

**AEA Technology plc**  
**Interim Results for the six months ended 30 September 2006**

**Highlights**

- Turnover up 29% to £32.1 million (2005: £24.9 million)
- Operating profit of £6.8 million (2005: £12.6 million)
- Adjusted operating profit up 121% to £3.1 million (2005: £1.4 million)<sup>1</sup>
- Profit before tax of £5.9 million (2005: £11.3 million)
- Orders up 17% to £34.0 million (2005: £29.0 million)
- Non-core assets sold for £41.5 million (realising profit of £16.4 million)
- Substantial reduction in net debt to £20.5 million (31 March 2006: £29.3 million)
- Management team strengthened

Dr Bernard Bulkin, Chairman, AEA Technology said, 'AEA is now a focused business, providing environmental and energy support to governments and helping government implement policy through behavioural change and knowledge transfer. The business has a number of internationally renowned experts and as a result we see good opportunities for growth in the UK and overseas. Consequently the Board looks forward to the future with confidence.'

Andrew McCree, CEO, AEA Technology said, 'We have made good progress in the first half and the business performance is much improved. Rising international concern about energy security and climate change means that we are operating in a growing market. The management team has been strengthened and our aim is now to grow this business through a combination of strong organic growth and acquisitions.'

<sup>1</sup>Reconciliation of adjusted operating profit

	Operating profit/(loss) £m	Redundancy charge £m	Pensions curtailment (gain)/charge £m	Pensions past service credit £m	Re-financing costs £m	Adjusted operating profit/(loss) £m
<b>For the half-year ended 30 September 2006</b>						
Environment	5.4	-	-	-	-	5.4
Other	1.4	-	0.5	(4.6)	0.4	(2.3)
	<b>6.8</b>	<b>-</b>	<b>0.5</b>	<b>(4.6)</b>	<b>0.4</b>	<b>3.1</b>
<b>For the half-year ended 30 September 2005</b>						
Environment	18.5	0.1	(13.8)	-	-	4.8
Other	(5.9)	0.8	(1.0)	-	2.7	(3.4)
	<b>12.6</b>	<b>0.9</b>	<b>(14.8)</b>	<b>-</b>	<b>2.7</b>	<b>1.4</b>

At 30 September 2006 the Group is organised into one core business segment, Environment. This segment includes Momenta, Energy & Environment (including Laboratory Support Services) and NCEC. The 'Other' segment represents the costs of the Group's head office and central functions.

For further information:

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The latest financial information on AEA is available on the internet at [www.aeat.co.uk](http://www.aeat.co.uk)

## **AEA TECHNOLOGY PLC**

AEA is a world-class environment and energy consultancy business, staffed by a range of internationally recognised experts. It provides consultancy services in the development and implementation of policy in high profile and growing markets such as energy security and climate change.

### **A powerful brand and reputation**

This focused business has a strong brand and reputation built on the firm foundations of three decades supporting the UK Government and its departments on environmental and energy matters. It currently manages approximately £500 million of UK Government funds and is the market leading supplier in assisting in the development of environmental policy and putting it into practice. This brand and reputation is a vital asset which will be increasingly leveraged as the Group pursues its growth strategy.

AEA's market leading reputation was recently illustrated when the Company was recognised in the prestigious EDIE Awards as the leading consultancy in the fields of climate change and renewable energy, voted upon both by customers and other consultants.

### **Market for AEA consultancy services growing rapidly**

The market for AEA's range of specialist consultancy services is growing rapidly.

Climate change and energy security issues are becoming ever more significant on a global scale. Our estimates point to an accessible market for AEA's services of around £1 billion, a figure we believe is continuing to rise.

While the UK Government is taking a lead in tackling climate change, the recently published Stern Review concluded that global inter-government collaboration is required for mankind to be successful. There are clear signs of a new market emerging where governments collectively are the key driver for change. AEA has a wealth of expertise to bring to this complex market.

Additionally, Stern stated that for the policy of emission reduction to be successful globally, three essential elements are required:

- carbon pricing policy development
- the development of alternative and renewable energy technology policy
- the removal of barriers to behavioural change

All of these elements are areas where AEA has world-leading credentials. The Company is at the heart of policy development, in the areas of carbon pricing and renewable energy technologies, and has deep-rooted expertise in instigating large-scale behavioural change in both the public and private sectors.

Beyond these global dynamics, AEA is currently witnessing significant shifts in the attitudes of individual governments and major organisations in key markets.

The expansion of the EU is an important market driver with the acceding states, Romania and Bulgaria, expected to join in January 2007. As the EU invests in structural funds to transform economies like these and bring them into line with Western standards, there will be opportunities for AEA to advise governments on policy and policy implementation in the region.

In the USA, the outcome of the recent mid-term elections means that domestic policy is likely to shift and the market is already showing signs of becoming more active in energy security and climate change.

Within the UK there are also growing demands across all areas of central government and the devolved administrations to develop policy and programmes that will address a range of environmental agendas. For example, in Scotland we have seen sales rise to £1.2 million (2005: £0.5 million) as the Scottish Executive invests in the development and implementation of policies to meet EU standards driven by energy security and climate change.

### **Clear goal to achieve transformation growth, based on firm foundations**

The Company's corporate objective is to grow the business by a combination of acquisitions and strong organic growth. We believe this is achievable in a strong market for our services.

To achieve the growth objective there is a clear, dual-track plan for organic growth and acquisition:

- **Organic growth** – This is focused on strengthening the management team, the more aggressive recruitment of new consultants and opening up international markets such as Eastern Europe and the USA.

To this end, AEA has already recruited new senior management to manage the growth of the Energy and Environment business and 75 new consultants have been appointed this financial year to date. Dr Garry Felgate joins from The Carbon Trust as Managing Director of the Energy & Environment business, and Tim Curtis from the Energy Saving Trust joins this business as Director, Energy Consultancy and Programmes.

