

HAMPSON INDUSTRIES PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2007

Hampson Industries PLC, the international aerospace and specialist engineering group, announces preliminary results under IFRS for the year ended 31 March 2007:

Corporate highlights

- CHI acquisition integrated and performing ahead of expectations. Prior year acquisitions continuing to perform strongly
- Bangalore plant commissioned and operational
- Continuing strong orderbooks

Financial highlights

- Revenue increased 41%
- Trading profit* up 114%, ahead of market consensus despite £0.8m adverse currency translation impact
- Adjusted earnings per share* up 83%
- Proposed resumption of dividends – recommended final payment of 0.90p per share
- Strong cash generation from operating activities

	2007	2006	Change %
Revenue	£146.3m	£103.9m	+41
Trading Profit*	£16.5m	£7.7m	+114
Operating Profit	£12.5m	£3.6m	+243
Profit Before Tax*	£11.4m	£4.6m	+151
Profit Before Tax – statutory basis	£6.3m	£0.7m	+759
Earnings per Share*	8.56p	4.68p	+83
Earnings per Share – statutory basis	4.52p	0.53p	+753
Dividend per Share	0.90p	0.00p	
Net cash from operating activities	£12.2m	(£1.6m)	
Net Debt	£66.8m	£61.7m	

**Trading profit, profit before tax and earnings per share are all stated to reflect the continuing operations of the Group before exceptional items, re-measurements and amortisation of intangible assets on acquisition.*

Commenting on the year, Chairman Tony Gilroy, said:

“A successful fusion of solid organic growth and contributions from current and prior years’ acquisitions has generated results ahead of market expectations. Our strategy of carefully targeted acquisitions and growing strength on important strategic platforms will assist us to further deliver long term shareholder value.”

An analyst meeting will be held at 8.30am on Wednesday 6 June, at Investec’s offices, 2 Gresham Street, London EC2V 7QP.

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Chairman's Statement

Growth & Performance

I am pleased to report that the year ended 31 March 2007 has seen the delivery of a number of milestone achievements by the Hampson Group, with results that have exceeded expectations.

Building on the progress achieved in 2005/06, our growth strategy has continued to deliver positive results. Revenues grew by 41% to £146 million, and trading profit (defined as operating profit before exceptional items, amortisation of intangible assets on acquisition and changes in the net fair value of derivative financial instruments), at £16.5 million, increased by 114% to a record level for the Group, despite an adverse currency translation impact of £0.8 million.

We achieved increased revenues in all core divisions, with a healthy combination of solid organic growth and contributions from current and previous years' acquisitions. Each of our recent acquisitions continues to perform well with Texstars, Coast Composites and Lamsco all having won new business in the year. Organic revenue growth excluding recent acquisitions was 30%.

Our strategy has been to grow the business with investment in carefully selected new processes and technologies that provide us with defensible, niche positions and access to important, high volume programmes that offer attractive growth, with visibility into the future. The acquisition of CHI in January 2007 meets all these criteria, adding specialist high temperature capabilities to our rapidly growing portfolio of composite and advanced polymer technologies and an important strategic position on the F-35 Joint Strike Fighter programme. CHI has already been fully integrated into the Hampson Group and together with Texstars and Coast, forms a portfolio of businesses that enables us to offer an extensive capability in advanced composites to our major global aerospace customers.

In order to respond to the continuous uptrend in the use of composites in airframe manufacture, we have committed to a major capacity expansion project at Coast Composites in California, USA, which will be completed by April 2008.

Our Aerospace Components & Structures businesses also performed well in the year, with revenues up by £29.9 million (59%) and an increase in trading profit of £10.8 million. We are particularly pleased with the turnaround in performance at our larger UK aerospace facilities where we have worked hard to improve operational performance through a number of measures. With both Airbus and Boeing increasing production rates, we are anticipating continuing growth for 2007/08.

The revolutionary new Eclipse 500 Very Light Jet achieved Type Certification from the US Federal Aviation Administration in September 2006 followed by Production Certification in April 2007. Following a year of continued development, we expect this key programme to contribute to further growth in revenues for the Group in 2007/08.

Our Automotive Turbocharger business successfully expanded its capability during the year with the commissioning of our new manufacturing facility in Bangalore, which provides us with an additional 50,000 square feet of productive capacity. Many opportunities have been identified for growth as our customers increasingly adopt global sourcing models, looking for competitive sources of supply located close to their growth markets. Results in the year for this division were held back by the net start-up costs of the new Indian facility, extensive development activity and new model introductions in our UK facility. We expect the new plant to achieve breakeven in 2007/08 and with the improvements we are targeting in the UK facility, we expect the results to benefit accordingly.

