



HAMPSON INDUSTRIES PLC
HALF YEAR REPORT 2008

Hampson Industries PLC

Half Year Report 2008

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Cautionary Statement

This Half Year Report contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Hampson's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are: increased competition, the loss of or damage to one or more key customer relationships, changes to customer ordering patterns, delays in obtaining customer approvals for engineering or price level changes, the failure of one or more key suppliers, the outcome of business or industry restructuring, the outcome of any litigation, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in raw material or energy market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects.

Hampson undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Hampson Industries PLC

Half Year Report 2008

Chairman's Statement

The first six month period of the current financial year has been another period of considerable progress for the Group.

Robust trading results have combined with a number of significant achievements in the period that have left us a better balanced and stronger business, operating as market leaders in a number of defined niches within our core market sectors.

Revenue has increased by 45% in the period, and Group operating profit has more than doubled. Statutory earnings per share have increased by 92% and this has enabled us to declare an improved interim dividend to Shareholders of 0.80p per share, up 60% on the comparable period.

The acquisitions of Odyssey Industries Inc. ("Odyssey") and Global Tooling Systems Inc. ("GTS") have been fully integrated and are trading well ahead of our pre-acquisition expectations. We have also seen both of their order books progressively strengthen, in addition to that of our existing aerospace tooling business, Coast Composites, where we have recently expanded capacity in response to the demand we are now seeing for the Airbus A350 and other new commercial and military programmes.

Our financial flexibility has also been strengthened with the securing in April this year of new, enlarged five year committed borrowing facilities followed by a successful debut in the US private debt placement market in May 2008.

Whilst we recognise that the current economic environment, and particularly volatility in global financial markets, will lead to softening in demand for commercial aerospace, we expect the relative strength of the current commercial aircraft order book to have a positive influence for the balance of this and the following financial year. We have an experienced management team and we remain vigilant and prepared to act quickly and decisively, should the need arise, to take any necessary actions to ensure our business remains competitive under any changed demand scenario.

The recent investments we have made in composites, and particularly tooling, have created a better balance within the Group between the aerospace production build cycle and the development and launch phases of aircraft programmes. Consequently, the increased scale of the Group coupled with the spread of revenue sources has significantly reduced our exposure to any single contract downturn or to any cyclicity of the aerospace sector. This leaves the Group well placed to continue to generate long-term profitable growth and create value for Shareholders.

Chris Geoghegan

Chairman

26 November 2008

In addition to the "statutory" measures of profit, reference is made throughout to the impact on the Group's profit and earnings of excluding the following items: restructuring and rationalisation charges, impairment charges, amortisation of intangible assets arising on acquisition and changes in the net fair value of financial instruments. The Directors believe that exclusion of these items allows trends in the underlying performance of the Group's business to be more easily identified and understood. Reference is made throughout to the term "trading profit" which is defined as operating profit excluding all of the foregoing items.

Business Review

Group Performance

Revenue for the six month period was £110.5m, an increase of £34.2m (45%) compared with the first half of the previous year. This increase was assisted by three months' contribution from Odyssey and GTS, which accounted for £30.3m of the improvement.

Trading profit, at £20.0 million, increased by almost 100% compared with the same period in the prior year and benefited from a strong contribution from Odyssey and GTS, which exceeded the Board's expectations in the period.

Net financing costs (including changes in the net fair value of derivative financial instruments) amounted to £4.9m in the six month period, compared with £3.2m in the first half of the previous year. £0.6m of this increase was in respect of the expensing of debt arrangement costs associated with the Group's previous borrowing facilities on their refinancing in April 2008.

Profit before tax for the six month period increased by £9.0m (127%) and £7.5m (149%) on a management and statutory basis, respectively.

Earnings per share on both a management and statutory basis also improved strongly compared to the equivalent period in the prior year, in spite of the additional shares issued as part of the US\$253.3m initial consideration to fund the acquisitions of Odyssey and GTS, which were completed in June 2008.

At 8.3p, earnings per share, on a management basis, were 3.4p (70%) higher than for the equivalent period in the prior year. On a statutory basis, earnings per share increased by 3.1p (92%), to 6.5p.

Funding and Liquidity

All of the Group's existing bank borrowing facilities were refinanced in April 2008 prior to the acquisitions of Odyssey and GTS. The new facilities comprise five year bank borrowing facilities of £160m maturing in April 2013, and US\$50m of notes privately placed in the US debt market, maturing in May 2015. In addition, the Group maintains leasing facilities which are used to finance certain items of capital expenditure, totalling a further £26.5m. At 30 September 2008, £83.6m of the Group's committed borrowing facilities remained undrawn, with a weighted average tenor of almost five years.

In spite of increased working capital to support the growth in the tooling businesses, the six month period to 30 September saw improved underlying cash generation from operating activities some £3.7m higher than in the equivalent period of the previous year.

After funding the cash element of the consideration for the Odyssey and GTS acquisitions of £109.7m, net indebtedness at 30 September stood at £114.0m, £53.4m higher than at the prior year end. Interest cover (trading profit divided by net financing costs excluding unamortised debt issuance costs and changes in the net fair value of derivative financial instruments — interest instruments) for the six month period increased to over five times (year ended 31 March 2008: 4.2 times), and balance sheet "gearing" (net indebtedness expressed as a percentage of Shareholders' equity) reduced by 13 percentage points to 62% from the position as at 31 March 2008. The ratio of net indebtedness to EBITDA (trading profit before depreciation and amortisation) on a trailing twelve month basis (adjusted to reflect an assumed twelve months' ownership of Odyssey and GTS) was 2.2 times, unchanged from the year ended 31 March 2008.

Dividend

The Board has declared an interim dividend of 0.80p per share to be paid on or around 13 February 2009 to those Shareholders on the register on 23 January 2009. This represents a 60% increase on last year's interim dividend and is covered nearly seven times by earnings of the half year.

Currency

The results for the six month period to 30 September 2008 were translated at an average rate of exchange of GBP 1 = USD 1.94 (year ended 31 March 2008: GBP 1 = USD 2.01, six months ended 30 September 2007: GBP 1 = USD 2.00). On a constant currency basis, revenue and trading profit would have been £2.2m and £0.6m lower, respectively.

Operational Review

Aerospace Components & Structures

Hampson's Aerospace Components & Structures businesses supply highly engineered, performance-critical metallic components, sub-assemblies and fully assembled structures to many of the world's leading airframe manufacturers and gas turbine engine producers and their tier one suppliers.

As expected, aerospace markets in general have remained robust in the period. Against this background, overall activity levels were higher in the Aerospace Components & Structures division, leading to an 8% increase in revenue to £46.4m compared to the first six months of the previous year.

Despite generating growth in revenue, divisional trading profit, at £5.8m was marginally lower than in the first six months of last year. This was due primarily to the impact of the Eclipse 500 programme, which operated at well below break-even volumes in the period. Following the filing under Chapter 11 of the US Bankruptcy Code on 25 November 2008, the outcome of this programme is now subject to considerable uncertainty. All appropriate actions have already been taken to minimise the impact on the Group's ongoing trading results. In the event that the programme is terminated, the Group would take an exceptional one-time, non-cash impairment charge to reduce the carrying values of intangible assets, receivables, and inventory of up to £21m, depending on likely recoveries. Such a charge would have no impact on the Group's banking covenants or overall solvency. Termination of the Eclipse 500 programme would have a positive impact on the results for the Group going forward, both in terms of earnings and cash flow.

Aerospace Composites & Transparencies

Hampson's Aerospace Composites & Transparencies businesses provide a broad range of high performance transparencies and carbon composite components for airframe, satellite and gas turbine applications. Hampson is also the world leader in the design and fabrication of close tolerance tooling systems for large, carbon composite aero structures.

The Aerospace Composites & Transparencies division benefited from particularly strong results from Odyssey and GTS in the three month period since acquisition, with their order books having continued growing to record levels. This has been achieved in spite of delays in receiving orders from Boeing and its sub-contractors for the rate and derivative tooling for the B787 as a result of the continuing development delays in that aircraft programme. We expect these orders to be significant.

