Group under a single division: Advanced Engineering Systems (AES) comprising of:

- Hayward Tyler's units in the UK (in Luton and East Kilbride), USA (in Vermont and Michigan), China and India.
- Metalcraft, Ormandy, Composite Products, Booth Industries and the recently acquired Slack and Parr assets.

In parallel, the focus of the Group's Medical Imaging division (MII) is to become 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. 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. More recently, we have sought to further strengthen our medical imaging strategy, via the acquisition of Adaptix, in Oxford, UK, which specialises in 3D X-ray technology, with the main target markets being orthopaedic and veterinary imaging.

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 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. 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 AES division, with the Medical division having pivoted to novel medical imaging products and services.

Energy and Infrastructure – Advanced Engineering Systems ("AES")

For Hayward Tyler ("HT"), the main priorities remain to strengthen its aftermarket capabilities and to maximise opportunities in the nuclear life extension market. HT was 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. A follow on £3m contract in Sweden with Vattenfall for the Forsmark plant (for nuclear life extension) commenced in the period. Further defence orders have also been received from Rolls Royce and are being executed as planned.

Hydrocarbon related orders from the UK North Sea sector remained robust. We are still steadfastly progressing with the sale of the Luton site, albeit that this process has, as previously noted, been elongated, first by Covid-19 and now by macroeconomic disruption.

The HT Fluid Handling business in Scotland has been a consistently good performer and has fitted well into our ambitions to build a wider nuclear capability. The business has maintained a strong order book and the Transkem industrial mixers business has again contributed positively.

HT Inc in Vermont (USA) 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 a further $10m design and development TerraPower contract booked in the period.

HT Kunshan (China) 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 again delivered a solid H1 performance.

Energy Steel ('ES') in Michigan (USA) has sustained its positive momentum, with a good H1 order intake, albeit that some key orders slipped into H2.

Metalcraft has made good progress with Phase 2 of the Sellafield 3M3 ("three-cubic-metres") box contract and confirmed additional nuclear decommissioning orders of over £14m in the period, including the first contract from Magnox. The next follow-on 3M3 box contract tender, expected to be worth over £900m, is expected to be tendered in 2025 by Sellafield. The new apprentice training centre continues to build momentum.

Ormandy's performance improved year on year and order intake remains strong. The acquisition of HEVAC and HES at the start of 2023 has been central to the performance improvement.

Booth Industries maintained its strong growth trajectory. Booth has a record order book, including the £36m order for HS2 cross-tunnel doors, which was not affected by the recent HS2 phase 2 cancellation. The business is close to completing the giant proscenium doors for "The Factory" building in Manchester.

Composite Products had a reasonably good first half, boosted by new orders from Rapiscan.

Recently acquired Slack and Parr is showing early positive signs of recovery, as it begins its journey within the Group.

Medical and Industrial Imaging ("MII")

Magnetica, Scientific Magnetics (SciMag) and Tecmag are working effectively together to make good progress on our exciting development of compact, superconducting, helium-free MRI systems entirely in-house. Magnetica was able to exhibit its prototype system in the period and the FDA 510(k) approval is anticipated in early FY25. The business also appointed its first US distributor, Televere Systems, in the period.

Our initial estimate of the addressable orthopaedic imaging market is circa £1.7bn p.a. (by 2030). This is assuming a capital sale model. Our intended longer term "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. Avingtrans has increased its investment in Magnetica, bringing its shareholding to over 74% 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, ratified by interest from Key Opinion Leaders at the prestigious Radiological Society of North America conference, in Chicago. 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 in due course, to present a seamless image for the business. 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 were solid in the period.

In H1, Avingtrans acquired the remaining 82% of the share capital of Adaptix, Oxford, UK for £2.5m in Avingtrans shares. We also adopted (or settled) various debts, amounting to a further £4.7m. Adaptix launched its compact 3D x-ray system for orthopaedics in the USA, following receipt of its 510(k) approval by the FDA. Adaptix has also launched its veterinary version of the 3D x-ray product and initial orders for a non-destructive evaluation product were also booked in the period. We estimate that the Total Addressable Market value of these three segments is $6.8bn pa.

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

Although worldwide energy demand witnessed a pause amid the pandemic, there has been a steady resurgence in growth in recent times. The Russia/Ukraine conflict has caused energy security concerns in many countries, which may accelerate the global shift towards enhanced efficiency and decarbonisation. This trajectory holds the potential to positively impact our ventures in the nuclear and renewables industries.

