



**AEA Technology plc**  
**Half-year results for the six months ended 30 September 2009**

## Highlights

### Financial

- Orders up 84% to £63.1 million (2008: £34.3 million)
- Revenue up 43% to £51.0 million (2008: £35.6 million)
- Adjusted operating profit up 8% to £4.2 million (2008: £3.9 million) <sup>1</sup>
- Operating profit down 24% to £3.2 million (2008: £4.2 million)
- Adjusted profit before taxation up 9% to £3.7 million (2008: £3.4 million) <sup>1</sup>
- Profit before taxation down 93% to £0.2 million (2008: £2.9 million)
- Secure revenue for the current year of £99.2 million (2008: £62.1 million) <sup>2</sup>
- Net debt £32.0 million (31 March 2009: £27.3 million, 30 September 2008: £25.6 million)
- New three year banking facility agreed

<sup>1</sup> A reconciliation of adjusted operating profit and adjusted profit before taxation is given below the Consolidated income statement.

<sup>2</sup> Secure revenue is the element of orders to date that the Group expects to be delivered in the current financial year.

### Strategic

- Strong entry into the US market
- Major contract wins in the US
- Orders opportunity pipeline continues to grow >\$3bn
- European operations much improved
- Strong platform for growth has been built

Dr Paul Golby, Chairman said; 'With a strong business footprint now established in the UK and US, AEA is now very well positioned to take advantage of demand for climate change consultancy in these key markets. Management has continued to take significant steps to improve the business and deliver an improved performance in tough market conditions.'

Andrew McCree, CEO said; 'The business has made good progress in the first six months. In the US, a number of significant orders have been won and going forward there is a very large orders opportunity pipeline. In Europe, despite tough market conditions, this business has become more innovative and disciplined.'

'The combination of AEA's strong technical skills and data management capability gives us a very competitive offering going forward.'

# Half-Year Management Report

## MARKET PROSPECTS

AEA's experience in emissions, climate change and energy goes back several decades. The Group has been a leading advisor to governments in the development of energy policy over many years and is an internationally recognised authority on emissions and their impact on climate change.

AEA's entry into the US market has begun well and a range of exciting, new growth opportunities have now opened up. AEA is now a leading advisor to the US Government on energy efficiency. The Group is deploying a number of senior specialists from the UK to advise Federal Government on policy and programme matters in this area.

The US Government faces a considerable challenge in improving energy efficiency across the economy and in achieving a significant reduction in emissions. It will need to invest huge sums in order to achieve this aim and to implement international agreements such as those proposed for the Copenhagen Conference. AEA's experience in advising governments on policy development, the implementation of measures, knowledge networks and behavioural change is attracting considerable interest from a range of US Government departments.

The Group's strategy in the US is to focus initially on the Federal Government to develop its position as a leading advisor in energy efficiency, climate change and the impact on resources such as water. As the federal market starts to put in place a regulatory framework, AEA will seek to leverage this position by exploiting some very exciting growth opportunities in corporate America.

In Europe the position is more complex. The Group has made huge progress in transforming the efficiency and commerciality of its operations, delivering a much-improved performance despite UK Government cutbacks. A particular highlight in the first six months has been order intake, which is up 17%. Utilisation and productivity have also been strong at the project level. Europe remains a huge potential market for the Group for environmental and climate change expertise. However, the market continues to be tough, with margins being continually challenged as the UK Government, in particular, looks to save money.

Looking forward, in the UK the spectre of significant cuts in public sector spend means that there will be limited growth opportunities. However, the European business will continue to develop its focus in the UK private sector, which offers greater growth opportunities over the next two years. AEA's expertise will also be utilised to drive growth in the US.

## FINANCIAL POSITION

AEA has made good progress in the first half of the year. There has been a strong performance in orders, which are up by 84% to £63.1 million (2008: £34.3 million). Orders grew by 17% in Europe to £32.4 million (2008: £27.6 million), whilst orders in the US were £30.7 million compared to £6.7 million in the period following the acquisition of PPC in August 2008.

Revenue increased by 43% to £51.0 million (2008: £35.6 million). In Europe revenue increased by 4%, despite difficult market conditions, with strong growth in resource efficiency, air, water and the transport practice area. In the US revenue in 2009 was £17.6 million (2008: £3.6 million) with a strong performance in US Government, particularly in climate change and energy, compensating for a challenging private sector market.

Adjusted operating profit increased by 8% to £4.2 million (2008: £3.9 million). Operating profit decreased by 24% to £3.2 million (2008: £4.2 million) after £0.6 million (2008: £0.1 million) of amortisation of acquired intangibles, £0.6 million of one-off integration costs (2008: £nil) and a net pension credit from the Scheme closure of £0.2 million (2008: £nil).

The Group continued its global investment strategy by increasing expenditure in the IT platform to enable working on US projects and targeting investment in growing market opportunities within the area of US energy efficiency and climate change. Within the first half of the year the Group has also strengthened its global commercial, resourcing and knowledge leadership capabilities.

