

**AEA Technology plc**  
**Half-Yearly Results for the six months ended 30 September 2007**

**Highlights**

- Turnover up 10% to £35.3 million (2006: £32.1 million)
- Adjusted operating profit up 19% to £3.7 million (2006: £3.1 million) <sup>1</sup>
- Operating profit of £3.7 million (2006: £6.8 million)
- Adjusted operating margin improved to 10.5% (2006: 9.7%)
- Operating margin of 10.5% (2006: 21.2%)
- Adjusted PBT up 27% to £2.8 million (2006: £2.2 million)
- Profit before tax for continuing operations of £2.8 million (2006: £5.9 million)
- Over 80% of the 2008 sales are secured <sup>2</sup>
- Net debt £20.4 million (31 March 2007: £21.4 million, 30 September 2006: £20.5 million)

**Strategic contracts**

- China – Near Zero Emissions Coal Programme
- Carbon Trust – ECA Technical Support
- London Development Agency (LDA) – Green 500 Scheme
- Department for Communities and Local Government – Building Regulations Research Programme
- Defra – UK Pollution Climate Mapping
- TSB/BERR – Emerging Energy Technologies extension
- Defra – Market Transformation Programme (MTP) extension

Dr Bernard Bulkin, Chairman, AEA Technology said, “AEA is one of the world's leading energy and climate change consultancies. Our strategy is to build on our knowledge, reputation and strong position with UK Government to enable us to offer similar high quality policy and behavioural change advice to the EU, US and Chinese Governments. In addition, as the private sector market is increasingly driven by climate change regulation we see a number of encouraging prospects to help business meet new challenges.

Andrew McCree, CEO, AEA Technology said, “AEA continues to make further progress. In the first six months we have taken a number of steps to improve our operational performance, with significant contract wins in China, Europe and the UK private sector. Despite some delays in UK Government orders our sales funnel remains strong. In the UK the Group was recently voted by its customers as the Best Consultancy in Climate Change and Renewables in a major awards scheme.”

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

The adjusted numbers are after taking account of non-recurring items in the previous half year.

	<b>Unaudited</b>	Unaudited	Audited
	<b>Six months</b>	Six months	Year
	<b>ended</b>	ended	ended
	<b>30 September</b>	30 September	31 March
	<b>2007</b>	2006	2007
	<b>£m</b>	£m	£m
<b>Operating profit</b>	<b>3.7</b>	6.8	9.4
Pensions curtailment charge	-	0.5	0.8
Pensions past service credit	-	(4.6)	(2.0)
Re-financing costs	-	0.4	0.4
<b>Adjusted operating profit</b>	<b>3.7</b>	3.1	8.6

<sup>2</sup> Secure sales are the element of orders to date that are expected to be delivered in the current year.

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

## Half-yearly management report

AEA is one of the world's leading consultancies in Energy and Climate Change. The Group employs many of the world's experts in air quality, energy policy, carbon trading and management, resource minimisation and waste management, transport and knowledge management. Its major customers are UK Government, Scottish Government, the London Development Agency, and the private sector in the UK and EU. AEA has been voted by its customers the UK's Best Consultancy in Climate Change and Renewables in this year's Environmental Data Interactive Exchange (EDIE) Awards.

The Group's competitive strength lies in the quality of its reputation in the public sector. What differentiates AEA from other consultancies is the ability to provide high quality consultancy and technical services from an unparalleled technical base. AEA helps its customers to assimilate technical data, advise on policy options and help them formulate plans for implementation. A good example of policy implementation is Defra's Envirowise programme, in which AEA and its sub-contractors help Government implement its policy of making UK industry more efficient in its use of resources.

### **AEA'S VIEW OF THE MARKET**

Global concerns about the economic and environmental impacts of climate change are creating global agreements between Governments. In December 2007, the UN will host an inter-governmental conference in Bali to set new targets for emissions with the ambition of restricting the rate of temperature change. The need for harmonisation of Government action and increased investment has never been more urgent. In the UK, the Government has set out a number of ambitious targets and whilst in the short term there may be some delay in achieving this improvement, the markets in both Government and private sector work remain encouraging. Increasing concern about rising energy costs has put a renewed focus on the need for energy efficiency and behavioural change.

AEA's growth strategy is to leverage its reputation with UK Government to enable it to offer similar high quality policy and behavioural change advice to the EU, US and Chinese Governments. In addition, the Group sees a number of encouraging opportunities in the UK private sector market which will be driven by regulation.