End User/Aftermarket

Operators and end-users seek a combination of prompt local support and a necessity for progress through equipment upgrades and modernisation. Particularly in Western economies, where facilities exceed their intended design lifespans, there is a notable demand for solution providers within the supply chain to establish enduring partnerships with end-users. The Avingtrans AES division is strategically positioned to thrive in this market space focused on long-term collaborations with end-users.

Nuclear

Due to the Russia/Ukraine conflict, global government perspectives on nuclear power have experienced a resurgence, emerging resiliently from prior concerns about energy security. Despite being a low-carbon, baseload power source, the nuclear energy market remains asymmetric in terms of future growth. The majority of opportunities for new builds exceeding 1GW are presently concentrated in Asia, with limited prospects in the UK and proposed programmes in France. Nonetheless, certain market segments remain robust, including the support of operational fleets, life extensions, decommissioning, and reprocessing.

Our focus extends to the long-term development of next-generation technologies such as Small Modular Reactors (SMRs) and Advanced Generation IV Reactors, exemplified by our collaboration with TerraPower in the USA. These segments suffer from a consolidating supply chain and a scarcity of expert knowledge. The USA, boasting the largest civil nuclear fleet globally, coupled with the presence of heritage Westinghouse technology in Europe and Asia, positions our Hayward Tyler businesses for further growth.

Addressing obsolescence and life extension is crucial for nuclear operators worldwide and the AES division is well-equipped to support operators in managing this critical risk. Our Energy Steel business also enhances the Group's capabilities in this domain.

The UK maintains a leading role in decommissioning, characterised by innovative technology and substantial expenditures. Our Group plays a pivotal role in the future manufacture of waste containers for Sellafield, anticipating continued expansion in the UK and global markets over the long term. Ongoing development of new nuclear technologies is evident in the UK, South Korea, the USA, and China. The Group sees these innovations as an attractive avenue for growth and is poised to evolve as a global industry partner.

Power Generation

The global trend towards electrification persists, directing an increasing share of primary energy toward the power sector, a central focus within the Group's engineering division. Apart from nuclear, key sub-sectors encompass:

> Coal: Despite a global decline in the establishment of new power stations, the Group continues to witness robust aftermarket activity from coal-fired power stations. Opportunities persist in regions such as India, China, Southeast Asia, Eastern Europe, and the Middle East. Hayward Tyler is actively diversifying its product applications, such as the introduction of Selective Catalytic Reduction (SCR) systems, aimed at reducing emissions from power stations.

Gas: The growing market for natural gas, particularly in the form of combined cycle gas turbine power plants, is predominantly observed in the West. The Group has a modest position in this market, with both existing and new product lines.

Renewables: The global market for renewable technologies and their associated infrastructure is expanding. The Group possesses a range of products applicable to this market segment. Furthermore, the Group's expertise can be leveraged to develop new products, including innovations like molten salt pumps for concentrated solar power applications.

Hydrocarbons
Oil demand picked up following both the pandemic easing and then being driven by the Russia / Ukraine conflict, despite weakness in the Chinese economy. The Brent crude price is now trading in the range of $75 to $85 per barrel. As a result, new capital expenditure in the sector has recovered and 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. The total Diagnostic Imaging Market is estimated to be worth $47.4bn , according to *Global Data*, mainly driven by an increase in the prevalence of chronic diseases and increased demand for imaging procedures from an ageing population. 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.

Following the acquisition of Adaptix in the period, we are now targeting X-ray imaging, also in the orthopaedic and veterinary imaging market segments.

According to *ResearchAndMarkets*, MRI itself is approximately 18% by value of the total diagnostic imaging market and is projected to grow at 5% p.a. X-ray itself represents circa 33% of the total market. For both Magnetica and Adaptix, the addressable portion of the X-ray and MRI markets we believe we can access is now estimated to be over $7bn (including veterinary applications).

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.

Magnetica and Adaptix are planning to create new niche markets for MRI and X-ray. Our first target is orthopaedic imaging, where the development of Magnetica's system is on-going and Adaptix is now working on scaling up production of its system, as well as a related system for veterinary imaging.

Infrastructure and Security

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, the vast majority of Booth's sales are in the UK but the business is building up a prospect pipeline overseas. We have also continued to build the aftermarket order book, with good prospects.

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.

Following the acquisition of Adaptix, we are exploring various possible security applications of their 3D X-ray technology products as tools in various Non-Destructive Evaluation (NDE) markets, with an estimated addressable market of c$1.4bn.