In Romania, AEA has opened an office in Bucharest and appointed energy experts. The Company will accelerate the drive into this region over the coming months.

In North America, AEA has appointed a former senior advisor to the Secretary of Energy to head up our development of the North American market. This appointment adds to our presence in the USA and also further extends AEA's knowledge in carbon policy and energy security.

- **Acquisitive growth** – there is a process in place to seek out strategic and profit enhancing acquisitions in international markets.

## OPERATING REVIEW

During the first six months of this financial year, AEA completed the transformation of its business with the sale of its Rail, Kinectrics, Engineering Services Inc (ESI) and Waste Management Technology (WMT) businesses. A strong platform has been created, centred on energy and climate change expertise, from which to launch a new phase of more aggressive growth in expanding markets.

Turnover in the first six months increased by 29% to £32.1 million (2005: £24.9 million) with new orders up 17% to £34.0 million (2005: £29.0 million). Operating profit for continuing operations was £6.8 million (2005: £12.6 million) and adjusted operating profit rose by 121% to £3.1 million (2005: £1.4 million).

Major contract wins in the period included:

- Emerging Energy Technologies Programme - £4.5 million. On behalf of the DTI, AEA manages grants and provides support on renewable energy and carbon abatement technologies (including clean coal and carbon capture and storage).
- Knowledge Transfer Partnerships (KTP) Programme - this £2.5 million extension to the DTI's existing KTP Programme reflects the strong demand and success for KTP, which aims to transfer knowledge between industry and academia.
- Envirowise Scotland - a £1.6 million contract funded by the Scottish Executive. This resource efficiency programme delivers free advice and a practical help service for businesses in Scotland.
- Baseline Measurements and Analysis of UK Ozone and Ultra Violet B (UVB) Radiation - a £0.9 million contract awarded by DEFRA. AEA leads a consortium measuring and reporting on the concentrations of ozone in the upper atmosphere - where the ozone forms a protective layer from the harmful effects of ultra violet radiation, along with actual ultra violet B radiation measurements at ground level.
- Wave and Tidal Stream Energy Demonstration Scheme - £0.5 million. AEA manages the grant competitions and successful projects that arise from this project on behalf of the DTI. This novel scheme incorporates both capital grant and revenue support for electricity generated from wave and tidal stream demonstration projects.

Momenta had a strong performance in the first six months continuing to deliver on all customer contract deadlines. Significant wins and contract extensions were achieved including the SAFED for Vans, Knowledge Transfer Partnerships and Envirowise Programmes, resulting in good growth for this UK public sector consultancy.

Our new financial discipline has continued to be a key priority. We have continued to improve the cash generation of the continuing business (before funding legacy costs) and in addition the disposals made an important contribution to reducing bank debt and the pension deficit.

### Board changes

We would like to thank David Lindsay, AEA's former Group Finance Director from 2001 to 2006, for his contribution to the Company. Alice Cummings, David's deputy for the past year, succeeded him and was appointed CFO in October 2006.

### FINANCIAL REVIEW

The Interim Report 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, but does not comply with all the disclosures required by IAS 34 "Interim Financial Reporting" which is non-mandatory.

### Management actions

A significant divestment of a portfolio of companies and the Rail business was approved by shareholders at an EGM, held on 31 August 2006. The divestment generated net proceeds of £16.1 million that were used to repay bank debt and the Senior Credit Facilities were reduced to £42.0 million as at 30 September 2006. The disposal resulted in a profit on sale of £16.4 million. For details of the companies and businesses disposed of and the associated profit on disposal refer to note 12. The discontinued operations generated a loss of £0.1 million (2005: loss of £7.4 million).

On 31 May 2006 the Company entered into a new facility agreement with Lloyds TSB and the Bank of Scotland pursuant to which a £55.0 million revolving credit facility and a £5.0 million bonding facility were made available to the Company. This facility replaced pre-existing facilities. Subsequent to the disposal mentioned above the revolving credit facility was reduced to £42.0 million.

### Segmental analysis

A segmental analysis of adjusted operating profit is given as a note to the highlights. A segmental analysis of turnover and operating profit, as required by IFRS, is given in note 4.

Environment had a strong first half-year with turnover up 29% at £32.1 million (2005: £24.9 million). The turnover increase included £4.0 million (2005: nil) relating to through costs on the Envirowise contract. Excluding this, turnover increased by 13% to £28.1 million (2005: £24.9 million). The adjusted operating profit for Environment improved by 13% to £5.4 million (2005: £4.8 million).

Central costs excluding one-off items improved by £1.1 million to £2.3 million (2005: £3.4 million) as a result of the cost reduction actions taken last year.

### Retirement benefit liabilities

Retirement benefit liabilities were reduced by £20.5 million since 31 March 2006 as a result of; the divestment of the pension schemes held in the disposal portfolio, a one-off cash payment into the scheme following the disposals and the impact of 'A-day'. The reduced liabilities were, however, partially offset by a reduction in pension assets due to market under-performance.

Over the half-year the total retirement benefit obligation has reduced to £95.7 million (31 March 2006: £116.2 million, 30 September 2005: £124.9 million). Contributions during the half-year were made at levels that were agreed following the latest scheme valuations.

The net amount in respect of pension benefits credited to the income statement of continuing operations was £3.0 million (2005: £13.0 million). Excluding significant one-off items (note 6a) totalling a credit of £4.1 million (2005: credit of £14.8 million) the impact on operating profit is a charge of £1.2 million (2005: £1.1 million). This relates to the current service cost for active employees. An additional net £0.1 million credit (2005: charge of £0.7 million) was made to finance income/expense. This comprises a £6.4 million expected return on pension fund assets (2005: £3.4 million), reported within Finance Income, offset by a £6.3 million expected growth in past service liabilities (2005: £4.1 million), reported within Finance Costs.