A key element of our growth strategy in recent years has been to reposition Hampson in profitable niches with less cyclical and more secular growth characteristics. As a consequence of this strategy, our Aerospace Composites & Transparencies business is now the largest of Hampson's divisions, generating well over 50% of the Group's revenue on a pro forma full year basis.

Total divisional revenue for the six month period stood at £53.1m, some £30.0m (129%) higher than in the first half of the prior year. Trading profit of £14.4m was £9.7m (208%) higher than the first half of the prior year.

The growth in the period was entirely due to the impact of Odyssey and GTS. On a constant currency, like-for-like basis, revenue and trading profit were both marginally lower compared to the same period last year due to continuing timing delays on the Lightning II (JSF) programme in respect of which the Group supplies high temperature composite engine components and later than planned receipt of initial A350 tooling orders. Compared to the prior period, results were also held back by lower requirements for composite engine nacelles by Eclipse Aviation.

The half year period saw a number of new contract wins at all of the Group's composites businesses, including a US\$39m sole source supply contract for F-16 canopies to the USAF for the next five years, a US\$17m contract to supply a package of assembly tooling for the Boeing 747-8 programme and contracts to supply initial development tools to Airbus for the A350 programme worth US\$27m.

In light of the growth in orders received, new capacity has already been brought on line in tooling with more committed, and Composites Horizons Inc., the Group's high temperature composites business, is about to undertake a US\$3m facility expansion programme in response to a doubling of its order book and the expectation of further contract wins.

Automotive Turbocharger

The Automotive Turbocharger division manufactures small, highly engineered precision components and rotating assemblies for turbocharger and similar close tolerance applications.

With higher fuel prices and environmental considerations continuing to drive the use of smaller, forced-induction engines in the passenger car and light vehicle sectors, the division continued to see growing demand for its products in the period.

Revenue, as a result, climbed 6% higher than in the equivalent period of 2007/8. Compared to a first half loss of £1.0m in 2007/08, the first six months of the current year generated a trading profit of £0.4m, after absorbing reduced net start-up losses of the Indian plant of just over £0.1m. Following the successful implementation of SAP, we expect to realise further operational efficiencies at both plants as well as benefit from the results of targeted cost reduction initiatives which are anticipated to deliver improved divisional results in the second half.

Our recently established Indian facility made positive progress in the period. The new facility, which offers a world-class manufacturing environment for precision engineered products, continues to generate interest from existing and new automotive customers and from our aerospace customers who continue to develop global strategies that involve the migration of some sourcing activity to lower cost facilities.

Outlook

With our recent investment to become global leaders in large tooling manufacture, we have deliberately positioned the Group to limit our exposure to the normal cyclicality of commercial aircraft build rates. Tooling now comprises over 50% of our total aerospace revenue and our tooling businesses have full order books. We expect to continue to see further order growth as orders are released for both rate and derivative tools on the B787 and Lightning II (JSF) programmes, as well as further development tooling orders on the A350.

In light of the current global economic environment, there are inevitably increasing risks of some softening of commercial aerospace demand from current levels. Although, in light of this, we consider it likely that Boeing, Airbus and their prime contractors will review their production rates, the unprecedented size of their current combined order book should provide some degree of resilience to activity levels within the commercial aerospace supply chain.

We expect military aerospace demand to remain broadly stable throughout the short and medium terms.

Global automotive markets will see falling production, although the proportion of passenger cars and light vehicles fitted with turbochargers is likely to increase. Taking these two factors together, we currently expect that the impact of reduced volumes on existing programmes will be partially commuted by growth in new programmes. We also expect operating efficiencies and cost reductions to generate improved results for this division in the second half.

Over 60% of the Group's revenue is denominated in US dollars. The recent strengthening of that currency against sterling, if sustained, will result in a further benefit to the Group's results going forward.

In summary, our strategy to reduce the inherent cyclical exposure of the commercial aerospace market and to build strong global leadership positions in distinct market niches has left us very well placed to weather the challenges presented by the current economic environment. We therefore expect to continue to make further positive progress during the second half of the current financial year and beyond.

Principal risks and uncertainties

In common with all trading businesses, the Group is exposed to a variety of risks in the conduct of its normal business operations. Set out on pages 21 to 24 of the Group's annual report for the year ended 31 March 2008 is a summary of some of the most important risks and uncertainties which, in the opinion of the Directors, could impact its performance. These are equally applicable to the current financial year. Although it is not possible to completely record or quantify every risk that the Group faces, on a short-term, forward-looking basis over the remainder of this financial year, the main area of potential risk and uncertainty relates to the continued solvency of Eclipse Aviation Corporation. Should this customer cease operations as a going concern, the Group would incur one-off, non-cash impairment charges to write down the value of certain fixed and current assets of up to £21m. Other principal risks and uncertainties include those related to the global economic environment, cyclical markets, market competition, customer concentration, programme dependencies & relationships, commercial dispute resolution and litigation and interest rate and foreign exchange risk. The Group seeks to put in place strategies and actions to mitigate the potential effect of these risks wherever practical.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board:

Chris Geoghegan

Chairman

26 November 2008

Kim Ward

Chief Executive

26 November 2008

Howard Kimberley

Finance Director

26 November 2008

Condensed Consolidated Income Statement

Unaudited

		Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
	Notes			
Continuing operations				
Revenue	3	110,512	76,346	157,946
Operating profit	4	17,360	8,258	18,172
<i>Analysed as:</i>				
Trading profit		20,005	10,039	22,366
Restructuring and rationalisation charges	5	(547)	(1,384)	(2,309)
Impairment charges	5	—	—	(392)
Changes in net fair value of derivative financial instruments — non-interest instruments	5	1	—	(775)
Amortisation of intangible assets on acquisition	5	(2,099)	(397)	(718)
Net financing costs		(4,853)	(3,241)	(8,989)
<i>Analysed as:</i>				
Financial income		677	624	1,960
Financial expense		(4,624)	(3,576)	(7,279)
Restructuring and rationalisation charges — unamortised debt issuance costs	5	(586)	—	—
Changes in net fair value of derivative financial instruments — interest instruments	5	(320)	(289)	(3,670)
Profit before taxation		12,507	5,017	9,183
Taxation	7	(3,752)	(1,806)	(2,349)
Profit after taxation		8,755	3,211	6,834
Discontinued operations				
Post-tax results from discontinued operations	8	(30)	(1,048)	(1,542)
Profit for the financial period		8,725	2,163	5,292
Attributable to:				
— Equity Shareholders of the parent company		8,725	2,163	5,292
— Minority interests		—	—	—
		8,725	2,163	5,292
Dividends per 25p ordinary share				
Interim dividend per share	9	0.80p	0.50p	0.50p
Final dividend per share	9	0.00p	0.00p	1.50p
Earnings per 25p ordinary share				
<i>Continuing operations:</i>				
Earnings per share before restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	10	8.30p	4.89p	12.96p
Basic	10	6.46p	3.37p	7.18p
Diluted	10	6.44p	3.36p	7.14p
<i>Total operations:</i>				
Basic	10	6.44p	2.27p	5.56p
Diluted	10	6.42p	2.26p	5.53p

Condensed Consolidated Balance Sheet

As at	Unaudited		
	30 September	30 September	31 March
	2008	2007	2008
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	217,580	59,431	61,448
Intangible assets	32,501	21,543	21,901
Property, plant and equipment	44,863	39,919	40,790
Deferred tax assets	—	4,070	—
	294,944	124,963	124,139
Current assets			
Inventories	46,069	26,334	26,762
Trade and other receivables — due within one year	50,840	34,264	36,089
Financial assets — derivatives	11	—	—
Current tax assets	252	214	2,249
Cash and cash equivalents	11,832	13,877	21,774
	109,004	74,689	86,874
Total assets	403,948	199,652	211,013
Liabilities			
Current liabilities			
Trade and other payables	(57,578)	(31,886)	(34,950)
Financial liabilities — derivatives	(5,712)	(1,226)	(5,382)
Provisions	(25,642)	(2,343)	(3,048)
	(88,932)	(35,455)	(43,380)
Non-current liabilities			
Financial liabilities — borrowings	(124,967)	(79,031)	(81,055)
Deferred tax liabilities	(5,308)	(8,812)	(5,086)
Provisions	(81)	—	(162)
Retirement benefit liabilities	(360)	(137)	(351)
	(130,716)	(87,980)	(86,654)
Total liabilities	(219,648)	(123,435)	(130,034)
Net assets	184,300	76,217	80,979
Equity			
Called up share capital	39,659	23,806	23,806
Reserves	144,641	52,333	57,094
Equity attributable to Shareholders of the parent	184,300	76,139	80,900
Minority interest	—	78	79
Total equity	184,300	76,217	80,979