Results

Profit before tax on an adjusted basis (i.e. before exceptional items, amortisation of intangible assets on acquisition and changes in the net fair value of derivative financial instruments) was £11.4 million, an increase of £6.9 million compared to 2005/06.

Profit before tax on a statutory basis was £6.3 million, an increase of £5.6 million compared to 2005/06.

Earnings per share on a management basis were 83% higher, at 8.56p. Measured on a statutory basis, earnings per share increased by 3.99p (753%) to 4.52p.

Dividend

With the improving results and consequent financial strengthening of the Group, the Board is pleased to recommend the resumption of dividend payments to shareholders. It is the Board's recommendation that a final dividend of 0.90p per share will be paid on 5 October 2007 to shareholders on the register as at 5 September 2007. The proposed dividend is covered 4.65 times by earnings. It is our current intention that subject always to prevailing market conditions, this will mark the resumption of a policy of progressive increases thereafter.

The Future

We remain committed, as our key priority, to generating sustainable, attractive returns for our shareholders. Our internal investments, recent acquisitions and our unrelenting focus on improving performance levels in both existing and newly acquired businesses have together laid solid foundations to achieve this.

Our core markets remain strong and we foresee many opportunities to secure further sustainable growth. We will continue to take all strategic actions necessary to maintain the momentum seen in 2006/07 and look forward with confidence to another year of positive progress.

JA Gilroy
6 June 2007

Chief Executive's Statement

Turning strategy into results

Hampson has made excellent progress in 2006/07. Our acquisition strategy progressed further, operational improvements have started to bear fruit, our low cost manufacturing facilities are now operational and we have continued to win business in our core operations.

As we survey the results of 2006/07, we can also look forward with confidence to the year ahead knowing our order books stand at record levels and some of our most important programmes have yet to reach maturity.

Without doubt it has been a year of great achievement for the Group. We are financially stronger and our strategy is delivering results.

In aerospace, the acquisition of CHI gives us world-leading technology in a niche where demand for high temperature composite engine components is growing. Each of our composites businesses continues to thrive, and with an expanded technology platform and representation on new programmes, we can look forward with added confidence to capturing more value as traditional alloys continue to be substituted with lighter-weight, high-strength composite materials.

Our Components & Structures businesses have performed exceptionally well in a rising market, recovering from several years of more modest performance. This represents the culmination of a number of improvement actions executed with dedication by our new management teams.

After a further year of development, the Eclipse 500 VLJ achieved its long expected production certification on 26 April 2007. This outstanding achievement paves the way for aircraft production volumes to increase, underpinned by a very strong order book reported at over 2,500 aircraft. We are already in production, are fully-invested and ready to support this important programme at the expected production rates.

In automotive, we have brought our new Indian facility into production whilst supporting our existing customers with pre-production development work and low volume proto-typing of new components for next generation turbochargers. The inevitable need for production line interruptions resulted in a loss of efficiency during this period which has led to a reduction in profits. Further capacity has now been committed to provide a dedicated proto-typing and fully flexible low volume production line to alleviate this constraint going forward.

The use of turbochargers to improve engine efficiency continues to increase and the longer term prognosis as new programmes bed in is for margin recovery and further growth.

Investing in technology

Over the last three years and excluding the costs of acquisitions, we have invested approximately £37 million in capital expenditure in our business, with an emphasis on harnessing the very latest available technology in forming, fabrication, machining, processing and assembly.

Hampson now has some of the most advanced manufacturing processes available in our chosen segments. As a result, we are now very much a "House of Technology", and have positioned our business in good shape to benefit from further profitable growth.

In parallel we are implementing SAP on a coordinated basis across our larger businesses in a major project to unlock further efficiencies, leverage our corporate knowledge and to make the application of lean principles a way of life within Hampson.

Our People

Our people are the main contributor to the success of Hampson and I would like to pay tribute to their commitment and personally thank them for their efforts, dedication and enthusiasm. I also warmly welcome the CHI team to the Hampson Group.

We share values of professionalism, commitment and excellence and I look forward to a bright future for the Group built on the quality of our people.

Outlook

Our order books are at record levels and the outlook for all of our core markets remains positive.

In aerospace, commercial production rates are continuing to increase and military markets are expected to remain strong. We therefore anticipate further volume-driven growth in all of our component businesses in 2007/08.

