

Regulatory Story

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Company AEA Technology Group PLC
TIDM AAT
Headline Half Yearly Report
Released 07:00 30-Nov-2011
Number 0173T07

RNS Number: 0173T
AEA Technology Group PLC
30 November 2011

AEA TECHNOLOGY GROUP PLC INTERIM RESULTS STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

AEA Technology Group plc ('Group'), a leading technical, energy and sustainability consultancy, today announces its financial results for the six months ended 30 September 2011.

- Orders up 84% to £73.0 million (2010: £39.6 million)
- Revenue up 5% £53.3 million (2010: £50.6 million)
- Adjusted operating profit up 10% £2.3 million (2010: £2.1 million) ¹
- Operating profit £0.2 million (2010: £6.7 million loss)
- Adjusted profit before tax £1.0 million (2010: £1.1 million) ¹
- Loss before tax £2.1 million (2010: £8.8 million loss)
- Net debt £34.3 million (30 September 2010: £31.7 million, 31 March 2011: £28.3 million)
- Secured approval of Lloyds Banking Group to amend financial covenants for 2012 and allow continued access to the banking facility for the foreseeable future. The Directors expect to successfully renegotiate covenants for 2013 during 2012
- John Lowry has been appointed as interim CEO (see separate announcement)
- Order intake is showing positive progress throughout the Group; ERG \$38.9 million ², PPC \$45.9 million, up 23% and Europe £20.1 million, up 32%
- In the US we continue to win orders despite the current economic environment while in the UK market conditions remain tough but with some stability returning
- The second half of the year will be impacted by a reduced forecast revenue and adjusted operating profit outturn at PPC, our Washington based operation. As reported previously, performance at ERG, our Boston based operation, and Europe remain in line with Management's expectations
- Having announced on 16 November 2011 that the Group's adjusted operating profit for the current year would be significantly lower than the Board's expectations, the Board is firmly focused on improving profitability and managing cash flow

¹ A reconciliation of adjusted operating profit and adjusted profit before tax is given below the Consolidated income statement.

² No comparative information is available as the business was acquired in November 2010.

Dr Paul Golby CBE, Chairman of AEA Technology Group plc, said:

"After a first half in line with our expectations, it is disappointing that a reduced revenue and adjusted operating profit outturn will impact the second half of the current financial year.

However, I am pleased to report that Lloyds Banking Group have now agreed financial covenants for 2012, giving the Group access to its existing facility for the foreseeable future. The Directors expect to successfully renegotiate covenants for 2013 during 2012.

I am also pleased to have secured John Lowry as our interim CEO with immediate effect and the Board looks forward to working with him."

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Half Year Management Report

OPERATIONAL SUMMARY

The Group order intake of £73.0 million is up 84% (2010: £39.6 million). In the US order intake was £52.9 million (2010: £24.4 million) with ERG generating orders of £24.3 million and PPC £28.6 million, up 17% (23% at constant currency) on 2010 (2010: £24.4 million). In Europe, orders increased by 32% to £20.1 million (2010: £15.2 million) compared to the first half of 2010, which puts the European business on the right track for the second half of the financial year.

US operations

Washington based operations (PPC)

Order intake during the first half of the year of \$45.9 million has been encouraging, up 23% on the prior year. Important wins have been:

- the US Patent and Trademark Office IDEAL contract task orders for \$4.3 million, where PPC provides high level IT engineering support for networks, data centres and key applications to enhance the patent process in the US;
- an environmental contract with the US Department of Transportation and Federal Highway Administration for \$7.9 million, where the business provides program management and technical support services in support of environmental initiatives including climate change, adaptation and waste management.

Therefore it was disappointing to report on 16 November 2011 that the current financial year forecast revenue profile will be adversely affected by the late placement and commencement dates of certain orders and that some other expected orders have not been won. This year we have been looking to strengthen the management team at PPC and we are pleased to report that these appointments are in place and we are working closely with them to drive the business forward.

Boston based operations (ERG)

Order intake during the first half of the year has been strong at \$38.9 million as expected and ERG continues to perform in line with Management's expectations.

Important wins have been achieved with the Environmental Protection Agency, namely:

- Office of Transportation and Air Quality, supporting the SmartWay fuel savings program;
- Office of Air Quality Planning and Standards, supporting a project to measure emissions from pollution sources; and
- Office of Enforcement and Compliance Assurance.

Since the half year we have won an important Framework Contract (total value \$157 million over five years) alongside three other companies. The process for tendering individual work orders will commence soon.

European operations

Europe has performed in line with Management expectations and has seen an encouraging improvement in orders during recent months, despite continuing difficult market conditions.

Order intake is up by 32% to £20.1 million (2010: £15.2 million), the largest of which was an order for £4.5 million from DECC/DEFRA on the National Atmospheric Emissions Inventory. In addition there were additional contract wins with DEFRA of £1.3 million on Ozone and UV Monitoring and £1.6 million on the Automatic Air Quality Network.