Condensed Consolidated Cash Flow Statement

	Unaudited		
	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Cash flows from operating activities			
Cash generated from operations	9,622	3,679	20,633
Interest received	677	624	1,603
Interest paid	(4,538)	(3,395)	(6,582)
Tax paid	(1,723)	(565)	(2,749)
Net cash from operating activities	4,038	343	12,905
Cash flows from investing activities			
Acquisitions (net of cash acquired)	(115,135)	—	(985)
Disposals (net of cash disposed)	120	2,751	2,776
Purchase of property, plant and equipment	(2,585)	(1,710)	(4,020)
Purchase of intangible assets	(831)	(436)	(1,170)
Proceeds on sale of property, plant and equipment	43	683	722
Development costs	(189)	(83)	(594)
Net cash used in investing activities	(118,577)	1,205	(3,271)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	62,581	—	—
New borrowings	123,383	3,000	5,000
Dividends paid	—	—	(1,333)
Finance lease principal payments	(653)	(741)	(1,522)
Finance lease interest payments	(86)	(60)	(175)
Repayments of loans	(80,034)	(20)	(58)
Net cash flow used in financing activities	105,191	2,179	1,912
Currency variations on cash and cash equivalents	(594)	(91)	(13)
(Decrease)/increase in cash and cash equivalents	(9,942)	3,636	11,533
Cash and cash equivalents at the beginning of the period	21,774	10,241	10,241
Cash and cash equivalents at the end of the period	11,832	13,877	21,774

Reconciliation of movement in cash and cash equivalents to movement in net debt

	Unaudited		
	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Movement in cash and cash equivalents	(9,942)	3,636	11,533
Net proceeds of borrowings	(43,349)	(2,980)	(4,942)
Currency variations on borrowings	(1,719)	—	—
Finance lease payments	653	741	1,522
New finance leases	—	(1,133)	(1,654)
Other movements in net debt	909	(121)	(241)
Movement in period	(53,448)	143	6,218
Net debt at beginning of period	(60,576)	(66,794)	(66,794)
Net debt at end of period	(114,024)	(66,651)	(60,576)

Other movements in net debt reflect movements in the unamortised issuance costs in relation to borrowings within the Group.

Condensed Cash Flow from Operating Activities

	Unaudited		
	Half year to	Half year to	Year to
	30 September	30 September	31 March
	2008	2007	2008
	£'000	£'000	£'000
Continuing operations			
Profit before tax	12,507	5,017	9,183
Add back: financial (income)/expense	4,853	3,241	8,989
Operating profit	17,360	8,258	18,172
Depreciation of property, plant and equipment	2,594	2,190	4,338
Amortisation of intangible assets	2,611	941	2,026
Amortisation of government grants	—	—	(115)
Impairment charges	—	—	392
Results of discontinued operations	(30)	(37)	(394)
Loss on sale of property, plant and equipment	7	39	41
Share-based payments	120	116	213
Increase in inventories	(6,952)	(1,950)	(2,183)
(Increase)/decrease in trade and other receivables	(6,519)	(914)	(2,931)
Increase/(decrease) in trade and other payables	(363)	(3,883)	434
Increase/(decrease) in provisions	795	(635)	370
Contribution to defined benefit pension schemes	—	(446)	(505)
Movement in derivative financial instruments	(1)	—	775
Cash generated from operations	9,622	3,679	20,633

Condensed Statement of Recognised Income and Expense

	Unaudited		
	Half year to	Half year to	Year to
	30 September	30 September	31 March
	2008	2007	2008
	£'000	£'000	£'000
Currency variations	14,272	(3,077)	(805)
Unrecoverable surplus on retirement benefit scheme	—	—	(160)
Actuarial gains/(losses) on retirement benefit scheme — gross	—	—	(203)
Deferred taxation related thereto	—	—	102
Net gains/(losses) not recognised in income statement	14,272	(3,077)	(1,066)
Profit for the financial period	8,725	2,163	5,292
Total recognised income/(expense) for the period	22,997	(914)	4,226
Attributable to:			
— Equity Shareholders of the parent company	22,997	(914)	4,226
— Minority interests	—	—	—
	22,997	(914)	4,226

Notes to the Half Year Report

1. Basis of preparation

Basis of preparation

Hampson Industries PLC (the “Company”) is a company domiciled in the United Kingdom. The unaudited condensed consolidated half year financial statements for the six months ended 30 September 2008 comprise the Company and its subsidiaries.

These half year condensed consolidated financial statements have 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. They do not include all information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2008. The comparative figures for the year ended 31 March 2008 do not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 March 2008 has been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Measurement and performance reporting

In addition to the “statutory” measures of profit, reference is made throughout to the impact on the Group’s profit and earnings of excluding the following items: restructuring and rationalisation charges, impairment charges, amortisation of intangible assets arising on acquisition and changes in the net fair value of financial instruments. The Directors believe that exclusion of these items allows trends in the underlying performance of the Group’s business to be more easily identified and understood. Reference is made throughout to the term “trading profit” which is defined as operating profit excluding all of the foregoing items.

Changes in accounting policies

Except as described below, the accounting policies and basis of consolidation applied by the Group in these unaudited half year condensed consolidated financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2008.

Subject to endorsement by the European Union, IFRIC 14 “The limit on a defined benefit asset, minimum funding requirements and their interaction” will be adopted for the year ending 31 March 2009. This interpretation will not have a material impact on the reported income or net assets.

Critical accounting estimates and judgements

In the process of applying the Group’s accounting policies, management has made a number of judgements. The process of preparing these unaudited half year condensed consolidated financial statements inevitably requires the Group to make estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have the most significant effect on the amounts included with these unaudited half year condensed consolidated financial statements were the same as those that applied to the audited consolidated financial statements for the year ended 31 March 2008, along with the specific risks and uncertainty regarding the continued solvency of Eclipse Aviation Corporation as noted on page 5.

Seasonality

The Group does not have any revenue or results that are materially impacted by seasonality.

Approval of unaudited half year condensed consolidated financial statements

The unaudited half year condensed consolidated financial statements were approved for issue on behalf of the Board of Directors on 26 November 2008.

2. Exchange rates

The principal exchange rates used were as follows:

	Half year to 30 September 2008	Half year to 30 September 2007	Year to 31 March 2008
Sterling to US Dollar (GBP 1 = USD):			
Average for period	1.94	2.00	2.01
Period end	1.82	2.04	2.00
Sterling to Indian Rupee (GBP 1 = INR):			
Average for period	82.50	81.62	80.87
Period end	86.89	81.15	79.69

Assets and liabilities of overseas undertakings are translated at the rate of exchange ruling at the balance sheet date and the income statement is translated at the average rate of exchange.