New aircraft programmes with increasing composite content including the A350XWB and derivative versions of the Boeing 787 and F-35 are expected to result in rising demand for tooling systems.

The demand for turbochargers in the global vehicle fleet continues to rise, with growth in Asian markets and the Americas projected to be strongest. Heavy commercial vehicle demand in Western markets is likely to be more muted in 2007/08 but we expect the impact of this to be largely offset by new light vehicle programmes.

Overall, the foundations have been set for another year of profitable growth and we look forward with confidence to delivering all-round positive progress in 2007/08 and beyond.

KS Ward

6 June 2007

Group Performance Review

Revenues - £146 million (2005/06: £104 million)

Revenues from continuing operations of the Group increased by £42 million (41%) in the year ended 31 March 2007, of which £2.6 million was contributed by CHI during the three month period since acquisition. A further £28.5 million was due to the full year impact of Coast Composites and Lamsco, which were acquired in December 2005. Excluding the impact of these acquired operations, revenues from existing businesses grew by 21%, largely reflecting continuing buoyant demand conditions in the global commercial aerospace markets.

Aerospace revenues, at £117 million on a combined basis, were £42 million (56%) higher than in the previous year, including the impact of acquisitions and foreign exchange rate adjustments. The largest increase was in the Components & Structures division.

Automotive Turbocharger revenues increased by £0.4 million compared to the previous year. This marks the fifth consecutive year of growth for the division, during which time revenues have grown by over 15% on a compound annual basis, reflecting both market share gains and the impact on the market for diesel-engined vehicles in particular of progressively tightening fuel emission regulations.

Revenues in the Industrial division were broadly unchanged over the year, although exhibiting some change in mix, with greater sales of lower margin components to customers away from the glass container industry.

Trading profit* - £16.5 million (2005/06: £7.7 million)

Trading profit for the year ended 31 March 2007, at £16.5 million, was at a record level for the Group, more than double compared with the previous year, despite absorbing approximately £0.8 million of adverse foreign exchange rate movements as a result of the much weaker US Dollar. Profits earned in US Dollars were translated into Sterling at an average rate of GBP1=USD1.89 for the year ended 31 March 2007, compared with a rate of GBP1=USD1.74 in 2005/06.

The Group's aerospace operations continued to benefit from increasing build rates across most major programmes, in addition to which, restructuring and other management actions at the larger UK facilities within the Components & Structures division resulted in improved results. The impact of including a full year's results for acquisitions in 2005/06 was £6.1 million, and CHI, acquired in January 2007, contributed £0.5 million of trading profit to the Group in the period since acquisition.

Trading profit generated by the Automotive Turbocharger division was £1.8 million lower than in the previous year due to the inclusion of start-up costs of the new Bangalore plant and the costs of new product development and introductions at the UK facility in Skelmersdale, UK.

The Industrial division experienced weak overall demand from the glass bottle and container manufacturing market together with the deferral of one major contract into 2007/08. Trading profits were, as a result, £0.3 million lower than in the previous year.

**Trading Profit is defined as Operating Profit before exceptional items, changes in the net fair value of financial instruments and amortisation of intangible assets on acquisition. The Board considers that this additional measure of profit provides the best view of the underlying trading performance of the Group and that it is therefore helpful to highlight it accordingly.*

Restructuring and rationalisation charges - £1.1 million (2005/06: £0.9 million)

Restructuring and rationalisation charges of £1.1 million were incurred during the year. Over £0.7 million were incurred by the Components and Structures division as part of the turnaround in operational performance at our larger UK aerospace facilities. £0.2 million was incurred by the Automotive Division as part of reorganisation and reducing the cost base.

Impairment charges - £2.1 million (2005/06: £2.2 million)

During the year ended 31 March 2007, the Group recognised total impairment charges on intangible assets of £2.1 million in respect of a terminated contract involving one of the Group's subsidiaries. Action is being taken to recover the value of those assets together with further costs incurred in relation to the contract that have been previously expensed.

Amortisation of intangible assets on acquisition - £0.7 million (2005/06: £1.5 million)

IFRS requires the identification and valuation of intangible assets arising on acquisition where these are deemed either to be "separable" or to arise from contractual or other legal rights. In accordance with the requirements of International Accounting Standard 38 and International Financial Reporting Standard 3, the Group has identified intangible assets amounting to £2.8 million on the acquisition of CHI in the year ended 31 March 2007, in respect of which amortisation of £0.1 million has been charged in the period since acquisition.