### One-off items

The reported operating profit includes significant items of a one-off nature. The adjusted operating profit/loss figures exclude certain one-off items and a clearer analysis is given in the segmental analysis. These one-off items relate to redundancy costs, pension curtailment gains/charges, pension past service credits and re-financing costs and are analysed in note 4.

### Interest

The finance costs include the interest on the New Senior Credit Facilities and are analysed in note 7.

**Profit before tax**

Profit before tax for continuing operations was £5.9 million (2005: £11.3 million). The decrease from the prior year was primarily due to the inclusion of a £14.8 million pension curtailment gain in 2005. The half-year to 2006 benefited from a reduced £4.1 million net gain in respect of one-off pension items and is analysed in note 6.

**Taxation**

The overall tax charge to the Group was £0.4 million (2005: £0.6 million). The tax charge in respect of continuing operations was nil (2005: £0.1 million). At 30 September 2006 the deferred tax asset was £4.6 million (2005: £9.0 million).

**Net debt and cash flow**

Net debt improved from £29.3 million at 31 March 2006 to £20.5 million. The net movement of £8.8 million reflects net disposal proceeds of £16.1 million and proceeds from sale of investments £0.1 million (2005: nil), offset by a cash outflow from operations of £4.2 million (2005: £12.8 million), net interest/tax outflows of £1.9 million (2005: £2.1 million), borrowings disposed of £0.3 million (2005: nil) and capital expenditure of £1.0 million (2005: £4.7 million).

**Dividends and dividend policy**

Given the Company's current borrowings position the Board is not recommending an interim dividend in respect of the six months ended 30 September 2006. It is the Board's intention to pay dividends in the future commensurate with the Company's overall profitability and when adequate funds are available.

**Shareholders' return and value**

Basic earnings per share improved to 19.0 pence (2005: 6.3 pence) per share. After adjusting for discontinued activities and one-off items the adjusted earnings per share for the continuing business improved to 1.9 pence (2005: nil pence) per share.

**Post balance sheet events**

There were no post balance sheet events.

**Outlook**

AEA has a market leading position providing advice to governments and private sector organisations in areas such as climate change, energy and programme management.

The business is at the centre of a market that is growing very dynamically worldwide and particularly in the target geographies of the UK, EU, Eastern Europe and North America. This dynamic growth is prompted by global issues such as climate change, energy security and energy costs.

AEA is now stepping up its growth plans both organically, through investment in new people and the opening up of new geographical offices, and via the active pursuit of profit enhancing international acquisitions, particularly in the environment and energy areas.

After a strong financial and operating performance in the first half of the year, the Board is looking forward to the future with confidence.

Dr Bernard Bulkin	Andrew McCree	Alice Cummings
Chairman	CEO	CFO
13 December 2006	13 December 2006	13 December 2006

## Consolidated income statement (unaudited)

	Notes	Six months ended 30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
<b>Continuing operations</b>				
Turnover	3, 4	32.1	24.9	55.8
Cost of sales		(20.6)	(14.7)	(33.3)
<b>Gross profit</b>		<b>11.5</b>	10.2	22.5
Other operating income		1.3	1.6	2.4
Selling and marketing costs		(2.1)	(2.1)	(4.4)
Administrative expenses		(3.9)	2.9	(8.9)
<i>Analysed as:</i>				
<i>Administrative expenses before significant one-off items</i>		<b>(7.6)</b>	(8.3)	(16.6)
<i>Significant one-off items:</i>				
<i>Curtailed (loss)/gain in pension scheme</i>	6	<b>(0.5)</b>	14.8	12.3
<i>Exceptional past service credit in pension scheme</i>	6	<b>4.6</b>	-	-
<i>Redundancy costs</i>		-	(0.9)	(1.6)
<i>Re-financing costs</i>		<b>(0.4)</b>	(2.7)	(3.0)
<b>Operating profit</b>	4	<b>6.8</b>	12.6	11.6
Investment income		-	1.3	1.3
Finance costs	7	<b>(7.4)</b>	(6.1)	(12.0)
Finance income	7	<b>6.5</b>	3.5	7.6
<b>Profit before taxation</b>		<b>5.9</b>	11.3	8.5
Income tax expense	8	-	(0.1)	(0.1)
<b>Profit for the period from continuing operations</b>		<b>5.9</b>	11.2	8.4
<b>Discontinued operations</b>				
Loss for the period from discontinued operations	12	<b>(0.1)</b>	(7.4)	(13.8)
Profit/(loss) on disposal of businesses	12	<b>16.7</b>	1.8	(13.8)
<b>Discontinued operations</b>		<b>16.6</b>	(5.6)	(27.6)
<b>Profit/(loss) for the period</b>		<b>22.5</b>	5.6	(19.2)
<b>Attributable to:</b>				
Equity holders of the Company		<b>22.5</b>	5.7	(19.4)
Minority interest		-	(0.1)	0.2
<b>Earnings per share on continuing operations attributable to the equity holders of the Company during the period</b>				
Basic (pence)	9	<b>5.0p</b>	12.3p	8.0p
Diluted (pence)	9	<b>4.9p</b>	11.0p	7.8p
<b>Earnings per share on continuing and discontinued operations attributable to the equity holders of the Company during the period</b>				
Basic (pence)	9	<b>19.0p</b>	6.3p	(18.6)p
Diluted (pence)	9	<b>18.5p</b>	5.6p	(18.6)p