3. Segmental analysis

By primary segment — business group

Half year to 30 September 2008	Aerospace Components & Structures £'000	Aerospace Composites & Trans- parencies £'000	Automotive Turbo- charger £'000	Industrial £'000	Corporate & Unallocated £'000	Total £'000
Continuing operations:						
Segment revenue	46,351	53,136	11,025	—	—	110,512
Segment trading profit/(loss)	5,753	14,392	406	—	(546)	20,005
Restructuring and rationalisation charges	(492)	—	(28)	—	(27)	(547)
Impairment charges	—	—	—	—	—	—
Changes in fair value of derivative financial instruments	—	—	—	—	1	1
Amortisation of intangible assets on acquisition	(164)	(1,935)	—	—	—	(2,099)
Segment operating profit/(loss)	5,097	12,457	378	—	(572)	17,360
Net financing costs	—	—	—	—	(4,853)	(4,853)
Profit/(loss) before taxation	5,097	12,457	378	—	(5,425)	12,507
Taxation	—	—	—	—	(3,752)	(3,752)
Profit/(loss) for the period after taxation	5,097	12,457	378	—	(9,177)	8,755
Discontinued operations:						
Post-tax results from discontinued operations	—	—	—	—	(30)	(30)
Profit attributable to minority interests	—	—	—	—	—	—
Net profit/(loss) attributable to equity Shareholders	5,097	12,457	378	—	(9,207)	8,725

3. Segmental analysis (continued)

Half year to 30 September 2007	Aerospace Components & Structures £'000	Aerospace Composites & Trans- parencies £'000	Automotive Turbo- charger £'000	Industrial £'000	Corporate & Unallocated £'000	Total £'000
Continuing operations:						
Segment revenue	42,790	23,173	10,383	—	—	76,346
Segment trading profit/(loss)	6,423	4,674	(955)	—	(103)	10,039
Restructuring and rationalisation charges	(1,132)	—	(182)	—	(70)	(1,384)
Impairment charges	—	—	—	—	—	—
Changes in fair value of derivative financial instruments	—	—	—	—	—	—
Amortisation of intangible assets on acquisition	(82)	(315)	—	—	—	(397)
Segment operating profit/(loss)	5,209	4,359	(1,137)	—	(173)	8,258
Net financing costs	—	—	—	—	(3,241)	(3,241)
Profit/(loss) before taxation	5,209	4,359	(1,137)	—	(3,414)	5,017
Taxation	—	—	—	—	(1,806)	(1,806)
Profit/(loss) for the period after taxation	5,209	4,359	(1,137)	—	(5,220)	3,211
Discontinued operations:						
Post-tax results from discontinued operations	—	—	—	(1,039)	(9)	(1,048)
Profit attributable to minority interests	—	—	—	—	—	—
Net profit/(loss) attributable to equity Shareholders	5,209	4,359	(1,137)	(1,039)	(5,229)	2,163

For the year ended 31 March 2008	Aerospace Components & Structures £'000	Aerospace Composites & Trans- parencies £'000	Automotive Turbo- charger £'000	Industrial £'000	Corporate & Unallocated £'000	Total £'000
Continuing operations:						
Segment revenue	89,058	45,982	22,906	—	—	157,946
Segment trading profit/(loss)	12,658	9,978	1,225	—	(1,495)	22,366
Restructuring and rationalisation charges	(2,002)	—	(237)	—	(70)	(2,309)
Impairment charges	—	—	—	—	(392)	(392)
Changes in fair value of derivative financial instruments	—	—	—	—	(775)	(775)
Amortisation of intangible assets on acquisition	(163)	(555)	—	—	—	(718)
Segment operating profit/(loss)	10,493	9,423	988	—	(2,732)	18,172
Net financing costs	—	—	—	—	(8,989)	(8,989)
Profit/(loss) before taxation	10,493	9,423	988	—	(11,721)	9,183
Taxation	—	—	—	—	(2,349)	(2,349)
Profit/(loss) for the year after taxation	10,493	9,423	988	—	(14,070)	6,834
Discontinued operations:						
Post-tax results from discontinued operations	—	—	—	(1,194)	(348)	(1,542)
Profit attributable to minority interests	—	—	—	—	—	—
Net profit/(loss) attributable to equity Shareholders	10,493	9,423	988	(1,194)	(14,418)	5,292

The results of Odyssey Industries Inc. and Global Tooling Systems Inc., which were acquired during the period to 30 September 2008, are included within the "Aerospace Composites & Transparencies" segment.

4. Operating profit

Reconciliation of revenue to total operating profit:

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Revenue	110,512	76,346	157,946
Cost of sales	(78,838)	(55,275)	(112,842)
Gross profit	31,674	21,071	45,104
Other income	529	481	595
Distribution costs	(1,850)	(1,955)	(2,589)
Administrative expenses	(12,993)	(11,339)	(24,938)
Operating profit	17,360	8,258	18,172

5. Exceptional items, remeasurements and amortisation of intangibles

Restructuring and rationalisation charges

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Charges/(credits) included within operating profit	547	1,384	2,309
Charges/(credits) included within net financing costs	586	—	—
	1,133	1,384	2,309

Exceptional items within operating profit reflect the Group's restructuring and rationalisation costs primarily relating to employment termination and legal costs — £547,000 (half year to 30 September 2007: £1,384,000, year to 31 March 2008: £2,309,000).

Exceptional items within net financing costs reflect the write-off of unamortised debt issuance costs in relation to the prepaid and refinanced borrowing facilities of the Group — £586,000 (half year to 30 September 2007: £nil, year to 31 March 2008: £nil). For details of the new borrowing facilities of the Group, see note 13.

Impairment charges

During the year the Group undertook a review of the utilisation and carrying values of certain assets. As a result of this, £nil (half year to 30 September 2007: £nil, year to 31 March 2008: £392,000) of impairment charges were incurred, as follows:

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Impairment of receivables through customer third party insolvency	—	—	392
Total impairment charges	—	—	392

The impairment of receivables related to an external sub-tenant at a property leased by the Group that went into liquidation during the prior year.

5. Exceptional items, remeasurements and amortisation of intangibles (continued)

Changes in net fair value of derivative financial instruments

IAS 39 requires derivative financial instruments to be valued at the balance sheet date and the fair value reflected in the balance sheet as an asset or liability. Any subsequent change in value is reflected in the Income Statement unless hedge accounting is achieved. Such movements do not affect cash flow or the economic substance of the underlying transaction, and thus to aid in year on year comparability, the change in value has been identified separately. As a result, the changes in net fair value of derivative financial instruments were:

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Charges/(credits) included within operating profit	(1)	—	775
Charges/(credits) included within net financing costs	320	289	3,670
	319	289	4,445

Amortisation of intangible assets on acquisition

As required under IFRS 3 'Business Combinations' and IAS 38 'Intangible Assets', intangible assets identified on acquisition have been amortised during the period — £2,099,000 (half year to 30 September 2007: £397,000, year to 31 March 2008: £718,000).

Exceptional items are included within cost of sales £2,579,000 (half year to 30 September 2007: £1,526,000, year to 31 March 2008: £2,470,000) and administrative expenses £66,000 (half year to 30 September 2007: £255,000, year to 31 March 2007: £1,724,000).

The net cash outflow from exceptional items charged during the period amounted to £547,000 (half year to 30 September 2007: £1,384,000, year to 31 March 2008: £2,309,000).

6. Share-based payments

No new share-based payment schemes were introduced during the half year to 30 September 2008 (half year to 30 September 2007: none, year to 31 March 2008: none).

During the half year to 30 September 2008 365,120 (half year to 30 September 2007: nil, year to 31 March 2008: nil) shares were issued under the August 2005 LTIP scheme, out of a possible maximum of 700,000 shares if full vesting conditions had been met.

During the half year to 30 September 2008 20,000 (half year to 30 September 2007: nil, year to 31 March 2008: nil) share options were exercised under the March 2005 ESOS scheme at an exercise price of 127.5p per share, creating 20,000 new ordinary shares of 25p each with the remaining value being classified as share premium on each ordinary share.

7. Taxation

The taxation charge for the half year to 30 September 2008 is based on the estimated effective tax rate for the full year to 31 March 2009 of 30% (half year to 30 September 2007: 36%, year to 31 March 2008 26%).

8. Discontinued operations

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Discharge of liabilities associated with previously discontinued operations	(30)	(9)	(348)
Post-tax results of disposed businesses	—	(28)	(28)
Post-tax loss on disposal of discontinued operations	—	(1,011)	(1,166)
Post-tax results from discontinued operations	(30)	(1,048)	(1,542)

Discharge of liabilities associated with previously discontinued operations

Costs in order to discharge liabilities in relation to companies previously classified as discontinued operations relate to legal and property costs. During the prior year to 31 March 2008 an external sub-tenant of a leasehold property that had been vacated by the Group in 1991, as part of a disposal of a subsidiary, went into liquidation, whereupon a provision of £323,000 was created for the estimated costs up to the first available break clause in the relevant lease in March 2010.

Disposal of Lattimer Limited and I.S. Parts International Inc.

On 27 June 2007 the Group disposed of its entire 100% shareholding in Lattimer Limited and I.S. Parts International Inc. to Lattimer Holdings Limited.

