

AEA Technology plc
Half-year results for the six months ended 30 September 2008

Highlights

Financial

- Orders up 48% to £34.3 million (2007: £23.1 million)
- Revenue up 1% to £35.6 million (2007: £35.3 million)
- Adjusted operating profit up 5% to £3.9 million (2007: £3.7 million) ¹
- Operating profit up 14% to £4.2 million (2007: £3.7 million)
- Adjusted profit before tax up 17% to £3.4 million (2007: £2.9 million) ¹
- Profit before tax up 4% to £2.9 million (2007: £2.8 million)
- Net debt £25.6 million (31 March 2008: £19.4 million, 30 September 2007: £20.4 million)

Strategic and operational

- Acquisition of Project Performance Corporation (PPC) completed – August 2008
- Awarded US Federal Government framework contract for \$60 million
- Private sector orders growth up by 139%
- UK Government contract wins in the areas of air and water quality, energy, climate change, innovation and knowledge transfer

Dr Bernard Bulkin, Chairman, AEA Technology said

‘AEA has continued to make progress in its growth strategy during the first half of the year. Our core strength in advising governments and business on the most cost effective ways possible to reduce energy consumption and emissions, ensures the Group is well positioned going forward, particularly during a downturn and the consequent focus on cost management.’

Andrew McCree, CEO, AEA Technology said

‘AEA has continued to make progress despite difficult market conditions. Strong orders growth has been achieved in the Private Sector, up 139%. This is mainly due to the successful launch of Ecopath, a consultancy product designed to help business reduce their energy costs and CO₂ emissions.

‘The acquisition of PPC is already starting to deliver results. The recent win of President-Elect Obama and his commitment to invest in energy efficiency and climate change, creates a significant opportunity for the Group going forward.’

¹ Reconciliation of adjusted operating profit and adjusted profit before tax

	Adjusted operating profit/Adjusted profit before tax		
	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Adjusted operating profit	3.9	3.7	11.0
<u>Adjustments:</u>			
One-off exchange gain	0.4	-	-
Amortisation of acquired intangibles	(0.1)	-	-
Acquisition costs	-	-	(1.1)
Operating profit	4.2	3.7	9.9
Total net finance costs	(1.3)	(0.9)	(1.9)
Profit before tax	2.9	2.8	8.0
<u>Add back:</u>			
Net adjustments (above)	(0.3)	-	1.1
Net pension finance costs	0.8	0.1	0.3
Adjusted profit before tax	3.4	2.9	9.4

Half-year management report

AEA – INTRODUCTION

AEA is one of the world's leading energy and climate change consultancies. AEA's core strength lies in its ability to advise governments and business on how best to reduce their consumption of energy and minimise emissions in the most cost effective manner. The acquisition of PPC during the summer of 2008 enabled AEA to access the US market and gave the Group a data systems capability. AEA can now offer its customers' integrated strategy, implementation, evaluation and data collection solutions.

The Group employs over 900 people within the UK, Europe and US and continues to work on prestigious projects involving the UN, EU, the World Bank, US and UK Governments.

AEA'S VIEW OF THE MARKET

The need for governments to take action on global warming is now widely understood. The risk to the global economy, the global habitat and its consequences for the human population are so severe that even in a time of economic slowdown it remains a priority action for government and industry.

Science is driving the targets that governments are now setting by regulation. There are two horizons to be faced; the reduction in emissions necessary by 2020 and a further reduction in the level of emissions necessary by 2050 to keep the increase in global temperatures to 2°C. The 2°C target has been set because, whilst there will still be significant environmental and economic consequences resulting from this increase, it is a threshold which scientists believe will maintain the huge deposits of methane (one of the worst of the greenhouse gases) captured under the Siberian ice shield and thereby prevent runaway global warming.

To restrict a global temperature increase to just 2°C will require decisive inter-governmental action. The next forum for inter-governmental discussions is expected to be the UN Climate Change Conference in Copenhagen during 2009. At that meeting discussions will focus on what measure of responsibility the US and Europe should take for the current situation and therefore whether these economic zones should have higher target levels compared to those set for China, India and the rest of the world. US President-Elect Obama has already made a policy commitment for an 80% reduction of greenhouse gas emissions by 2050. No target is set for 2020. The EU has set targets for reductions in CO₂ emissions of 20% by 2020 because it believes that clear and decisive action is required now if the 80% reduction target by 2050 is to be achieved. The UK and Scottish Governments have also committed to an 80% reduction.