### **ORGANIC GROWTH**

AEA has delivered a much improved performance and overall prospects for the year remain encouraging. Already this year the Group has won a number of strategically important contracts including Defra's Market Transformation Programme. The Programme aims to reduce the environmental impact of products across the product life cycle by collecting information, building evidence, and working with industry and other stakeholders. MTP supports the UK Government's strategy on Sustainable Development and in particular underpins the product policy aspect of the framework for Sustainable Consumption and Production.

In China the Near Zero Emissions Coal initiative is a three-phase programme that has the ultimate aim of building a prototype coal power plant with Carbon Capture and Storage (CCS) in China. AEA is managing the first phase of this initiative and leads a consortium of 28 UK and Chinese academic and industrial partners. In addition, AEA is leading on capacity building and facilitating knowledge transfer between Chinese and UK parties, modelling the future energy requirements of China and developing a roadmap for CCS in China, drawing together all the elements analysed under the project.

In London, the Mayor's innovative Green 500 Scheme will rank the performance of companies in London, which volunteer to participate in this scheme, against a basket of criteria designed to measure their impact on the climate.

The sales funnel remains strong and the Group sees significant opportunities for organic growth in Europe and China. AEA has also started to win work in the UK private sector providing advice to companies on carbon management, energy efficiency, transport and resource efficiency. AEA was encouraged by recent Government focus on improving the performance of the economy through increased investment in knowledge management. AEA runs the UK Government's largest programme in this area.

## ACQUISITIVE GROWTH

AEA will seek to make acquisitions that enable it to scale the business and give good routes to market. The Group's focus is on the US because of the opportunity to leverage AEA's skills and experience into a large and emerging market. In the UK and Europe it is likely the Group will focus on small bolt-ons, which enhance its technical base.

## PERFORMANCE

Turnover in the first six months increased by 10% to £35.3 million (2006: £32.1 million) with strong growth in air quality monitoring activities, resource efficiency and waste management projects and the Group's transport sector. Following a deferral of Government spending, new orders decreased to £23.1 million (2006: £34.0 million). However, at 30 September 2007 secure sales for the year stood at £68.3 million. Operating margin improvements resulted in adjusted operating profit increasing by 19% to £3.7 million (2006: £3.1 million). Operating profit for continuing operations was £3.7 million (2006: £6.8 million, including a £4.6 million exceptional pension past service credit).

The improved operating margin gave rise to a 27% increase in adjusted profit before tax to £2.8 million (2006: £2.2 million). Profit before tax for continuing operations was £2.8 million (2006: £5.9 million).

After adjusting for discontinued activities and one-off items the adjusted earnings per share for the continuing business improved to 2.3 pence (2006: 1.9 pence) per share. Basic earnings per share reduced to 2.3 pence (2006: 19.0 pence) per share.

## POSITION

### Net debt and cash flow

Net debt improved from £21.4 million at 31 March 2007 to £20.4 million. The net movement of £1.0 million reflects net proceeds of £6.4 million from the equity placing offset by a cash outflow from operations of £4.4 million (2006: £4.2 million), net interest/tax outflows of £0.8 million (2006: £1.9 million) and capital expenditure of £0.2 million (2006: £1.0 million).

### Equity placing

On 26 July 2007 the Company successfully placed 5,814,610 new ordinary shares at a price of 115.0 pence per share raising £6.4 million after expenses. The funds raised will be used to help the Company grow the business both organically and by acquisition and will provide greater financial flexibility.

## PRINCIPAL RISKS

Since the year end, there have been no major changes in the principal risks the Group faces or the risk management processes in place and full details are reported in the March 2007 Annual Report available on the internet at [www.aeat.com](http://www.aeat.com).

The principal risks faced by the Group are:

- Achieving organic growth – AEA is in a strong market, but recognises it is dominant in the UK public sector. While AEA intends to grow this core work even further, it is of strategic importance that the Group diversifies. Diversification will be achieved in three ways, by diversifying its customer base within the UK public sector, seeking organic growth in the private sector and by acquisitions and organic growth in other economic areas. The Group would also be impacted, in the short term, by any delay in Government orders.
- Changes in the competitive environment resulting from Government policy – Work for UK Government will remain a major component of AEA's business. Future changes in Government, its policies, priorities and expenditure levels could affect the Group's success.
- Recruitment and retention of sufficient high calibre people – The risks associated with absorbing new people, their reward and retention and managing the business changes necessary to respond to market opportunities are regularly under review.
- Retirement benefits – The Company operates both defined contribution and defined benefit pension schemes. The risk that the defined benefit scheme assets may not match liabilities is inherent in defined benefit schemes. At present the scheme has an accounting deficit of £57.2 million (£92.2 million at March 2007), including £3.5 million of unfunded obligations. The reduction in the net liability reflects a change to the financial assumptions

underlying the calculation of the liabilities, particularly an increase to the yield on long-term AA-rated corporate bonds.