As part of the disposal of Lattimer Limited, Hampson Industries PLC disposed of the freehold interest in the property in Southport, UK occupied by the business to Lattimer Limited. The carrying value of the property as at date of disposal was £638,000, and was sold to Lattimer Limited for £620,000, creating a loss on disposal of £18,000.

Within the post tax loss on disposal of discontinued operations for the half year to 30 September 2008 is £nil (half year to 30 September 2007 £81,000, year to 31 March 2008 £136,000) in relation to legal and other professional costs associated with the disposal.

Disposal of Lattimer Limited

The results of the discontinued operations were as follows:

	Half year to 30 September 2008 Total £'000	Half year to 30 September 2007 Total £'000	Year to 31 March 2008 Total £'000
Revenue	—	670	670
Operating loss	—	(103)	(103)
Analysed as:			
Trading loss	—	(103)	(103)
Financial income	—	—	—
Financial expense	—	(2)	(2)
Loss before taxation	—	(105)	(105)
Taxation	—	31	31
Profit/(loss) after taxation	—	(74)	(74)

8. Discontinued operations (continued)

The consideration and profit on disposal of Lattimer Limited were as follows:

	£'000
Consideration — satisfied by cash	994
Consideration — deferred	200
Consideration — total	1,194
Goodwill	61
Intangible fixed assets	76
Property, plant and equipment	512
Inventories	1,311
Trade and other receivables	1,031
Cash and cash equivalents	(2,083)
Trade and other payables	(520)
Net assets disposed	388
Profit on disposal of discontinued operations	806

The deferred consideration is payable in 20 instalments commencing in December 2007, and is not contingent on any future performance of the business.

The net cash flows in relation to Lattimer Limited were £nil outflow from operating activities (half year to 30 September 2007: outflow £382,000, year to 31 March 2008: outflow £382,000), £nil outflow from investing activities (half year to 30 September 2007: outflow £23,000, year to 31 March 2008: outflow £23,000) and £nil outflow from financing activities (half year to 30 September 2007: outflow £2,039,000, year to 31 March 2008: outflow £2,039,000).

Disposal of I.S. Parts International Inc.

The results of the discontinued operations were as follows:

	Half year to 30 September 2008 Total £'000	Half year to 30 September 2007 Total £'000	Year to 31 March 2008 Total £'000
Revenue	—	1,039	1,039
Operating profit	—	74	74
<i>Analysed as:</i>			
Trading profit	—	74	74
Financial income	—	1	1
Financial expense	—	(1)	(1)
Profit before taxation	—	74	74
Taxation	—	(28)	(28)
Profit after taxation	—	46	46

The consideration and loss on disposal of I.S. Parts International Inc. were as follows:

	£'000
Consideration — satisfied by cash	994
Consideration — deferred	200
Consideration — total	1,194
Goodwill	37
Intangible fixed assets	14
Property, plant and equipment	663
Inventories	1,358
Trade and other receivables	770
Cash and cash equivalents	1,239
Trade and other payables	(1,069)
Net assets disposed	3,012
Loss on disposal of discontinued operations	(1,818)

8. Discontinued operations (continued)

The deferred consideration is payable in 20 instalments commencing in December 2007, and is not contingent on any future performance of the business.

The net cash flows in relation to I.S. Parts International Inc. were £nil inflow from operating activities (half year to 30 September 2007: inflow £155,000, year to 31 March 2008: inflow £155,000), £nil outflow from investing activities (half year to 30 September 2007: outflow £21,000, year to 31 March 2008: outflow £21,000) and £nil inflow from financing activities (half year to 30 September 2007: inflow £1,084,000, year to 31 March 2007: inflow £1,084,000).

9. Dividends

	Half year to 30 September 2008 £'000	Half year to 30 September 2007 £'000	Year to 31 March 2008 £'000
Equity dividends paid in the period:			
Previous year final: 1.50p (2007: 0.90p) per 25p ordinary share	2,379	857	857
Current year interim: 0.00p (2007: 0.50p) per 25p ordinary share	—	—	476
	2,379	857	1,333

In addition, the Directors propose that an interim dividend be paid in respect of the financial year ended 31 March 2009 of 0.80p per 25p ordinary share, at a cost of approximately £1,269,000.

10. Earnings per share

Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary Shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted Earnings per Share

Diluted earnings per share is calculated by dividing the profit attributable to ordinary Shareholders by the weighted average number of ordinary shares in issue during the year, adjusted for any dilutive potential ordinary shares.

	Half year to 30 September 2008 Earnings £'000	Half year to 30 September 2008 Weighted average number of shares Number	Half year to 30 September 2008 Earnings per 25 pence share Pence
Continuing Operations:			
Basic EPS	8,755	135,449,184	6.46
Dilutive potential ordinary shares	—	477,359	(0.02)
Diluted EPS	8,755	135,926,543	6.44
Discontinued Operations:			
Basic EPS	(30)	135,449,184	(0.02)
Dilutive potential ordinary shares	—	477,359	0.00
Diluted EPS	(30)	135,926,543	(0.02)
Total Operations:			
Basic EPS	8,725	135,449,184	6.44
Dilutive potential ordinary shares	—	477,359	(0.02)
Diluted EPS	8,725	135,926,543	6.42

10. Earnings per share (continued)

	Half year to 30 September 2007	Half year to 30 September 2007	Half year to 30 September 2007
	Earnings £'000	Weighted average number of shares Number	Earnings per 25 pence share Pence
Continuing Operations:			
Basic EPS	3,211	95,227,416	3.37
Dilutive potential ordinary shares	—	491,623	(0.01)
Diluted EPS	3,211	95,719,039	3.36
Discontinued Operations:			
Basic EPS	(1,048)	95,227,416	(1.10)
Dilutive potential ordinary shares	—	491,623	0.00
Diluted EPS	(1,048)	95,719,039	(1.10)
Total Operations:			
Basic EPS	2,163	95,227,416	2.27
Dilutive potential ordinary shares	—	491,623	(0.01)
Diluted EPS	2,163	95,719,039	2.26

	Year to 31 March 2008	Year to 31 March 2008	Year to 31 March 2008
	Earnings £'000	Weighted average number of shares Number	Earnings per 25 pence share Pence
Continuing Operations:			
Basic EPS	6,834	95,227,416	7.18
Dilutive potential ordinary shares	—	482,578	(0.04)
Diluted EPS	6,834	95,709,994	7.14
Discontinued Operations:			
Basic EPS	(1,542)	95,227,416	(1.62)
Dilutive potential ordinary shares	—	482,578	0.01
Diluted EPS	(1,542)	95,709,994	(1.61)
Total Operations:			
Basic EPS	5,292	95,227,416	5.56
Dilutive potential ordinary shares	—	482,578	(0.03)
Diluted EPS	5,292	95,709,994	5.53

Earnings per share based on continuing activities before exceptional items, remeasurements and amortisation of intangibles, which the Directors consider gives a useful additional indication of the underlying performance of the Group, is calculated on the earnings adjusted as follows:

	Half year to 30 September 2008	Half year to 30 September 2008
	Earnings £'000	Earnings per 25 pence share Pence
Continuing Operations:		
Profit attributable to ordinary Shareholders	8,755	6.46
Restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	3,551	2.62
Taxation on restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	(1,065)	(0.78)
	11,241	8.30

10. Earnings per share (continued)

	Half year to 30 September 2007	Half year to 30 September 2007
	Earnings £'000	Earnings per 25 pence share Pence
Continuing Operations:		
Profit attributable to ordinary Shareholders	3,211	3.37
Restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	2,070	2.17
Taxation on restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	(621)	(0.65)
	<u>4,660</u>	<u>4.89</u>
	Year to 31 March 2008	Year to 31 March 2008
	Earnings £'000	Earnings per 25 pence share Pence
Continuing Operations:		
Profit attributable to ordinary Shareholders	6,834	7.18
Restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	7,864	8.26
Taxation on restructuring and rationalisation charges, impairment charges, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition	(2,359)	(2.48)
	<u>12,339</u>	<u>12.96</u>

11. Intangible assets

During the six months ended 30 September 2008, the Group acquired assets with a cost of £1,021,000 (half year to 30 September 2007: £519,000, year ended 31 March 2008: £2,516,000). £10,987,000 of assets were acquired through acquisition of subsidiary undertakings (half year to 30 September 2007: £nil, year ended 31 March 2008: £nil). Details of goodwill acquired as part of the acquisition of Odyssey and GTS is included in note 16.