## Consolidated statement of recognised income and expense (unaudited)

	Six months ended 30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Exchange differences arising on translation	(0.5)	1.5	2.6
Fair value of share option schemes	0.4	0.6	0.4
Actuarial (losses)/gains on defined benefit plans	(21.1)	(8.0)	1.9
Net (expense)/income recognised directly in equity	(21.2)	(5.9)	4.9
Profit/(loss) for the period	22.5	5.6	(19.2)
<b>Total recognised income and expense</b>	<b>1.3</b>	<b>(0.3)</b>	<b>(14.3)</b>

## Consolidated balance sheet (unaudited)

		At 30 September 2006 £m	At 30 September 2005 £m	At 31 March 2006 £m
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		-	13.7	12.1
Other intangible assets		-	4.1	4.4
Property, plant and equipment		4.7	13.2	11.3
Available for sale assets		2.0	2.1	2.1
Deferred income tax assets		4.6	9.0	7.5
		<b>11.3</b>	<b>42.1</b>	<b>37.4</b>
<b>Current assets</b>				
Inventories		2.6	7.4	7.6
Trade and other receivables		18.4	78.9	41.6
Current tax assets		-	0.3	0.4
Cash and cash equivalents		-	12.3	8.4
		<b>21.0</b>	<b>98.9</b>	<b>58.0</b>
<b>Non-current assets classified as held for sale</b>		-	-	4.3
<b>Total assets</b>		<b>32.3</b>	<b>141.0</b>	<b>99.7</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity shareholders</b>				
Share capital and premium	5	49.2	49.2	49.2
Other reserves		(0.6)	5.0	14.7
Currency translation reserve		-	(0.4)	0.7
Retained earnings		(201.2)	(197.6)	(218.3)
<b>Total equity</b>		<b>(152.6)</b>	<b>(143.8)</b>	<b>(153.7)</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		0.2	0.4	0.2
Borrowings	13	0.3	1.2	0.9
Retirement benefit liabilities	6	95.7	124.9	116.2
Provisions for liabilities and charges		32.2	27.1	35.8
		<b>128.4</b>	<b>153.6</b>	<b>153.1</b>
<b>Current liabilities</b>				
Trade and other payables		36.3	70.3	59.3
Bank overdrafts	13	2.4	-	-
Borrowings	13	17.8	60.9	36.8
		<b>56.5</b>	<b>131.2</b>	<b>96.1</b>
<b>Non-current liabilities classified as held for sale</b>		-	-	4.2
<b>Total liabilities</b>		<b>184.9</b>	<b>284.8</b>	<b>253.4</b>
<b>Total equity and liabilities</b>		<b>32.3</b>	<b>141.0</b>	<b>99.7</b>

This Interim Report was approved by the Board on 13 December 2006.

Signed on behalf of the Board of Directors

**Dr Bernard Bulkin**  
Chairman

**Andrew McCree**  
CEO

## Consolidated cash flow statement (unaudited)

		Six months ended 30 September 2006 £m	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
	Notes			
<b>Cash flows from operating activities</b>				
Cash used in operations	10	(4.2)	(12.8)	(12.2)
Interest paid		(2.1)	(2.2)	(4.2)
Interest received		0.7	1.4	0.5
Taxes paid		(0.5)	(1.3)	(2.5)
<b>Net cash used in operating activities</b>		<b>(6.1)</b>	<b>(14.9)</b>	<b>(18.4)</b>
<b>Cash flows from investing activities</b>				
Dividends received from available for sale investments		-	1.4	1.3
Proceeds from sale of available for sale investments		0.1	-	-
Net proceeds from disposals of businesses	12	16.1	(2.1)	22.3
Purchases of property, plant and equipment		(1.0)	(3.2)	(3.2)
Expenditure on product development		-	(1.5)	(2.5)
<b>Net cash from / (used in) investing activities</b>		<b>15.2</b>	<b>(5.4)</b>	<b>17.9</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(69.9)	(60.8)	(89.0)
Draw down of bank facilities		50.0	55.8	60.3
Proceeds from new equity issues		-	30.2	30.2
<b>Net cash (used in) / generated from financing activities</b>		<b>(19.9)</b>	<b>25.2</b>	<b>1.5</b>
<b>Net (decrease) / increase in cash</b>		<b>(10.8)</b>	<b>4.9</b>	<b>1.0</b>
Cash and bank overdrafts at beginning of period		8.4	7.4	7.4
<b>(Bank overdrafts) / cash at end of period</b>		<b>(2.4)</b>	<b>12.3</b>	<b>8.4</b>

# Notes to the Interim Report (unaudited)

## 1 GENERAL INFORMATION

AEA Technology plc (“the Company”) and its subsidiaries (together “AEA Technology Group” or “the Group”) is a leading international company specialising in consultancy, policy support and programme management for policy implementation. The Group’s largest practice is in the field of Energy and Environment. The programme management business is also growing rapidly in sectors such as Agriculture, Education, Environment, Health, Industry and Transport.

During the period, the Group disposed of several companies and the Rail business that the Board considered to be operating in non-core activities.

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 has its primary listing on the London Stock Exchange.

This Interim Report for the six months ended 30 September 2006 was approved for issue by the Board on 13 December 2006.

## 2 BASIS OF PREPARATION

The financial information comprises the consolidated balance sheets as of 30 September 2006, 30 September 2005 and 31 March 2006 and related consolidated statements of income, recognised income and expense and cash flows for the periods then ended of AEA Technology plc (hereinafter referred to as ‘financial information’).

In preparing this financial information, management has used the principal accounting policies as set out in the Group’s Annual Report 2006 on pages 29 to 33. The annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”) and related interpretations, as adopted for use in the European Union.

As a result of the disposal of a portfolio of companies and the Rail business (refer to note 12) the “continuing operations” as reported for the six months ended 30 September 2006 are of a different composition compared to the “continuing operations” reported in prior years. The prior period comparatives presented in these financial statements have been restated and are split into the current year’s analysis of continuing operations and discontinued operations.

