

**Gooch & Housego PLC****INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2010**

Gooch & Housego PLC ('G&H' or 'Group'), the specialist manufacturer of optical components and systems, today announces its Interim Report for the six months ended 31 March 2010.

**Highlights**

- Sustained recovery across most product and market sectors
- Q-switch demand returning to historic levels
- Success in winning new business in target Aerospace & Defence and Life Sciences markets
- 46% of revenue derived from non industrial end markets
- Continued benefits from cost saving measures implemented last year
- Significant increase in manufacturing capacity at certain sites to meet demand
- Net debt reduced by 47% to £9.3m since 31 March 2009
- Revenue increased by 8% on a reported basis and by 13% on a constant currency basis compared to the same period last year.
- \*Adjusted operating profit increased by 62% to £2.6m compared to the same period last year.
- \*Adjusted earnings per share increased by 108% to 7.9p compared to the same period last year.

\*Management believes that these non-GAAP measures provide a useful comparison of business performance and reflect the way in which the business is controlled. Definitions and reconciliations between adjusted and reported measures are included within the director's report and on the face of the income statement.

Commenting on the results Gareth Jones, Chief Executive Officer, stated :

"We are delighted to be firmly back on course. Having expended considerable effort and resources to position Gooch & Housego to exploit the rapid adoption of cutting-edge optical technology in the Aerospace & Defence and Life Sciences market sectors we have in the last six months begun to see tangible benefits of this investment, backed up by a sustained recovery in our core industrial laser business. "

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## Chairman's & Chief Executive's Report

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### Performance Overview

Revenues have exceeded our expectations in the first six months of the year as a result of a sustained recovery in our core markets and success in winning new business in our target sectors of Aerospace & Defence and Life Sciences. Earnings have been similarly strong, assisted by a lower cost base that is a consequence of the savings made last year. The Company has continued to be cash generative, which has enabled us to reduce net debt and further strengthen the balance sheet.

### Operational & Strategy Review

Market conditions have changed dramatically since the start of our financial year in October 2009. At that time initial signs of recovery were uncertain. As the first quarter progressed the recovery in our core markets gained momentum, driven largely by demand from the Far East. We were also successful in winning new business in our target sectors of Aerospace & Defence and Life Sciences. Having anticipated this upturn, and been careful not to impair our ability to respond when we took cost out of the business last year, we were able to take full advantage of the opportunities and respond rapidly.

During the second quarter we saw a further increase in demand for our core products as the US and European markets also began to recover strongly, and we continued to develop opportunities in Aerospace & Defence. Early in the quarter we took steps to increase manufacturing capacity as we could foresee that demand was likely to exceed available manufacturing capacity unless decisive action was taken. By the end of the quarter demand for acousto-optics (particularly the Q-switch) and precision optics had reached historic levels, driven to a large extent by the rise in activity in the semiconductor and microelectronics sector in 2009.

With the second half of the year now well underway and demand still rising, increasing manufacturing capacity continues to be our highest priority. We are fortunate to be addressing a number of exciting new opportunities as we implement our strategy of targeting new markets and migrating from materials and components to higher added-value assemblies, instruments and systems. To avoid being constrained by our manufacturing capacity we are exploring several possible solutions including establishing strategic partnerships and supply-chain relationships.

The order book at the end of the first half of the year was 27% higher than at the start, standing at £19.8 million, £14.0 million of which was scheduled for shipment in the current financial year. The "quality" of the order book has also improved with many of the orders placed since the start of the upturn requiring shipments to satisfy near term requirements and thus improving our timing visibility.

### Products and Markets

The first half of the year has been notable for:-

- the rapid recovery in demand for the Q switch and other acousto-optic products, aided by our market leading position,
- the growth in precision optics sales as we develop strategic relationships with customers in the Aerospace and Defence sector, and
- the progress we have made in building our presence in Life Sciences as we migrate from being a components supplier to a trusted partner providing complex solutions.

The story is similar right across our Materials and Components Division, with fibre optics, electro-optics and non-linear materials all performing well. However, commercial aerospace is still suffering from the after-effects of the recession, although the medium term prospects for this market are favourable.

Several years ago we identified Aerospace & Defence as a market that played to Gooch & Housego's strengths and offered the potential for considerable growth. Since then we have sought to position Gooch & Housego to benefit from the opportunities presented by this market through our investments in facilities, equipment, R&D and sales, and we have added technology, capabilities and routes to market through the acquisitions we have made. This necessitated significant changes in our business as we put in place the infrastructure to meet the special demands of this market. During the first half of this year we completed the registration of our US operations with the Directorate of Defence Trade Controls (DDTC) and introduced export control procedures to ensure compliance with the International Trade in Arms Regulations (ITAR) and other regulatory requirements. We have also started to implement Supply Chain 21 (SC21) quality and business improvement procedures that are becoming standard requirements in the aerospace industry. Leveraging products and technologies in which Gooch & Housego has established world-class capabilities, including precision optics, thin-film coatings, fibre-optics, non-linear optics and imaging systems, we are now developing strategic relationships with industry leaders in Europe and the United States. During the first half of this year we have begun to derive tangible benefits from these efforts.