Assets with a net book value of £3,000 were disposed during the six months ended 30 September 2008 (half year to 30 September 2007: £3,000, year ended 31 March 2008: £nil). In addition, assets with a net book value of £nil were disposed through the process of disposal of subsidiary undertakings (half year to 30 September 2007: £188,000, year ended 31 March 2008: £188,000).

During the six months ended 30 September 2008, no assets were subject to impairment (half year to 30 September 2007: £nil, year ended 31 March 2008: £nil).

12. Property, plant and equipment

During the six months ended 30 September 2008 the Group acquired assets with a cost of £2,707,000 (half year to 30 September 2007: £2,843,000, year ended 31 March 2008: £5,674,000). £2,660,000 of assets were acquired through acquisition of subsidiary undertakings (half year to 30 September 2007: £nil, year ended 31 March 2008: £nil).

Assets with a net book value of £67,000 were disposed during the six months ended 30 September 2008 (half year to 30 September 2007 £722,000, year ended 31 March 2008 £763,000). In addition, assets with a net book value of £nil were disposed through the process of disposal of subsidiary undertakings (half year to 30 September 2007: £1,075,000, year ended 31 March 2008: £1,175,000).

During the six months ended 30 September 2008 no assets were subject to impairment (half year to 30 September 2007: £nil, year ended 31 March 2008: £nil).

As at 30 September 2008 the Group had entered into contractual commitments to purchase assets with a cost of £3,415,000 (30 September 2007: £607,000, 31 March 2008: £841,000).

13. Financial risk management

On 22 April 2008 the Group entered into a new, secured, floating rate, multi-currency committed revolving credit facility and term loan facility. The new revolving credit facility is for a term of five years and for an initial amount of £90.0m. The new term loan is for a term of five years and for an initial amount of £95.0m with repayments starting after 18 months and amortising over the five year period to £54.5m after 54 months.

On 28 May 2008 the Group issued US\$50.0m of fixed rate notes that were privately placed in the US debt market. Under this note issuance, the Group is required to pay quarterly in US dollars a fixed rate of interest, equivalent to 6.94% per annum with the principal being repaid at the end of the seven year term, on 28 May 2015. As a result of the note issuance, the outstanding balance of the term loan facility was reduced to £70.0m.

During the six months to 30 September 2008 the Group took out two floating interest rate swaps in a notional principal amount of US\$25.0m each. Each swap has a cancellable option, callable at the option of the counterparty bank, quarterly from August 2009. Under the swaps the Group will receive a fixed interest rate of 6.94% on a quarterly basis from November 2008 and will pay a floating rate of US LIBOR plus a margin of between 179 and 187 basis points.

As a result of the refinancing of the senior debt facilities, the Group had committed bank, loan note and lease facilities of £211.5m (£160.0m bank facilities, £25.0m loan note facilities, £26.5m lease facilities) which mature between April 2013 and May 2015. As at 30 September 2008 the Group had undrawn committed borrowing facilities, on a floating rate basis, of £83.6m which expire in more than two years time.

14. Called up share capital

	As at 30 September 2008	
	Number	£'000
Authorised:		
Ordinary shares of 25p each — equity	220,000,000	55,000
Allotted, called up and fully paid:		
Ordinary shares of 25p each — equity	158,634,996	39,659
	As at 30 September 2007 & 31 March 2008	
	Number	£'000
Authorised:		
Ordinary shares of 25p each — equity	130,000,000	32,500
Allotted, called up and fully paid:		
Ordinary shares of 25p each — equity	95,227,416	23,806

14. Called up share capital (continued)

	Number	£'000
Authorised:		
As at 30 September 2007 & 31 March 2008		
Ordinary shares of 25p each — equity	130,000,000	32,500
Additional share authorisation — June 2008	90,000,000	22,500
As at 30 September 2008		
Ordinary shares of 25p each — equity	220,000,000	55,000
	Number	£'000
Allotted, called up and fully paid:		
As at 30 September 2007 & 31 March 2008		
Ordinary shares of 25p each — equity	95,227,416	23,806
Placing and open offer — June 2008	48,148,148	12,037
Consideration shares — June 2008	14,874,312	3,719
Shares issued under LTIP scheme — August 2008	365,120	92
Shares issued under ESOS scheme — September 2008	20,000	5
As at 30 September 2008		
Ordinary shares of 25p each — equity	158,634,996	39,659

Consideration shares relate to shares issued to the Vendors as part consideration for the acquisition of Odyssey Industries Inc. and Global Tooling Systems Inc. For further details on the acquisition of these businesses, see note 16.

An analysis of the net inflow of cash in respect of proceeds from issue of ordinary share capital is as follows:

	£'000
Placing and open offer shares — 48,148,148 Ordinary Shares of 25p each at 135p per share	65,000
Directly attributable costs in relation to issuance of placing and open offer shares	(2,445)
Cash received in relation to exercise of share options	26
Net inflow of cash in respect of proceeds from issue of ordinary share capital	62,581

15. Changes in Shareholders' equity

	Reserves								
	Share capital £'000	Share premium £'000	Share-based				Equity share- holders' funds £'000	Minority interest £'000	Total equity £'000
			payment reserve £'000	Exchange reserve £'000	Other reserves £'000	Retained earnings £'000			
At 1 April 2008	23,806	56,337	534	(8,411)	2,062	6,572	80,900	79	80,979
Issue of ordinary share capital	15,853	66,900	—	—	—	—	82,753	—	82,753
Transfer from income statement	—	—	—	—	—	8,725	8,725	—	8,725
Dividends	—	—	—	—	—	(2,379)	(2,379)	—	(2,379)
Actuarial gain on retirement benefit liabilities net of deferred tax related thereto	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	20	—	—	9	29	—	29
Changes in minority interests	—	—	—	—	—	—	—	(79)	(79)
Exchange adjustment	—	—	—	14,272	—	—	14,272	—	14,272
At 30 September 2008	39,659	123,237	554	5,861	2,062	12,927	184,300	—	184,300

15. Changes in Shareholders' equity (continued)

	Reserves								
	Share capital £'000	Share premium £'000	Share-based	Exchange reserve £'000	Other reserves £'000	Retained earnings £'000	Equity share-	Minority interest £'000	Total equity £'000
			payment reserve £'000				holders' funds £'000		
At 1 April 2007	23,806	56,337	321	(7,606)	2,062	2,874	77,794	75	77,869
Issue of ordinary share capital	—	—	—	—	—	—	—	—	—
Transfer from income statement	—	—	—	—	—	2,163	2,163	—	2,163
Dividends	—	—	—	—	—	(857)	(857)	—	(857)
Actuarial gain on retirement benefit liabilities net of deferred tax related thereto	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	116	—	—	—	116	—	116
Changes in minority interests	—	—	—	—	—	—	—	3	3
Exchange adjustment	—	—	—	(3,077)	—	—	(3,077)	—	(3,077)
At 30 September 2007	23,806	56,337	437	(10,683)	2,062	4,180	76,139	78	76,217

	Reserves								
	Share capital £'000	Share premium £'000	Share-based	Exchange reserve £'000	Other reserves £'000	Retained earnings £'000	Equity share-	Minority interest £'000	Total equity £'000
			payment reserve £'000				holders' funds £'000		
At 1 April 2007	23,806	56,337	321	(7,606)	2,062	2,874	77,794	75	77,869
Issue of ordinary share capital	—	—	—	—	—	—	—	—	—
Transfer from income statement	—	—	—	—	—	5,292	5,292	—	5,292
Dividends	—	—	—	—	—	(1,333)	(1,333)	—	(1,333)
Actuarial gain on retirement benefit liabilities net of deferred tax related thereto	—	—	—	—	—	(261)	(261)	—	(261)
Share-based payments	—	—	213	—	—	—	213	—	213
Changes in minority interests	—	—	—	—	—	—	—	4	4
Exchange adjustment	—	—	—	(805)	—	—	(805)	—	(805)
At 31 March 2008	23,806	56,337	534	(8,411)	2,062	6,572	80,900	79	80,979

16. Acquisitions

Acquisition of Odyssey Industries Inc.