This Interim Report does not constitute statutory financial statements as defined in section 240 of The Companies Act 1985. The unaudited interim financial information contained within this report complies with the disclosures required by the Listing Rules of the Financial Services Authority but does not comply with all the disclosures required by IAS 34 “Interim Financial Reporting”, which is non-mandatory.

## 3 TURNOVER

### Turnover by destination (continuing operations)

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
United Kingdom	<b>30.0</b>	23.5	52.3
Europe	<b>1.8</b>	1.3	3.1
North America	<b>0.1</b>	-	-
Rest of World	<b>0.2</b>	0.1	0.4
<b>Total turnover</b>	<b>32.1</b>	24.9	55.8

All turnover originates from the United Kingdom.

## 4 SEGMENTAL INFORMATION

### Business segments

At 30 September 2006 the Group is organised into one core business segment, Environment. This segment includes Momenta, Energy & Environment (including Laboratory Support Services) and NCEC. The 'Other' segment represents the costs of the Group's head office and central functions.

The segmental results for the six months ended 30 September (continuing operations) are as follows:

	2006			2005		
	Environment £m	Other £m	Group £m	Environment £m	Other £m	Group £m
External sales	32.1	-	32.1	24.9	-	24.9
Inter-segment sales	0.9	(0.9)	-	0.2	(0.2)	-
<b>Turnover</b>	<b>33.0</b>	<b>(0.9)</b>	<b>32.1</b>	<b>25.1</b>	<b>(0.2)</b>	<b>24.9</b>
<b>Operating profit/(loss) before significant one-off items</b>	<b>5.4</b>	<b>(2.3)</b>	<b>3.1</b>	<b>4.8</b>	<b>(3.4)</b>	<b>1.4</b>
Significant one-off items:						
Pension curtailment (loss)/gain	-	(0.5)	(0.5)	13.8	1.0	14.8
Exceptional past service credit	-	4.6	4.6	-	-	-
Redundancy costs	-	-	-	(0.1)	(0.8)	(0.9)
Re-financing costs	-	(0.4)	(0.4)	-	(2.7)	(2.7)
<b>Operating profit/(loss)</b>	<b>5.4</b>	<b>1.4</b>	<b>6.8</b>	<b>18.5</b>	<b>(5.9)</b>	<b>12.6</b>
Investment income			-			1.3
Finance costs			(7.4)			(6.1)
Finance income			6.5			3.5
<b>Profit before tax</b>			<b>5.9</b>			<b>11.3</b>
Income tax expense			-			(0.1)
<b>Profit for the period from continuing operations</b>			<b>5.9</b>			<b>11.2</b>

The segmental results for the year ended 31 March 2006 (continuing operations) are as follows:

	Environment £m	Other £m	Group £m
External sales	55.7	0.1	55.8
Inter-segment sales	2.1	(2.1)	-
<b>Turnover</b>	<b>57.8</b>	<b>(2.0)</b>	<b>55.8</b>
<b>Operating profit/(loss) before significant one-off items</b>	<b>11.1</b>	<b>(7.2)</b>	<b>3.9</b>
Significant one-off items:			
Pension curtailment gain	10.6	1.7	12.3
Redundancy costs	(0.3)	(1.3)	(1.6)
Re-financing costs	-	(3.0)	(3.0)
<b>Operating profit/(loss)</b>	<b>21.4</b>	<b>(9.8)</b>	<b>11.6</b>
Investment income			1.3
Finance costs			(12.0)
Finance income			7.6
<b>Profit before tax</b>			<b>8.5</b>
Income tax expense			(0.1)
<b>Profit for the period from continuing operations</b>			<b>8.4</b>

**5 SHARE CAPITAL AND SHARE PREMIUM**

	Number of ordinary shares (millions)	Nominal value of ordinary shares £m	Value of share premium £m	Total share capital and premium £m
At 1 April 2005	67.6	8.3	10.7	19.0
Placing and Open Offer	50.7	6.2	24.0	30.2
<b>At 30 September 2005, 31 March 2006 and 30 September 2006</b>	<b>118.3</b>	<b>14.5</b>	<b>34.7</b>	<b>49.2</b>

The total authorised number of ordinary shares is 196,363,620 shares (March 2006 and September 2005: 196,363,620 shares) with a par value of 12.2 pence per share. All issued shares are fully paid.

**6 RETIREMENT BENEFIT LIABILITIES**

	At 30 September 2006 £m	At 30 September 2005 £m	At 31 March 2006 £m
<b>Balance sheet liabilities for:</b>			
Pension benefits	95.7	118.0	107.6
Post-employment medical benefits	-	6.9	8.6
	<b>95.7</b>	<b>124.9</b>	<b>116.2</b>
<b>Income statement (credit)/charge for:</b>			
Pension benefits	(0.5)	(24.8)	(19.5)
Post-employment medical benefits	0.3	0.3	0.7
	<b>(0.2)</b>	<b>(24.5)</b>	<b>(18.8)</b>

*(a) Pension benefits*

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

	At 30 September 2006 £m	At 30 September 2005 £m	At 31 March 2006 £m
Present value of funded obligations	357.5	494.1	533.7
Fair value of plan assets	(265.3)	(379.0)	(430.0)
	<b>92.2</b>	<b>115.1</b>	<b>103.7</b>
Present value of unfunded benefits	3.5	2.9	3.9
	<b>95.7</b>	<b>118.0</b>	<b>107.6</b>

The amounts recognised in the income statement are as follows:

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
<b>Continuing operations</b>			
Current service cost	1.2	1.1	2.7
Interest cost	6.3	4.1	8.9
Expected return on plan assets	(6.4)	(3.4)	(7.4)
Curtailment loss/(gain) during the period	0.5	(14.8)	(12.3)
Past service (income)/cost	(4.6)	-	0.1
<b>Continuing operations</b>	<b>(3.0)</b>	<b>(13.0)</b>	<b>(8.0)</b>
<b>Discontinued operations</b>			
Current service cost	1.8	3.1	5.6
Interest cost	5.9	7.5	16.6
Expected return on plan assets	(7.0)	(6.9)	(16.8)
Curtailment gain during the period	-	(17.9)	(19.3)
Past service cost	-	0.1	0.1
Settlements	-	2.3	2.3
<b>Discontinued operations</b>	<b>0.7</b>	<b>(11.8)</b>	<b>(11.5)</b>
<b>Profit on disposal of business – curtailment loss</b>	<b>1.8</b>	<b>-</b>	<b>-</b>
<b>Total credited to the income statement</b>	<b>(0.5)</b>	<b>(24.8)</b>	<b>(19.5)</b>

The curtailment loss of £0.5 million (2005: £14.8 million gain) arises from a further reduction in numbers of members of the pension scheme due to the Company's redundancy programme. The curtailment loss arising from the disposal of businesses (note 12) was £1.8 million (2005: nil) and has been charged to the profit on disposal (note 12).

The past service income of £4.6 million reported in the current year relates to "A-day" changes. From 6 April 2006 new legislation allowed for a larger lump sum to be provided to pension scheme members on retirement. As a result of this increase there is expected to be a reduction in the pension scheme's obligation. This expected reduction has been credited to the income statement.

*(b) Post-Employment medical benefits*

The Group operated an unfunded post-employment medical benefits scheme in Canada. The amount recognised in the balance sheet is determined as follows:

	<b>At 30 September 2006 £m</b>	At 30 September 2005 £m	At 31 March 2006 £m
<b>Present value of unfunded obligations</b>	<b>-</b>	<b>6.9</b>	<b>8.6</b>

The amounts recognised in the income statement of discontinued operations are as follows:

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Current service cost	0.1	0.1	0.3
Interest cost	0.2	0.2	0.4
<b>Total charged to the income statement</b>	<b>0.3</b>	<b>0.3</b>	<b>0.7</b>

**7 FINANCE INCOME AND FINANCE COSTS (CONTINUING OPERATIONS)**

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
<b>Finance costs</b>			
Interest on bank borrowings	(1.1)	(1.9)	(3.0)
Interest on finance leases	-	(0.1)	(0.1)
Accretion of discount of defined pension contribution obligation	(6.3)	(4.1)	(8.9)
<b>Finance costs</b>	<b>(7.4)</b>	<b>(6.1)</b>	<b>(12.0)</b>
<b>Finance income</b>			
Interest income	0.1	0.1	0.2
Expected return on defined pension scheme assets	6.4	3.4	7.4
<b>Finance income</b>	<b>6.5</b>	<b>3.5</b>	<b>7.6</b>
<b>Net finance costs</b>	<b>(0.9)</b>	<b>(2.6)</b>	<b>(4.4)</b>

**8 INCOME TAX EXPENSE**

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Current tax	-	(0.1)	(0.1)
<b>Total income tax - continuing operations</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>

**9 EARNINGS PER SHARE***(a) Basic (continuing operations)*

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>Six months ended 30 September 2006</b>	Six months ended 30 September 2005	Year ended 31 March 2006
Profit attributable to equity holders of the Company – continuing operations (£ millions)	5.9	11.2	8.4
Weighted average number of ordinary shares in issue (millions)	118.3	91.1	104.5
Basic earnings per share – continuing operations (pence)	5.0p	12.3p	8.0p

*(b) Diluted (continuing operations)*

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 only one category of potential dilutive ordinary shares, share options. 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 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.

	<b>Six months ended 30 September 2006</b>	Six months ended 30 September 2005	Year ended 31 March 2006
Profit attributable to equity holders of the Company – continuing operations (£ millions)	<b>5.9</b>	11.2	8.4
Weighted average number of ordinary shares in issue (millions)	<b>118.3</b>	91.1	104.5
Adjustment for share options (millions)	<b>3.0</b>	11.1	3.1
Weighted average number of ordinary shares for diluted earnings per share (millions)	<b>121.3</b>	102.2	107.6
Diluted earnings per share – continuing operations (pence)	<b>4.9p</b>	11.0p	7.8p

*(c) Adjusted earnings basis (continuing operations)*

The adjusted earnings per share is calculated as follows:

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Profit attributable to equity holders of the Company – continuing operations	<b>5.9</b>	11.2	8.4
Pension curtailment loss/(gain)	<b>0.5</b>	(14.8)	(12.3)
Exceptional credit for pension past service cost	<b>(4.6)</b>	-	-
Redundancy costs	-	0.9	1.6
Re-financing costs	<b>0.4</b>	2.7	3.0
Adjusted earnings attributable to equity holders of the Company – continuing operations (£ million)	<b>2.2</b>	-	0.7
Weighted average number of ordinary shares in issue (millions)	<b>118.3</b>	91.1	104.5
Adjusted earnings per share (pence)	<b>1.9p</b>	-	0.7p

*(d) Basic (continuing and discontinued operations)*

	<b>Six months ended 30 September 2006</b>	Six months ended 30 September 2005	Year ended 31 March 2006
Profit/(loss) attributable to equity holders of the Company (£ millions)	<b>22.5</b>	5.7	(19.4)
Weighted average number of ordinary shares in issue (millions)	<b>118.3</b>	91.1	104.5
Basic earnings per share (pence)	<b>19.0p</b>	6.3p	(18.6)p