## People

We would like to thank all of our employees for the way they have responded to the opportunities that have presented themselves this year. After a very difficult year in 2009 they have risen to the challenge of increasing output, training new colleagues, working with new equipment, and taking on increased responsibilities. Without their support we would not have been able to make such a positive start to the year.

## Summary & Outlook

The combination of recovery in our core markets and new business wins in the Aerospace & Defence and Life Sciences sectors generated accelerating demand for our products during the first and second quarters. This allowed us to exceed our revenue and earnings forecasts for the period.

We started the second half of the year with a strong and high quality order book and with demand for certain products at historic peak levels and still rising. For several products our capacity is fully allocated for the rest of the year. Our challenge going forward is to put in place the manufacturing capacity, people and systems to ensure that we are able to benefit fully from the opportunities that are open to us. A number of initiatives to significantly boost our capacity were implemented in the second quarter and these will continue for the rest of the year. At the component level we anticipate being in a position to begin to reduce leadtimes during the final quarter, and from there progressively develop the assemblies and sub-systems business as we integrate components into more complex and higher value products.

Looking ahead, we will continue to invest in a number of research and development projects focused on some significant near to medium term opportunities. In parallel, we will continue to develop strategic partnerships aimed at enabling us to address market opportunities that we could not otherwise progress on our own.

Overall, we are pleased with progress in the first half and, despite the operational challenges attached to such an upturn in demand, we are excited by the diverse range of opportunities that lie ahead of us.

**Gareth CW Jones**  
Chief Executive Officer  
8 June 2010

**Julian Blogh**  
Chairman  
8 June 2010

## Chief Financial Officer's Report

### Improving Financial Performance

"We have made good progress in the first half of FY2010, delivering greatly improved earnings and reducing net debt, excluding the impact of foreign exchange, by 28%"

Andrew Boteler : Chief Financial Officer

### Financial Review

| REVENUE                    |               |               |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Six months to 31 March     | 2010          |               | 2009          |               | 2008          |               |
|                            | £,000         | % mix         | £,000         | % mix         | £,000         | % mix         |
| Industrial                 | 10,918        | 53.6%         | 10,770        | 57.1%         | 12,083        | 77.0%         |
| Aerospace & Defence        | 5,257         | 25.8%         | 4,746         | 25.2%         | 942           | 6.0%          |
| Biomedical & Life Sciences | 1,752         | 8.6%          | 1,035         | 5.5%          | 628           | 4.0%          |
| Research Applications      | 2,446         | 12.0%         | 2,290         | 12.2%         | 2,040         | 13.0%         |
| <b>Group Revenue</b>       | <b>20,373</b> | <b>100.0%</b> | <b>18,841</b> | <b>100.0%</b> | <b>15,693</b> | <b>100.0%</b> |

#### Analysis of Revenue

In the first six months of this financial year revenue has grown 8% in absolute terms and 13% on a constant currency basis, compared to the same period last year. These results include full contribution from our acquisition in California for both periods.

All market sectors have grown compared to the same period last year. Aerospace & Defence and Life Sciences have contributed the most significant growth with a 21% increase on the same period last year. In overall terms non industrial markets contributed 46% of Group revenues in the first six months of this year compared to 43% for the same period last year and 23% in 2008.

The business has experienced an improvement in its revenue flows as the current year has progressed. Revenues accelerated by 16% in the second quarter of this financial year compared to the first quarter. This increase was driven by the improvement in the industrial market, particularly in the Far East.

The order book at the end of March 2010 was £19.8m, £14m of which is currently scheduled for shipment in this financial year.

| GROUP EARNINGS PERFORMANCE                     |          |       |          |       |
|--|----------|-------|----------|-------|
| All amounts in £,000<br>Six months to 31 March | Adjusted |       | Reported |       |
|  | 2010     | 2009  | 2010     | 2009  |
| Operating profit                               | 2,633    | 1,642 | 2,142    | 972   |
| Net finance costs                              | (429)    | (603) | (429)    | (933) |
| Profit before taxation                         | 2,204    | 1,039 | 1,713    | 39    |
| Taxation                                       | (544)    | (13)  | (544)    | (13)  |
| Profit for the period                          | 1,660    | 1,026 | 1,169    | 26    |
| Earnings per share                             | 7.9p     | 3.8p  | 6.1p     | 0.1p  |

## Analysis of Earnings

Adjusted profit from operations grew by 60% to £2.6m (2009: £1.6m) reflecting the improved trading environment across all our markets and the benefit of cost savings made in 2009. After net finance costs and tax, adjusted earnings per share grew by 108% to 7.9p (2009: 3.8p). Reported earnings per share were 6.1p after amortisation of acquired intangible assets.

EBITDA grew by 49% to £3.7m (2009: £2.5m). On a constant currency basis EBITDA grew by 55% compared with the same period last year.

Adjusted net finance costs were £0.4m (2009 : £0.6m), primarily reflecting the lower utilisation of the Group's working capital facility and lower interest rates. On an adjusted basis the interest cover was 6.2 times (2009 : 2.7 times).