- Legacy provisions – As detailed in note 13, the Group has contingent liabilities in respect of disposals of companies and businesses. Uncertainty exists around the potential for warranties and indemnities in respect of these disposals with a number of indemnities continuing for five to ten years post divestment. AEA has appointed a Managing Director, Risk and Legacy Management to manage risks around legacy provisions and indemnities and warranties on disposals. The Group has not become aware of any significant additional liabilities in respect of disposals.

## **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**

The outlook for the Group remains positive and AEA continues to see many encouraging possibilities across its various geographical markets. AEA remains focused on improving its performance and will continue to search for high quality consultants who can deliver more value to its customers.

By order of the Board

**Bernard Bulkin**  
Chairman  
29 November 2007

**Andrew McCree**  
CEO  
29 November 2007

**Alice Cummings**  
CFO  
29 November 2007

## Condensed consolidated income statement

		<b>Unaudited Six months ended 30 September 2007 £m</b>	Unaudited Six months ended 30 September 2006 £m	Audited Year ended 31 March 2007 £m
	<b>Notes</b>			
<b>Continuing operations</b>				
Turnover		<b>35.3</b>	32.1	75.2
Cost of sales		<b>(23.0)</b>	(20.6)	(49.3)
<b>Gross profit</b>		<b>12.3</b>	11.5	25.9
Other operating income		<b>3.5</b>	1.3	6.8
Selling and marketing costs		<b>(2.4)</b>	(2.1)	(4.4)
Administrative expenses		<b>(9.7)</b>	(3.9)	(18.9)
<i>Analysed as:</i>				
<i>Administrative expenses before significant one-off items</i>		<b>(9.7)</b>	(7.6)	(19.7)
<i>Significant one-off items:</i>				
<i>Curtailed loss in pension scheme</i>	7	-	(0.5)	(0.8)
<i>Exceptional past service credit in pension scheme</i>	7	-	4.6	2.0
<i>Re-financing costs</i>		-	(0.4)	(0.4)
<b>Operating profit</b>		<b>3.7</b>	6.8	9.4
Finance costs	8	<b>(10.3)</b>	(7.4)	(16.7)
Finance income	8	<b>9.4</b>	6.5	15.3
<b>Profit before taxation</b>		<b>2.8</b>	5.9	8.0
Income tax expense		-	-	-
<b>Profit for the period from continuing operations</b>		<b>2.8</b>	5.9	8.0
<b>Discontinued operations</b>				
Loss for the period from discontinued operations		-	(0.1)	(0.7)
Profit on disposal of businesses		-	16.7	17.4
<b>Discontinued operations</b>		<b>-</b>	16.6	16.7
<b>Profit for the period</b>		<b>2.8</b>	22.5	24.7
<b>Attributable to:</b>				
Equity holders of the Company		<b>2.8</b>	22.5	24.7
<b>Earnings per share on continuing operations attributable to the equity holders of the Company during the period</b>				
Basic (pence)	9	<b>2.3p</b>	5.0p	6.8p
Diluted (pence)	9	<b>2.3p</b>	4.8p	6.7p
<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>2.3p</b>	19.0p	20.9p
Diluted (pence)	9	<b>2.3p</b>	18.4p	20.6p

## Condensed consolidated statement of recognised income and expense

	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>30 September</b> <b>2007</b> <b>£m</b>	Unaudited Six months ended 30 September 2006 <sup>1</sup> £m	Audited Year ended 31 March 2007 £m
Exchange differences arising on translation	-	(0.5)	(0.7)
Actuarial gains/(losses) on defined benefit plans	<b>34.2</b>	(21.1)	(15.2)
Net income/(expense) recognised directly in equity	<b>34.2</b>	(21.6)	(15.9)
Profit for the period	<b>2.8</b>	22.5	24.7
<b>Total recognised income and expense</b>	<b>37.0</b>	0.9	8.8

<sup>1</sup> The statement of recognised income and expense as reported in the 2006 Interim Report included the fair value of employee share option schemes. The comparatives reported here have been restated to exclude this reserves movement, which is now reported in the statement of changes in shareholders' equity (note 12).