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 at Hayward Tyler
Overall Group revenue increased by 30.4% to £65.2m (2023 H1: £50.0m). The principal reason for the increase was additional OEM business at Hayward Tyler, and aided by sales in S&P.

Gross margin ('GM') – a modest reduction, primarily due to OEM and aftermarket mix
GM decreased to 31.6% (2023 H1: 32.6%), primarily a result of the increased OEM sales in the mix and lower GM contribution by the recently acquired S&P as it recovers its trading position.

Profit margin: EBITDA increase driven by increased revenue.
Adjusted EBITDA (note 4) increased by 14.1%, to £7.3m, on higher revenues (2023 H1: £6.4m) mainly due to increased revenue and profit in the AES division, in turn driven by improved results at Hayward Tyler, Booth and Ormandy. However, this was subdued by the initial post-acquisition EBITDA break-even at S&P and the pre commercialisation costs at Adaptix (£1.0m) in the period. If these were excluded the underlying EBITDA would be £8.3m – a c.30% increase in EBITDA.

Tax: future profits and cash still protected by available losses
The effective rate of taxation at Group level was a 15.6% tax charge. A higher R&D tax credit than forecasted and the use of Group losses kept the rate lower than expected 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.

Adjusted Earnings per Share (EPS): c8% improvement.
Adjusted diluted earnings per share from continuing operations was up at 11.7p (2023 H1:10.8p) subdued by the impact of Adaptix and S&P acquisition in H1.

Basic and diluted earnings per share from continuing operations remained at 8.8p (2023 H1: 8.8p) and 8.6p (2023 H1: 8.6p), due to acquisition, and restructuring costs and the impact of the acquisitions in the period.

Funding and Liquidity: net debt position after investment but remains modest.
Net debt decreased to £2.2m, excluding IFRS16 debt (31 May 2023: £13.0m net cash), following the acquisition of, and investment in Adaptix and S&P, further investment in Magnetica and a working capital outflow resulting from timing milestones of certain contracts. Cash outflow from operating activities in the period was £3.6m (2023 H1: inflow £4.1m) – although this includes operating cash outflow for the acquired S&P and Adaptix of £2.6m and exceptional acquisition and restructuring costs of £0.5m.

Dividend: interim dividend progressively increased.
The Board is continuing with its policy of gradual increases in dividends. The dividend is 1.8 pence per share (2023 H1: 1.7 pence). The dividend will be paid on 21 June 2024, to shareholders on the register as at 24 May 2024.

ESG (Environmental, Social, and Governance)

Avingtrans is endeavouring to attain a high level of clarity on ESG matters. We will be reporting on this task more fully, 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 level. Notably, at Board level, we have now set up an ESG Committee, chaired by Jo Reedman.

At divisional management level, we merged the EPM and PSRE divisions to create the AES division. Consequently, Austen Adams, formerly the managing director of the PRSE division, has assumed leadership of this newly integrated division. The Board would like to extend its sincere best wishes and gratitude to Mike Turmelle, the former head of the EPM division, who has stepped down from his role and left the Company. His contributions during his tenure at Avingtrans are highly appreciated.

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 apprentice training school based at Metalcraft continues to develop, with West Suffolk College (WSC) as the operator and training provider at the centre. 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 frequent acquirers, we encounter varying levels of capability and knowledge among different businesses. In smaller acquisitions, a common investment focus is disseminating Health, Safety, and Environment (HSE) best practices from other Group businesses, elevating local processes to meet required standards. Larger acquisitions, such as HTG in the past, typically have well-established HSE practices, and we actively seek to incorporate these learnings into other business units. Health and Safety incident reporting has shown improvement across the Group, with incident trends generally on a positive trajectory in recent years. We encourage near miss reporting and foster knowledge exchange to facilitate learning and continuous improvement. At the Board level, Les Thomas oversees HSE matters, conducting inspections and reviews with local management as needed. The Board takes an active interest in progress during site visits around board meetings.

Operational eco-efficiency

We are pleased to report a significant reduction in carbon intensity at our UK sites during FY23, with Scope 1 and 2 emissions decreasing by 21% to 2,104 tCO2e compared to the previous year, despite the growth in revenues. This achievement is a testament to the focused efforts of our employees and the development of a culture that prioritizes waste reduction.

To drive further improvements in FY24, we have established an ESG Committee chaired by Jo Reedman, a Non-Executive Director. This committee will be responsible for defining the Group's ESG strategy, as well as setting objectives and key performance indicators.