AEA is at the very heart of helping governments translate these high level targets into actions, which need to be taken in the various sectors of the economy. As a principal advisor to the UK Government's Climate Change Committee and the new Department of Energy and Climate Change (DECC), AEA has an in-depth understanding of how science is driving these targets going forward and what measures need to be taken to ensure that the UK meets its international obligations. The Group has been at the heart of considering what investment and encouragement is needed and how the return on that investment can be measured across the economy. Governments are going to base their decision making on data derived from the effectiveness of these measures against an economic backdrop where difficult choices need to be made.

The picture in the US is no different and the acquisition of PPC by AEA enables AEA to enter the US market at this critical time. As in the EU, government will, through the creation of regulation, initially create the market but in the medium term the real growth will be seen in the private sector.

All this new regulation will generate significant amounts of new data. Governments will require new systems to understand what data to collect, how to interpret it and how to modify policy and plans in the light of actual results. PPC is a leading supplier to the US Government in designing systems to collect and manage energy and climate change data. Its major customers include the US Department of Energy and the Environmental Protection Agency amongst others.

The combination of AEA's understanding of the complexity of government regulation, the measures necessary to achieve the 80% reduction in emissions and PPC's ability to design and build bespoke systems for government and the private sector places the Group in a strong strategic position.

At a time of economic slowdown businesses have to make hard choices regarding their investment strategies and as additional regulation comes into force in 2009 there will, initially, be an extra burden of reporting. AEA firmly believes that the need for businesses to reduce emissions will focus action on investing in energy and resource efficiency programmes as well as infrastructure. AEA is uniquely placed to advise businesses on where to focus this investment in order to

maximise the return. Whilst there will be a need to invest in infrastructure, a greater priority will need to be given to minimising the consumption of resources and energy because it offers a more immediate payback.

STRATEGY

Against this background there are two key elements in AEA's medium-term growth strategy:

- To take its know-how into the EU and US markets by providing policy support, technical services and behavioural change programmes, which will help governments meet their climate change targets.
- To leverage its knowledge of government targets and trends in regulation and enable the private sector to reduce carbon emissions and develop business strategies for climate change at minimum cost.

The first part of this strategy was underpinned by the acquisition of the US-based environmental and information management consultancy, PPC, in August 2008.

ACQUISITION

The acquisition of PPC on 22 August 2008 has enabled AEA to enter the US market and transfer its strong technical knowledge from the UK into the US. The acquisition also gave AEA the capability of providing a data systems offering to its existing UK and European customer base. This will be necessary to collect the significant volumes of new information that will be generated by the new regulations as they are progressively implemented from 2010 onwards. Governments will continue to look for evidence-based regulation, whilst the private sector will be looking for ways to select appropriate areas for investment and to maximise the return on that investment. Both of those requirements will need to be underpinned by a data driven decision-making process. The combination of AEA's ability to understand what needs to be measured and to be able to evaluate that data and PPC's ability to organise systems to collect that information and deliver it to the various end-users gives AEA a very powerful offering in this market. The integration of that capability is progressing well and a number of projects in the US, UK and Europe have been identified as strong potential opportunities.

PPC, based in Washington, has an excellent track record and a number of key relationships in various departments of the US Government. While this clearly offers AEA a defined route to expansion in the US, just as importantly PPC enhances AEA's expertise in water and environmental information systems as well as strong systems integration capability.

BUSINESS PERFORMANCE

AEA has made good progress in the first half of the year. There has been a strong performance in orders growth, which is up by 48% over the period to £34.3 million (2007: £23.1 million). Importantly, and in line with AEA's strategy, growth in private sector orders rose by 139% as demand for the Group's consulting abilities grew, particularly with the launch of Ecopath and Fuelpath, two products which enable private sector businesses to reduce their energy costs and CO₂ emissions. In the US, post acquisition, PPC won an important five-year framework contract with the US Government for approximately \$60 million despite strong competition from many of the major US multinational corporations. By contrast the UK Government sector continued to be slow and, as anticipated, a number of AEA's major programmes, including Envirowise and Sustainable Production and Materials, were reduced by in excess of 50%, which impacted Group revenue.

Revenue in the first six months increased by 1% to £35.6 million (2007: £35.3 million) with strong growth in energy and climate change projects, air and water quality activities and the Group's innovation and knowledge transfer practice area. The reduction in the scope of major government programmes resulted in a significant reduction in subcontractor through costs, which has impacted revenue but has had no impact on the Group's profit. Excluding the subcontractor through costs on those contracts, revenue was up 12% to £31.8 million (2007: £28.3 million). UK Government now represents only 70% of revenue compared to 78% at September 2007.