On 9 June 2008 the Group purchased 100% of the voting shares of Odyssey Industries Inc. ("Odyssey"). The purchase has been accounted for as a business combination. The carrying values pre-acquisition and provisional fair values of assets acquired and total consideration payable for Odyssey are set out below:

	Carrying values pre-acquisition £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible assets	50	8,319	8,369
Property, plant and equipment	2,461	(190)	2,271
Inventories	5,812	(581)	5,231
Trade and other receivables	5,454	(1,339)	4,115
Cash and cash equivalent	44	—	44
Trade and other payables	(5,322)	(3,071)	(8,393)
Provisions	—	(1,418)	(1,418)
Net assets acquired	8,499	1,720	10,219
Goodwill			97,386
Consideration including costs			107,605
Contingent consideration — to be satisfied by cash			(12,322)
Provision for outstanding costs			(380)
			94,903
Consideration excluding future costs — satisfied by cash			80,847
Consideration excluding future costs — satisfied by equity — 10,412,018 ordinary shares of 25p each at a price of 135p per ordinary share			14,056
Total consideration excluding future costs			94,903

As part of the acquisition of Odyssey additional consideration may be payable dependent on the future financial performance of the business. The contingent consideration within the table above is measured on an estimate of the probable position after taking into account all relevant information as at 30 September 2008. However, dependent on the future performance of Odyssey, a higher level of consideration may in the event be payable.

Contingent consideration is payable by the Group within ten days of the earn-out calculations being agreed by both parties, which is expected to be before 31 March 2009. The Vendors are entitled to receive this contingent consideration if the combined EBITDA of Odyssey and GTS for the year ending 31 December 2008 is greater than US\$37.8m and less than or equal to US\$43.0m. The Vendors will receive an amount equal to 6.67 times the difference between the actual combined EBITDA and US\$37.8m. If the actual combined EBITDA exceeds US\$43.0m the Vendors will receive an amount equal to 6.5 times the difference between the actual combined EBITDA and US\$43.0m, subject to a total maximum contingent consideration of US\$60.7m.

Provision for outstanding costs relates to an accrual for directly attributable costs that have been incurred as part of the acquisition, that have yet to be invoiced to the Group.

The carrying values pre-acquisition of the assets and liabilities have been extracted from the accounting records of Odyssey, which were maintained in accordance with US GAAP, as at 9 June 2008 and translated at actual exchange rates on that date. No adjustments have been required to these carrying values in order to comply with IFRS as adopted by the European Union. Fair values of the assets and liabilities remain provisional as the review of operations and recoverability of assets remains ongoing, and will be finalised in the Group's financial statements for the year ending 31 March 2009.

Fair value adjustments on intangible assets represent the separately identifiable intangible assets acquired as part of the acquisition such as order backlog and customer relationship. Other fair value adjustments relate to reductions in the carrying value of assets to align provisioning policies to those of the Group, or where specific issues, e.g. saleability of inventory, were identified at the time of acquisition.

Goodwill represents the value of the synergies arising from cross-selling existing products to new customers introduced by the acquisition and the value of the assembled workforce and management team which are continuing within the business and have significant knowledge of the production process.

16. Acquisitions (continued)**Acquisition of Odyssey Industries Inc.** (continued)

The separately identifiable intangible assets acquired as part of the acquisition can be analysed as follows:

	£'000
Computer software	50
Order backlog at date of acquisition	5,534
Customer relationships	2,785
	<u>8,369</u>

The results of Odyssey (excluding any adjustments relating to remuneration and costs of the previous owners) for the six months to 30 September 2008, if it had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	23,113
Operating profit	<u>5,351</u>

The results of the Group (excluding any adjustments relating to remuneration and costs of the previous owners) for the six months to 30 September 2008, if Odyssey had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	117,062
Operating profit	<u>16,943</u>

This information is not necessarily indicative of the results of operations that would have occurred under the management of the Group had the purchase been made at the beginning of the year or the future results of the combined operations, and only includes amortisation of intangible assets on acquisition since the date of acquisition.

The results of Odyssey, between the date of acquisition and 30 September 2008, are as follows:

	£'000
Revenue	16,563
Operating profit	4,324
Analysed as:	
Trading profit	5,768
Amortisation of intangible assets on acquisition	(1,444)
Financial income	7
Financial expense	—
Profit before taxation	4,331

Included within the results are £266,000 of cost of sales with GTS, that would be eliminated on a consolidated basis for the Group's financial statements.

From the date of acquisition to 30 September 2008, Odyssey contributed £2,349,000 to the Group's net operating cash flows, received £7,000 in respect of interest, £nil in respect of taxation and utilised £395,000 for capital expenditure. All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the accounts.

16. Acquisitions (continued)

Acquisition of Global Tooling Systems Inc.

On 9 June 2008 the Group purchased 100% of the voting shares of Global Tooling Systems Inc. ("GTS"). The purchase has been accounted for as a business combination. The carrying values pre-acquisition and provisional fair values of assets acquired and total consideration payable for GTS are set out below:

	Carrying values pre-acquisition £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible assets	256	2,362	2,618
Property, plant and equipment	389	—	389
Inventories	6,303	(630)	5,673
Trade and other receivables	2,609	(148)	2,461
Cash and cash equivalent	19	—	19
Trade and other payables	(4,748)	(3,067)	(7,815)
Provisions	—	(2,014)	(2,014)
Net assets acquired	4,828	(3,497)	1,331
Goodwill			39,249
Consideration including costs			40,580
Contingent consideration — to be satisfied by cash			(5,282)
Provision for outstanding costs			(380)
			34,918
Consideration excluding future costs — satisfied by cash			28,894
Consideration excluding future costs — satisfied by equity — 4,462,294 ordinary shares of 25p each at a price of 135p per ordinary share			6,024
Total consideration excluding future costs			34,918

As part of the acquisition of GTS additional consideration may be payable dependent on the future financial performance of the business. The contingent consideration within the table above is measured on an estimate of the probable position after taking into account all relevant information as at 30 September 2008. However, dependent on the future performance of GTS, a higher level of consideration may in the event be payable.

Contingent consideration is payable by the Group within ten days of the earn-out calculations being agreed by both parties, which is expected to be before 31 March 2009. The Vendors are entitled to receive this contingent consideration if the combined EBITDA of Odyssey and GTS for the year ending 31 December 2008 is greater than US\$37.8m and less than or equal to US\$43.0m. The Vendors will receive an amount equal to 6.67 times the difference between the actual combined EBITDA and US\$37.8m. If the actual combined EBITDA exceeds US\$43.0m the Vendors will receive an amount equal to 6.5 times the difference between the actual combined EBITDA and US\$43.0m, subject to a total maximum contingent consideration of US\$60.7m.

Provision for outstanding costs relates to an accrual for directly attributable costs that have been incurred as part of the acquisition, that have yet to be invoiced to the Group.

The carrying values pre-acquisition of the assets and liabilities have been extracted from the accounting records of GTS, which were maintained in accordance with US GAAP, as at 9 June 2008 and translated at actual exchange rates on that date. No adjustments have been required to these carrying values in order to comply with IFRS as adopted by the European Union. Fair values of the assets and liabilities remain provisional as the review of operations and recoverability of assets remains ongoing, and will be finalised in the Group's financial statements for the year ending 31 March 2009.

Fair value adjustments on intangible assets represent the separately identifiable intangible assets acquired as part of the acquisition such as order backlog and customer relationship. Other fair value adjustments relate to reductions in the carrying value of assets to align provisioning policies to those of the Group, or where specific issues, e.g. saleability of inventory, were identified at the time of acquisition.

Goodwill represents the value of the synergies arising from cross-selling existing products to new customers introduced by the acquisition and the value of the assembled workforce and management team which are continuing within the business and have significant knowledge of the production process.

16. Acquisitions (continued)**Acquisition of Global Tooling Systems Inc.** (continued)

The separately identifiable intangible assets acquired as part of the acquisition can be analysed as follows:

	£'000
Computer software	1
Order backlog at date of acquisition	1,501
Customer relationships	1,116
	2,618

The results of GTS (excluding any adjustments relating to remuneration and costs of the previous owners) for the six months to 30 September 2008, if it had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	17,842
Operating profit	4,721

The results of the Group (excluding any adjustments relating to remuneration and costs of the previous owners) for the six months to 30 September 2008, if GTS had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	114,396
Operating profit	17,822

This information is not necessarily indicative of the results of operations that would have occurred under the management of the Group had the purchase been made at the beginning of the year or the future results of the combined operations, and only includes amortisation of intangible assets on acquisition since the date of acquisition.