## Condensed consolidated balance sheet

		Unaudited at 30 September 2007 £m	Unaudited at 30 September 2006 £m	Audited at 31 March 2007 £m
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Other intangible assets		0.3	-	0.2
Property, plant and equipment		3.3	4.7	4.0
Available for sale investments		2.0	2.0	2.0
Deferred income tax assets		4.6	4.6	4.6
		<b>10.2</b>	11.3	10.8
<b>Current assets</b>				
Inventories		0.2	2.6	0.1
Trade and other receivables		12.6	18.4	15.1
Current income tax assets		0.1	-	0.1
Cash and cash equivalents	11	1.5	-	3.6
		<b>14.4</b>	21.0	18.9
<b>Total assets</b>		<b>24.6</b>	32.3	29.7
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity shareholders</b>				
Share capital and premium	6	55.6	49.2	49.2
Capital redemption reserve		0.7	0.7	0.7
Fair value and other reserves		38.8	(1.3)	4.6
Retained deficit		(196.2)	(201.2)	(199.0)
<b>Total equity</b>		<b>(101.1)</b>	(152.6)	(144.5)
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		0.4	0.2	0.5
Borrowings	11	0.1	0.3	0.1
Retirement benefit liabilities	7	57.2	95.7	92.2
Provisions for liabilities and charges		23.4	32.2	26.0
		<b>81.1</b>	128.4	118.8
<b>Current liabilities</b>				
Trade and other payables		22.5	36.3	30.1
Bank overdrafts	11	-	2.4	-
Current income tax liabilities		0.3	-	0.4
Borrowings	11	21.8	17.8	24.9
		<b>44.6</b>	56.5	55.4
<b>Total liabilities</b>		<b>125.7</b>	184.9	174.2
<b>Total equity and liabilities</b>		<b>24.6</b>	32.3	29.7

The notes are an integral part of this Half-Yearly Report.  
The Board approved this Half-Yearly Report on 29 November 2007.  
Signed on behalf of the Board of Directors.

**Bernard Bulkin**  
Chairman

**Andrew McCree**  
CEO

**Alice Cummings**  
CFO

## Condensed consolidated cash flow statement

		<b>Unaudited Six months ended 30 September 2007 £m</b>	Unaudited Six months ended 30 September 2006 £m	Audited Year ended 31 March 2007 £m
	Notes			
<b>Cash flows from operating activities</b>				
Cash used in operations	10	(4.4)	(4.2)	(4.8)
Interest paid		(0.8)	(2.1)	(3.1)
Interest received		0.1	0.7	0.8
Taxes paid		(0.1)	(0.5)	(0.5)
<b>Net cash used in operating activities</b>		<b>(5.2)</b>	<b>(6.1)</b>	<b>(7.6)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of available for sale investments		-	0.1	0.1
Net proceeds from disposals of businesses		-	16.1	17.4
Purchases of property, plant and equipment		(0.1)	(1.0)	(1.0)
Expenditure on product development		(0.1)	-	(0.7)
<b>Net cash (used in) / from investing activities</b>		<b>(0.2)</b>	<b>15.2</b>	<b>15.8</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(11.1)	(69.9)	(73.0)
Draw down of bank facilities		8.0	50.0	60.0
Proceeds from new equity issues		6.4	-	-
<b>Net cash generated from / (used in) financing activities</b>		<b>3.3</b>	<b>(19.9)</b>	<b>(13.0)</b>
<b>Net decrease in cash</b>		<b>(2.1)</b>	<b>(10.8)</b>	<b>(4.8)</b>
Cash and bank overdrafts at beginning of period		3.6	8.4	8.4
<b>Cash / (bank overdrafts) at end of period</b>	11	<b>1.5</b>	<b>(2.4)</b>	<b>3.6</b>

# Notes to the Half-Yearly Report

## 1 GENERAL INFORMATION

AEA is one of the world's leading consultancies in Energy and Climate Change. The Group employs many of the world's experts in air quality, energy policy, carbon trading and management, resource minimisation and waste management, transport and knowledge management. Its major customers are UK Government, Scottish Government, the London Development Agency, and the private sector in the UK and EU. AEA has been voted by its customers the UK's Best Consultancy in Climate Change and Renewables in this year's Environmental Data Interactive Exchange (EDIE) Awards.