AEA has now completed its major investment in strengthening its marketing & sales, commercial, resourcing and recruitment capabilities, which added an additional £1.1 million to the cost base in the first half. That is the main reason why adjusted operating profit only rose by 5% to £3.9 million (2007: £3.7 million). This investment has enabled AEA to transfer its knowledge of energy and climate change regulation and advice from government into the private sector, in advance of the growing pressures on business to reduce CO₂ emissions through a reduction of energy and consumption of resources as a result of the Climate Change Bill. Operating profit increased by 14% to £4.2 million (2007: £3.7 million), after £0.1 million (2007: nil) of amortisation of acquired intangibles and a one-off exchange gain of £0.4 million (2007: nil) arising on deposits of US Dollars purchased to effect the acquisition of PPC.

Net interest payable has been impacted by an increase in the net pension charge of £0.7 million to £0.8 million (2007: £0.1 million). Net bank interest payable has reduced from £0.8 million to £0.6 million due to reductions in average net borrowings over the period. Overall total interest including the pension interest has increased by £0.4 million, which resulted in the growth in profit before tax being 4% (2008: £2.9 million; 2007: £2.8 million). Excluding net pension finance costs, a £0.1 million amortisation charge on intangibles and a one-off exchange gain of £0.4 million arising on the acquisition of PPC leads to an adjusted profit before tax of £3.4 million (2007: £2.9 million), which is 17% growth.

The acquisition of PPC has resulted in a £2.4 million increase in the Group's deferred tax asset and the creation of a £2.0 million deferred tax liability. However, there is no tax charge in the US as taxable income is offset by available tax losses. Overall the Group has no tax charge for the six months (2007: nil).

The adjusted earnings per share remains at 2.0 pence (2007 restated: 2.0 pence) as a result of an increase in the weighted average number of shares due to the Rights Issue (see note 11). Basic earnings per share reduced to 1.7 pence (2007 restated: 1.9 pence) per share.

FINANCIAL POSITION

Net assets

Following the acquisition of PPC in August 2008 (note 6) the balance sheet of the acquired subsidiary has been consolidated within the Group balance sheet. The fair value of PPC's assets and liabilities consolidated as at 30 September 2008 (2007: nil) are detailed in note 6 to this Half-Year Report.

Net debt and cash flow

Net debt increased from £19.4 million at 31 March 2008 to £25.6 million. The net movement of £6.2 million reflects net proceeds of £36.2 million from the Rights Issue, offset by cash outflows in respect of the PPC acquisition of £35.8 million, a cash outflow from operations of £4.7 million (2007: £4.4 million), exchange movements on foreign currency borrowings of £1.1 million (2007: nil), net interest/tax outflows of £0.6 million (2007: £0.8 million) and capital expenditure of £0.2 million (2007: £0.2 million). Conversion of profit into cash continued at a good level but cash outflow from operations was impacted by the seasonal nature of the business and the change in the profile of the Envirowise through-costs as noted above. Included in the cash outflow of £4.7 million from operations (2007: £4.4 million) are payments to settle legacy issues of £2.8 million (2007: £5.1 million) and payments to reduce the pension deficit of £2.8 million (2007: £0.6 million).

Rights Issue

On 5 August 2008 the Company issued 99,302,000 shares at a price of 40 pence per share. This Rights Issue raised £36.2 million after expenses. Of the funds raised, £35.8 million was used to partially fund the acquisition of PPC and the balance is to provide additional working capital to the enlarged Group. Further details can be found in note 8.

Pensions

The net balance sheet liability for retirement benefits has decreased to £56.0 million (31 March 2008: £60.0 million, 30 September 2007 £57.2 million). This decrease 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 increased to 7.0% (31 March 2008: 6.6%, 30 September 2007: 5.8%). An actuarial review of the pension deficit is underway and the outcome of that process is not expected until later this financial year.

PRINCIPAL RISKS

The mitigation of risk is a key part of the management of AEA and the Group has a developed process to identify, manage and limit its exposure to areas that may have a negative impact on its business. The principal risks and uncertainties faced by the Group have not changed significantly since the publication of the 2008 Annual Report and these are described on pages 16 and 17 of that document. The acquisition of PPC has not significantly changed the risk profile of the Group and PPC face similar risks to those identified in 2008. The risks identified at March 2008 were achieving organic growth, changes in the competitive environment resulting from government policy, recruitment and retention of sufficient high calibre people, retirement benefits and legacy issues. 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.