The cost saving measures taken by Management in the last 12 months, which reduced the headcount by approximately one third, have had a positive impact on profitability.

Net debt and banking arrangements

On 27 September 2011 the Group signed a new three year Revolving Credit Facility totalling £47 million with our existing sole bankers, Lloyds Banking Group, on normal commercial terms.

As a result of the reduction in profits announced on 16 November 2011, Lloyds Banking Group have now agreed to amend financial covenants for 2012, giving the Group access to its existing facility for the foreseeable future. The Directors expect to successfully renegotiate covenants for 2013 during 2012.

People

As previously reported, the Board accepted the decision of Andrew McCree to step down as CEO with immediate effect on 16 November 2011.

I am pleased to report that the Board has appointed John Lowry as interim CEO whilst it continues its search for a permanent CEO. John has extensive experience in turnaround and operational restructuring situations. He specialises in IT and related technology industries, both in the UK and internationally (including the US) and will join the Board with immediate effect.

HALF YEAR TRADING SUMMARY

Group revenue increased by 5% to £53.3 million (2010: £50.6 million). In the US, revenue increased by £13.9 million with ERG contributing revenue in the half year of £18.0 million. PPC revenue was lower at £18.5 million compared to £22.6 million in 2010. As expected in Europe, revenue decreased by 40% to £16.8 million (2010: £28.0 million) as a result of the market conditions in the first half of the year.

Adjusted operating profit increased by 10% to £2.3 million in the first half of 2011 (2010: £2.1 million). ERG contributed adjusted operating profit of £2.5 million whilst PPC contributed £0.4 million (2010: £2.0 million), the reduction resulting from a combination of an increase in bidding costs and the year on year reduction in revenue. In Europe the adjusted operating profit was £0.7 million (2010: £1.4 million), a year on year reduction of 50% reflecting lower revenues.

The Group operating profit of £0.2 million in the first half of 2011 compares to an operating loss of £6.7 million in 2010. The year on year improvement is due to the strong profit contribution of ERG in the first half of 2011, following its acquisition in November 2010, and the charging in 2010 of £4.5 million costs related to the acquisition of ERG and £3.7 million restructuring costs, being predominantly redundancy costs incurred in Europe. Restructuring costs of £1.1 million in the first half of 2011 also result predominantly from redundancy costs.

Overall total net finance costs have increased by £0.1 million. Net bank interest payable increased to £1.3 million (2010: £0.8 million) due to higher levels of average debt and the write-off of bank fees (£0.4 million) related to the 2009 Revolving Credit Facility following the refinancing in September 2011 with the new three year Revolving Credit Facility. Net finance costs were positively impacted by a £0.1 million decrease in the non-cash net pension charge to £1.0 million (2010: £1.1 million) which results from a £0.4 million decrease in the accretion of the discount on the pension scheme liability.

The Group reported a loss before tax of £2.1 million in the first half of the year (2010: £8.8 million loss) and the adjusted profit before tax was £1.0 million (2010: £1.1 million). The detailed calculations reconciling these two measures are set out in the table under the Consolidated income statement.

The Group tax charge was £0.1 million for the first half of the year (2010: £0.2 million).

The adjusted earnings per share was nil pence (2010: 0.1 pence). The basic loss per share was 0.2 pence (2010: loss of 0.9 pence) per share. The detailed calculations are set out in note 10.

Net debt and cash flow in the first half year of the year

In the first half of the year Group cash generated from business operations was £nil (2010: £2.3 million inflow). Cash used in operations was £4.0 million compared to £3.4 million in the first half of 2010.

Payments relating to restructuring costs, including redundancy, were £2.1 million (2010: £2.4 million), payments for the ERG acquisition costs were £0.4 million (2010: £0.2 million), payments to settle legacy issues were reduced to £0.3 million (2010: £2.5 million) and payments to reduce the pension deficit were £1.2 million (2010: £0.6 million).

As anticipated net debt increased from £28.3 million at 31 March 2011 to £34.3 million, due to normal seasonal patterns. The overall movement in net debt is shown in the table under the Consolidated statement of cash flows.

Pensions

The net balance sheet liability for retirement benefits has increased to £165.5 million (31 March 2011: £121.8 million, 30 September 2010: £161.8 million). The detailed calculations are set out in note 7.

The normal triennial valuation of the pension scheme as at 31 March 2011 is ongoing.

OUTLOOK

As announced on 16 November 2011, the second half of the current financial year will be impacted by a reduced forecast revenue and adjusted operating profit outturn at PPC, our Washington based operation. As reported previously, performance at ERG, our Boston based operation, and Europe remain in line with Management's expectations.