Net bank interest payable has reduced to £0.4 million (2008: £0.6 million) due to reductions in average interest rates over the period. Net finance costs have been impacted by an increase in the non cash net pension charge of £1.7 million to £2.5 million (2008: £0.8 million). Overall total finance costs have increased by £1.7 million, which is the main reason that profit before taxation has reduced to £0.2 million (2008: £2.9 million). Excluding the non cash net pension charge of £2.5 million, a £0.6 million amortisation charge on acquired intangibles, £0.6 million of one-off integration costs and a net pension credit from the Scheme closure of £0.2 million, the adjusted profit before tax was £3.7 million (2008: £3.4 million) being 9% growth.

Overall the Group has a tax charge of £0.1 million for the six months (2008: £nil).

The adjusted earnings per share is 1.6 pence (2008: 2.0 pence). Basic earnings per share reduced to nil pence (2008: 1.7 pence) per share. See note 10 for the detailed calculations.

#### **New bank facility**

As at 30 September 2009 the Company had a £47.0 million bank facility with Lloyds TSB Bank plc and Bank of Scotland. A new £47.0 million facility with the same banks, entered into in November 2009 for a period of three years, replaces this facility.

#### **Net debt and cash flow**

Net debt increased from £27.3 million at 31 March 2009 to £32.0 million, an increase of £4.7 million. The total cash used in operations improved by £1.0 million to £3.7 million (2008: £4.7 million). Within this, the cash used in business operations was £0.6 million (2008: net cash inflow £0.9 million), payments relating to integration costs following the acquisition of PPC in August 2008 were £0.6 million (2008: £nil), payments to settle legacy issues were £1.4 million (2008: £2.8 million) and payments to reduce the pension deficit were £1.1 million (2008: £2.8 million).

The overall movement in net debt also includes net interest and tax paid of £0.4 million (2008: £0.6 million), a net cash outflow of £0.3 million (2008: £0.2 million) in respect of capital expenditure and a net cash outflow of £0.3 million (2008: £1.1 million) due to foreign exchange. In 2008 there was also a net cash inflow of £0.4 million in relation to proceeds from new equity issues after the cost of acquiring PPC.

#### **Legacy provisions**

The Group's legacy provisions have been utilised as cash outflow in line with expectations in the six months and have reduced to £9.7 million at 30 September 2009 (31 March 2009: £10.9 million).

#### **Pensions**

The net balance sheet liability for retirement benefits has increased to £137.6 million (31 March 2009: £108.2 million, 30 September 2008: £56.0 million). This increase has occurred as a result of changes to the financial assumptions used in calculating the present value of funded obligations. In particular, the discount rate used to calculate the value of the liability for pension obligations decreased to 5.6% (31 March 2009: 6.6%, 30 September 2008: 7.0%), significantly increasing the net present value. This is partially offset by increases in the market value of assets held by the pension scheme.

The defined benefit scheme ("the Scheme") was closed to future accrual and no further benefits will be built up after 31 July 2009. From 1 August 2009 employees can build up benefits in relation to employment with AEA on a defined contribution basis.

#### **PRINCIPAL RISKS**

The mitigation of risk is a key part of the management of AEA. The Company has a well established risk management process that complies with the FSA'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 principal risks and uncertainties faced by the Group have not changed significantly since the publication of the 2009 Annual Financial Report and these are described on pages 9 and 10 of that document.

The Board keeps under review the potential effect of economic circumstances and the changing profile of the principal risks and ensures appropriate management of risk.

#### **RELATED PARTY TRANSACTIONS**

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

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that 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.

The Directors of AEA Technology plc are listed within the section on Board of Directors contained in this Half-Year Financial Report.

## **OUTLOOK**

AEA is very well positioned to take advantage of a growing market for climate change in the US and UK. Management have taken significant steps to improve the business and this is beginning to deliver a much better performance in tough market conditions. The acquisition of PPC in the US has been a great success delivering good orders growth and justifying the strategy of leveraging AEA's strong technical base into that market. Whilst there must be caution about market conditions in the UK, the Climate Change Bill requires businesses to report their emissions and progress in energy efficiency. AEA is now able to advise and help its customers report against these ever growing requirements. The Board looks forward to the future with confidence.

By order of the Board

**Andrew McCree**  
CEO

**Alice Cummings**  
CFO

## Board of Directors

### **Dr Paul Golby**

Chairman, Chairman of Nomination Committee

Paul Golby was appointed Non-Executive Chairman to the Board of AEA Technology plc on 24 September 2009. Paul joined the Board in August 2003 is a member of the Audit Committee and is Chairman of the Nomination Committee. He has been, since 2002, Chief Executive of E.ON UK plc, one of the UK's biggest energy suppliers, which he joined in 1998. He is an Executive Committee member of E.ON AG, its parent company. After training as a mechanical engineer, he had a series of management appointments with Dunlop and BTR before becoming an Executive Director of Clayhithe plc. He is a Fellow of the Royal Academy of Engineering, the Institution of Engineering and Technology, the Institution of Mechanical Engineers and the Energy Institute.