OUTLOOK

AEA believes the market for energy and climate change consultancy will remain solid, despite the prospect of a deep global recession. Whilst there is the possibility of some delay, particularly in the US as the new President takes up office, this tougher economic climate will drive government and business to be more focused on costs and efficiency when mitigating the impacts of climate change.

AEA's offerings are focused on helping government and business meet their climate change objectives, at the lowest economic cost. As government continues to drive the market the Group remains cautiously optimistic in the medium term.

By order of the Board

Bernard Bulkin
Chairman
26 November 2008

Andrew McCree
CEO

Alice Cummings
CFO

Condensed consolidated income statement

	Notes	(Unaudited) Six months ended 30 September 2008 £m	(Unaudited) Six months ended 30 September 2007 £m	(Audited) Year ended 31 March 2008 £m
Continuing operations				
Revenue	4	35.6	35.3	80.9
Cost of sales		(22.4)	(23.0)	(52.8)
Gross profit		13.2	12.3	28.1
Other operating income		2.2	3.5	5.7
Selling and marketing costs		(3.0)	(2.4)	(4.9)
Administrative expenses		(8.2)	(9.7)	(19.0)
<i>Analysed as:</i>				
<i>Administrative expenses before amortisation of acquired intangibles and significant one-off items</i>		<i>(8.5)</i>	<i>(9.7)</i>	<i>(17.9)</i>
<i>Amortisation of acquired intangibles</i>		<i>(0.1)</i>	-	-
<i>Significant one-off items:</i>				
<i>One-off exchange gain</i>		<i>0.4</i>	-	-
<i>Acquisition and Rights Issue costs</i>		<i>-</i>	<i>-</i>	<i>(1.1)</i>
Operating profit	4	4.2	3.7	9.9
Finance costs	10	(10.8)	(10.3)	(20.7)
Finance income	10	9.5	9.4	18.8
Profit before taxation		2.9	2.8	8.0
Income tax income		-	-	0.5
Profit for the period		2.9	2.8	8.5
Attributable to:				
Equity holders of the Company		2.9	2.8	8.5
Earnings per share attributable to the equity holders of the Company during the period				
Basic (pence)	11	1.7p	1.9p	5.8p
Diluted (pence)	11	1.7p	1.9p	5.7p

The earnings per share figures previously published for the six months to 30 September 2007 and for the year ended 31 March 2008 have been restated. This reflects the impact of the Rights Issue in August 2008 and ensures that the restated figures are comparable to the figures for the current period.

Condensed consolidated statement of recognised income and expense

	(Unaudited) Six months ended 30 September 2008 £m	(Unaudited) Six months ended 30 September 2007 £m	(Audited) Year ended 31 March 2008 £m
Exchange differences arising on translation	0.4	-	-
Actuarial gains on defined benefit plans	1.6	34.2	30.3
Net income recognised directly in equity	2.0	34.2	30.3
Profit for the period	2.9	2.8	8.5
Total recognised income and expense	4.9	37.0	38.8
Attributable entirely to:			
Equity holders of the Company	4.9	37.0	38.8

Condensed consolidated balance sheet

		(Unaudited) At 30 September 2008 £m	(Unaudited) At 30 September 2007 £m	(Audited) At 31 March 2008 £m
	Notes			
ASSETS				
Non-current assets				
Goodwill	7	27.9	-	-
Other intangible assets	7	5.2	0.3	0.2
Property, plant and equipment		3.4	3.3	2.1
Available for sale investments		2.0	2.0	2.0
Deferred income tax assets		7.1	4.6	4.6
		45.6	10.2	8.9
Current assets				
Inventories		0.4	0.2	0.2
Trade and other receivables		26.7	12.6	16.1
Current income tax assets		-	0.1	-
Cash and cash equivalents	13	2.4	1.5	1.0
		29.5	14.4	17.3
Total assets		75.1	24.6	26.2
EQUITY				
Capital and reserves attributable to the Company's equity shareholders				
Share capital and premium	8	94.3	55.6	55.6
Capital redemption reserve	14	0.7	0.7	0.7
Currency translation reserve	14	0.4	-	-
Fair value and other reserves	14	36.7	38.8	35.0
Retained deficit	14	(187.6)	(196.2)	(190.5)
Total equity		(55.5)	(101.1)	(99.2)
LIABILITIES				
Non-current liabilities				
Trade and other payables		0.4	0.4	0.1
Borrowings	13	0.2	0.1	0.1
Retirement benefit liabilities	9	56.0	57.2	60.0
Deferred tax liabilities		2.0	-	-
Provisions for liabilities and charges		17.1	23.4	19.7
		75.7	81.1	79.9
Current liabilities				
Trade and other payables		26.8	22.5	25.1
Derivative financial instruments		0.3	-	0.1
Current income tax liabilities		-	0.3	-
Borrowings	13	27.8	21.8	20.3
		54.9	44.6	45.5
Total liabilities		130.6	125.7	125.4
Total equity and liabilities		75.1	24.6	26.2

The Board approved this Half-Year Report on 26 November 2008. The notes are an integral part of this Half-Year Report. Signed on behalf of the Board of Directors.