The net tax charge for the period was £0.5m (2009: £13k), representing an effective tax rate of 31.8% (2009: 33.3%)

### RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES

|                                      | Profit from operations |               | Net finance costs |               | Earnings per share |               |
|--------------------------------------|------------------------|---------------|-------------------|---------------|--------------------|---------------|
| Six months to 31 March               | 2010<br>£,000          | 2009<br>£,000 | 2010<br>£,000     | 2009<br>£,000 | 2010<br>pence      | 2009<br>pence |
| Reported                             | 2,142                  | 972           | (429)             | (933)         | 6.1p               | 0.1p          |
| Amortisation of acquired intangibles | 491                    | 510           |                   |               | 1.8p               | 1.9p          |
| Restructuring costs                  |                        | 425           |                   |               |                    | 1.6p          |
| Profit on sale of property           |                        | (265)         |                   |               |                    | (1.0p)        |
| Debt refinancing costs               |                        |               |                   | 330           |                    | 1.2p          |
| <b>Adjusted</b>                      | <b>2,633</b>           | <b>1,642</b>  | <b>(429)</b>      | <b>(603)</b>  | <b>7.9p</b>        | <b>3.8p</b>   |

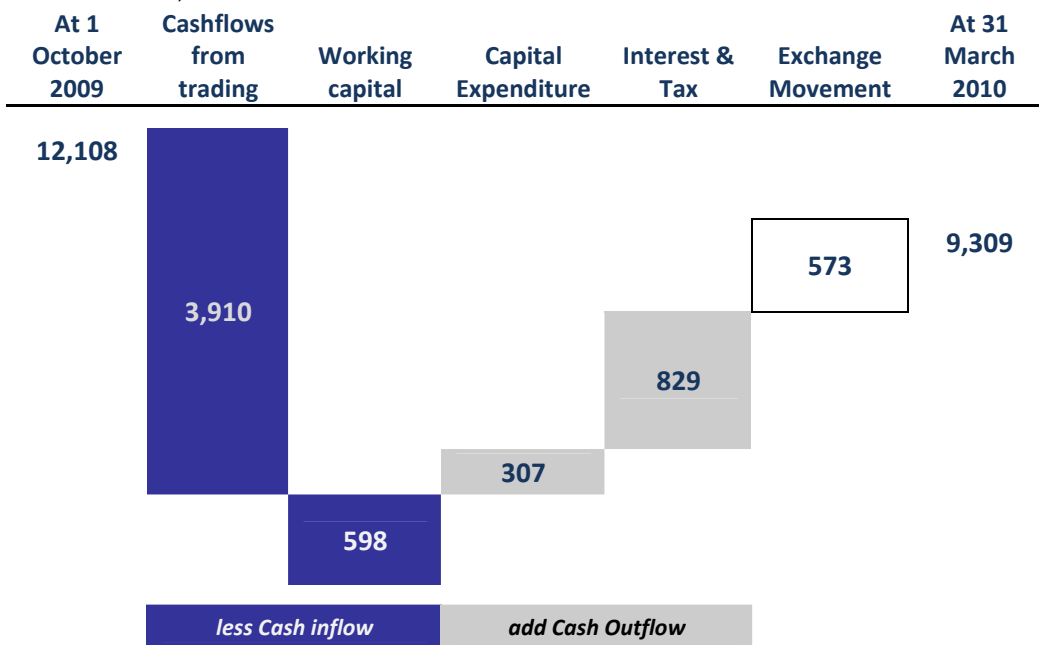
## Non GAAP Measures

Within its Interim Report the Group uses a number of non GAAP measures. The adjusted performance measures are shown in the table above. These measures are used to illustrate the impact of non recurring and non trading influences on the Group's financial results. These influences have been defined as: the impact of the amortisation of acquired intangible assets, one off costs associated with the

Group's restructuring activities and the sale of property. Adjusted net debt is shown in the following table and is used to illustrate the impact of exchange movements on Group borrowings. In addition, the Group uses the term EBITDA (Earnings before interest, taxation, depreciation and amortisation). This is a commonly used measure of operating performance and cash flow.

**MOVEMENT IN NET DEBT**

All amounts in £,000



Strong cash flows from operating activities together with working capital savings have reduced our adjusted net debt by £3.4m or 28% in the first six months of this year.

Adjusted net debt £8,736  
(excluding impact of  
Exchange movements)

**Cash Flow and Financing**

On a constant currency basis adjusted net debt has fallen by 28% in six months. The Group has reduced its reported net debt from £12.1m at 30 September 2009 to £9.3m at 31 March 2010. The strengthening of the US Dollar against the Pound, since the year end, has increased our net debt in sterling terms, as 80% of the Group's gross debt is denominated in US Dollars. 74% of the Group's revenues and 55% of the Group's assets are denominated in US Dollars.

Over the period the Group has been highly cash generative, converting 160% of its adjusted profit from operations after net capital expenditure into cash. This has been achieved through the Group's strong trading performance and continued savings in working capital.

Investment in capital expenditure has remained low in the first six months of this financial year. However, as visibility in our markets develops, the Group expects to invest more heavily in both capital equipment and working capital, in the second half of this financial year.