GOING CONCERN

The Group is dependent on its banking facility, which is provided by its sole bank, Lloyds Banking Group (Lloyds), to meet its liquidity needs. Following the trading announcement made on 16 November 2011, the Group has been in discussions with Lloyds with regards to its latest forecasts. Based on these forecasts, the Directors believe that the Group's facility with Lloyds adequately provides sufficient cash to meet its funding needs for the foreseeable future. Lloyds has indicated its willingness to support the Group and has amended financial covenants for 2012. The Directors expect to need to renegotiate covenants for 2013 and to complete this successfully during 2012. The amendments allow continued access to the banking facility and the Directors are therefore satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated Half Year Report.

This Half Year Report contains certain forward-looking statements, which have been made by the directors in good faith based on the information available to them up to the time of the approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Nothing in this report should be construed as a profit forecast.

PRINCIPAL RISKS

The mitigation of risk is a key part of the management of AEA. The Group has a well established risk management process that complies with the United Kingdom's Financial Services Authority's Combined Code on Corporate Governance and addresses strategic risks and risks specific to individual businesses and contracts including operational risks, financial risks, strategic risks, environmental and safety risks.

The Board keeps under review the potential effect of economic circumstances and the changing profile of the principal risks, including the effect of Eastern Research Group Inc being within the Group from 9 November 2010 and ensures the appropriate management of risk. The principal risks and uncertainties faced by the Group for the period to 30 September 2011 are as follows:

- changes in the competitive environment resulting from government policy;
- ongoing support from the Group's bankers and liquidity;
- recruitment and retention of sufficient high calibre people;
- retirement benefits;
- legacy provisions; and
- exchange risk.

With the exception of the risk of ongoing support from the Group's bankers and liquidity, these risks have not changed significantly since the publication of the AEA Technology Group plc 2011 Annual Report and Accounts and are described in detail on page 19 of that document.

RELATED PARTY TRANSACTIONS

There have been no related party transactions that have had a material effect on the financial position or performance of the Group in the first half of the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors listed below (being all the Directors of AEA Technology Group plc) confirm that, to the best of their knowledge, this set of consolidated financial statements has been prepared in accordance with International Accounting Standard 34 as adopted by the European Union, and that the Half Year Management Report herein includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7 and DTR 4.2.8 of the United Kingdom Financial Services Authority.

Neither AEA Technology Group plc nor the Directors accept any liability to any person in relation to the Half Year Report except to the extent that such liability could arise under English law. Accordingly any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A and Schedule 10A of the Financial Services and Markets Act 2000.

On behalf of the Directors

Dr Paul Golby	Chairman, Chairman of Nomination Committee
Kevin Higginson	CFO
Rodney Westhead	Chairman of Audit Committee, Senior Independent Director
Tim Robinson	Non-Executive Director, Chairman of Remuneration Committee
Bernard Lord	Non-Executive Director

By order of the Board

Dr Paul Golby CBE
Chairman
30 November 2011

Kevin Higginson
CFO

Financial statements

Consolidated income statement

	Note	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Revenue	4	53.3	50.6	113.7
Cost of sales		(30.5)	(32.5)	(69.1)
Gross profit		22.8	18.1	44.6
Other operating income		0.5	1.1	3.2
Sales and marketing costs		(5.2)	(3.7)	(7.6)
Administrative expenses		(17.9)	(22.2)	(46.1)
Operating profit/(loss)	4	0.2	(6.7)	(5.9)
Investment income		-	0.1	0.1
Finance income	8	10.2	10.5	21.2
Finance costs	9	(12.5)	(12.7)	(25.1)
Loss before tax		(2.1)	(8.8)	(9.7)
Income tax		(0.1)	(0.2)	(4.3)
Loss for the period attributable to the owners of the parent		(2.2)	(9.0)	(14.0)
Loss per share for profit attributable to the owners of the parent during the period ¹				
Basic (pence)	10	(0.2)p	(0.9)p	(1.2)p
Diluted (pence)	10	(0.2)p	(0.9)p	(1.2)p

¹ The earnings per share figures previously reported for the six months ended 30 September 2010 has been restated. This reflects the impact of the bonus element of the Firm Placing, Placing and Open Offer in November 2010 (see note 10).

Consolidated income statement – alternative performance measures (note 3)

	Note	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Adjusted operating profit				
Operating profit/(loss)	4	0.2	(6.7)	(5.9)
Amortisation of acquired intangibles		0.9	0.6	1.3
Restructuring including redundancy		1.1	3.7	9.2
Acquisition costs		0.1	4.5	4.3
Pension credit from curtailment	7	-	-	(0.1)
Adjusted operating profit	4	2.3	2.1	8.8

	Note	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Adjusted profit before tax				
Loss before tax		(2.1)	(8.8)	(9.7)
Amortisation of acquired intangibles		0.9	0.6	1.3
Restructuring including redundancy		1.1	3.7	9.2
Acquisition costs		0.1	4.5	4.3
Pension credit from curtailment	7	-	-	(0.1)
Net pension finance cost		1.0	1.1	2.0
Adjusted profit before tax		1.0	1.1	7.0

These supplementary disclosures do not form part of the Consolidated income statement and these tables are not included in the notes to the financial statements.