Andrew McCree
CEO

Alice Cummings
CFO

Condensed consolidated cash flow statement

	Notes	(Unaudited) Six months ended 30 September 2008 £m	(Unaudited) Six months ended 30 September 2007 £m	(Audited) Year ended 31 March 2008 £m
Cash flows from operating activities				
Cash used in operations	12	(4.7)	(4.4)	(2.6)
Interest paid		(0.8)	(0.8)	(1.7)
Interest received		0.2	0.1	0.1
Taxes (paid) / received		-	(0.1)	0.2
Net cash used in operating activities		(5.3)	(5.2)	(4.0)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	6	(35.8)	-	-
Purchases of property, plant and equipment		(0.2)	(0.1)	(0.3)
Expenditure on product development		-	(0.1)	(0.1)
Net cash used in investing activities		(36.0)	(0.2)	(0.4)
Cash flows from financing activities				
Repayment of borrowings		(20.4)	(11.1)	(24.6)
Draw down of bank facilities		26.9	8.0	20.0
Proceeds from new equity issues		36.2	6.4	6.4
Net cash generated from financing activities		42.7	3.3	1.8
Net increase / (decrease) in cash		1.4	(2.1)	(2.6)
Cash at beginning of period		1.0	3.6	3.6
Cash at end of period		2.4	1.5	1.0

Notes to the Half-Year Report

1 GENERAL INFORMATION

AEA is one of the world's leading energy and climate change consultancies. AEA's core strength lies in its ability to advise governments and business on how best to reduce their consumption of energy and minimise emissions in the most cost effective manner. The acquisition of PPC during the summer of 2008 enabled AEA to access the US market and gave the Group a data systems capability. AEA can now offer its customers an integrated strategy, implementation, evaluation and data collection solution.

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 because that is 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 2008.

On 26 November the condensed consolidated half-year financial information was authorised for issue by the Board of Directors.

These half-year results do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 were approved by the Board of Directors on 12 June 2008 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

This condensed consolidated financial information for the half-year ended 30 September 2008 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 condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which were prepared in accordance with IFRSs as adopted by the European Union.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in pages 40 to 47 of those annual financial statements, with the addition of the following in respect of the new category of other intangible assets:

- Estimated useful life of customer contracts and relationships – 5 years

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2009:

- IFRIC 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008, subject to EU endorsement. This interpretation is not considered to be relevant to the Group.
- IFRIC 14, 'IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction', effective for annual periods beginning on or after 1 January 2008, subject to EU endorsement. This interpretation has not had a material impact on the results of the Group.
- IAS 39 and IFRS 7 amendment, 'Reclassification of financial instruments', effective from 1 July 2008. This amendment has not had a material impact on the results of the Group.

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial year ending 31 March 2009 and have not been adopted early:

- 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, subject to EU endorsement;

- IFRS 2 amendment, 'Share based payment – vesting conditions and cancellations', effective for periods beginning on or after 1 January 2009, 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, subject to EU endorsement;
- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009;
- IAS 1 (revised), 'Presentation of financial statements: a revised presentation', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement;
- IAS 39 amendment, 'Eligible hedged items', effective for annual periods beginning on or after 1 July 2009, subject to EU endorsement;
- IAS 23, 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement;
- 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, subject to EU endorsement;
- IFRIC 13, 'Customer loyalty programmes' effective for annual periods beginning on or after 1 July 2008, subject to EU endorsement;
- IFRIC 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement;
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008, subject to EU endorsement.

It is not expected that these statements will have a significant impact on the Group's financial statements when they are adopted.

4 SEGMENTAL INFORMATION

Based on risks and returns and the basis on which the Group is managed the Directors consider that the primary reporting format is by geographic segment. The Directors consider that there is only one secondary business segment, being consultancy, policy support, programme management and data management.