Development of cleaner technologies

Our Hayward Tyler business continues to have success winning work for new nuclear projects, securing a $10m contract during the period, relating to the development of 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 sales expected to commence during 2024. 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 is actively investing in both of its divisions, concentrating on the global energy, infrastructure and medical markets to optimise shareholder value through future exits. Magnetica is advancing well in the development of compact MRI systems, as is Adaptix in deploying its 3D X-ray technology. Positive results are evident in various business units, notably at Booth and Ormandy, as highlighted by the first-half outcomes. Our value creation goals are on track, supported by a conservative approach to debt, especially crucial during the current macroeconomic challenges.

The AES division maintains a robust focus on nuclear power, thermal, and hydrocarbon markets, along with their associated aftermarkets. The MII division is fully focussed on innovative compact MRI systems and 3D X-ray solutions for niche applications. Each division has a clear strategy to support end-user aftermarket operations, servicing their equipment and relevant third-party equipment where appropriate, to capitalise on the ongoing demand for efficient, reliable, and safe facilities.

Whilst ongoing disruptions in supply chains remain a primary uncertainty, we believe that the situation will now gradually ease looking forward. Inflationary pressures continue to impact our businesses, but we are actively working to mitigate these risks, maintaining stable margins through considerable proactive efforts by our business units. Conversely, the Group does not suffer from destocking issues seen elsewhere, since our products are "make to order".

Our markets are dynamic, and we prioritise strategic M&A opportunities. We are particularly interested in turnaround prospects and long-term buy-and-build scenarios, recognising that businesses like ours can achieve high valuations at the point of exit. While the Board remains vigilant, we are confident in the current direction and potential future opportunities across our markets. We will refine our strategy by pinpointing specific acquisitions as opportunities arise, building businesses that generate sustainable shareholder value, all while maintaining a prudent level of financial flexibility to mitigate unforeseen risks. With a strong first-half performance and a robust order book, the Group is well-positioned to meet market expectations for the full year.

Roger McDowell	**Steve McQuillan**	**Stephen King**
Chairman	Chief Executive Officer	Chief Financial Officer
27 February 2024	27 February 2024	27 February 2024

Consolidated Income Statement (Unaudited)
for the six months ended 30 November 2023

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Revenue	**65,190**	50,010	116,437
Cost of sales	**(44,567)**	(33,714)	(78,137)
Gross profit	**20,623**	16,296	38,300
Distribution costs	**(2,722)**	(2,319)	(4,458)
Other administrative expenses	**(14,340)**	(10,390)	(25,866)
Operating profit before amortisation of acquired intangibles, other non-underlying items and exceptional items	**4,597**	4,317	9,452
Amortisation of intangibles from business combinations	**(410)**	(583)	(993)
Other non-underlying items	**(129)**	(116)	(237)
Acquisition costs	**(323)**	-	(14)
Restructuring costs	**(174)**	(31)	(232)
Operating profit	**3,561**	3,587	7,976
Finance income (Note 5)	**287**	2	109
Finance costs (Note 5)	**(483)**	(291)	(609)
Profit before taxation	**3,365**	3,298	7,476
Taxation (Note 3)	**(525)**	(454)	(1,246)
Profit after taxation from continuing operations	**2,840**	2,844	6,230
Loss after taxation from discontinuing operations	**-**	(327)	(1,168)
Profit for the financial period	**2,840**	2,517	5,062
Profit is attributable to:			
Owners of Avingtrans PLC	**2,840**	2,660	5,194
Non-controlling interest	**(207)**	(143)	(132)
Total	**2,633**	2,517	5,062
Profit per share:			
From continuing operations			
- Basic (Note 6)	**8.8p**	8.8p	19.4p
- Diluted (Note 6)	**8.6p**	8.6p	18.9p
From continuing and discontinuing operations			
- Basic (Note 6)	**8.8p**	7.8p	15.7p
- Diluted (Note 6)	**8.6p**	7.6p	15.3p

Consolidated statement of comprehensive income (Unaudited)
for the six months ended 30 November 2023

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Profit for the period	**2,840**	2,517	5,062
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of net defined benefit liability	**-**	-	(1,388)
Income tax relating to items not reclassified	**-**	-	347
Items that may/will subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	**(358)**	514	(579)
Total comprehensive profit for the period	**2,482**	3,031	3,442