Consolidated statement of comprehensive income

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Loss for the period attributable to the owners of the parent	(2.2)	(9.0)	(14.0)
Other comprehensive income/(expense) - net of tax:			
Currency translation differences	2.4	(0.8)	(1.1)
Actuarial (losses)/gains on defined benefit pension schemes	(44.0)	(21.7)	17.4
Other comprehensive (expense)/income for the period - net of tax	(41.6)	(22.5)	16.3
Total comprehensive (expense)/income for the period entirely attributable to the owners of the parent	(43.8)	(31.5)	2.3

Consolidated balance sheet

		(Unaudited) At 30 September 2011 £m	(Unaudited) At 30 September 2010 £m	(Audited) At 31 March 2011 £m
	Note			
ASSETS				
Non-current assets				
Goodwill		72.1	31.5	69.9
Other intangible assets		11.5	3.8	11.7
Property, plant and equipment		3.9	4.5	4.4
Trade and other receivables		0.5	-	1.3
Deferred income tax assets		3.0	5.5	2.3
		91.0	45.3	89.6
Current assets				
Contract work in progress		0.1	0.1	0.1
Trade and other receivables		29.4	22.3	31.7
Current income tax assets		0.8	0.6	0.2
Available for sale financial asset		-	2.0	-
Cash and cash equivalents		3.3	3.5	4.0
		33.6	28.5	36.0
Total assets		124.6	73.8	125.6
EQUITY				
Capital and reserves attributable to owners of the parent				
Share capital	6	14.5	2.3	14.5
Share premium		-	11.7	-
Merger reserve		82.0	82.0	82.0
Other deficit		(69.7)	(67.1)	(28.1)
Retained deficit		(140.7)	(190.4)	(138.5)
Total deficit		(113.9)	(161.5)	(70.1)
LIABILITIES				
Non-current liabilities				
Trade and other payables		2.2	2.4	1.7
Borrowings		37.3	32.8	30.2
Retirement benefit obligations	7	165.5	161.8	121.8
Provisions for liabilities and charges		3.8	2.8	4.7
Deferred income tax liabilities		2.0	1.3	1.2
		210.8	201.1	159.6
Current liabilities				
Trade and other payables		25.0	27.2	32.0
Borrowings		0.3	2.4	2.1
Derivative financial instruments		0.2	0.4	0.3
Provisions for liabilities and charges		1.7	4.1	1.3
Current income tax liabilities		0.5	0.1	0.4
		27.7	34.2	36.1
Total liabilities		238.5	235.3	195.7
Total equity and liabilities		124.6	73.8	125.6

On 30 November 2011 the Board of Directors approved the financial statements and authorised them for issue. The notes are an integral part of these financial statements.

Signed on behalf of the Board of Directors:

Dr Paul Golby CBE
Chairman

Kevin Higginson
CFO

Consolidated statement of changes in equity

Attributable to equity holders of the parent

	Share capital (note 6) £m	Share premium (note 6) £m	Merger reserve £m	Other reserves £m	Retained deficit £m	Total Shareholders' equity £m
Balance as at 1 April 2010	2.3	11.7	82.0	(44.8)	(181.4)	(130.2)
Comprehensive expense:						
Loss for the period	-	-	-	-	(9.0)	(9.0)
Other comprehensive expense:						
Currency translation losses	-	-	-	(0.8)	-	(0.8)
Actuarial losses on defined benefit pension schemes	-	-	-	(21.7)	-	(21.7)
Total comprehensive expense for the period ended 30 September 2010	-	-	-	(22.5)	(9.0)	(31.5)
Transactions with owners:						
Fair value of share option schemes	-	-	-	0.2	-	0.2
Total transactions with owners	-	-	-	0.2	-	0.2
Balance as at 30 September 2010	2.3	11.7	82.0	(67.1)	(190.4)	(161.5)
Comprehensive expense:						
Loss for the period	-	-	-	-	(5.0)	(5.0)
Other comprehensive (expense)/income:						
Currency translation losses	-	-	-	(0.3)	-	(0.3)
Actuarial gains on defined benefit pension schemes	-	-	-	39.1	-	39.1
Total comprehensive income/(expense) for the period ended 31 March 2011	-	-	-	38.8	(5.0)	33.8
Transactions with owners:						
Shares issued under Firm Placing, Placing and Open Offer (note 6)	11.1	41.5	-	-	-	52.6
Consideration shares issued	1.1	4.6	-	-	-	5.7
Additional costs of Firm Placing, Placing and Open Offer	-	-	-	-	(0.9)	(0.9)
Capital reduction (note 6)	-	(57.8)	-	-	57.8	-
Fair value of share option schemes	-	-	-	0.2	-	0.2
Total transactions with owners	12.2	(11.7)	-	0.2	56.9	57.6
Balance as at 31 March 2011	14.5	-	82.0	(28.1)	(138.5)	(70.1)
Comprehensive expense:						
Loss for the period	-	-	-	-	(2.2)	(2.2)
Other comprehensive income/(expense):						
Currency translation differences	-	-	-	2.4	-	2.4
Actuarial losses on defined benefit pension schemes	-	-	-	(44.0)	-	(44.0)
Total comprehensive expense for the period ended 30 September 2011	-	-	-	(41.6)	(2.2)	(43.8)
Balance as at 30 September 2011	14.5	-	82.0	(69.7)	(140.7)	(113.9)