### **Andrew McCree**

CEO

Andrew McCree was appointed CEO in April 2005. He was first appointed to the Board in November 2000 as Director for Corporate Affairs and Human Resources, and subsequently Group Managing Director. He has held a number of senior posts in AEA and before that in UKAEA, which he joined in 1991. His earlier career was with BP Exploration.

### **Alice Cummings**

CFO

Alice Cummings was appointed to the Board as CFO in October 2006 having previously been Deputy Group Finance Director. She also has responsibility for legacies and risk management. She has held a number of senior posts in AEA since joining in 1995 including Finance Director Environment, Deputy Managing Director and Chief Accountant. Her previous career was with South West Water plc after having qualified as a Chartered Accountant with Price Waterhouse.

### **Mike Nigro**

COO and President of US Operations

Mike Nigro was appointed to the Board on completion of the acquisition of PPC in August 2008 where he had served as Chief Executive Officer. Mike has 25 years of experience building and managing environmental consulting firms working in the Federal, commercial and international markets. He commenced his career with Planning Research Corporation of which he became president prior to it being acquired by Tetratex where he became Executive Vice President responsible for the management and operation of the company's global Resource Management Group.

### **Gwen Ventris**

COO Europe

Gwen Ventris was appointed COO Europe in May 2009 having been first appointed to the Board as Group Director, Enterprise Development in October 2008. Gwen has 25 years experience in the field of business transformation; specialising in performance driven change, human capital management and organisation learning, with significant international experience having worked in Europe, Asia and the US. Gwen was one of a small executive team working with Sprint Nextel in the US to set up Sprint Enterprise Mobility and before this was a founding director and senior executive on the board of Syntegra, BT Group's highly successful global consulting and systems integration business, which she helped build into a globally operating enterprise. Prior to joining BT, Gwen spent several years in IT consultancy, commencing her career with the American multinational, Texas Instruments.

### **Rodney Westhead**

Chairman of Audit Committee, Chairman of Remuneration Committee, Senior Independent Director

Rodney Westhead, Non-Executive Director, was initially appointed to the Board in August 2003. He chairs the Audit Committee, the Remuneration Committee, is the Senior Independent Director and is a member of the Nomination Committee. From 1996 until his retirement in 2005, he was Chief Executive of Ricardo plc, a leading automotive engineering consulting company. He is the Senior Independent Director of Mouchel Group plc, a former Chairman of Carter and Carter (in administration), Chairman of Clean Air Power and a Director of Transense Technologies plc. An accountant by profession, he was a partner with Grant Thornton, including Managing Partner of their London office, before moving to Ricardo plc in 1992 as the Group Finance Director.

Lord Lewis Moonie stood down from the Board in July 2009. Dr Bernard Bulkin and Dr Leslie Atkinson stood down in September 2009.

## Financial statements

### Consolidated income statement

	Notes	(Unaudited) Six months ended 30 September 2009 £m	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Revenue	4	51.0	35.6	93.7
Cost of sales		(31.8)	(22.4)	(57.9)
<b>Gross profit</b>		<b>19.2</b>	13.2	35.8
Other operating income		2.3	2.2	4.3
Selling and marketing costs		(3.7)	(3.0)	(8.1)
Administrative expenses		(14.6)	(8.2)	(21.6)
<b>Operating profit</b>	4	<b>3.2</b>	4.2	10.4
Finance income	8	7.6	9.5	19.2
Finance costs	9	(10.6)	(10.8)	(22.1)
<b>Profit before taxation</b>		<b>0.2</b>	2.9	7.5
Income tax expense		(0.1)	-	(0.5)
<b>Profit for the period entirely attributable to the equity holders of the Company</b>		<b>0.1</b>	2.9	7.0
<b>Earnings per share attributable to the equity holders of the Company during the period</b>				
Basic and diluted (pence)	10	-	1.7p	3.5p

#### Consolidated income statement – alternative performance measures (note 3)

##### Adjusted operating profit and adjusted profit before taxation

	Notes	Six months ended 30 September 2009 £m	Six months ended 30 September 2008 £m	Year ended 31 March 2009 £m
<b>Operating profit</b>	4	<b>3.2</b>	4.2	10.4
Amortisation of acquired intangibles		0.6	0.1	0.7
Integration costs		0.6	-	0.9
Net pension credit from Scheme closure	7	(0.2)	-	-
One-off exchange gain		-	(0.4)	-
<b>Adjusted operating profit</b>	4	<b>4.2</b>	3.9	12.0
<b>Profit before taxation</b>		<b>0.2</b>	2.9	7.5
Amortisation of acquired intangibles		0.6	0.1	0.7
Integration costs		0.6	-	0.9
Net pension credit from Scheme closure	7	(0.2)	-	-
One-off exchange gain		-	(0.4)	-
Net pension finance costs		2.5	0.8	1.5
<b>Adjusted profit before taxation</b>		<b>3.7</b>	3.4	10.6