*(e) Diluted (continuing and discontinued operations)*

	<b>Six months ended 30 September 2006</b>	Six months ended 30 September 2005	Year ended 31 March 2006
Profit/(loss) attributable to equity holders of the Company (£ millions)	<b>22.5</b>	5.7	(19.4)
Weighted average number of ordinary shares in issue (millions)	<b>118.3</b>	91.1	104.5
Adjustment for share options (millions)	<b>3.0</b>	11.1	-
Weighted average number of ordinary shares for diluted earnings per share (millions)	<b>121.3</b>	102.2	104.5
Diluted earnings per share (pence)	<b>18.5p</b>	5.6p	(18.6)p

*(f) Adjusted earnings (continuing and discontinued operations)*

The adjusted earnings per share is calculated as follows:

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Profit/(loss) attributable to equity holders of the Company	<b>22.5</b>	5.7	(19.4)
Impairment of assets	<b>-</b>	15.0	15.0
Pension curtailment loss/(gain)	<b>0.5</b>	(32.7)	(31.6)
Exceptional pension past service income	<b>(4.6)</b>	-	-
Redundancy costs	<b>-</b>	5.6	10.1
Re-financing costs	<b>0.4</b>	2.7	3.0
(Profit)/loss on disposal of businesses	<b>(16.7)</b>	(1.8)	13.8
Adjusted earnings attributable to equity holders of the Company (£ million)	<b>2.1</b>	(5.5)	(9.1)
Weighted average number of ordinary shares in issue (millions)	<b>118.3</b>	91.1	104.5
Adjusted earnings per share (pence)	<b>1.8p</b>	(6.0)p	(8.7)p

**10 CASH USED IN OPERATIONS**

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Profit/(loss) for the period	<b>22.5</b>	5.6	(19.2)
Adjustments for:			
tax	<b>0.4</b>	0.6	3.7
depreciation and amortisation	<b>1.6</b>	3.9	6.5
share option charge	<b>0.4</b>	0.6	0.5
impairment of intangibles	-	12.1	13.0
impairment of property, plant and equipment	-	3.2	2.0
(profit)/loss on disposal of subsidiaries	<b>(16.7)</b>	(1.8)	13.8
share of loss from associates	-	0.3	0.3
interest expense	<b>14.3</b>	12.7	30.2
interest income	<b>(14.1)</b>	(10.5)	(24.4)
dividend income	-	(1.3)	(1.3)
other	<b>0.4</b>	(0.2)	-
Changes in working capital:			
inventories	<b>0.3</b>	(0.9)	(1.0)
trade and other receivables	<b>6.1</b>	1.5	1.2
trade and other payables	<b>(7.0)</b>	(7.5)	(6.9)
Changes in provisions for liabilities and charges:			
retirement benefit liabilities	<b>(5.8)</b>	(34.2)	(34.4)
provisions for liabilities and charges	<b>(6.6)</b>	3.1	3.8
<b>Cash used in operations</b>	<b>(4.2)</b>	(12.8)	(12.2)

**11 CONTINGENCIES**

The Group has contingent liabilities in respect of contracts entered into in the normal course of business and in respect of previous and current disposals of companies and businesses. It is not expected that these will have a material effect on the financial position of the Group.

**12 DISPOSAL OF COMPANIES AND BUSINESSES**

On 18 May 2006 the Company sold the entire issued share capital of Summit AEA Corporation ("SAC") to Centronic Holdings Limited. The sale consideration was £1 and the net assets of SAC were written down in the year to 31 March 2006 to reflect the sale proceeds.

On 7 June 2006 the Company sold the entire issued share capital of AGM Batteries Limited ("AGM") to ABSL Power Solutions Limited, which is owned by funds advised by Collier Capital Limited. AGM designs, manufactures and markets lithium-ion cells for use in a wide range of markets. The sale consideration was £1 and formed part of a wider interim settlement of issues arising between the Company and Collier Capital Limited in respect of the purchase by Collier Capital Limited of a portfolio of non-core assets in October 2005. In the financial year to 31 March 2005 AGM traded at a loss before tax of £2.3 million and, in the financial year to 31 March 2006, it traded at a loss before tax of £1.3 million. The net assets of AGM were written down in the year to 31 March 2006 to reflect the sale proceeds.

Under an agreement signed on 10 August 2006, the Group entered into a conditional agreement to sell a portfolio of companies and the Rail business to companies advised by Vision Capital Limited. Completion took place at midnight on 2

September 2006. The Group companies disposed of with their country of incorporation (where not the United Kingdom) were:

AEA Technology Rail B.V. (The Netherlands)	European Rail Software Applications Sarl (France)
AEA Technology Global S.A. (Spain)	AEA Technology Rail Notified Body Ltd
Waste Management Technology Ltd	Kinectrics Incorporated (Canada)
Kinectrics International Incorporated (Canada)	Kinectrics North America Incorporated (Canada)
Kinectrics US Incorporated (USA)	AEA Technology Incorporated (USA)
AEA Technology Engineering Services Incorporated (USA)	

The results of the companies and businesses that were disposed of were as follows:

	<b>Six months ended 30 September 2006 £m</b>	Six months ended 30 September 2005 £m	Year ended 31 March 2006 £m
Turnover	<b>38.0</b>	79.4	135.6
Cost of sales	<b>(20.5)</b>	(47.7)	(78.9)
<b>Gross profit</b>	<b>17.5</b>	31.7	56.7
Other operating income	<b>1.2</b>	0.5	1.7
Impairment of assets	-	(15.0)	(15.0)
Redundancy costs	-	(4.7)	(8.5)
Curtailement gain in pension scheme	-	17.9	19.3
Administrative expenses	<b>(19.1)</b>	(36.1)	(62.6)
<b>Operating profit</b>	<b>(0.4)</b>	(5.7)	(8.4)
Share in loss of joint ventures and associates	-	(0.3)	(0.4)
Finance income/(costs) - net	<b>0.7</b>	(0.9)	(1.4)
<b>Profit/(loss) before income tax</b>	<b>0.3</b>	(6.9)	(10.2)
Income tax expense	<b>(0.4)</b>	(0.5)	(3.6)
<b>Loss for the period from discontinued operations</b>	<b>(0.1)</b>	(7.4)	(13.8)