Consolidated statement of cash flows

	Note	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Cash flows used in operating activities				
Cash used in operations	11	(4.0)	(3.4)	(3.9)
Interest paid		(0.6)	(0.7)	(1.6)
Tax paid		(0.5)	(0.5)	(0.8)
Net cash used in operating activities		(5.1)	(4.6)	(6.3)
Cash flows (used in)/from investing activities				
Dividends received from available for sale investment		-	0.1	-
Acquisition of subsidiary, including loan to previous shareholders		(0.1)	-	(48.2)
Expenditure on product development costs		-	-	(0.2)
Purchases of property, plant and equipment		(0.7)	(1.4)	(1.5)
Net cash used in investing activities		(0.8)	(1.3)	(49.9)
Cash flows from/(used) in financing activities				
Repayment of borrowings		-	(4.3)	(17.1)
Draw-down of bank facilities		5.3	8.0	20.3
Capital element of finance lease repayments		(0.3)	(0.2)	(0.5)
Proceeds from new equity issues		-	-	51.7
Net cash generated from financing activities		5.0	3.5	54.4
Net decrease in cash and cash equivalents		(0.9)	(2.4)	(1.8)
Cash and cash equivalents at beginning of period		4.0	6.0	6.0
Exchange gains/(losses) on cash and cash equivalents		0.2	(0.1)	(0.2)
Cash and cash equivalents at end of period		3.3	3.5	4.0
Consolidated statement of cash flows – alternative performance measures (note 3)				
		(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Movement in net debt for the period ended				
Net cash flow generated from business operations		-	2.3	10.3
Restructuring including redundancy costs		(2.1)	(2.4)	(4.7)
Acquisition costs		(0.4)	(0.2)	(3.6)
Legacy cash flows		(0.3)	(2.5)	(4.1)
Funding of pension deficit		(1.2)	(0.6)	(1.8)
Cash used in operations		(4.0)	(3.4)	(3.9)
Net interest and tax paid		(1.1)	(1.2)	(2.4)
Net cash used in investing activities		(0.8)	(1.3)	(49.9)
Cancellation of debt		-	-	2.0
Proceeds from new equity issues		-	-	51.7
Non-cash financing – facility fees		0.2	(0.1)	-
Non-cash financing – finance leases		(0.1)	(0.2)	(0.4)
Exchange gains on net debt		(0.2)	0.7	0.8
Net increase in net debt		(6.0)	(5.5)	(2.1)
Net debt at beginning of period		(28.3)	(26.2)	(26.2)
Net debt at end of period		(34.3)	(31.7)	(28.3)
Closing net debt comprises:				
Cash at bank and in hand		3.3	3.5	4.0
Current borrowings		(0.3)	(2.4)	(2.1)
Non-current borrowings		(37.3)	(32.8)	(30.2)
Net debt at end of period		(34.3)	(31.7)	(28.3)

These supplementary disclosures do not form part of the Consolidated statement of cash flows and these tables are not included in the notes to the financial statements.

Notes to the financial statements

1 GENERAL INFORMATION

AEA Technology Group plc ('the Company') and its subsidiaries ('the Group') is one of the world's leading technical energy, sustainability and IT consultancies. The Group has a broad and deep technical knowledge gained through experience working in energy and environmental policy for UK and US governments, international agencies and blue chip companies. AEA maintains a leading position supporting the public sector and international agencies in climate change, energy, water, data management, economics and knowledge transfer.

The Company is a public limited company, incorporated and domiciled in Jersey. The address of the registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX. The Company is listed on the London Stock Exchange.

These financial statements are presented in pounds sterling, which is the functional currency of the Company, being the currency in which the Company reports to its shareholders. Foreign operations are included in accordance with the policies described in the Annual Report and Accounts of AEA Technology Group plc for the year ended 31 March 2011.

On 30 November 2011 the Half Year Report was authorised for issue by the Board of Directors.