Summarised consolidated balance sheet (Unaudited)
at 30 November 2023

	30 Nov 2023 £'000	30 Nov 2022 £'000	31 May 2023 £'000
Non current assets			
Goodwill	**28,095**	21,420	21,585
Other intangible assets	**28,919**	16,224	18,790
Property, plant and equipment	**28,522**	23,195	23,612
Investments	**-**	4,000	8,000
Deferred tax asset	**930**	1,756	666
Pension and other employee obligations	**526**	1,829	526
	86,992	68,424	73,179
Current assets			
Inventories	**19,369**	13,945	12,656
Trade and other receivables: falling due within one year	**57,832**	49,213	49,691
Trade and other receivables: falling due after one year	**1,479**	1,518	1,550
Current tax asset	**1,678**	285	618
Assets held for sale	**-**	1,614	-
Cash and cash equivalents	**13,918**	22,007	17,717
	94,276	88,583	82,232
Total assets	**181,268**	157,007	155,411
Current liabilities			
Trade and other payables	**(39,651)**	(32,496)	(32,140)
Lease liabilities	**(2,658)**	(1,083)	(1,503)
Borrowings	**(6,199)**	(2,676)	(3,077)
Current tax liabilities	**(1,287)**	(941)	(1,303)
Provisions	**(1,212)**	(1,659)	(1,315)
Derivatives	**(13)**	(10)	(15)
Liabilities associated with assets held for sale	**-**	(218)	-
Total current liabilities	**(51,020)**	(39,082)	(39,353)
Non-current liabilities			
Borrowings	**(7,262)**	(674)	(669)
Lease liabilities	**(5,628)**	(3,069)	(3,328)
Deferred tax	**(3,976)**	(4,458)	(3,238)
Other creditors	**(348)**	(1,268)	(368)
Total non-current liabilities	**(17,214)**	(9,469)	(7,603)
Total liabilities	**(68,234)**	(48,551)	(46,956)
Net assets	**113,034**	108,455	108,455
Equity			
Share capital	**1,645**	1,607	1,612
Share premium account	**18,452**	15,693	15,979
Capital redemption reserve	**1,299**	1,299	1,299
Translation reserve	**1,152**	1,368	1,170
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	**61,545**	60,490	59,811
Total equity attributable to equity holders of the parent	**110,264**	106,628	106,042
Non-controlling interest	**2,770**	1,827	2,413
Total equity	**113,034**	108,455	108,455

Consolidated statement of changes in equity (Unaudited) at 30 November 2023

	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 earning £'000	Total Attributable owners of the Group £'000	Non-controlling interest £'000	Total Equity £'000
At 1 June 2022	1,607	15,693	1,299	28,949	825	1458	(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**
At 1 Dec 2022	1,607	15,693	1,299	28,949	1,368	1,458	(4,235)	60,490	106,628	1,827	108,455
Ordinary shares issued	5	286	-	-	-	-	-	-	291	-	291
Dividends paid	-	-	-	-	-	-	-	(824)	(824)	-	(824)
Share-based payments	-	-	-	-	-	-	-	123	123	-	123
Total transactions with owners	5	286	-	-	-	-	-	(701)	(410)	-	(410)
Profit for the period	-	-	-	-	-	-	-	2,534	2,534	11	2,545
Investment in subsidiary with non-controlling interest	-	-	-	-	895	-	-	(1,470)	(575)	575	-
Other comprehensive income											
Actuarial gain for the period on pension scheme	-	-	-	-	-	-	-	(1,388)	(1,388)	-	(1,388)
Deferred tax on actuarial movement on pension scheme	-	-	-	-	-	-	-	347	347	-	347
Exchange gain	-	-	-	-	(1,093)	-	-	-	(1,093)	-	(1,093)

Total comprehensive income for the period	-	-	-	-	(198)	-	-	23	(175)	586	410
Balance at 31 May 2023	**1,612**	**15,979**	**1,299**	**28,949**	**1,170**	**1,458**	**(4,235)**	**59,812**	**106,043**	**2,413**	**108,455**
At 1 June 2023	1,612	15,979	1,299	28,949	1,170	1,458	(4,235)	59,812	106,043	2,413	108,455
Ordinary shares issued	33	2,473	-	-	-	-	-	-	2,506	-	2,506
Dividends paid	-	-	-	-	-	-	-	(538)	(538)	-	(538)
Share-based payments	-	-	-	-	-	-	-	129	129	-	129
Total transactions with owners	33	2,473	-	-	-	-	-	(409)	2,097	-	2,097
Profit for the period	-	-	-	-	-	-	-	2,633	2,633	207	2,840
Investment in subsidiary with non-controlling interest	-	-	-	-	340	-	-	(490)	(150)	150	-
Other comprehensive income											
Exchange rate loss	-	-	-	-	(358)	-	-	-	(358)	-	(358)
Total comprehensive income for the period	-	-	-	-	(18)	-	-	2,143	2,125	357	2,482
Balance at 30 Nov 2023	**1,645**	**18,452**	**1,299**	**28,949**	**1,152**	**1,458**	**(4,235)**	**61,545**	**110,264**	**2,770**	**113,034**