Gooch & Housego has reported under its current banking covenants since January 2009 and has been in compliance. The Group monitors its financial performance against these covenants on a regular basis. Based upon its forecasts and current trading conditions, the Group considers that it has sufficient headroom to operate within these covenants.

Cash, cash equivalents and bank overdrafts as at 31 March 2010 amounted to a positive cash position of £3.2m, representing an improvement of £2.1m from a position of £1.1m as at 30 September 2009.

**Going Concern**

Based on the Group's current financial position and anticipated trading performance, the Directors are confident that the Group has adequate resources to continue as a going concern for at least the next twelve months.

**Dividends**

Whilst the Group has made significant financial strides forward over the last six months, the opportunities that are now presenting themselves will require investment in order to maximise their potential. The Directors are therefore of the opinion that it is not appropriate to pay an interim dividend at this time.

However, the Directors appreciate the patience shown by its shareholders and intend to return to dividend as soon as it is sensible.

**Andrew Boteler**

Chief Financial Officer

8 June 2010

**Unaudited interim results for the 6 months ended 31 March 2010**
**Group Income Statement**

|   | Note | Half Year to<br>31 Mar 2010<br>(Unaudited) | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|---|------|--|--|--|
|   |      | £000                                       | £000                                       | £000                                     |
| <b>Revenue</b>                          | 5    | 20,373                                     | 18,841                                     | 36,414                                   |
| Cost of revenue                         |      | (12,725)                                   | (11,559)                                   | (23,205)                                 |
| <b>Gross profit</b>                     |      | 7,648                                      | 7,282                                      | 13,209                                   |
| Research & Development                  |      | (1,255)                                    | (1,548)                                    | (2,789)                                  |
| Sales & Marketing                       |      | (1,083)                                    | (1,321)                                    | (2,066)                                  |
| Administration and other expenses       |      | (3,397)                                    | (4,206)                                    | (6,334)                                  |
| Other income                            |      | 229  | 765  | 764                                      |
| <b>Operating profit</b>                 | 5    | 2,142                                      | 972  | 2,784                                    |
| Net finance costs                       |      | (429)                                      | (933)                                      | (1,361)                                  |
| <b>Profit before income tax expense</b> |      | 1,713                                      | 39   | 1,423                                    |
| Income tax expense                      | 3    | (544)                                      | (13)                                       | (463)                                    |
| <b>Profit for the period</b>            |      | 1,169                                      | 26   | 960                                      |
| <b>Earnings per share</b>               | 6    | 6.1p                                       | 0.1p                                       | 5.0p                                     |

Reconciliation of operating profit to adjusted operating profit:

|  | Half Year to<br>31 Mar 2010<br>(Unaudited) | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|--|--|--|--|
|  | £000                                       | £000                                       | £000                                     |
| <b>Operating profit</b>                    | 2,142                                      | 972  | 2,784                                    |
| Amortisation of acquired intangible assets | 491  | 510  | 1,095                                    |
| Restructuring and redundancy costs         | -  | 425  | 603                                      |
| Profit from sale of Cornhill shops         | -  | (265)                                      | (337)                                    |
| <b>Adjusted operating profit</b>           | 2,633                                      | 1,642                                      | 4,145                                    |

Reconciliation of net finance costs to adjusted net finance costs:

|   | Half Year to<br>31 Mar 2010<br>(Unaudited) | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|---|--|--|--|
|   | £000                                       | £000                                       | £000                                     |
| <b>Net finance costs</b>                | (429)                                      | (933)                                      | (1,361)                                  |
| Costs associated with debt re-financing | -  | 330  | 330                                      |
| <b>Adjusted net finance costs</b>       | (429)                                      | (603)                                      | (1,031)                                  |