These half-year results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for AEA Technology Group plc for the year ended 31 March 2011 were approved by the Board of Directors on 20 July 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an 'emphasis of matter' paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2 BASIS OF PREPARATION

The consolidated financial information for the half-year ended 30 September 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34, 'Half Year Financial Reporting' as adopted by the European Union. The Half Year Report should be read in conjunction with the Annual Report and Accounts of AEA Technology Group plc for the year ended 31 March 2011, which were prepared in accordance with IFRS as adopted by the European Union.

The Group is dependent on its banking facility, which is provided by its sole bank, Lloyds Banking Group (Lloyds), to meet its liquidity needs. Following the trading announcement made on 16 November 2011, the Group has been in discussions with Lloyds with regards to its latest forecasts. Based on these forecasts, the Directors believe that the Group's facility with Lloyds adequately provides sufficient cash to meet its funding needs for the foreseeable future. Lloyds has indicated its willingness to support the Group and has amended financial covenants for 2012. The Directors expect to need to renegotiate covenants for 2013 and to complete this successfully during 2012. The amendments allow continued access to the banking facility and the Directors are therefore satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated Half Year Report.

3 ACCOUNTING POLICIES

The accounting policies are consistent with those of the Annual financial report of AEA Technology Group plc for the year ended 31 March 2011, as described in pages 46 to 52 of the Annual Report and Accounts of AEA Technology Group plc.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2012, but either have no significant impact or are not currently relevant for the Group:

- IFRS 7 amendment, 'Financial instruments: Disclosures on de recognition', effective for annual periods beginning on or after 1 July 2011, subject to EU endorsement;
- IAS 24 (revised), 'Related party disclosures', effective for annual periods beginning on or after 1 January 2011;
- IFRIC 14 amendment, 'Prepayments of a minimum funding requirement', effective for annual periods beginning on or after 1 January 2011;
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010; and

- Annual improvements to IFRSs (2010), effective for annual periods beginning on or after 1 January 2011.

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial year ending 31 March 2011 and have not been adopted early:

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 13, 'Fair value measurements', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IAS 1 amendment, 'Financial statement presentation', effective for annual periods beginning on or after 1 July 2012 subject to EU endorsement;
- IAS 12 amendment, 'Income taxes on deferred tax', effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement;
- IAS 19 amendment, 'Employee benefits', effective for annual periods beginning on or after 1 January 2013 subject to EU endorsement;
- IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement.

Alternative financial measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures, which are not defined by IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Half Year Report:

- Adjusted operating profit and adjusted profit before tax**
Beneath the Consolidated income statement adjusted operating profit is separately disclosed. This is defined as operating profit before the amortisation of acquired intangibles and significant items, which includes acquisition, group restructuring and redundancy costs. The loss before tax is also adjusted in the same way with the additional adjustment to exclude the net pension finance cost. A reconciliation of the loss before tax to adjusted profit before tax is shown beneath the Consolidated income statement.
- Movement in net debt**
Beneath the Consolidated statement of cash flows a statement of movement in net debt is shown, being the movement between opening and closing net debt. An analysis of net debt by balance sheet heading is also shown.
- Adjusted earnings per share**
Adjusted earnings per share, as shown in note 10, is calculated by dividing the adjusted earnings attributable to the equity owners of the parent by the weighted average number of ordinary shares in issue during the year. The adjusted earnings attributable to the equity owners of the parent is calculated in note 10 by adjusting the loss for the period attributable to the owners of the parent by the the amortisation of acquired intangibles, significant items and the net pension finance cost and reversing any related taxation impact of these items.
- Net cash flow generated from business operations**
Beneath the Consolidated statement of cash flows the cash used in operations is split into its component parts, representing net cash flow generated from business operations; restructuring including redundancy costs; acquisition costs; legacy cash flows and the funding of the pension deficit.

Goodwill

Subsequent to the acquisition of ERG Inc on 8 November 2010 Goodwill has been adjusted by £0.1 million in the half year to 30 September 2011 to reflect a revision to the fair value of Trade and other payables as at the acquisition date.

Changes in segmental information

The reportable segments remain as US and Europe. However, since the beginning of the financial year the CODM has received information on the costs incurred in supporting the corporate activities of a public limited company separately

from those costs incurred in managing the operations of the two business segments. Accordingly these 'corporate centre' costs have been shown separately from the adjusted operating profits of the two business segments disclosed in note 4.

This split was introduced following the acquisition of ERG in the US, which increased the size of the Group to the level that the Corporate centre costs needed to be visible and distinct from the results of Europe, and following changes to the Group structure, which introduced a new holding company to manage the Corporate centre activities. Previously published financial information has been restated.

4 SEGMENTAL INFORMATION

The Group has only one service, being that of consultancy, policy support, programme management and data management. The measure of reported segment profit or loss used by the chief operating decision maker (CODM) to assess the performance of the segments is adjusted operating profit. This measurement excludes the effect of amortisation of acquired intangibles and significant items as defined in note 3 'Alternative performance measures'.