Changes in the net fair value of financial instruments - £(1.3) million (2005/06: £0.8 million)

The Group enters into forward foreign exchange contracts, interest rate swaps and other derivative instruments to hedge its transactional and strategic exposures to interest rate and foreign exchange fluctuations. At 31 March 2007, the net fair value of such instruments was a liability of £0.9 million compared with an asset of £0.8 million at the previous year end. The movement relates primarily to previous interest rate hedging transactions at beneficial rates that matured during the year together with new longer term hedges taken out during the year.

The Group has not applied hedge accounting in the year ended 31 March 2007 and hence the movement on the net fair values between the two balance sheet dates has been taken to the Income Statement. This has been shown as a separate component of operating profit and total net interest cost for the year.

Operating profit - £12.5 million (2005/06: £3.6 million)

Operating profit for the year ended 31 March 2007 was £12.5 million, an increase of £8.9 million (243%) compared with the previous year. The principal underlying movements were an increase in trading profit of £8.8 million, increase in rationalisation and restructuring charges of £0.2 million, decrease in impairment charges of £0.1 million, decrease in the amortisation charge of intangible assets arising on acquisition of £0.9 million and a higher charge in relation to the net fair value of non-interest financial instruments of £0.7 million.

Other net interest payable - £(5.0) million (2005/06: £(3.1) million)

Excluding charges in relation to the net fair value of fixed-income financial instruments, other net interest payable increased by £1.9 million due to the increased average net borrowings of the Group throughout the year ended 31 March 2007 following the acquisitions of Coast Composites and Lamsco in December 2005 and Composites Horizons Inc. in January 2007, as well as rises in base borrowing rates.

Profit before taxation - £6.3 million (2005/06: £0.7 million)

Profit before tax excluding exceptional items, the amortisation of non-operating intangible assets and changes in the net fair value of financial instruments increased by £6.9 million (151%) for the year ended 31 March 2007. After taking account of these items, profit before tax increased by £5.6 million.

Taxation - £(2.3) million (2005/06: £(0.4) million)

The tax charge of £2.3 million represented an effective rate of 36% on profit before tax (2005/06: 53%). The effective rate is influenced most strongly by the relative geographic mix of the Group's profits as between the UK, with a headline corporation tax rate of 30%, and North America, with an average composite federal and state tax rate of approximately 40%. Other factors influencing the Group's effective rate of tax include adjustments for deferred taxation in respect of the current and previous year.

Earnings per share

Basic earnings per share for continuing operations were 4.52p (2005/06: 0.53p). Before exceptional items, the amortisation of non-operating intangible assets and changes in the net fair value of financial instruments, the equivalent figure was 8.56p, an increase of 3.88p compared with the prior year.

Proposed dividend

The Board is recommending that a final dividend of 0.90p per share be paid to shareholders on 5 October 2007, which will mark the resumption of dividend payments to ordinary shareholders after a period of five years. The proposed dividend is covered 4.65 times by earnings.

Cash flow

Cash from operations increased by £16.0 million to £18.7 million, reflecting improved trading conditions within the Group. Continued capital investment in our businesses and the acquisition of CHI resulted in £26.7 million

being spent on investing activities, which was largely funded by additional issued share capital proceeds and increased borrowings. Over the year there was an improvement in cash of £3.5 million.

Acquisitions

Net expenditure on acquisitions in the year ended 31 March 2007 was £11.5 million (2005/06: £43.8 million), of which £10.7 million was spent on the acquisition of CHI. A further £0.8 million was spent on additional deferred consideration and costs in relation to prior year acquisitions.

Net borrowings

Net borrowings of the Group increased by £5.1 million to £66.8 million as at 31 March 2007. The ratio of net borrowings to shareholders' equity ("gearing") increased by 0.7 percentage points to 85.9%.

Pensions and post employment obligations

The Group has been carefully and prudently managing its exposure to liabilities arising under defined benefit arrangements for a number of years. The only defined benefit pension schemes now in existence have been closed to further accrual of benefit since before May 2000 and were consolidated into a single scheme with effect from 1 April 2007. The total number of members in the now combined scheme has reduced from 170 to 146 during the year ended 31 March 2007. The aggregate gross deficit has also reduced, falling by £0.8 million to £0.2 million, despite an increase in mortality rates used in the actuarial calculation of the defined benefit liabilities. There was no movement during the year in the actuarially-assessed obligation under the Group's single US post retirement healthcare scheme, which stood at £0.4 million before taking account of deferred taxation.