## Consolidated statement of comprehensive income

	<b>(Unaudited)</b> <b>Six months</b> <b>Ended</b> <b>30 September</b> <b>2009</b> <b>£m</b>	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
<b>Profit for the period</b>	<b>0.1</b>	2.9	7.0
<b>Other comprehensive (expense)/income:</b>			
Exchange differences arising on translation - net of tax	(1.1)	0.4	2.6
Actuarial (losses)/gains on defined benefit pension scheme - net of tax	(29.0)	1.6	(53.4)
<b>Other comprehensive (expense)/income for the period - net of tax</b>	<b>(30.1)</b>	2.0	(50.8)
<b>Total comprehensive (expense)/income for the period entirely attributable to the equity holders of the Company</b>	<b>(30.0)</b>	4.9	(43.8)

## Consolidated balance sheet

	Notes	(Unaudited) At 30 September 2009 £m	(Unaudited) At 30 September 2008 £m	(Audited) At 31 March 2009 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		31.0	27.9	34.6
Other intangible assets		4.6	5.2	5.8
Property, plant and equipment		3.5	3.4	4.0
Available for sale investments		-	2.0	2.0
Deferred income tax assets		6.1	7.1	6.5
		<b>45.2</b>	<b>45.6</b>	<b>52.9</b>
<b>Current assets</b>				
Contract work in progress		0.4	0.4	0.3
Trade and other receivables		24.8	26.7	28.5
Derivative financial instruments		1.1	-	-
Current income tax assets		-	-	0.1
Available for sale investments		2.0	-	-
Cash and cash equivalents		2.3	2.4	3.0
		<b>30.6</b>	<b>29.5</b>	<b>31.9</b>
<b>Total assets</b>	4	<b>75.8</b>	<b>75.1</b>	<b>84.8</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity shareholders</b>				
Share capital and premium	6	95.3	94.3	95.3
Capital redemption reserve		0.7	0.7	0.7
Currency translation reserve		1.5	0.4	2.6
Fair value and other reserves		(47.2)	36.7	(18.3)
Retained deficit		(184.6)	(187.6)	(184.7)
<b>Total equity</b>		<b>(134.3)</b>	<b>(55.5)</b>	<b>(104.4)</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		2.5	0.4	2.6
Borrowings		32.2	0.2	0.4
Retirement benefit liabilities	7	137.6	56.0	108.2
Provisions for liabilities and charges		10.7	17.1	12.0
Deferred income tax liabilities		1.7	2.0	2.1
		<b>184.7</b>	<b>75.7</b>	<b>125.3</b>
<b>Current liabilities</b>				
Trade and other payables		23.1	26.8	31.3
Borrowings		2.1	27.8	29.9
Derivative financial instruments		0.1	0.3	2.6
Current income tax liabilities		0.1	-	0.1
		<b>25.4</b>	<b>54.9</b>	<b>63.9</b>
<b>Total liabilities</b>		<b>210.1</b>	<b>130.6</b>	<b>189.2</b>
<b>Total equity and liabilities</b>		<b>75.8</b>	<b>75.1</b>	<b>84.8</b>

On 18 November 2009 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.

**Andrew McCree**  
CEO

**Alice Cummings**  
CFO

## Consolidated statement of changes in equity

### Attributable to equity holders of the Company

	Share capital (note 6) £m	Share premium (note 6) £m	Fair value and other reserves £m	Capital redemption reserves £m	Cumulative translation adjustment £m	Retained deficit £m	Total equity £m
Balance as at 1 April 2008	15.2	40.4	35.0	0.7	-	(190.5)	(99.2)
Profit for the period	-	-	-	-	-	2.9	2.9
Currency translation differences	-	-	-	-	0.4	-	0.4
Actuarial gains on defined benefit pension schemes	-	-	1.6	-	-	-	1.6
Total comprehensive income for the period ended 30 September 2008	-	-	1.6	-	0.4	2.9	4.9
Issue of shares	12.7	26.0	-	-	-	-	38.7
Fair value of share option schemes	-	-	0.1	-	-	-	0.1
Balance as at 30 September 2008	27.9	66.4	36.7	0.7	0.4	(187.6)	(55.5)
Profit for the period	-	-	-	-	-	4.1	4.1
Currency translation differences	-	-	-	-	2.2	-	2.2
Actuarial losses on defined benefit pension schemes	-	-	(55.0)	-	-	-	(55.0)
Total comprehensive (expense)/ income for the period ended 31 March 2009	-	-	(55.0)	-	2.2	4.1	(48.7)
Issue of shares	-	1.0	-	-	-	-	1.0
Loss on issue of shares between Group companies	-	-	-	-	-	(1.2)	(1.2)
Balance as at 31 March 2009	27.9	67.4	(18.3)	0.7	2.6	(184.7)	(104.4)
Profit for the period	-	-	-	-	-	0.1	0.1
Currency translation differences	-	-	-	-	(1.1)	-	(1.1)
Actuarial losses on defined benefit pension schemes	-	-	(29.0)	-	-	-	(29.0)
Total comprehensive (expense)/ income for the period ended 30 September 2009	-	-	(29.0)	-	(1.1)	0.1	(30.0)
Fair value of share option schemes	-	-	0.1	-	-	-	0.1
<b>Balance as at 30 September 2009</b>	<b>27.9</b>	<b>67.4</b>	<b>(47.2)</b>	<b>0.7</b>	<b>1.5</b>	<b>(184.6)</b>	<b>(134.3)</b>