All amounts provided to the CODM are measured in accordance with the Group's accounting policies and are therefore consistent with the amounts presented in the financial statements. Any sales between segments are carried out at arm's length.

Results of activities considered incidental to the Group's main operations are reported separately under the heading 'Corporate centre'. These costs arise from the management of the corporate function of a public listed company and include managing investor relations and complying with statutory regulations related to public listed companies.

The revenue and adjusted operating profit generated by each of the Group's segments are summarised as follows:

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m restated	(Audited) Year ended 31 March 2011 £m restated
US	36.5	22.6	59.0
Europe	16.8	28.0	54.7
Total segmental revenue	53.3	50.6	113.7
US	2.9	2.0	7.2
Europe	0.7	1.4	4.4
Segmental adjusted operating profit	3.6	3.4	11.6
Corporate centre	(1.3)	(1.3)	(2.8)
Total adjusted operating profit	2.3	2.1	8.8

The reconciliation of adjusted operating profit to the loss before tax is as follows:

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Adjusted operating profit	2.3	2.1	8.8
Amortisation of acquired intangibles	(0.9)	(0.6)	(1.3)
Restructuring including redundancy	(1.1)	(3.7)	(9.2)
Acquisition costs	(0.1)	(4.5)	(4.3)
Pension credit from curtailment	-	-	0.1
Operating profit/(loss)	0.2	(6.7)	(5.9)
Investment income	-	0.1	0.1
Finance income	10.2	10.5	21.2

Finance costs	(12.5)	(12.7)	(25.1)
Loss before tax	(2.1)	(8.8)	(9.7)

5 SEASONALITY

Revenues are impacted by the timing of the utilisation of government budgets and the availability of funds, notably around government year ends. As a result this has historically led to higher revenue in the second half of the financial year for the Group.

6 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (million)	Nominal value of ordinary shares £m	Share premium £m	Total share capital and premium £m
At 1 April 2010 and 30 September 2010 (restated – see below)	228.8	2.3	11.7	14.0
Firm Placing, Placing and Open Offer	1,111.6	11.1	41.5	52.6
Consideration shares issued on acquisition of subsidiary	113.2	1.1	4.6	5.7
Capital reduction	-	-	(57.8)	(57.8)
At 31 March 2011 and 30 September 2011	1,453.6	14.5	-	14.5

The total authorised number of ordinary shares as at 30 September 2011 for AEA Technology Group plc was 5,000,000,000 shares (31 March 2011 and 30 September 2010: 5,000,000,000 shares (restated)) with a par value of 1.0 pence per share. All these issued shares were fully paid.

As explained in note 23 of the 2011 Annual Report and Accounts of the Group the Nominal value of ordinary shares, the Share premium and the reserves as at 1 April 2010 were restated. Correspondingly the balances as at 30 September 2010 have also been restated.

7 RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the Consolidated balance sheet are determined as follows:

	(Unaudited) At 30 September 2011 £m	(Unaudited) At 30 September 2010 £m	(Audited) At 31 March 2011 £m
Present value of funded obligations	432.0	436.5	406.0
Fair value of defined benefit pension scheme assets	(270.3)	(278.7)	(287.8)
Retirement benefit obligations of the Scheme	161.7	157.8	118.2
Present value of unfunded benefits	3.8	4.0	3.6
Retirement benefit obligations	165.5	161.8	121.8

The retirement benefit obligations have increased to £165.5 million since 31 March 2011 (31 March 2011: £121.8 million, 30 September 2010: £161.8 million). This increase has occurred as a result of changes to the financial assumptions used in calculating the present value of funded obligations and also a decrease in the market value of the pension scheme assets as at 30 September 2011.

At 30 September 2011 a discount rate of 5.1% (31 March 2011: 5.6%, 30 September 2010: 5.0%) was used to discount the gross liabilities of the Scheme to the present value. The movement in the discount rate is due to changes in corporate bond yields at the consolidated balance sheet date. The result of the movement is an increase in the present value of the obligations, although the effect has been partially compensated by a fall in the inflation assumption from 3.4% to 3.1%. There have been no other significant changes to the assumptions used and disclosed in note 29 of the 2011 Annual Report and Accounts of AEA Technology Group plc.

The Scheme's past service funding deficit is expected to be cleared over approximately 18 years under a schedule of contributions agreed by AEA Technology plc and the Trustees in June 2009. The triennial valuation of the Scheme for 31 March 2011 is currently ongoing.

The amounts recognised in respect of pension benefits in the Consolidated income statement are as follows:

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Curtailed gain	-	-	(0.1)
Net pension credit	-	-	(0.1)
Accretion of discount on defined benefit scheme obligations	11.2	11.6	23.2
Expected return on defined benefit pension scheme assets	(10.2)	(10.5)	(21.2)
Total expense in the Consolidated income statement	1.0	1.1	1.9

The curtailment gain in the year ended 31 March 2011 resulted from the cessation of benefits payable to one individual in the unfunded scheme.