Shareholders' equity

Shareholders' equity increased overall by £5.4 million during the year, standing at £77.8 million at 31 March 2007. The main elements of the movement during the year were the addition of retained earnings of £4.0 million, the receipt of net proceeds from a placing of new shares £11.3 million to finance part of the acquisition of CHI, an adverse foreign exchange difference of £10.4 million arising on retranslation of the Group's US Dollar-denominated net assets at a substantially weaker Dollar/Sterling rate and a small net actuarial gain on the assessment of the Group's post employment defined benefit liability.

Cautionary Statement

This news release contains forward looking statements which are made in good faith based on the information available at the time of their approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ materially from those currently anticipated.

Consolidated Income Statement
For the year ended 31 March

	2007	2007	2007
	Before exceptional items, re-measurements and amortisation of intangibles* £'000	Exceptional items, re-measurements and amortisation of intangibles* £'000	Total £'000
Continuing operations			
Revenue	146,297	-	146,297
Operating profit	16,471	(3,983)	12,488
Analysed as:			
Trading profit	16,471	-	16,471
Restructuring and rationalisation charges	-	(1,088)	(1,088)
Impairment charges	-	(2,106)	(2,106)
Changes in net fair value of derivative financial instruments – non interest instruments	-	(110)	(110)
Amortisation of intangible assets on acquisition	-	(679)	(679)
Financial income	961	-	961
Financial expense	(5,990)	-	(5,990)
Changes in net fair value of derivative financial instruments – interest instruments	-	(1,164)	(1,164)
Profit before taxation	11,442	(5,147)	6,295
Taxation			(2,267)
Profit after taxation			4,028
Discontinued operations			
Post tax results from discontinued operations			(43)
Profit for the financial year			3,985
Attributable to:			
- Equity shareholders			3,985
- Minority interests			-
			3,985
Dividends per 25p ordinary share			
Interim dividend per share			0.00p
Final dividend per share			0.90p
Earnings per 25p ordinary share			
<i>Continuing Operations:</i>			
Earnings per share before exceptional items, re-measurements and amortisation of intangibles*			8.56p
Basic			4.52p
Diluted			4.49p
<i>Total Operations:</i>			
Basic			4.47p
Diluted			4.44p

* Re-measurements relate to changes in net fair value of derivative financial instruments required under IAS 39. Amortisation of intangibles relate to amortisation of intangible assets on acquisition required under IFRS 3.

Consolidated Income Statement
For the year ended 31 March

	2006**	2006**	2006**
	Before exceptional items, re-measurements and amortisation of intangibles* £'000	Exceptional items, re-measurements and amortisation of intangibles* £'000	Total £'000
Continuing operations			
Revenue	103,936	-	103,936
Operating profit	7,699	(4,054)	3,645
Analysed as:			
Trading profit	7,699	-	7,699
Restructuring and rationalisation charges	-	(879)	(879)
Impairment charges	-	(2,222)	(2,222)
Changes in net fair value of derivative financial instruments – non interest instruments	-	575	575
Amortisation of intangible assets on acquisition	-	(1,528)	(1,528)
Financial income	573	-	573
Financial expense	(3,712)	-	(3,712)
Changes in net fair value of derivative financial instruments – interest instruments	-	227	227
Profit before taxation	4,560	(3,827)	733
Taxation			(390)
Profit after taxation			343
Discontinued operations			
Post tax results from discontinued operations			8
Profit for the financial year			351
Attributable to:			
- Equity shareholders			351
- Minority interests			-
			351
Dividends per 25p ordinary share			
Interim dividend per share			0.00p
Final dividend per share			0.00p
Earnings per 25p ordinary share			
<i>Continuing Operations:</i>			
Earnings per share before exceptional items, re-measurements and amortisation of intangibles*			4.68p
Basic			0.53p
Diluted			0.53p
<i>Total Operations:</i>			
Basic			0.54p
Diluted			0.54p

* Re-measurements relate to changes in net fair value of derivative financial instruments required under IAS 39. Amortisation of intangibles relate to amortisation of intangible assets on acquisition required under IFRS 3.

** Re-presented following the sale of Bolsan West Inc. and separate identification of changes in fair values of derivative financial instruments, see note 2.