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 2007.

The Board approved this condensed consolidated half-yearly financial information for issue on 29 November 2007.

These half-yearly 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 2007 were approved by the Board of Directors on 14 June 2007 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 2007 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-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2007, 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 2007, as described in pages 35 to 41 of those annual financial statements.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2008:

- IFRS 7, 'Financial Instruments: Disclosures' and the complementary amendment to IAS 1, 'Presentation of Financial Statements', 'Capital Disclosures', both effective for annual periods beginning on or after 1 January 2007. As this Half-Yearly Report contains only condensed financial statements, and there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full disclosures will be given in the next annual financial statements.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. This interpretation has not had any impact on the recognition of share-based payments in the Group.
- IFRIC 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had a material impact on the financial results of the Group.
- IFRIC 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had a material impact on the financial results of the Group.
- IFRIC 11, 'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation has not had a material impact on the financial 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 2008 and have not been adopted early:

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement.
- IFRIC 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant to the Group.

#### 4 SEGMENTAL INFORMATION

Based on risks and returns the Directors consider that the primary reporting format is by business segment. The Directors consider that there is only one business segment, being consultancy, policy support and programme management. Therefore, the disclosures for the primary segment are already given in these half-yearly financial statements.

#### 5 SEASONALITY

Sales of the consulting services provided by the Group are subject to seasonal fluctuations, with peak demand in the fourth quarter of the financial year. This reflects the pattern of purchasing/procurement by Governments, the Group's most significant customers.

#### 6 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 2006, 30 September 2006 and 31 March 2007	118.3	14.5	34.7	49.2
Placing issue	5.8	0.7	5.7	6.4
<b>At 30 September 2007</b>	<b>124.1</b>	<b>15.2</b>	<b>40.4</b>	<b>55.6</b>

The total authorised number of ordinary shares is 196,363,620 shares (March 2007 and September 2006: 196,363,620 shares) with a par value of 12.2 pence per share. All issued shares are fully paid.

On 26 July the Company successfully placed 5,814,610 new ordinary shares at a price of 115.0 pence per share raising £6.7 million before expenses (£6.4 million net of expenses). The funds raised will be used to help the Company grow the business both organically and by acquisition and will provide greater financial flexibility. The shares were admitted to the Official List and commenced trading on 1 August 2007.

#### Warrants

The placing of new ordinary shares in July 2007 entitled the holders of the Company's warrant instruments to additional shares on exercise of those warrants. The Company has in issue 5,987,560 (March 2007 and September 2006: 5,707,047) warrants giving the holders the right to subscribe in cash for shares in the Company.

## 7 RETIREMENT BENEFIT LIABILITIES

	At 30 September 2007 £m	At 30 September 2006 £m	At 31 March 2007 £m
<b>Balance sheet liabilities for:</b>			
Pension benefits	57.2	95.7	92.2
Post-employment medical benefits	-	-	-
	<b>57.2</b>	<b>95.7</b>	<b>92.2</b>
<b>Income statement charge / (credit) for:</b>			
Pension benefits	1.0	(0.5)	3.2
Post-employment medical benefits	-	0.3	0.3
	<b>1.0</b>	<b>(0.2)</b>	<b>3.5</b>

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

	At 30 September 2007 £m	At 30 September 2006 £m	At 31 March 2007 £m
Present value of funded obligations	335.2	357.5	363.2
Fair value of plan assets	(281.5)	(265.3)	(274.7)
	<b>53.7</b>	<b>92.2</b>	<b>88.5</b>
Present value of unfunded benefits	3.5	3.5	3.7
	<b>57.2</b>	<b>95.7</b>	<b>92.2</b>

The net balance sheet liability for retirement benefits has reduced to £57.2 million (March 2007: £92.2 million). A significant reduction has occurred through changes to the financial assumptions used in calculating the present value of funded obligations. These values, calculated under IAS 19, are impacted by changes in market conditions.

As at 31 March 2007 a discount rate of 5.3% 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 5.8% as at 30 September 2007, 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 2007 Annual Report.