Consolidated cash flow statement (Unaudited)
for the six months ended 30 November 2023

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Operating activities			
Cash flows from operating activities	**(2,000)**	4,639	10,682
Finance costs paid	**(586)**	(301)	(620)
Income tax paid	**(1,045)**	(78)	(331)
Contributions to defined benefit plan	**-**	(141)	(164)
Net cash (outflow)/inflow from operating activities	**(3,631)**	4,119	9,567
Investing activities			
Purchase of unlisted investments	**-**	-	(4,000)
Acquisition of subsidiary undertakings	**(1,548)**	-	(852)
Finance income	**287**	2	109
Purchase of intangible assets	**(2,619)**	(1,358)	(5,401)
Purchase of property, plant and equipment	**(805)**	(722)	(3,291)
Net cash used by investing activities	**(4,685)**	(2,077)	(12,524)
Financing activities			
Equity dividends paid	**(538)**	(507)	(1,331)
Repayments of bank loans	**(1,743)**	(3,047)	(2,843)
Repayments of leases	**(1,161)**	(707)	(1,771)
Proceeds from issue of ordinary shares	**-**	-	291
Borrowings raised	**8,039**	-	2,254
Net cash inflow/(outflow) from financing activities	**4,596**	(4,261)	(3,400)
Net decrease in cash and cash equivalents	**(3,720)**	(2,220)	(6,356)
Cash and cash equivalents at beginning of period	**17,386**	23,902	23,902
Effect of foreign exchange rate changes	**(73)**	(61)	(160)
Cash and cash equivalents at end of period	**13,593**	21,622	17,386

Cashflows from operating activities (Unaudited)
for the six months ended 30 November 2023

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Profit before income tax from continuing operations	**3,363**	3,299	7,475
Loss before income tax from discontinuing operations	**-**	(327)	(616)
Adjustments for:			
Depreciation of property, plant and equipment	**2,404**	2,023	3,720
Amortisation of intangible assets	**227**	117	444
Amortisation of intangibles from business combinations	**410**	583	993
Loss on disposal of property, plant and equipment	**7**	10	-
Loss on disposal of intangible assets	**-**	-	373
Finance income	**(287)**	(2)	(109)
Finance expense	**483**	291	609
Share based payment charge	**129**	114	237
Changes in working capital			
Increase in inventories	**(5,028)**	(2,363)	(729)
Increase in trade and other receivables	**(7,536)**	(2,673)	(3,628)
Increase in trade and other payables	**4,021**	3,719	2,814
Decrease in provisions	**(190)**	(139)	(857)
Other non-cash changes	**(3)**	(10)	(44)
Cash (outflow)/ inflow from operating activities	**(2,000)**	4,639	10,682

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Cash and cash equivalents			
Cash	**13,918**	22,007	17,717
Overdrafts	**(325)**	(385)	(331)
	13,593	21,622	17,386

Notes to the half year statement
30 November 2023

1. Basis of preparation

The Group's interim results for the six-month period ended 30 November 2023 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 2024. 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 27 February 2024 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 2024.

The statutory accounts for the year ended 31 May 2023, 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 AES	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000
6 months to 30 November 2023				
Original equipment	40,661	1,318	-	41,979
Aftermarket	23,050	161	-	23,211
Revenue	63,711	1,479	-	65,190
Operating profit/(loss)	5,529	(1,140)	(828)	3,561
Net finance costs				(196)
Taxation				(525)
Profit after tax from continuing operations				2,840

Notes to the half year statement
30 November 2023

	Energy AES	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000
Year ended 31 May 2023				
Original equipment	66,802	3,595	-	70,397
Aftermarket	46,006	34	-	46,040
Revenue	112,808	3,629	-	116,437
Operating profit/(loss)	10,145	(1,010)	(1,159)	7,976
Net finance costs				(500)
Taxation				(1,246)
Profit after tax from continuing operations				6,230

	Energy AES	Medical MII	Unallocated central items	Total
	£'000	£'000	£'000	£'000
6 months to 30 November 2022				
Original equipment	29,889	1,498	-	31,387
Aftermarket	18,621	2	-	18,623
Revenue	48,510	1,500	-	50,010
Operating profit/(loss)	4,480	(310)	(582)	3,588
Net finance costs				(289)
Taxation				(454)
Profit after tax from continuing operations				2,844

3. Taxation

The taxation charge is based upon the expected effective rate for the year ended 31 May 2024.