**Consolidated Balance Sheet
As at 31 March**

	2007 £'000	2006 £'000
Assets		
Non-current assets		
Goodwill	61,600	57,824
Intangible assets	22,476	15,723
Property, plant and equipment	41,305	39,409
Deferred tax assets	4,877	2,238
	130,258	115,194
Current assets		
Inventories	27,361	24,393
Trade and other receivables - due within one year	35,206	31,227
Financial assets - derivatives	189	802
Current tax assets	563	-
Cash and cash equivalents	10,241	6,776
	73,560	63,198
Total assets	203,818	178,392
Liabilities		
Current liabilities		
Trade and other payables	(36,787)	(31,099)
Financial liabilities - derivatives	(1,126)	-
Current tax liabilities	-	(35)
Provisions	(3,073)	(2,197)
	(40,986)	(33,331)
Non-current liabilities		
Financial liabilities - borrowings	(75,568)	(66,890)
Deferred tax liabilities	(8,812)	(4,299)
Retirement benefit liabilities	(583)	(1,391)
	(84,963)	(72,580)
Total liabilities	(125,949)	(105,911)
Net assets	77,869	72,481
Shareholders' equity		
Called up share capital	23,806	21,870
Reserves	53,988	50,571
Shareholders' equity	77,794	72,441
Total shareholders' equity	77,794	72,441
Minority interest in equity	75	40
Total equity	77,869	72,481

**Consolidated Cash Flow Statement
For the years ended 31 March**

	2007 £'000	2006 £'000
Cash flows from operating activities		
Cash generated from operations	18,684	2,685
Interest received	604	265
Interest paid	(5,506)	(3,305)
Tax paid	(1,571)	(1,280)
Net cash from operating activities	12,211	(1,635)
Cash flows from investing activities		
Acquisitions – net of cash acquired	(11,493)	(43,763)
Disposals – net of cash disposed	30	-
Dividends received	-	-
Purchase of property, plant and equipment	(6,410)	(6,298)
Purchase of intangible assets	(2,045)	(389)
Proceeds on sale of property, plant and equipment	70	289
Development costs	(6,883)	(4,831)
Net cash used in investing activities	(26,731)	(54,992)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	11,347	32,329
Proceeds from minority interest	-	99
New borrowings	10,500	64,839
Finance lease principal payments	(1,449)	(1,677)
Finance lease interest payments	(191)	(256)
Repayments of loans	(1,914)	(35,304)
Net cash flow used in financing activities	18,293	60,030
Currency variations on cash and cash equivalents	(308)	146
Increase/(decrease) in cash and cash equivalents	3,465	3,549
Cash and cash equivalents at the beginning of the period	6,776	3,227
Cash and cash equivalents at the end of the period	10,241	6,776

**Statement of Recognised Income and Expense
For the years ended 31 March**

	2007 £'000	2006 £'000
Currency variations	(10,362)	2,750
Actuarial gains/(losses) on retirement benefit scheme – gross	304	827
Deferred taxation related thereto	(91)	(274)
Net gains/(losses) not recognised in income statement	(10,149)	3,303
Profit/(loss) for the financial period	3,985	351
Total recognised income for the year	(6,164)	3,654
Attributable to:		
- Equity shareholders	(6,164)	3,654
- Minority interests	-	-
	(6,164)	3,654

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The figures and financial information for the year ended 31 March 2007 do not constitute the full statutory financial statements for the year. The statutory financial statements for the year ended 31 March 2006 have been filed with the Registrar of Companies and contained an unqualified audit report. The audited results were approved by the Board on 6 June 2007 and have been agreed with the auditors.

2. Re-presentation of 2006 comparatives for presentation purposes

The Group has amended its analysis of the Income Statement to separately identify changes in fair value of derivative financial instruments, in order to achieve consistency and comparability of the results of normal trading performance. The impact upon trading profit for the year ended 31 March 2006 is a reduction of £575,000. The impact upon operating profit and retained profit for the year and net assets is £nil.

In addition, due to the disposal of Bolsan West Inc. during the year, their results have been classified as a discontinued operation and the 2006 comparatives amended accordingly.