The results of GTS, between the date of acquisition and 30 September 2008, are as follows:

	£'000
Revenue	13,959
Operating profit	3,863

Analysed as:	
Trading profit	4,259
Amortisation of intangible assets on acquisition	(396)

Financial income	1
Financial expense	—
Profit before taxation	3,864

Included within the results are £266,000 of revenues with Odyssey, that would be eliminated on a consolidated basis for the Group's financial statements.

From the date of acquisition to 30 September 2008, GTS contributed £48,000 to the Group's net operating cash flows, received £1,000 in respect of interest, £nil in respect of taxation and utilised £19,000 for capital expenditure. All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the accounts.

The combined results of Odyssey and GTS (excluding any adjustments relating to remuneration and costs of the previous owners, but including intercompany adjustments) for the 6 months to 30 September 2008, if they had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	40,689
Operating profit	10,072

16. Acquisitions (continued)

The results of the Group (excluding any adjustments relating to remuneration and costs of the previous owners, but including intercompany adjustments) for the six months to 30 September 2008, if Odyssey and GTS had been acquired at the beginning of the year, would have been as follows:

	£'000
Revenue	120,946
Operating profit	17,405

This information is not necessarily indicative of the results of operations that would have occurred under the management of the Group had the purchases been made at the beginning of the year or the future results of the combined operations, and only includes amortisation of intangible assets on acquisition since the date of acquisition.

Acquisition of remaining minority interest in Hampson Precision Automotive India Private Limited

On 27 May 2008 the Group purchased the remaining 2% voting rights of Hampson Precision Automotive India Private Limited from Maini Precision Products Private Limited for £96,000, resulting in the Group owning 100% of the voting rights of the company. The purchase has been accounted for as a business combination.

An analysis of the net outflow of cash in respect of acquisitions is as follows:

	£'000
Cash consideration — Odyssey	80,847
Cash consideration — GTS	28,894
Directly attributable costs in relation to the acquisitions of Odyssey & GTS	5,361
Cash consideration — Hampson Precision Automotive India	96
	115,198
Less net cash acquired with subsidiary undertakings — Odyssey & GTS	(63)
Net outflow of cash and cash equivalents for acquisitions	115,135

17. Related party transactions

Definition of key management personnel

Key management personnel is defined as the main Board of Directors of Hampson Industries PLC and the Executive Committee of the Board of Directors of Hampson Industries PLC, which include, in addition to the Executive Directors, a number of other senior managers with operational or functional responsibility within the Group.

Related party transactions with key management personnel

As part of the acquisition of Odyssey Industries Inc. ("Odyssey") and Global Tooling Systems Inc. ("GTS"), the Group entered into operating lease arrangements with the vendor to lease the facilities that both companies occupy. This is considered to be a related party transaction as the vendor, Mr Randal Bellestri, who joined the Group as part of the acquisition, owns approximately a 9% shareholding in the Company and is a member of the Executive Committee of the Board of Directors of Hampson Industries PLC.

Odyssey leases its facilities from RDB Industries Inc. and RSS Holdings LLC. Mr Bellestri is the owner of both companies. Under the terms of the five year lease, Odyssey is required to make monthly rental payments of US\$100,000 plus the payment of property taxes, maintenance and insurance, which was externally assessed as market value at the date of the acquisition. Within trade creditors are amounts due to RDB Industries Inc. at 30 September 2008 of US\$nil (31 March 2008: Not applicable, 30 September 2007: Not applicable) and to RSS Holdings LLC at 30 September 2008 of US\$nil (31 March 2008: Not applicable, 30 September 2007: Not applicable).

GTS leases its facilities from C & Sons Inc., of which Mr. Bellestri is a 50% shareholder. Under the terms of the five year lease, GTS is required to make monthly rental payments of US\$50,000 plus the payment of property taxes, maintenance and insurance, which was externally assessed as market value at the date of the acquisition. Within trade creditors are amounts due to C & Sons Inc. at 30 September 2008 of US\$nil (31 March 2008: Not applicable, 30 September 2007: Not applicable).

Other than transactions noted above and the remuneration of each individual, there have been no other transactions with key management personnel.

17. Related party transactions (continued)

Other related party transactions

During the six months ended 30 September 2008, the Company entered into transactions with its subsidiary undertakings in respect of internal funding loans and provision of normal Group services (including IT, accounting and procurement services). Recharges are made for Group services based on the utilisation of those services on arm's length terms.

Annual management recharges are levied by the Company to subsidiary undertakings to cover services provided, which for the six months ended 30 September 2008 amounted to £nil (half year to 30 September 2007: £nil, year ended 31 March 2008: £5,553,000). In addition to these services, the Company acts as a buying agent for certain Group purchases e.g. insurance, which are recharged on an arm's length basis based on utilisation by the subsidiary undertaking.

Recharges are made to subsidiary undertakings for Group loans based on funding provided at an interest rate linked to the prevailing base rate of the country in whose currency the loan is denominated. No recharges are made in respect of balances due to or from otherwise dormant companies. Total interest received by the Company from subsidiary undertakings for the six months ended 30 September 2008 amounted to £1,991,000 (half year to 30 September 2007: £4,588,000, year ended 31 March 2008: £9,129,000) and total interest paid by the Company to subsidiary undertakings for the six months ended 30 September 2008 amounted to £178,000 (half year to 30 September 2007: £65,000, year ended 31 March 2008: £236,000).

No dividends were received by the Company from subsidiary undertakings during the six months ended 30 September 2008 (half year to 30 September 2007: £nil, year ended 31 March 2008: £1,000,000).

The amount outstanding from subsidiary undertakings to the Company at 30 September 2008 totalled £44,469,000 (30 September 2007: £112,435,000, 31 March 2008: £127,159,000). Amounts owed to subsidiary undertakings by the Company at 30 September 2008 totalled £9,063,000 (30 September 2007: £9,929,000, 31 March 2008: £9,426,000). The Company had no expense in respect of bad or doubtful debts of subsidiary undertakings during the six months to 30 September 2008 (half year to 30 September 2007: £nil, year to 31 March 2008: £nil).

The Company provides the Group's defined benefit pension schemes, which are closed to accrual of further benefit. At 30 September 2008 both schemes were the responsibility of Hampson Industries PLC.

18. Contingent liabilities

Multi-lateral cross-guarantees have been given by the Company and certain subsidiaries in respect of financial indebtedness under bank borrowing facilities. Contingent liabilities exist in respect of performance bonds, forward exchange commitments and other guarantees which arise in the normal course of business and are not expected to give rise to any loss.

A subsidiary of the Group is pursuing a commercial claim against a third party for wasted costs arising as a result of alleged repudiatory breach of contract and is defending a counterclaim alleging similar breach. As of 30 September 2008, confidential arbitration proceedings have been undertaken although adjudication has not yet been made known to the parties. Since the outcome of these proceedings remains uncertain at the date of approval of these financial statements it is not practical to estimate their financial effect. Any financial impact will be dealt with in the financial statements relating to the financial period in which the outcome is notified.

19. Post-balance sheet events

On 25 November 2008 Eclipse Aviation Corporation filed for Chapter 11 bankruptcy protection under the US Bankruptcy Code, and also announced an agreement for the sale of its assets for a combination of cash, debt and equity to an affiliate of ETIRC Aviation S.a.r.l., the largest shareholder of Eclipse Aviation Corporation, subject to higher and better offers. Due to the timing of this announcement and the considerable uncertainty now surrounding the Eclipse 500 programme, an assessment of the ongoing recoverability of assets held by the Group in relation to this programme will be considered by management upon receipt of further information regarding the filing, the results of which will be reported in the financial statements for the year ended 31 March 2009.

20. Other information

This statement will be posted to Shareholders on or around 26 November 2008 and will be available for review at the Group's website shown below. Copies are also available from the Company's registered office, at the address shown below:

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