Revenue by primary (geographic) segment is as follows:

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Europe	32.0	35.3	80.9
United States	3.6	-	-
Total Revenue	35.6	35.3	80.9

Adjusted operating profit by primary (geographic) segment is as follows:

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Europe	3.6	3.7	11.0
United States	0.3	-	-
Adjusted operating profit	3.9	3.7	11.0

Operating profit by primary (geographic) segment is as follows:

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Europe	4.0	3.7	9.9
United States	0.2	-	-
Total operating profit	4.2	3.7	9.9

5 SEASONALITY

Revenues from the consulting services provided by the Group are subject to seasonal fluctuations, with the UK's peak demand in the fourth quarter of the financial year. This reflects the pattern of purchasing/procurement by UK Government, the Group's most significant customer type. The impact of seasonality will be lessened going forward due to the acquisition of PPC (note 6). PPC's business has significantly less seasonal fluctuations and their less pronounced peak is in the July to September quarter, reflecting the US Federal Government's September year-end.

6 BUSINESS COMBINATIONS

On 22 August 2008, the Group acquired 100% of the share capital of PPC, a US-based environmental and information management consultancy operating in the US. The acquired business contributed revenues of £3.6 million and profit before tax of £0.2 million to the Group for the period 22 August 2008 to 30 September 2008. If the acquisition had occurred on 1 April 2008 Group revenue would have been £48.8 million and profit before tax would have been £3.1 million.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	14.6
Direct costs relating to the acquisition	3.1
Fair value of shares issued (note 8)	2.5
Total purchase consideration	20.2
Fair value of net liabilities acquired	6.4
Goodwill acquired	26.6

The goodwill is attributable to the workforce of the acquired business, the presence in the US market, favourable government relationships and synergies expected to arise after the Group's acquisition of PPC.

5,323,019 shares were issued as part consideration and the fair value of these shares was based on the published share price on 22 August 2008.

The assets and liabilities as of 22 August 2008 arising from the acquisition are as follows:

	Provisional fair value £m	Acquiree's carrying amount £m
Property plant and equipment	1.5	1.6
Customer contracts and relationships (included in intangible assets - note 7)	4.9	-
Borrowings	(5.2)	(5.2)
Deferred tax (net)	0.5	2.3
Provisions for other liabilities and charges	(0.2)	(0.1)
Trade and other receivables	10.0	10.1
Trade and other payables	(17.9)	(17.9)
Net liabilities acquired	(6.4)	(9.2)
		£m
Purchase consideration and associated direct costs settled in cash		17.7
Cash, cash equivalents and bank overdrafts in subsidiary acquired		-
Net cash consideration on acquisition		17.7
Repayment of borrowings in subsidiary acquired		5.2
Payment of share option liabilities in subsidiary acquired		11.5
Payment of acquisition costs deducted from gross proceeds		1.4
Total cash outflow on acquisition		35.8

The above disclosures have been provisionally determined. The share purchase agreement between the parties to the business combination allowed for a certain period of time to reach agreement on the values of the assets and liabilities transferred and as a result of that agreement there may be a change in the cash outflow on acquisition. As at the date of this Half-Year Report that period has not yet expired.

There were no acquisitions in the six months ended 30 September 2007 or the year ended 31 March 2008.

7 INTANGIBLE ASSETS

	Goodwill £m	Customer contracts/ relationships £m	Development costs £m	Other intangibles £m	Total other intangibles £m
Net book amount as at 1 April 2007	-	-	0.1	0.1	0.2
Additions	-	-	-	0.1	0.1
Net book amount as at 30 September 2007	-	-	0.1	0.2	0.3
Amortisation	-	-	-	(0.1)	(0.1)
Net book amount as at 31 March 2008	-	-	0.1	0.1	0.2
Acquisition of subsidiary (note 6)	26.6	4.9	-	-	4.9
Foreign exchange	1.3	0.2	-	-	0.2
Amortisation	-	(0.1)	-	-	(0.1)
Net book amount as at 30 September 2008	27.9	5.0	0.1	0.1	5.2

Amortisation is charged to administrative expenses in the income statement.

8 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 2007	118.3	14.5	34.7	49.2
Shares issued	5.8	0.7	5.7	6.4
At 30 September 2007 and 31 March 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 (note 6)	5.3	0.6	1.9	2.5
At 30 September 2008	228.7	27.9	66.4	94.3

The total authorised number of ordinary shares is 315,000,000 shares (March 2008 and September 2007: 196,363,620 shares) with a par value of 12.2 pence per share. All issued shares are fully paid.