## Consolidated statement of cash flows

	Notes	(Unaudited) Six months ended 30 September 2009 £m	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
<b>Cash flows from operating activities</b>				
Cash (used in)/from operations	11	(3.7)	(4.7)	1.1
Interest paid		(0.4)	(0.8)	(1.5)
Interest received		-	0.2	0.2
Taxes paid		-	-	(0.2)
<b>Net cash used in operating activities</b>		<b>(4.1)</b>	<b>(5.3)</b>	<b>(0.4)</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary, net of cash acquired		-	(35.8)	(36.4)
Purchases of property, plant and equipment		(0.3)	(0.2)	(1.0)
<b>Net cash used in investing activities</b>		<b>(0.3)</b>	<b>(36.0)</b>	<b>(37.4)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(2.5)	(20.4)	(34.4)
Draw-down of bank facilities		9.5	26.9	37.9
Proceeds from new equity issues		-	36.2	36.2
Settlement of forward contracts		(2.5)	-	-
<b>Net cash generated from financing activities</b>		<b>4.5</b>	<b>42.7</b>	<b>39.7</b>
<b>Net increase in cash</b>		<b>0.1</b>	<b>1.4</b>	<b>1.9</b>
Cash at beginning of period		3.0	1.0	1.0
Exchange (losses)/gains on cash and cash equivalents		(0.8)	-	0.1
<b>Cash at end of period</b>		<b>2.3</b>	<b>2.4</b>	<b>3.0</b>

### Consolidated statement of cash flows – alternative performance measures (note 3)

#### Movement in net debt for the period ended:

	Six months ended 30 September 2009 £m	Six months ended 30 September 2008 £m	Year ended 31 March 2009 £m
Cash (used in)/from business operations	(0.6)	0.9	16.2
Acquisition and integration costs	(0.6)	-	(1.3)
Legacy cash flows	(1.4)	(2.8)	(7.8)
Funding of pension deficit	(1.1)	(2.8)	(6.0)
<b>Cash (used in)/from operations</b>	<b>(3.7)</b>	<b>(4.7)</b>	<b>1.1</b>
Net interest and tax paid	(0.4)	(0.6)	(1.5)
Net cash used in investing activities	(0.3)	(36.0)	(37.4)
Proceeds from new equity issues	-	36.2	36.2
Exchange losses	(0.3)	(1.1)	(6.3)
<b>Net increase in net debt</b>	<b>(4.7)</b>	<b>(6.2)</b>	<b>(7.9)</b>
Net debt at beginning of period	(27.3)	(19.4)	(19.4)
<b>Net debt at end of period</b>	<b>(32.0)</b>	<b>(25.6)</b>	<b>(27.3)</b>
Closing net debt comprises:			
Cash at bank and in hand	2.3	2.4	3.0
Current borrowings	(2.1)	(27.8)	(29.9)
Non-current borrowings	(32.2)	(0.2)	(0.4)
<b>Net debt at end of period</b>	<b>(32.0)</b>	<b>(25.6)</b>	<b>(27.3)</b>

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 is one of the world's leading consultancies in Energy and Climate Change. The Group employs many of the world's experts in air quality, energy policy, knowledge transfer and behaviour change. The Group's mission is to help its customers make decisions based on good science and data, choose the optimum strategy or policy, be clear about the priorities and payback of programmes and investment and utilise technology to enable simpler, more effective, real-time networking and reporting.

The Company is a public limited company, incorporated and domiciled in the United Kingdom. The address of the registered office is 329 Harwell, Didcot, Oxfordshire, OX11 0QJ. The Company is listed on the London Stock Exchange.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies described in the annual financial statements for the year ended 31 March 2009.

On 18 November 2009 the consolidated Half-Year Financial 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 the year ended 31 March 2009 were approved by the Board of Directors on 10 June 2009 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 237 of the Companies Act 1985.

## 2 BASIS OF PREPARATION

The consolidated financial information for the half-year ended 30 September 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The Half-Year Financial Report should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which were prepared in accordance with IFRSs as adopted by the European Union.