**Unaudited interim results for the 6 months ended 31 March 2010**

| <b>Group Balance Sheet</b>                  | <b>Half Year to<br/>31 Mar 2010<br/>(Unaudited)</b> | <b>Half Year to<br/>31 Mar 2009<br/>(Unaudited)</b> | <b>Full Year to<br/>30 Sep 2009<br/>(Audited)</b> |
|---|---|---|---|
|   | <b>£000</b>   | <b>£000</b>   | <b>£000</b>                                       |
| <b>Non-current assets</b>                   |   |   |   |
| Property, plant & equipment                 | 16,163  | 17,744  | 16,634  |
| Intangible assets                           | 16,793  | 19,878  | 16,858  |
| Deferred income tax assets                  | 1,560   | 1,259   | 1,421   |
|   | <b>34,516</b>                                       | <b>38,881</b>                                       | <b>34,913</b>                                     |
| <b>Current assets</b>                       |   |   |   |
| Cash and cash equivalents                   | 7,137   | 4,361   | 6,714   |
| Trade and other receivables                 | 7,703   | 7,468   | 6,296   |
| Inventories                                 | 6,412   | 7,778   | 6,691   |
| Income tax receivable                       | 449   | 2,082   | 345   |
|   | <b>21,701</b>                                       | <b>21,689</b>                                       | <b>20,046</b>                                     |
| <b>Current liabilities</b>                  |   |   |   |
| Borrowings                                  | (6,471)   | (8,472)   | (8,071)   |
| Trade and other payables                    | (5,817)   | (5,075)   | (4,184)   |
| Income tax liabilities                      | (205)   | (1,637)   | (77)  |
| Provision for other liabilities and charges | (348)   | (252)   | (351)   |
|   | <b>(12,841)</b>                                     | <b>(15,436)</b>                                     | <b>(12,683)</b>                                   |
| <b>Net current assets</b>                   | <b>8,860</b>  | <b>6,253</b>  | <b>7,363</b>                                      |
| <b>Non-current liabilities</b>              |   |   |   |
| Borrowings                                  | (9,975)   | (13,279)  | (10,751)  |
| Deferred income tax liabilities             | (568)   | (2,010)   | (534)   |
| Provision for other liabilities and charges | (180)   | (250)   | (193)   |
|   | <b>(10,723)</b>                                     | <b>(15,539)</b>                                     | <b>(11,478)</b>                                   |
| <b>Net assets</b>                           | <b>32,653</b>                                       | <b>29,595</b>                                       | <b>30,798</b>                                     |
| <b>Shareholders' equity</b>                 |   |   |   |
| Called up share capital                     | 3,853   | 3,853   | 3,853   |
| Share premium account                       | 4,105   | 4,105   | 4,105   |
| Merger reserve                              | 2,671   | 2,671   | 2,671   |
| Hedging Reserve                             | (182)   | (240)   | (186)   |
| Cumulative translation reserve              | 1,033   | 823   | 484   |
| Retained earnings                           | 21,173  | 18,383  | 19,871  |
| <b>Equity Shareholders' Funds</b>           | <b>32,653</b>                                       | <b>29,595</b>                                       | <b>30,798</b>                                     |

**Unaudited interim results for the 6 months ended 31 March 2010**
**Group Statement of Changes  
in Equity**

|   | <b>Half Year to<br/>31 Mar 2010<br/>(Unaudited)</b> | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|---|---|--|--|
|   | £000  | £000                                       | £000                                     |
| <b>Balance at beginning of period</b>       | <b>30,798</b>                                       | <b>29,040</b>                              | <b>29,040</b>                            |
| Fair value adjustment of interest rate swap | 4   | (240)                                      | (186)                                    |
| Income tax recognised in reserves           | -   | -  | 533                                      |
| Currency translation differences            | 549   | 761  | 423                                      |
| Net income recognised directly<br>in equity | 553   | 521  | 770                                      |
| Profit for the period                       | 1,169   | 26   | 960                                      |
| <b>Total recognised income and expense</b>  | <b>1,722</b>  | <b>547</b>                                 | <b>1,730</b>                             |
| Employee share option schemes:              |   |  |  |
| - Fair value of employee services           | -   | 8  | 28                                       |
| - Share based payment accounting charge     | 133   | -  | -  |
|   | <b>133</b>  | <b>8</b>                                   | <b>28</b>                                |
| <b>Balance at end of the period</b>         | <b>32,653</b>                                       | <b>29,595</b>                              | <b>30,798</b>                            |

**Consolidated statement of  
comprehensive income**

|   | <b>Half Year to<br/>31 Mar 2010<br/>(Unaudited)</b> | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|---|---|--|--|
|   | £000  | £000                                       | £000                                     |
| Profit for the period   | 1,169   | 26   | 960                                      |
| <b>Other comprehensive income</b>                               |   |  |  |
| Exchange difference on translation of<br>foreign operations     | 549   | 761  | 423                                      |
| Income tax recognised in reserves                               | -   | -  | 533                                      |
| Fair value adjustment of interest rate swap                     | 4   | (240)                                      | (186)                                    |
| <b>Other comprehensive income for the<br/>period</b>            | <b>553</b>  | <b>521</b>                                 | <b>770</b>                               |
| <b>Total comprehensive income for the<br/>period</b>            | <b>1,722</b>  | <b>547</b>                                 | <b>1,730</b>                             |
| Total comprehensive income for the period<br>is attributed to : |   |  |  |
| Shareholders of Gooch & Housego PLC                             | 1,722   | 547  | 1,730                                    |