Notes to the half year statement
30 November 2023

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

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Profit before tax from continuing operations	**3,365**	3,298	7,476
Share based payment expense	**129**	114	237
Acquisition costs	**323**	-	14
Restructuring costs	**174**	31	232
Other exceptionals	**-**	2	-
(Loss)/gain on derivatives	**(3)**	9	14
Amortisation of intangibles from business combinations	**410**	583	993
Adjusted profit before tax	**4,398**	4,037	8,966
Finance income	**(287)**	(2)	(109)
Finance cost	**483**	291	609
(Loss)/ gain on derivatives	**3**	(9)	(14)
Adjusted profit before interest, tax and amortisation from business combinations ('EBITA')	**4,597**	4,317	9,452
Depreciation	**2,406**	1,906	3,720
Amortisation of other intangible assets	**227**	117	444
Amortisation of contract assets	**71**	61	130
Adjusted Earnings before interest, tax, depreciation and amortisation ('EBITDA')	**7,301**	6,401	13,746

5. Finance income and costs

	6 months to 30 Nov 2023 £'000	6 months to 30 Nov 2022 £'000	Year to 31 May 2023 £'000
Finance income			
Bank balances and deposits	**85**	2	47
Gain on the fair value of derivative contracts	**3**	-	-
Interest from other	**199**	-	62
	287	2	109
Finance costs			
Interest on banking facilities and lease liabilities	**483**	282	605
Loss on the fair value of derivative contracts	**-**	9	14
	483	291	609

Notes to the half year statement
30 November 2023

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 2023 No	6 months to 30 Nov 2022 No	Year to 31 May 2023 No
Weighted average number of shares – basic	**32,373,636**	32,141,445	32,187,135
Share Option adjustment	**664,652**	939,646	820,074
Weighted average number of shares – diluted	**33,038,288**	33,081,091	33,007,209
	£'000	£'000	£'000
Earnings from continuing operations	**2,840**	2,844	6,230
Share based payments	**129**	114	237
Acquisition costs	**323**	-	14
Restructuring costs	**174**	31	232
Other exceptionals	**-**	2	-
(Gain)/loss on derivatives	**(3)**	9	14
Amortisation of intangibles from business combinations	**410**	583	993
Adjusted earnings from continuing operations	**3,873**	3,583	7,720
From continuing operations:			
Basic earnings per share	**8.8p**	8.8p	19.4p
Adjusted basic earnings per share	**12.0p**	11.1p	24.0p
Diluted earnings per share	**8.6p**	8.6p	18.9p
Adjusted diluted earnings per share	**11.7p**	10.8p	23.4p
Earnings from discontinuing operations	**-**	(327)	(1,168)
From discontinuing operations:			
Basic loss per share	**-**	(1.0)p	(3.6)p
Adjusted loss per share	**-**	(1.0)p	(3.6)p
Diluted loss per share	**-**	(1.0)p	(3.5)p
Adjusted diluted loss per share	**-**	(1.0)p	(3.5)p
Earnings attributable to shareholders including non-controlling interest	**3,873**	3,256	5,062
Basic earnings per share	**8.8p**	7.8p	15.7p
Adjusted basic earnings per share	**12.0p**	10.1p	20.4p
Diluted earnings per share	**8.6p**	7.6p	15.3p
Adjusted diluted earnings per share	**11.7p**	9.8p	19.9p

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 2023

7. Net (debt)/cash and gearing

The gearing ratio at the year-end is as follows:	**30 Nov 2023**	30 Nov 2022	31 May 2023
	£'000	£'000	£'000
Cash	**13,918**	22,007	17,717
Loans	**(13,136)**	(2,965)	(3,416)
Lease liability – finance leases under IAS17	**(2,683)**	(1,406)	(952)
Lease liability – under IFRS 16	**(5,603)**	(2,746)	(3,879)
Overdrafts	**(325)**	(385)	(331)
Net (debt)/cash	**(7,829)**	14,505	9,140
Equity	**113,034**	108,455	108,455
Net (debt)/cash to equity ratio	**(6.9)%**	13.4%	8.4%
Net (debt)/cash to equity ratio excluding IFRS16 debt	**(2.0)%**	15.9%	12.0%