The aggregated balance sheets of the companies and businesses that were disposed of during the period were as follows:

	As at disposal £m
<b>ASSETS</b>	
<b>Non-current assets</b>	
Goodwill	12.1
Other intangible assets	4.2
Property, plant and equipment	5.9
Deferred tax asset	2.9
	<b>25.1</b>
<b>Current assets</b>	
Inventories	5.2
Trade and other receivables	22.1
Current income tax assets	0.5
Cash and cash equivalents	5.4
	<b>33.2</b>
<b>Total assets</b>	<b>58.3</b>
<b>EQUITY</b>	<b>4.0</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Retirement benefit liabilities	26.6
Borrowings	0.1
Provisions for liabilities and charges	4.9
	<b>31.6</b>
<b>Current liabilities</b>	
Trade and other payables	22.5
Borrowings	0.2
	<b>22.7</b>
<b>Total liabilities</b>	<b>54.3</b>
<b>Total equity and liabilities</b>	<b>58.3</b>
	<b>Six months ended 30 September 2006 £m</b>
<b>The net proceeds in respect of the 2 September disposal were as follows:</b>	
Cash received <sup>1</sup>	37.0
Payments to pension scheme	(10.0)
Cash divested	(5.4)
Disposal costs paid to date	(5.5)
Net proceeds	16.1
Reduction of banking facilities	(13.0)
	<b>3.1</b>

**Six months  
ended  
30 September  
2006  
£m**

<b>Provisional profit on disposal in respect of the 2 September disposal:</b>	
Proceeds <sup>1</sup>	41.5
Net assets disposed of	(4.0)
Curtailment loss on pension scheme	(1.8)
Provisions and other charges	(10.5)
Costs of disposal	(9.0)
Foreign exchange reserves released	0.2
<b>Provisional profit on disposal<sup>2</sup></b>	<b>16.4</b>

<sup>1</sup> £37.0 million of the total proceeds has been received and an additional £5.0 million is receivable six months after completion. A £0.5 million adjustment for working capital and net debt was paid in November 2006.

<sup>2</sup> The provisional profit on disposal of the portfolio of companies and the Rail business on 2 September 2006 is £16.4 million. An additional profit on disposal of £0.3 million has been recognised in respect of adjustments to provisions in respect of the other disposals that were reported in the year to 31 March 2006. The total profit on disposal of businesses as reported on the consolidated income statement is £16.7 million.

### 13 NET DEBT

The movement in the Group's total net debt is as follows:

	31 March 2006 £m	Cash inflows £m	Cash outflows £m	30 September 2006 £m
Cash in hand and at bank	8.4	-	(8.4)	-
Bank overdrafts	-	-	(2.4)	(2.4)
	8.4	-	(10.8)	(2.4)
Current borrowings	(36.8)	69.0	(50.0)	(17.8)
Non-current borrowings	(0.9)	0.6	-	(0.3)
	(29.3)	69.6	(60.8)	(20.5)

	31 March 2005 £m	Cash inflows £m	Cash outflows £m	30 September 2005 £m
Cash in hand and at bank	7.4	4.9	-	12.3
Bank overdrafts	-	-	-	-
	7.4	4.9	-	12.3
Current borrowings	(65.2)	60.1	(55.8)	(60.9)
Non-current borrowings	(1.2)	-	-	(1.2)
	(59.0)	65.0	(55.8)	(49.8)

**14 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

	Attributable to equity holders of the Company						
	Share capital (note 5)	Share premium (note 5)	Other reserves	Cumulative translation adjustment	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2005	8.3	10.7	12.4	(0.7)	(200.1)	0.7	(168.7)
Currency translation difference	-	-	-	1.5	-	-	1.5
Fair value of share option schemes	-	-	0.6	-	-	-	0.6
Actuarial losses on defined benefit plans	-	-	(8.0)	-	-	-	(8.0)
Profit/(loss) for the period	-	-	-	-	5.7	(0.1)	5.6
Disposal of subsidiaries	-	-	-	(1.2)	(3.2)	(0.6)	(5.0)
Issue of shares in the period	6.2	24.0	-	-	-	-	30.2
Balance as at 30 September 2005	14.5	34.7	5.0	(0.4)	(197.6)	-	(143.8)
Currency translation difference	-	-	-	1.1	-	-	1.1
Fair value of share option schemes	-	-	(0.2)	-	-	-	(0.2)
Actuarial gains on defined benefit plans	-	-	9.9	-	-	-	9.9
Loss for the period	-	-	-	-	(25.0)	-	(25.0)
Disposal of subsidiaries	-	-	-	-	4.3	-	4.3
Balance as at 31 March 2006	14.5	34.7	14.7	0.7	(218.3)	-	(153.7)
Currency translation difference	-	-	-	(0.5)	-	-	(0.5)
Fair value of share option schemes	-	-	0.4	-	-	-	0.4
Actuarial losses on defined benefit plans	-	-	(21.1)	-	-	-	(21.1)
Profit for the period	-	-	-	-	22.5	-	22.5
Disposal of subsidiaries	-	-	5.4	(0.2)	(5.4)	-	(0.2)
<b>Balance as at 30 September 2006</b>	<b>14.5</b>	<b>34.7</b>	<b>(0.6)</b>	<b>-</b>	<b>(201.2)</b>	<b>-</b>	<b>(152.6)</b>