**Unaudited interim results for the 6 months ended 31 March 2010**
**Group Cash Flow Statement**

|   | Note | Half Year to<br>31 Mar 2010<br>(Unaudited)<br>£000 | Half Year to<br>31 Mar 2009<br>(Unaudited)<br>£000 | Full Year to<br>30 Sep 2009<br>(Audited)<br>£000 |
|---|------|--|--|--|
| <b>Cash flows from operating activities</b>                                 |      |  |  |  |
| Cash generated from operations  | 7    | 4,508  | 4,103  | 7,944  |
| Income tax paid   |      | (495)  | (40)   | (238)  |
| Net cash generated from operating activities                                |      | <b>4,013</b>                                       | <b>4,063</b>                                       | <b>7,706</b>                                     |
| <b>Cash flows from investing activities</b>                                 |      |  |  |  |
| Acquisition of subsidiary, net of cash acquired                             |      | -  | (12,335)   | (12,437)   |
| Purchase of property, plant and equipment                                   |      | (280)  | (374)  | (696)  |
| Sale of property, plant and equipment                                       |      | -  | 285  | 463  |
| Purchase of intangible assets   |      | (27)   | (389)  | (505)  |
| Interest received   |      | -  | 29   | 25   |
| Net cash used in investing activities                                       |      | <b>(307)</b>                                       | <b>(12,784)</b>                                    | <b>(13,150)</b>                                  |
| <b>Cash flows from financing activities</b>                                 |      |  |  |  |
| Proceeds from borrowings  |      | -  | 12,192   | 12,168   |
| Repayment of borrowings   |      | (1,200)  | (1,798)  | (2,554)  |
| Interest paid   |      | (334)  | (450)  | (912)  |
| Net cash (used in)/generated from financing activities                      |      | <b>(1,534)</b>                                     | <b>9,944</b>                                       | <b>8,702</b>                                     |
| <b>Net increase in cash, cash equivalents and bank overdraft</b>            |      | <b>2,172</b>                                       | <b>1,223</b>                                       | <b>3,258</b>                                     |
| <b>Cash, cash equivalents and bank overdraft at beginning of the period</b> |      | <b>1,087</b>                                       | <b>(1,997)</b>                                     | <b>(1,997)</b>                                   |
| Exchange losses on cash and bank overdrafts                                 |      | (78)   | (1,485)  | (174)  |
| <b>Cash, cash equivalents and bank overdrafts at the end of the period</b>  |      | <b>3,181</b>                                       | <b>(2,259)</b>                                     | <b>1,087</b>                                     |

Cash, cash equivalents and bank overdrafts at the end of the period are made up of:

|  | Half Year to<br>31 Mar 2010<br>(Unaudited)<br>£000 | Half Year to<br>31 Mar 2009<br>(Unaudited)<br>£000 | Full Year to<br>30 Sep 2009<br>(Audited)<br>£000 |
|--|--|--|--|
| Cash and cash equivalents  | 7,137  | 4,361  | 6,714  |
| Bank overdraft   | (3,956)  | (6,620)  | (5,627)  |
| <b>Cash, cash equivalents and bank overdrafts at the end of the period</b> | <b>3,181</b>                                       | <b>(2,259)</b>                                     | <b>1,087</b>                                     |

## Notes to the Interim Report

### 1. Basis of Preparation

The unaudited Interim Report has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The Interim Report was approved by the Board of Directors and the Audit Committee on 7 June 2010. The Interim Report does not constitute statutory financial statements within the meaning of the Companies Act 2006 and has not been audited.

Comparative figures in the Interim Report for the year ended 30 September 2009 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion. The comparative figures to 31 March 2009 are unaudited.

The Interim Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 8 June 2010. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2009, as described in those financial statements, save for the adoption of the new standards referred to below.

### 2. Recent Accounting Developments

The following standards and amendments became effective for the current reporting period:

|                               |   |
|-------------------------------|---|
| IAS 1 (revised)               | Presentation of Financial Statements  |
| IAS 23 (revised)              | Borrowing Costs   |
| IAS 27 (revised)              | Consolidated and Separate Financial Statements  |
| IFRS 3 (revised)              | Business Combinations   |
| IFRS 1 and IAS 27 (amendment) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate                             |
| IFRS 7 (amendment)            | Financial Instruments: Disclosures  |
| IFRS 8                        | Operating Segments. The Company has provided additional disclosure by reporting revenue by market sector. |
| IFRIC 16                      | Hedges in a Net Investment in a Foreign Operation   |

Application of these standards and interpretations has not had a material impact on the net assets of the Group

The following standards and interpretations were issued but application was not mandatory for the period:

|                    |   |
|--------------------|---|
| IFRS 2 (amendment) | Group Cash-Settled Share-Based Payments |
| IFRS 9             | Financial Instruments                   |

The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the net assets or results of the Group.

### 3. Income tax expense

Income tax expense for the six months ended 31 March 2010 and 31 March 2009, respectively, has been estimated at prevailing rates. Taxation for the year ended 30 September 2009 is the actual provision for the year.

### 4. Dividend

The Directors are proposing that no interim dividend is paid for the half year ending 31 March 2010.

No dividends were paid in the comparative periods.