## 3 ACCOUNTING POLICIES

Except as described below the accounting policies are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in pages 29 to 35 of those annual financial statements.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2010:

- IFRS 2 amendment, 'Share based payment – vesting conditions and cancellations', effective for periods beginning on or after 1 January 2009. The amendment addresses the definition of, and accounting for, non-vesting conditions. The amendment is fully retrospective and the impact on the Group has been that for the equity-settled share-based employee compensation plans in place, a review of the fair value of the awards has been made to take into account the effect of non-vesting conditions. The accounting policy for share-based payments has been revised so that if there is a failure to meet a non-vesting condition the IFRS 2 expense is recognised immediately rather than being spread over future periods.

The impact of this change on the half-year results was immaterial. The prior year impact of these changes was immaterial and therefore no prior period adjustment has been made.

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. This new standard requires a management approach to be taken to segmental reporting where information is presented on the same basis as that used for internal reporting purposes. This has had no effect on the segments previously reported under IAS 14, which were Europe and the US. This is consistent with the way in which information is reported internally to the chief operating decision maker. This has been identified as the body of Executive Directors who consider the allocation of resources between operating segments. The requirements of IFRS 8 have been applied retrospectively.

- IAS 1 (revised), 'Presentation of financial statements: a revised presentation', effective for annual periods beginning on or after 1 January 2009. The Half-Year Financial Report has been prepared under the revised disclosure requirements. AEA has elected to present two statements (the consolidated income statement and the consolidated statement of comprehensive income). The revised standard also requires that, in some situations, an additional statement of financial position is required as at the beginning of the earliest period presented. Such a situation would be the retrospective application of a new accounting policy, such as the amendment to IFRS 2 or IAS 1 (revised). This additional comparative information has not been included as it is considered immaterial and does not affect any statement of financial position.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2010, but are not currently relevant for the Group:

- IFRS 1 and IAS 27 amendment, 'Cost of an investment in a subsidiary, jointly controlled entity or associate', effective for periods beginning on or after 1 January 2009;
- IFRS 7 amendment, 'Improving disclosures about financial instruments', effective for periods beginning on or after 1 January 2009, subject to EU endorsement;
- IAS 23, 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- IAS 32 and IAS 1 amendment, 'Puttable financial instruments and obligations arising on liquidation', effective for annual periods beginning on or after 1 January 2009;
- IFRIC 9 and IAS 39, 'Embedded derivatives', effective for annual periods ending on or after 30 June 2009, subject to EU endorsement;
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008;
- IFRIC 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009;
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008, and
- IAS 36 'Impairment of assets – allocating goodwill to cash-generating units', effective for annual periods beginning on or after 1 January 2009.

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial year ending 31 March 2010 and have not been adopted early:

- IFRS 2 amendment, 'Share-based payment – Group cash-settled share-based payment transactions', effective for annual periods beginning on or after 1 January 2010, subject to EU endorsement;
- IFRS 3 (revised), 'Business combinations' and related amendments to IAS 27 'Consolidated and separate financial statements', effective for annual periods beginning on or after 1 July 2009;
- IAS 39 amendment, 'Eligible hedged items', effective for annual periods beginning on or after 1 July 2009;
- IFRIC 17, 'Distribution of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009, subject to EU endorsement, and
- IFRIC 18, 'Transfers of assets from customers', effective from 1 July 2009, subject to EU endorsement.

IFRS 3 (revised) may have an impact on the Group's financial statements when implemented, depending upon future acquisition activity by the Group. It is not expected that the other statements will have a significant impact on the Group's financial statements when they are adopted.

#### **Alternative performance measures**

AEA 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 Financial Report:

##### a) Adjusted operating profit and adjusted profit before taxation

Adjusted operating profit and adjusted profit before taxation are reported beneath the Consolidated income statement. Adjusted operating profit is defined as operating profit before amortisation of acquired intangibles and certain non-recurring expenditure and income. Profit before taxation is also adjusted in the same way with the additional adjustment to exclude net pension finance costs.

##### b) 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.

c) Adjusted earnings per share

Adjusted earnings per share, as shown in note 10, is calculated by dividing the adjusted profit after taxation by the weighted average number of shares in issue during the year.

d) Cash used in/from business operations

On the face of the Consolidated statement of cash flows the cash used in/from operations is split into component parts, representing cash used in/from business operations; acquisition and integration costs; legacy cash flows and cash outflow from funding the pension deficit.

#### 4 SEGMENTAL INFORMATION

The Group has only one product or 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 (see note 3, IFRS 8) to assess the performance of the segments is adjusted operating profit. This measurement excludes the effect of certain non-recurring expenditure and income, such as restructuring and integration costs and the amortisation of acquired intangibles.