On 13 June 2008 the Company announced a Rights Issue, which was approved by shareholders at an EGM on 10 July 2008. On 5 August 2008 dealings in the new ordinary shares commenced. The Rights Issue has resulted in the issue of 99,302,000 new shares at 40 pence each raising £39.7million before expenses (£36.2 million net of expenses). Of the funds raised, £35.8 million was used to partially fund the acquisition of PPC (see note 6) and the balance is to provide additional working capital to the enlarged Group.

On 22 August 2008 the Company, on behalf of a Group subsidiary, issued 5,323,019 shares to the shareholders of PPC as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued rank pari passu with the other shares in issue. The fair value of the shares amounted to £2.5 million (47.5 pence per share).

Warrants

The Rights Issue in August 2008 entitled the holders of the Company's warrant instruments to additional shares on exercise of those warrants. The Company has in issue 4,366,799 warrants (March 2008 and September 2007: 5,987,560 warrants) giving the holders the right to subscribe in cash for shares in the Company. As a result of the Rights Issue in August 2008 the warrant holders are entitled to an additional 3,680,703 warrants, yet to be issued as at 30 September 2008.

9 RETIREMENT BENEFIT LIABILITIES

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

	At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
Present value of funded obligations	285.4	335.2	315.0
Fair value of plan assets	(232.6)	(281.5)	(258.4)
	52.8	53.7	56.6
Present value of unfunded benefits	3.2	3.5	3.4
Net retirement benefit liability	56.0	57.2	60.0

The net balance sheet liability for retirement benefits has decreased to £56.0 million (March 2008: £60.0 million, September 2007: £57.2 million). This decrease has occurred through changes to the financial assumptions used in calculating the present value of funded obligations partially offset by decreases in the market value of plan assets.

As at 31 March 2008 a discount rate of 6.6% was used. Due to changes in market conditions this assumption, which must be based on market conditions at the balance sheet date, has been updated to 7.0% as at 30 September 2008, with the resultant effect of significantly reducing the present value of the obligations. There have been no other significant changes to the assumptions used and disclosed in the 2008 Annual Report.

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

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Continuing operations			
Current service cost	0.6	0.9	1.8
Interest cost	10.1	9.4	19.0
Expected return on plan assets	(9.3)	(9.3)	(18.7)
Total expense in the income statement	1.4	1.0	2.1

10 FINANCE COSTS AND FINANCE INCOME

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Finance costs			
Interest on bank overdrafts and loans	(0.7)	(0.9)	(1.6)
Fair value losses on financial instruments	-	-	(0.1)
Accretion of discount on defined benefit pension scheme obligations	(10.1)	(9.4)	(19.0)
Finance costs	(10.8)	(10.3)	(20.7)
Finance income			
Interest income	0.1	0.1	0.1
Fair value gains on financial instruments	0.1	-	-
Expected return on defined benefit pension scheme assets	9.3	9.3	18.7
Finance income	9.5	9.4	18.8
Net finance costs	(1.3)	(0.9)	(1.9)

11 EARNINGS PER SHARE

Details of basic, diluted and adjusted earnings per share are set out below. The weighted average number of shares has been restated for all prior periods to reflect the bonus element of the Rights Issue as required by IAS 33. The adjustment factor is 1.2 calculated using 64.0 pence per ordinary share being the closing price on 10 July 2008, the last day on which shares were traded with rights.

(a) Basic

Basic earnings per share are 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.

	Six months ended 30 September 2008	Six months ended 30 September 2007 restated	Year ended 31 March 2008 restated
Profit attributable to equity holders of the Company – continuing operations (£ millions)	2.9	2.8	8.5
Weighted average number of ordinary shares in issue (millions)	173.3	144.2	146.6
Basic earnings per share – continuing operations (pence)	1.7p	1.9p	5.8p

(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.

	Six months ended 30 September 2008	Six months ended 30 September 2007 restated	Year ended 31 March 2008 restated
Profit attributable to equity holders of the Company – continuing operations (£ millions)	2.9	2.8	8.5
Weighted average number of ordinary shares in issue (millions)	173.3	144.2	146.6
Adjustment for share options (millions)	-	2.1	1.8
Adjustment for warrants (millions)	-	0.2	0.1
Weighted average number of ordinary shares for diluted earnings per share (millions)	173.3	146.5	148.5
Diluted earnings per share – continuing operations (pence)	1.7p	1.9p	5.7p

(c) Adjusted earnings basis

The adjusted earnings per share is calculated as follows:

	Six months ended 30 September 2008	Six months ended 30 September 2007 restated	Year ended 31 March 2008 restated
Profit attributable to equity holders of the Company – continuing operations (£ millions)	2.9	2.8	8.5
Amortisation of intangibles (£ millions)	0.1	-	-
One-off exchange gain (£ millions)	(0.4)	-	-
Net pension finance cost (£ millions)	0.8	0.1	0.3
Acquisition and Rights Issue costs (£ millions)	-	-	1.1
Adjusted earnings attributable to equity holders of the Company – continuing operations (£ millions)	3.4	2.9	9.9
Weighted average number of ordinary shares in issue (millions)	173.3	144.2	146.6
Adjusted earnings per share (pence)	2.0p	2.0p	6.8p

12 CASH USED IN OPERATIONS

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Profit for the period	2.9	2.8	8.5
Adjustments for:			
tax	-	-	(0.5)
depreciation and amortisation	0.5	0.7	1.4
loss on disposal of property, plant & equipment	-	-	0.9
share option charge	0.1	-	0.1
interest expense	10.8	10.3	20.7
interest income	(9.5)	(9.4)	(18.8)
other	(0.1)	-	0.1
Changes in working capital:			
inventories	(0.2)	(0.1)	(0.1)
trade and other receivables	0.7	2.5	(1.0)
trade and other payables	(3.9)	(7.7)	(5.4)
Changes in retirement benefit liabilities	(3.2)	(0.9)	(2.2)
Changes in provisions for liabilities and charges	(2.8)	(2.6)	(6.3)
Cash used in operations	(4.7)	(4.4)	(2.6)

13 NET DEBT

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

	31 March 2008 £m	Debt decrease £m	Debt increase £m	30 September 2008 £m
Cash in hand and at bank	1.0	1.4	-	2.4
Current borrowings	(20.3)	19.4	(26.9)	(27.8)
Non-current borrowings	(0.1)	-	(0.1)	(0.2)
	(19.4)	20.8	(27.0)	(25.6)
	31 March 2007 £m	Debt decrease £m	Debt increase £m	30 September 2007 £m
Cash in hand and at bank	3.6	-	(2.1)	1.5
Current borrowings	(24.9)	11.1	(8.0)	(21.8)
Non-current borrowings	(0.1)	-	-	(0.1)
	(21.4)	11.1	(10.1)	(20.4)

14 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Company						
	Share capital (note 8) £m	Share premium (note 8) £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 2007	14.5	34.7	4.6	0.7	-	(199.0)	(144.5)
Issue of shares	0.7	5.7	-	-	-	-	6.4
Actuarial losses on defined benefit plans	-	-	34.2	-	-	-	34.2
Profit for the period	-	-	-	-	-	2.8	2.8
Balance as at 30 September 2007	15.2	40.4	38.8	0.7	-	(196.2)	(101.1)
Fair value of share option schemes	-	-	0.1	-	-	-	0.1
Actuarial gains on defined benefit plans	-	-	(3.9)	-	-	-	(3.9)
Profit for the period	-	-	-	-	-	5.7	5.7
Balance as at 31 March 2008	15.2	40.4	35.0	0.7	-	(190.5)	(99.2)
Issue of shares	12.7	26.0	-	-	-	-	38.7
Fair value of share option schemes	-	-	0.1	-	-	-	0.1
Actuarial gains on defined benefit plans	-	-	1.6	-	-	-	1.6
Currency translation differences	-	-	-	-	0.4	-	0.4
Profit for the period	-	-	-	-	-	2.9	2.9
Balance as at 30 September 2008	27.9	66.4	36.7	0.7	0.4	(187.6)	(55.5)

15 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. Other than those items provided for it is not expected that these will have a material effect on the financial position of the Group. There have been no material changes to the present value of management's best estimate of the expenditure required to settle the obligations provided for. The balance sheet reduction in provisions is due to utilisation of the provisions at 31 March 2008.

Statement of Directors' Responsibilities

The Directors confirm that this condensed set of 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 in the AEA Technology plc Annual Report for 31 March 2008. Between 31 March 2008 and the date of approval of this Half-Year Report the Board appointed two additional Executive Directors; Mike Nigro – appointed 22 August 2008 and Gwen Ventris – appointed 27 October 2008.

By order of the Board

Philip Roper

Company Secretary
26 November 2008

Independent review report to AEA Technology plc

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-year financial report for the six months ended 30 September 2008, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement 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 condensed consolidated set of 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 condensed consolidated set of 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 condensed consolidated set of 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 condensed consolidated set of financial statements in the half-year financial report for the six months ended 30 September 2008 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
26 November 2008
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.