3. Segmental analysis

By primary segment – business group

For the year ended 31 March 2007	Aerospace Components and Structures £'000	Composites and Transparencies £'000	Automotive Turbocharger £'000	Industrial £'000	Corporate and Unallocated £'000	Total £'000
Continuing operations:						
Segment revenue	80,279	36,573	21,168	8,277	-	146,297
Segment trading profit/(loss)	11,002	6,659	1,457	71	(2,718)	16,471
Restructuring and rationalisation charges	(737)	(47)	(233)	(15)	(56)	(1,088)
Impairment charges	(2,106)	-	-	-	-	(2,106)
Changes in fair value of derivative financial instruments	-	-	-	-	(110)	(110)
Amortisation of intangible assets on acquisition	(185)	(494)	-	-	-	(679)
Segment operating profit/(loss)	7,974	6,118	1,224	56	(2,884)	12,488
Net financing costs	-	-	-	-	(6,193)	(6,193)
Profit/(loss) before taxation	7,974	6,118	1,224	56	(9,077)	6,295
Taxation	-	-	-	-	(2,267)	(2,267)
Profit/(loss) for the year after taxation	7,974	6,118	1,224	56	(11,344)	4,028
Discontinued operations:						
Post tax results from discontinued operations	(18)	-	-	-	(25)	(43)
Profit attributable to minority interests	-	-	-	-	-	-
Net profit/(loss) attributable to equity shareholders	7,956	6,118	1,224	56	(11,369)	3,985
Other information:						
Segment assets	76,583	79,903	19,237	6,464	16,191	198,378
Unallocated assets:						
- Current taxation assets	-	-	-	-	563	563
- Deferred taxation assets	-	-	-	-	4,877	4,877
Total assets	76,583	79,903	19,237	6,464	21,631	203,818
Segment liabilities	(59,080)	(9,699)	(20,074)	(4,079)	(24,205)	(117,137)
Unallocated liabilities:						
- Current taxation liabilities	-	-	-	-	-	-
- Deferred taxation liabilities	-	-	-	-	(8,812)	(8,812)
Total liabilities	(59,080)	(9,699)	(20,074)	(4,079)	(33,017)	(125,949)
Other segment items						
Capital expenditure on intangible assets	5,405	817	1,009	42	1,655	8,928
Capital expenditure on property, plant and equipment	1,513	1,222	3,933	147	20	6,835
Depreciation	1,934	692	1,057	359	87	4,129
Amortisation	774	518	66	62	49	1,469

For the year ended 31 March 2006 (note 2)	Aerospace Components and Structures £'000	Composites and Transparencies £'000	Automotive Turbocharger £'000	Industrial £'000	Corporate and Unallocated £'000	Total £'000
Continuing operations:						
Segment revenue	50,343	24,409	20,812	8,372	-	103,936
Segment trading profit/(loss)	207	5,037	3,297	353	(1,195)	7,699
Restructuring and rationalisation charges	(401)	-	(104)	(183)	(191)	(879)
Impairment charges	(2,119)	-	(102)	-	(1)	(2,222)
Changes in fair value of derivative financial instruments	-	-	-	-	575	575
Amortisation of intangible assets on acquisition	(266)	(1,262)	-	-	-	(1,528)
Segment operating profit/(loss)	(2,579)	3,775	3,091	170	(812)	3,645
Net financing costs	-	-	-	-	(2,912)	(2,912)
Profit/(loss) before taxation	(2,579)	3,775	3,091	170	(3,724)	733
Taxation	-	-	-	-	(390)	(390)
Profit/(loss) for the year after taxation	(2,579)	3,775	3,091	170	(4,114)	343
Discontinued operations:						
Post tax results from discontinued operations	36	-	-	-	(28)	8
Profit attributable to minority interests	-	-	-	-	-	-
Net profit/(loss) attributable to equity shareholders	(2,543)	3,775	3,091	170	(4,142)	351
Other information:						
Segment assets	63,164	72,759	17,948	5,727	16,556	176,154
Unallocated assets:						
- Deferred taxation assets	-	-	-	-	2,238	2,238
Total assets	63,164	72,759	17,948	5,727	18,794	178,392
Segment liabilities	(42,597)	(8,159)	(14,116)	(4,510)	(32,195)	(101,577)
Unallocated liabilities:						
- Current taxation liabilities	-	-	-	-	(35)	(35)
- Deferred taxation liabilities	-	-	-	-	(4,299)	(4,299)
Total liabilities	(42,597)	(8,159)	(14,116)	(4,510)	(36,529)	(105,911)
Other segment items						
Capital expenditure on intangible assets	4,149	213	647	207	4	5,220
Capital expenditure on property, plant and equipment	4,139	695	2,888	137	9	7,868
Depreciation	1,659	703	895	405	81	3,743
Amortisation	318	1,299	7	103	36	1,763