8 FINANCE INCOME

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Expected return on defined benefit pension scheme assets	10.2	10.5	21.2
Finance income	10.2	10.5	21.2

9 FINANCE COSTS

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Interest on bank overdrafts and loans	1.3	0.8	1.7
Interest on finance leases	-	-	0.1
Fair value losses on financial instruments – interest rate swaps	-	0.3	0.1
Accretion of discount on defined benefit pension scheme obligations	11.2	11.6	23.2
Finance costs	12.5	12.7	25.1

10 EARNINGS PER SHARE

Details of basic, diluted and adjusted earnings per share are set out below. The weighted average number of shares has been restated for all prior periods to reflect the inherent bonus element of the shares issued at below market value in the Firm Placing, Placing and Open Offer in November 2010.

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to the owners of the parent by the weighted average number of ordinary shares in issue for the period.

	(Unaudited) Six months ended 30 September 2011	(Unaudited) Six months ended 30 September 2010 restated	(Audited) Year ended 31 March 2011
Loss for the period attributable to the owners of the parent (£ million)	(2.2)	(9.0)	(14.0)
Weighted average number of ordinary shares in issue (million)	1,453.6	987.6	1,173.6
Basic loss per share (pence)	(0.2)p	(0.9)p	(1.2)p

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares resulting from outstanding share options at 30 September 2011. The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options to give the number of shares deemed to be issued at nil consideration. These dilutive shares are added to the weighted average number of ordinary shares in issue.

	(Unaudited) Six months ended 30 September 2011	(Unaudited) Six months ended 30 September 2010 restated	(Audited) Year ended 31 March 2011
Loss for the period attributable to the owners of the parent (£ million)	(2.2)	(9.0)	(14.0)
Weighted average number of ordinary shares in issue (million)	1,453.6	987.6	1,173.6
Adjustment for share options (million)	-	-	-
Weighted average number of ordinary shares for diluted earnings per share (million)	1,453.6	987.6	1,173.6
Diluted loss per share (pence)	(0.2)p	(0.9)p	(1.2)p

(c) *Adjusted earnings per share – alternative performance measures (note 3)*

The adjusted earnings per share is calculated as follows:

	(Unaudited) Six months ended 30 September 2011	(Unaudited) Six months ended 30 September 2010 restated	(Audited) Year ended 31 March 2011
Loss for the period attributable to the owners of the parent (£ million)	(2.2)	(9.0)	(14.0)
Amortisation of acquired intangibles (£ million)	0.9	0.6	1.3
Tax benefit of amortisation of acquired intangibles (£ million)	(0.2)	(0.2)	(0.6)
Restructuring including redundancy (£ million)	1.1	3.7	9.2
Tax cost related to restructuring cost (£ million)	(0.3)	-	(1.7)
Acquisition costs (£ million)	0.1	4.5	4.3
Pension credit from curtailment (£ million)	-	-	(0.1)
Net pension finance cost (£ million)	1.0	1.1	2.0
Adjusted earnings attributable to equity holders of the parent (£ million)	0.4	0.7	0.4
Weighted average number of ordinary shares in issue (million)	1,453.6	987.6	1,173.6
Adjusted earnings per share (pence)	0.0p	0.1p	0.0p

11 CASH FLOWS USED IN OPERATIONS

	(Unaudited) Six months ended 30 September 2011 £m	(Unaudited) Six months ended 30 September 2010 £m	(Audited) Year ended 31 March 2011 £m
Loss for the period	(2.2)	(9.0)	(14.0)
Adjustments for:			
tax	0.1	0.2	4.3
depreciation of property, plant and equipment	0.9	0.7	1.6
loss on sale of fixed assets	0.1	-	-
amortisation	0.9	0.6	1.5
impairment losses	-	-	0.8
share option charge	-	0.2	0.4
finance costs	12.5	12.7	25.1
finance income	(10.2)	(10.5)	(21.2)
dividends received from available for sale investment	-	(0.1)	-
other	-	-	0.6
Changes in working capital:			
work in progress	-	0.1	0.3
trade and other receivables	2.8	3.4	4.5
trade and other payables	(7.1)	2.0	(1.0)
Changes in retirement benefit liabilities	(1.3)	(0.8)	(2.8)
Changes in provisions for liabilities and charges	(0.5)	(2.9)	(4.0)
Cash flows used in operations	(4.0)	(3.4)	(3.9)

12 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contracts entered into in the normal course of business and in respect of the disposal of businesses and subsidiaries. Other than those items provided for, it is not expected that these will have a material effect on the financial position of the Group.

13 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

Independent review report to AEA Technology Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2011, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and related notes to the financial statements. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Half Year Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
30 November 2011
Reading

Notes:

- (a) The maintenance and integrity of the AEA Technology Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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