8. Events after the balance sheet date

Business combinations: Acquisition of Adaptix Limited

On 15 September 2023, the Group acquired the remaining 82% of Adaptix Limited's ("Adaptix") share capital, thereby gaining control. In exchange for the 82% of shares in Adaptix, Avingtrans issued shares valued at £2,505,000 on the date of acquisition. Immediately prior to the acquisition, the Group held an 18% shareholding in Adaptix, which was purchased for cash consideration of £6,005,000.

Adaptix are an emerging Medtech business, developing 3D x-ray technologies. The product launch plans of Adaptix align with the Group's Magnetica business, which is developing compact magnetic resonance imaging technology. This alignment enables both businesses to mutually benefit by coordinating their commercialization activities.

Consideration has been calculated using the accumulated cost method, and comprises:

	£'000
Cash consideration	6,005
Issued shares	2,505
Total purchase consideration	**8,510**

The fair value of the 642,355 issued shares was based on the published closing share price on the 15th September 2023 of 390 pence per share.

The provisional assets and liabilities recognised as a result of acquisition were as follows:

	£'000
Other intangible assets: technology	8,219
Property, plant and equipment	1,883
Deferred tax assets	2,054
Inventories	323
Trade and other receivables	567
Current tax asset	701
Cash	152
Trade and other payables	(1,883)
Amounts owing to group undertakings	(3,299)
Provisions	(157)
Lease liabilities	(626)
Borrowings	(3,563)
Deferred tax liabilities	(2,336)
Net identifiable assets acquired	**2,033**
Goodwill	6,477
Consideration	**8,510**

Amounts owing to group undertakings represents loans issued to Adaptix prior to the acquisition.

Goodwill is attributable to Adaptix's workforce and future growth potential, plus synergies with our existing medical imaging businesses.

The acquired business contributed revenues of £24,000 and a net loss of £1,433,000 to the Group for the period ended 30 November 2023.

Cashflow

	£'000
Inflow of cash to acquire subsidiary:	
Cash consideration paid in the period	-
Cash acquired	152
Net cash inflow from investing activities	**152**

All cash consideration paid for Adaptix was transferred in previous accounting periods, so does not impact the current period cashflow.

Acquisition related costs of £200,000 have been presented as exceptional costs in the income statement and in operating cashflows in the statement of cashflows.

Business combinations: Acquisition of Slack and Parr Limited

On the 6 August 2023, Hayward Tyler Fluid Handling Limited, a subsidiary of Avingtrans, completed the acquisition of the trade and assets of Slack and Parr Limited, along with its overseas subsidiaries in the USA and China.

Slack and Parr is renowned for its specialism in manufacturing high-precision gear metering pumps, hydraulics flow dividers, and industrial pumps, is a market leading supplier catering to a global customer base.

This strategic acquisition enhances Hayward Tyler's existing businesses by introducing additional products, expanding market reach, and in bringing in valuable expertise and equipment from Slack and Parr.

	£'000
Cash consideration	1,867
Total consideration	**1,867**

Consideration was transferred in stages. All consideration has been paid by 30 November 2023.

The provisional assets and liabilities recognised as a result of acquisition were as follows:

	£'000
Property, plant and equipment	5,035
Inventories	1,608
Trade and other receivables	390
Current tax asset	-
Cash	164
Trade and other payables	(999)
Provisions	(200)
Amounts owing to group undertakings	(478)
Lease liabilities (related to plant and equipment acquired and property lease)	(3,686)
Net identifiable assets acquired	1,834
Goodwill	33
Consideration	1,867

Amounts owing to group undertakings represents loans issued from Hayward Tyler Fluid Handling at the point of acquisition.

Goodwill is attributable to Slack and Parr's workforce, brand and future growth potential, plus synergies with our existing Hayward Tyler businesses.

The acquired business contributed revenues of £3,205,000 and a net loss of £396,000 to the Group for the period ended 30 November 2023.

Cashflow

	£'000
Outflow of cash to acquire subsidiary:	
Cash consideration paid in the period	1,867
Cash acquired	(164)
Net cash outflow from investing activities	**1,703**

Acquisition related costs of £123,000 have been presented as exceptional costs in the income statement and in operating cashflows in the statement of cashflows.