## 5. Segmental analysis

| Half year to 31 March 2010  | Components<br>& Materials | Instrumentation<br>& Life Sciences | Corporate      | Total         |
|---|---------------------------|------------------------------------|----------------|---------------|
|   | £000                      | £000                               | £000           | £000          |
| <b>Revenue</b>  |                           |                                    |                |               |
| Total revenue   | 19,722                    | 2,049                              | -              | 21,771        |
| Inter and intra-division  | (1,355)                   | (43)                               | -              | (1,398)       |
| <b>External revenue</b>   | <b>18,367</b>             | <b>2,006</b>                       | <b>-</b>       | <b>20,373</b> |
| Divisional expenses   | (13,503)                  | (1,725)                            | (1,447)        | (16,675)      |
| <b>EBITDA<sup>1</sup></b>   | <b>4,864</b>              | <b>281</b>                         | <b>(1,447)</b> | <b>3,698</b>  |
| EBITDA %  | 26.5%                     | 14.0%                              | 0.0%           | 18.2%         |
| Depreciation and amortisation   | (761)                     | (133)                              | (171)          | (1,065)       |
| <b>Operating profit before amortisation of<br/>acquired intangible assets</b> | <b>4,103</b>              | <b>148</b>                         | <b>(1,618)</b> | <b>2,633</b>  |
| Amortise acquired intangible assets   | (491)                     | -                                  | -              | (491)         |
| <b>Operating profit</b>   | <b>3,612</b>              | <b>148</b>                         | <b>(1,618)</b> | <b>2,142</b>  |
| Operating profit margin %   | 19.7%                     | 7.4%                               | n/a            | 10.5%         |
| <b>Net assets employed</b>  | <b>27,435</b>             | <b>2,311</b>                       | <b>2,907</b>   | <b>32,653</b> |
| <br>  |                           |                                    |                |               |
| Half year to 31 March 2009  | Components<br>& Materials | Instrumentation<br>& Life Sciences | Corporate      | Total         |
|   | £000                      | £000                               | £000           | £000          |
| <b>Revenue</b>  |                           |                                    |                |               |
| Total revenue   | 18,246                    | 1,951                              | -              | 20,197        |
| Inter and intra-division  | (1,236)                   | (120)                              | -              | (1,356)       |
| <b>External revenue</b>   | <b>17,010</b>             | <b>1,831</b>                       | <b>-</b>       | <b>18,841</b> |
| Divisional expenses   | (13,624)                  | (1,755)                            | (974)          | (16,353)      |
| <b>EBITDA<sup>1</sup></b>   | <b>3,386</b>              | <b>76</b>                          | <b>(974)</b>   | <b>2,488</b>  |
| EBITDA %  | 19.9%                     | 4.2%                               | 0.0%           | 13.2%         |
| Depreciation and amortisation   | (837)                     | (68)                               | (101)          | (1,006)       |
| <b>Operating profit before amortisation of<br/>acquired intangible assets</b> | <b>2,549</b>              | <b>8</b>                           | <b>(1,075)</b> | <b>1,482</b>  |
| Amortise acquired intangible assets   | (510)                     | -                                  | -              | (510)         |
| <b>Operating profit</b>   | <b>2,039</b>              | <b>8</b>                           | <b>(1,075)</b> | <b>972</b>    |
| Operating profit margin %   | 12.0%                     | 0.4%                               | n/a            | 5.2%          |
| <b>Net assets employed</b>  | <b>25,666</b>             | <b>2,191</b>                       | <b>1,738</b>   | <b>29,595</b> |

<sup>1</sup>EBITDA = Earnings before interest, tax, depreciation and amortisation.

All of the amounts recorded are in respect of continuing operations.

## 5. Segmental analysis (continued)

### Analysis of revenue by destination

|                    | Half year to 31 March 2010 |              |               | Half year to 31 March 2009 |              |               |
|--------------------|----------------------------|--------------|---------------|----------------------------|--------------|---------------|
|                    | C&M<br>£000                | I&LS<br>£000 | Total<br>£000 | C&M<br>£000                | I&LS<br>£000 | Total<br>£000 |
| United Kingdom     | 2,746                      | 70           | <b>2,816</b>  | 2,387                      | 6            | <b>2,393</b>  |
| America            | 9,128                      | 935          | <b>10,063</b> | 9,884                      | 1,141        | <b>11,025</b> |
| Continental Europe | 2,960                      | 394          | <b>3,354</b>  | 2,843                      | 313          | <b>3,156</b>  |
| Asia/Pacific       | 3,488                      | 607          | <b>4,095</b>  | 1,881                      | 370          | <b>2,251</b>  |
| Other              | 45                         | -            | <b>45</b>     | 16                         | -            | <b>16</b>     |
|                    | <b>18,367</b>              | <b>2,006</b> | <b>20,373</b> | <b>17,011</b>              | <b>1,830</b> | <b>18,841</b> |

### Analysis of revenue by market segment

|                               | Half year to 31 March 2010 |              |               | Half year to 31 March 2009 |              |               |
|-------------------------------|----------------------------|--------------|---------------|----------------------------|--------------|---------------|
|                               | C&M<br>£000                | I&LS<br>£000 | Total<br>£000 | C&M<br>£000                | I&LS<br>£000 | Total<br>£000 |
| Industrial                    | 10,234                     | 684          | <b>10,918</b> | 9,991                      | 778          | <b>10,769</b> |
| Aerospace & Defence           | 4,961                      | 296          | <b>5,257</b>  | 4,397                      | 350          | <b>4,747</b>  |
| Biomedical & Life<br>Sciences | 1,397                      | 355          | <b>1,752</b>  | 885                        | 150          | <b>1,035</b>  |
| Research & Development        | 1,775                      | 671          | <b>2,446</b>  | 1,738                      | 552          | <b>2,290</b>  |
|                               | <b>18,367</b>              | <b>2,006</b> | <b>20,373</b> | <b>17,011</b>              | <b>1,830</b> | <b>18,841</b> |

Glossary: C&M = Components & Materials  
I&LS = Instrumentation & Life Sciences

Sales between segments are made on normal commercial terms.

The Company has adopted IFRS 8 – Reporting Segments within these financial statements. In addition to its historic segmental disclosure, the Company has reported revenue by market segments. The chief operating decision maker of the Company is the Chief Executive Officer.