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

	<b>Six months ended 30 September 2007 £m</b>	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
<b>Continuing operations</b>			
Current service cost	0.9	1.2	2.2
Interest cost	9.4	6.3	14.4
Expected return on plan assets	(9.3)	(6.4)	(14.6)
Curtailment loss during the period	-	0.5	0.8
Past service income	-	(4.6)	(2.0)
<b>Continuing operations</b>	<b>1.0</b>	<b>(3.0)</b>	<b>0.8</b>
<b>Discontinued operations</b>			
Current service cost	-	1.8	1.8
Interest cost	-	5.9	6.5
Expected return on plan assets	-	(7.0)	(7.7)
<b>Discontinued operations</b>	<b>-</b>	<b>0.7</b>	<b>0.6</b>
<b>Profit on disposal of business – curtailment loss</b>	<b>-</b>	<b>1.8</b>	<b>1.8</b>
<b>Total expense / (income) in the income statement</b>	<b>1.0</b>	<b>(0.5)</b>	<b>3.2</b>

The continuing operations curtailment loss in the year to March 2007 of £0.8 million arises from a reduction in numbers of members of the pension scheme due to the Company's redundancy programme. A curtailment loss also arose in the prior year due to the disposal of businesses and this was charged to the profit on disposal.

The past service income reported in the prior 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 was credited to the income statement.

There have been no events in the six months to 30 September 2007 that would have given rise to curtailment income/expense or past service income/expense.

## 8 FINANCE INCOME AND FINANCE COSTS (CONTINUING OPERATIONS)

	<b>Six months ended 30 September 2007 £m</b>	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
<b>Finance costs</b>			
Interest on bank overdrafts and loans	(0.9)	(1.1)	(2.2)
Interest on finance leases	-	-	(0.1)
Accretion of discount of defined pension contribution obligation	(9.4)	(6.3)	(14.4)
<b>Finance costs</b>	<b>(10.3)</b>	<b>(7.4)</b>	<b>(16.7)</b>
<b>Finance income</b>			
Interest income	0.1	0.1	0.7
Expected return on defined pension scheme assets	9.3	6.4	14.6
<b>Finance income</b>	<b>9.4</b>	<b>6.5</b>	<b>15.3</b>
<b>Net finance costs</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(1.4)</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 2007</b>	Six months ended 30 September 2006	Year ended 31 March 2007
Profit attributable to equity holders of the Company – continuing operations (£ millions)	<b>2.8</b>	5.9	8.0
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Basic earnings per share – continuing operations (pence)	<b>2.3p</b>	5.0p	6.8p

### (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 two categories of potential dilutive ordinary shares; share options and warrants. The calculation is performed for the share options and warrants to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants to give the number of shares deemed to be issued at nil consideration. These dilutive shares are added to the weighted average number of ordinary shares in issue.

	<b>Six months ended 30 September 2007</b>	Six months ended 30 September 2006 <sup>1</sup>	Year ended 31 March 2007
Profit attributable to equity holders of the Company – continuing operations (£ millions)	<b>2.8</b>	5.9	8.0
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Adjustment for share options (millions)	<b>0.2</b>	2.2	0.1
Adjustment for warrants (millions)	<b>2.1</b>	1.7	1.6
Weighted average number of ordinary shares for diluted earnings per share (millions)	<b>122.5</b>	122.2	120.0
Diluted earnings per share – continuing operations (pence)	<b>2.3p</b>	4.8p	6.7p

<sup>1</sup> The comparative figures for the six months ended 30 September 2006 have been restated to correct the adjustments for share options and warrants.

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

The adjusted earnings per share is calculated as follows:

	<b>Six months ended 30 September 2007</b>	Six months ended 30 September 2006	Year ended 31 March 2007
Profit attributable to equity holders of the Company – continuing operations (£ millions)	<b>2.8</b>	5.9	8.0
Pension curtailment loss (£ millions)	-	0.5	0.8
Exceptional credit for pension past service cost (£ millions)	-	(4.6)	(2.0)
Re-financing costs (£ millions)	-	0.4	0.4
Adjusted earnings attributable to equity holders of the Company – continuing operations (£ millions)	<b>2.8</b>	2.2	7.2
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Adjusted earnings per share (pence)	<b>2.3p</b>	1.9p	6.1p

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

	<b>Six months ended 30 September 2007</b>	Six months ended 30 September 2006	Year ended 31 March 2007
Profit attributable to equity holders of the Company (£ millions)	<b>2.8</b>	22.5	24.7
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Basic earnings per share (pence)	<b>2.3p</b>	19.0p	20.9p