The revenues and adjusted operating profit generated by each of the Group's segments, together with the total assets measure for each segment, are summarised as follows:

	(Unaudited) Six months ended 30 September 2009 £m	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Europe	33.4	32.0	70.6
United States	17.6	3.6	23.1
<b>Total revenue</b>	<b>51.0</b>	<b>35.6</b>	<b>93.7</b>
Europe	2.2	3.6	8.5
United States	2.0	0.3	3.5
<b>Total adjusted operating profit</b>	<b>4.2</b>	<b>3.9</b>	<b>12.0</b>
Europe	24.2	26.6	24.4
United States	51.6	48.5	60.4
<b>Total assets</b>	<b>75.8</b>	<b>75.1</b>	<b>84.8</b>

A reconciliation of adjusted operating profit to profit before taxation is provided as follows:

	(Unaudited) Six months ended 30 September 2009 £m	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
<b>Adjusted operating profit for reportable segments</b>	<b>4.2</b>	<b>3.9</b>	<b>12.0</b>
Amortisation of acquired intangibles	(0.6)	(0.1)	(0.7)
Integration costs	(0.6)	-	(0.9)
Net pension credit from Scheme closure	0.2	-	-
One-off exchange gain	-	0.4	-
<b>Operating profit</b>	<b>3.2</b>	<b>4.2</b>	<b>10.4</b>
Finance income	7.6	9.5	19.2
Finance costs	(10.6)	(10.8)	(22.1)
<b>Profit before taxation</b>	<b>0.2</b>	<b>2.9</b>	<b>7.5</b>

## 5 SEASONALITY

European revenues are subject to seasonal fluctuations, with the peak demand in the fourth quarter of the financial year. This reflects the pattern of purchasing/procurement by the UK Government, Europe's most significant customer type. US revenues are not subject to seasonal fluctuations.

## 6 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (millions)	Nominal value of ordinary shares £m	Share premium £m	Total share capital and premium £m
At 1 April 2008	124.1	15.2	40.4	55.6
Rights issue	99.3	12.1	24.1	36.2
Consideration shares issued on acquisition of subsidiary	5.3	0.6	1.9	2.5
At 30 September 2008	228.7	27.9	66.4	94.3
Adjustment to the value of consideration shares	-	-	1.0	1.0
<b>At 30 September 2009 and 31 March 2009</b>	<b>228.7</b>	<b>27.9</b>	<b>67.4</b>	<b>95.3</b>

The total authorised number of ordinary shares is 315,000,000 shares (March 2009 and September 2008: 315,000,000 shares) with a par value of 12.2 pence per share. All issued shares are fully paid.

### Warrants

The Company has in issue 5,633,252 warrants (March 2009: 8,047,502 warrants, September 2008: 4,366,799 warrants) giving the holders the right to subscribe in cash for shares in the Company.

Holder of these warrants may subscribe for one ordinary share in the Company at a price of 65.0 pence per share and these warrants may be exercised at any time prior to 8 July 2010. The fair value of these warrants as at 30 September 2009, calculated by reference to a closing market price of 28.0 pence per share, is £nil (31 March 2009: £nil, calculated by reference to a closing market price of 12.75 pence per share, 30 September 2008: £nil, calculated by reference to a closing market price of 38.5 pence per share).

## 7 RETIREMENT BENEFIT LIABILITIES

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

	(Unaudited) At 30 September 2009 £m	(Unaudited) At 30 September 2008 £m	(Audited) At 31 March 2009 £m
Present value of funded obligations	394.8	285.4	310.3
Fair value of plan assets	(261.0)	(232.6)	(205.5)
	133.8	52.8	104.8
Present value of unfunded benefits	3.8	3.2	3.4
<b>Net retirement benefit liability</b>	<b>137.6</b>	<b>56.0</b>	<b>108.2</b>

The net retirement benefit liability has increased to £137.6 million (March 2009: £108.2 million, September 2008: £56.0 million). This increase has occurred through changes to the financial assumptions used in calculating the present value of funded obligations partially offset by increases in the market value of plan assets.

As at 31 March 2009 a discount rate of 6.6% was used to discount the gross liabilities of the Scheme to a present value. Due to changes in market conditions this assumption, which is based on corporate bond yields at the Consolidated balance sheet date, has been updated to 5.6% as at 30 September 2009, with the resultant effect of significantly increasing the present value of the obligations. This has partially been offset by an increase in the value of plan assets. There have been no other significant changes to the assumptions used and disclosed in note 29 of the 2009 Annual Financial Report.

The defined benefit pension scheme ("the Scheme") was closed to future accrual and no further benefits will be built up after 31 July 2009. From 1 August 2009 employees can build up benefits in relation to employment with AEA on a defined contribution basis.

The Scheme's past service funding deficit is expected to be cleared over approximately 20 years under a schedule of contributions agreed by the Company and the Trustees in June 2009, which is subject to review by the Pension Regulator.

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

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>30 September</b> <b>2009</b> <b>£m</b>	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Past service credit	(0.7)	-	-
Curtailment loss	0.5	-	-
<b>Net credit due to Scheme closure</b>	<b>(0.2)</b>	<b>-</b>	<b>-</b>
Current service cost	0.4	0.6	1.2
Accretion of discount on defined benefit scheme obligations	10.0	10.1	20.5
Expected return on defined benefit pension scheme assets	(7.5)	(9.3)	(19.0)
<b>Total expense in the income statement</b>	<b>2.7</b>	<b>1.4</b>	<b>2.7</b>

The past service credit and curtailment loss arise from closing the funded defined benefit pension scheme to future accrual and amending the entitlements of certain members of the Scheme.