## 6. Earnings per share

The calculation of earnings per 20p Ordinary Share is based on the profit for the period using as a divisor the weighted average number of Ordinary Shares in issue during the period. The weighted average number of shares is given below.

|   | <b>Half Year to<br/>31 Mar 2010<br/>(Unaudited)</b> | Half Year to<br>31 Mar 2009<br>(Unaudited) | Full Year to<br>30 Sep 2009<br>(Audited) |
|---|---|--|--|
|   | £000  | £000                                       | £000                                     |
| Number of shares used for basic earnings per share    | <b>19,264,390</b>                                   | 19,264,390                                 | 19,264,390                               |
| Dilutive shares                                       | <b>88,408</b>                                       | 385,485                                    | -  |
| Number of shares used for dilutive earnings per share | <b>19,352,798</b>                                   | 19,650,075                                 | 19,264,390                               |

A reconciliation of the earnings used in the earnings per share calculation is set out below:

|   | <b>Half Year to<br/>31 Mar 2010<br/>(Unaudited)</b> |                | Half Year to<br>31 Mar 2009<br>(Unaudited) |                | Full Year to<br>30 Sep 2009<br>(Audited) |                |
|---|---|----------------|--|----------------|--|----------------|
|   | £000  | p per<br>share | £000                                       | p per<br>share | £000                                     | p per<br>share |
| <b>Basic earnings per share</b>             | <b>1,169</b>  | <b>6.1p</b>    | <b>26</b>                                  | <b>0.1p</b>    | 960                                      | 5.0p           |
| Adjustments net of income tax expense:      |   |                |  |                |  |                |
| Amortisation of acquired intangible assets  | 354   | -              | 367  | -              | 673                                      |                |
| Restructuring and redundancy costs          | -   | -              | 306  | -              | 603                                      |                |
| Profit from sale of Cornhill shops          | -   | -              | (191)                                      | -              | (337)                                    |                |
| Costs associated with debt re-financing     | -   | -              | 237  | -              | 330                                      |                |
| Total adjustments net of income tax expense | 354   | 1.8p           | 719  | 3.7p           | 1,269                                    | 6.5p           |
| <b>Adjusted basic earnings per share</b>    | <b>1,523</b>  | <b>7.9p</b>    | <b>745</b>                                 | <b>3.8p</b>    | 2,229                                    | 11.5p          |

Basic earnings per share before amortisation and adjustments has been shown because, in the opinion of the Directors, it more accurately reflects the trading performance of the Group.

The diluted earnings per share has not been shown as the difference between basic and diluted earnings per share is immaterial.

## 7. Cash generated from operating activities

|  | Half Year to<br>31 Mar 2010<br>(Unaudited)<br>£000 | Half Year to<br>31 Mar 2009<br>(Unaudited)<br>£000 | Full Year to<br>30 Sep 2009<br>(Audited)<br>£000 |
|--|--|--|--|
| <b>Profit before income tax</b>                          | <b>1,713</b>                                       | <b>39</b>  | 1,423  |
| <b>Adjustments for:</b>                                  |  |  |  |
| - Amortisation of acquired intangible assets             | 491  | 510  | 1,095  |
| - Amortisation of other intangible assets                | 167  | 113  | 315  |
| - Depreciation   | 895  | 893  | 1,805  |
| - Profit on disposal of property, plant<br>and equipment | -  | (265)  | (337)  |
| - Share based payments                                   | 133  | (21)   | (9)  |
| - Finance income   | (1)  | (29)   | (25)   |
| - Finance costs  | 430  | 962  | 1,387  |
| <b>Total</b>   | <b>2,115</b>                                       | <b>2,163</b>                                       | 4,231  |
| <b>Changes in working capital</b>                        |  |  |  |
| - Inventories  | 809  | (337)  | (210)  |
| - Trade and other receivables                            | (1,015)  | 2,678  | 3,014  |
| - Trade and other payables                               | 804  | (444)  | (1,274)  |
| - Provisions for liabilities and charges                 | 82   | 4  | 760  |
| <b>Total</b>   | <b>680</b>   | <b>1,901</b>                                       | 2,290  |
| <b>Cash generated from operating activities</b>          | <b>4,508</b>                                       | <b>4,103</b>                                       | 7,944  |

## 8. Derivative financial instruments

|                           | Half Year to<br>31 Mar 2010<br>(Unaudited)<br>£000 | Half Year to<br>31 Mar 2009<br>(Unaudited)<br>£000 | Full Year to<br>30 Sep 2009<br>(Audited)<br>£000 |
|---------------------------|--|--|--|
| <b>Interest rate swap</b> | <b>252</b>   | <b>334</b>   | <b>258</b>                                       |
| Current portion           | 72   | 84   | 65   |
| Non-current portion       | 180  | 250  | 193  |
|                           | <b>252</b>   | <b>334</b>   | 258  |

The notional principal amount of the outstanding interest swap contract at 31 March 2010 was \$10.3 million (2009: \$12 million). The end date for the interest rate swap is 14 October 2013.

At 31 March 2010, the fixed rate of the interest rate swap was 3.19% and the floating rate was US dollar LIBOR.