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

	<b>Six months ended 30 September 2007</b>	Six months ended 30 September 2006 <sup>1</sup>	Year ended 31 March 2007
Profit attributable to equity holders of the Company (£ millions)	<b>2.8</b>	22.5	24.7
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Adjustment for share options (millions)	<b>0.2</b>	2.2	0.1
Adjustment for warrants (millions)	<b>2.1</b>	1.7	1.6
Weighted average number of ordinary shares for diluted earnings per share (millions)	<b>122.5</b>	122.2	120.0
Diluted earnings per share (pence)	<b>2.3p</b>	18.4p	20.6p

<sup>1</sup> The comparative figures for the six months ended 30 September 2006 have been restated to correct the adjustments for share options and warrants.

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

The adjusted earnings per share is calculated as follows:

	<b>Six months ended 30 September 2007</b>	Six months ended 30 September 2006	Year ended 31 March 2007
Profit attributable to equity holders of the Company (£ millions)	<b>2.8</b>	22.5	24.7
Pension curtailment loss (£ millions)	-	0.5	0.8
Exceptional pension past service income (£ millions)	-	(4.6)	(2.0)
Re-financing costs (£ millions)	-	0.4	0.4
Profit on disposal of businesses (£ millions)	-	(16.7)	(17.4)
Adjusted earnings attributable to equity holders of the Company (£ millions)	<b>2.8</b>	2.1	6.5
Weighted average number of ordinary shares in issue (millions)	<b>120.2</b>	118.3	118.3
Adjusted earnings per share (pence)	<b>2.3p</b>	1.8p	5.5p

## 10 CASH USED IN OPERATIONS

	<b>Six months ended 30 September 2007 £m</b>	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Profit for the period	2.8	22.5	24.7
Adjustments for:			
tax	-	0.4	0.5
depreciation and amortisation	0.7	1.6	2.9
share option charge	-	0.4	0.3
profit on disposal of subsidiaries	-	(16.7)	(17.4)
interest expense	10.3	14.3	24.1
interest income	(9.4)	(14.1)	(23.1)
other	-	0.4	0.4
Changes in working capital:			
inventories	(0.1)	0.3	2.1
trade and other receivables	2.5	6.1	4.9
trade and other payables	(7.7)	(7.0)	(8.0)
Changes in retirement benefit liabilities	(0.9)	(5.8)	(3.6)
Changes in provisions for liabilities and charges	(2.6)	(6.6)	(12.6)
<b>Cash used in operations</b>	<b>(4.4)</b>	<b>(4.2)</b>	<b>(4.8)</b>

## 11 NET DEBT

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

	<b>31 March 2007 £m</b>	<b>Cash inflows £m</b>	<b>Cash outflows £m</b>	<b>30 September 2007 £m</b>
Cash in hand and at bank	3.6	-	(2.1)	1.5
Bank overdrafts	-	-	-	-
	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)
	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)

## 12 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Company						
	Share capital (note 6)	Share premium (note 6)	Fair value and other reserves	Capital redemption reserves	Cumulative translation adjustment	Retained deficit	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2006	14.5	34.7	14.0	0.7	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)
Balance as at 30 September 2006	14.5	34.7	(1.3)	0.7	-	(201.2)	(152.6)
Actuarial gains on defined benefit plans	-	-	5.9	-	-	-	5.9
Profit for the period	-	-	-	-	-	2.2	2.2
Balance as at 31 March 2007	14.5	34.7	4.6	0.7	-	(199.0)	(144.5)
Issue of shares	<b>0.7</b>	<b>5.7</b>	-	-	-	-	<b>6.4</b>
Actuarial gains on defined benefit plans	-	-	<b>34.2</b>	-	-	-	<b>34.2</b>
Profit for the period	-	-	-	-	-	<b>2.8</b>	<b>2.8</b>
<b>Balance as at 30 September 2007</b>	<b>15.2</b>	<b>40.4</b>	<b>38.8</b>	<b>0.7</b>	-	<b>(196.2)</b>	<b>(101.1)</b>

## 13 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.

## 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-yearly 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 2007. There have been no changes to the composition of the Board in the subsequent period to the date of approval of this Half-Yearly Report.

By order of the Board

**Philip Roper**  
Company Secretary  
29 November 2007

# Independent review report to AEA Technology plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007, 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-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly 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 set of financial statements included in this half-yearly 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 set of financial statements in the half-yearly 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 set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 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  
29 November 2007  
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.