## 8 FINANCE INCOME

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>30 September</b> <b>2009</b> <b>£m</b>	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Interest income	0.1	0.1	0.1
Fair value gains on financial instruments	-	0.1	0.1
Expected return on defined benefit pension scheme assets	7.5	9.3	19.0
<b>Finance income</b>	<b>7.6</b>	<b>9.5</b>	<b>19.2</b>

## 9 FINANCE COSTS

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>30 September</b> <b>2009</b> <b>£m</b>	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Interest on bank overdrafts and loans	0.5	0.7	1.4
Interest on finance leases	-	-	0.1
Fair value losses on financial instruments	0.1	-	0.1
Accretion of discount on defined benefit pension scheme obligations	10.0	10.1	20.5
<b>Finance costs</b>	<b>10.6</b>	<b>10.8</b>	<b>22.1</b>

## 10 EARNINGS PER SHARE

Details of basic, diluted and adjusted earnings per share are set out below:

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>(Unaudited) Six months ended 30 September 2009</b>	(Unaudited) Six months ended 30 September 2008	(Audited) Year ended 31 March 2009
Profit attributable to equity holders of the Company (£ millions)	<b>0.1</b>	2.9	7.0
Weighted average number of ordinary shares in issue (millions)	<b>228.7</b>	173.3	200.9
Basic earnings per share (pence)	<b>-</b>	1.7p	3.5p

*(b) Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The Company has two categories of potential dilutive ordinary shares; share options and warrants. The calculation is performed for the share options and warrants 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 outstanding share options and warrants. 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 and warrants 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.

	<b>(Unaudited) Six months ended 30 September 2009</b>	(Unaudited) Six months ended 30 September 2008	(Audited) Year ended 31 March 2009
Profit attributable to equity holders of the Company (£ millions)	<b>0.1</b>	2.9	7.0
Weighted average number of ordinary shares in issue (millions)	<b>228.7</b>	173.3	200.9
Adjustment for share options and warrants (millions)	<b>2.7</b>	-	0.6
Weighted average number of ordinary shares for diluted earnings per share (millions)	<b>231.4</b>	173.3	201.5
Diluted earnings per share (pence)	<b>-</b>	1.7p	3.5p

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

The adjusted earnings per share is calculated as follows:

	<b>(Unaudited) Six months ended 30 September 2009</b>	(Unaudited) Six months ended 30 September 2008	(Audited) Year ended 31 March 2009
Profit attributable to equity holders of the Company (£ millions)	<b>0.1</b>	2.9	7.0
Amortisation of acquired intangibles (£ millions)	<b>0.6</b>	0.1	0.7
Integration costs (£ millions)	<b>0.6</b>	-	0.9
Net pension credit from Scheme closure (£ millions)	<b>(0.2)</b>	-	-
One-off exchange gain (£ millions)	<b>-</b>	(0.4)	-
Net pension finance cost (£ millions)	<b>2.5</b>	0.8	1.5
Adjusted earnings attributable to equity holders of the Company (£ millions)	<b>3.6</b>	3.4	10.1
Weighted average number of ordinary shares in issue (millions)	<b>228.7</b>	173.3	200.9
Adjusted earnings per share (pence)	<b>1.6p</b>	2.0p	5.0p

## 11 CASH (USED IN)/FROM OPERATIONS

	(Unaudited) Six months ended 30 September 2009 £m	(Unaudited) Six months ended 30 September 2008 £m	(Audited) Year ended 31 March 2009 £m
Profit for the period	0.1	2.9	7.0
Adjustments for:			
tax	0.1	-	0.5
depreciation and amortisation	1.2	0.5	1.8
share option charge	0.1	0.1	0.1
finance costs	10.6	10.8	22.1
finance income	(7.6)	(9.5)	(19.2)
other	0.5	(0.1)	-
Changes in working capital:			
increase in work in progress	(0.1)	(0.2)	(0.1)
decrease in trade and other receivables	2.3	0.7	1.5
(decrease)/increase in trade and other payables	(7.5)	(3.9)	2.0
Changes in retirement benefit liabilities	(2.1)	(3.2)	(6.7)
Changes in provisions for liabilities and charges	(1.3)	(2.8)	(7.9)
<b>Cash (used in)/from operations</b>	<b>(3.7)</b>	<b>(4.7)</b>	<b>1.1</b>

## 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 plc

## Introduction

We have been engaged by the Company to review the set of consolidated financial statements in the half-year financial report for the six months ended 30 September 2009, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of consolidated financial statements.

## Directors' responsibilities

The half-year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-year financial 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 set of consolidated financial statements included in this half-year financial 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 set of consolidated financial statements in the half-year financial 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 set of consolidated financial statements in the half-year financial report for the six months ended 30 September 2009 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

18 November 2009

Reading

## Notes:

- a) The maintenance and integrity of the AEA Technology 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 the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.