By secondary segment – geographical region

	2007 Revenue £'000	2007 Segment assets £'000	2007 Capital expenditure £'000	2006 (note 2) Revenue £'000	2006 Segment assets £'000	2006 Capital expenditure £'000
Continuing operations:						
UK	68,926	71,228	10,018	52,728	65,915	10,710
Europe	16,544	-	-	13,920	-	-
North America	55,702	107,123	2,813	32,361	93,659	1,016
Rest of World	5,125	3,836	1,257	4,927	24	1,349
Corporate and unallocated	-	21,631	1,675	-	18,794	13
	146,297	203,818	15,763	103,936	178,392	13,088

Intra group sales are priced on an 'arms length' basis and are not significant between either regions or segments. Corporate and unallocated costs represent corporate costs. Segmental assets comprise all non-

current and current assets (as per the balance sheet presentation) but exclude current and deferred tax assets. Segment liabilities include all non-current and current liabilities but exclude current and deferred tax liabilities. Balances relating to taxation are not allocated to specific segments as these resources are managed centrally and no segments have sufficient autonomy to manage these resources. Segment capital expenditure on intangible assets comprise additions to intangible assets, but excludes assets on acquisition of subsidiary undertakings and intangible assets resulting from acquisitions through business combinations. Segment capital expenditure on tangible assets comprises additions to tangible assets, but excludes assets on acquisition of subsidiary undertakings. Depreciation represents the charge for the year. Amortisation represents the charge for the year.

The results of Composites Horizons Inc., which was acquired during the year ended 31 March 2007, is included within the "Composites and Transparencies" segment and "North America" geographical region.

4. Exceptional items, re-measurements and amortisation of intangibles

Restructuring and rationalisation charges

These exceptional items reflect the Group's restructuring and rationalisation costs primarily relating to employment termination and legal costs - £1.1m (2006: £0.9m).

Impairment charges

During the year the Group undertook a review of the utilisation and carrying values of certain assets. As a result of this £2.1m (2006: £2.2m) of impairment charges were incurred, as follows:

	2007 £'000	2006 £'000
Impairment of inventories	-	1,958
Impairment of receivables through customer insolvency	-	70
Impairment of plant, property and equipment	-	194
Impairment of intangible assets	2,106	-
Total impairment charges	2,106	2,222

An impairment in the carrying value of intangible assets of £2.1m has been charged in respect of a terminated contract involving one of the Group's subsidiaries. Action is being taken to recover the value of those assets together with the reimbursement of further costs incurred in relation to the contract that have been expensed as a component of trading profit.

Changes in net fair value of derivative financial instruments

IAS 39 requires derivative financial instruments to be valued at the balance sheet date and any difference between that value and the intrinsic value of the instrument to be 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:

	2007 £'000	2006 £'000
Charges/(credits) included within operating profit	110	(575)
Charges/(credits) included within net financing costs	1,164	(227)
	1,274	(802)

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 year - £0.7m (2006: £1.5m).

5. Taxation

	2007 £'000	2006 £'000
Analysis of charge in period		
Current tax		
- Current year	987	41
- Adjustments in respect of prior years	105	142
	1,092	183
Deferred tax		
- Current year	1,537	155
- Adjustment in respect of prior years	(368)	38
	1,169	193
Tax on discontinued activities	6	14
Total tax charge	2,267	390
	2007 £'000	2006 £'000
Overseas tax included above	853	(1,108)

6. Dividends

	2007 £'000	2006 £'000
Equity dividends paid in the year:		
Previous year final: 0.00p (2006: 0.00p) per 25p ordinary share	-	-
Current year interim: 0.00p (2006: 0.00p) per 25p ordinary share	-	-
	-	-

In addition, the Directors propose that a final dividend in respect of the financial year ended 31 March 2007 of 0.90p per 25p ordinary share, at a cost of approximately £860,000.

7. Earnings per share

Earnings per share based on continuing activities before exceptional items, re-measurements 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 of the year adjusted as follows:

	2007 Earnings £'000	2007 Earnings per 25 pence share pence	2006 (note 2) Earnings £'000	2006 (note 2) Earnings per 25 pence share pence
Continuing operations:				
Profit attributable to ordinary shareholders	4,028	4.52	343	0.53
Exceptional items, re-measurements and amortisation of intangibles	5,147	5.77	3,827	5.93
Taxation on exceptional items, re-measurements and amortisation of intangibles	(1,544)	(1.73)	(1,148)	(1.78)
	7,631	8.56	3,022	4.68

8. Other information

The Group's financial statements for the year ended 31 March 2007 will be sent to shareholders during the week commencing 16 July 2007.

The Annual General Meeting will be held on Tuesday 4 September 2007.

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