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If you have sold or transferred, or sell or transfer all or any of your holding of Existing Ordinary Shares in Millbrook, please send this document as soon as possible to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents must not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold part only of your holding of Existing Ordinary Shares in Millbrook, you should retain these documents.

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Circular to Shareholders

# Millbrook Scientific Instruments PLC

*(registered in England and Wales with company number 4350858)*

## Proposed Fundraising, Share Capital Re-organisation and Notice of Extraordinary General Meeting

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Millbrook which is set out in on page 6 of this document and which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.**

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Seymour Pierce, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Millbrook Scientific Instruments plc and for no one else in connection with the matters contemplated in this document and will not be responsible to anyone other than Millbrook Scientific Instruments plc for providing the protections afforded to clients of Seymour Pierce or for providing advice in relation to the matters contemplated in this document.

Notice convening an Extraordinary General Meeting of Millbrook Scientific Instruments plc to be held at the offices of the Company at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB

at 10.00 a.m. on Friday 24 August 2007 is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. To be valid, the Form of Proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by the Company at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB as soon as possible but in any event by not later than 10.00 a.m. on Wednesday 22 August 2007. Completion and posting of the Form of Proxy does not prevent a shareholder from attending and voting in person at the Extraordinary General Meeting.

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## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Latest time and date for receipt of Forms of Proxy in respect of the EGM	10.00 a.m. on Wednesday 22 August 2007
Extraordinary General Meeting	10.00 a.m. on Friday 24 August 2007

## **KEY STATISTICS**

Existing Ordinary Shares	53,657,416
New Ordinary Shares into which Existing Ordinary Shares convert pursuant to the Capital Reorganisation	53,657,416
Deferred Shares in issue following the Capital Reorganisation	53,657,416

## DEFINITIONS

“Act”	the Companies Act 1985 (as amended)
“AIM”	a market operated by the London Stock Exchange plc
“AIM Rules”	the rules governing the admission to and the operation of AIM published by the London Stock Exchange plc as amended from time to time
“the Board” or “the Directors”	the directors of the Company at the date of this document
“Capital Reorganisation”	the reorganisation of the share capital of the Company, details of which are set out in Part I of this document
“Company” or “Millbrook”	Millbrook Scientific Instruments plc
“Deferred Shares”	non-voting redeemable deferred shares of 4p each in the capital of the Company to be created as part of the Capital Reorganisation
“EGM”	the extraordinary general meeting of the Company, convened for 10.00 a.m. on Friday 24 August 2007, and any adjournment thereof, notice of which is set out at the end of this document
“Existing Ordinary Shares”	the 53,657,416 Ordinary Shares in issue at the date of this document
“Fundraising”	the proposed fundraising to be carried out by the Company pursuant to the issue of the Loan Note Instrument
“Incentive Warrants”	2,000,000 warrants over the New Ordinary Shares at an exercise price of 3.125p per share to be issued to Stephen Blank pursuant to his appointment as Chairman of Millbrook
“Loan Note Instrument”	the unsecured loan note instrument proposed to be issued by the Company pursuant to the Fundraising to raise up to £250,000
“New Ordinary Shares”	ordinary shares of 1p each in the capital of the Company following the Capital Reorganisation
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“Resolutions”	the resolutions to be proposed at the EGM, details of which are set out in the notice of EGM at the end of this document
“Shareholders”	holders of Ordinary Shares
“Seymour Pierce”	Seymour Pierce Limited
“Warrants”	the share warrants over up to 16,500,000 New Ordinary Shares to be issued pursuant to the Fundraising at an exercise price anticipated to be 2p per share
“YFM”	YFM Private Equity Limited

## PART 1

### Letter from Chairman of Millbrook Scientific Instruments PLC



31 July 2007

**Dear Shareholder**

#### **1. Introduction**

The statement from my predecessor, Peter Stefanini, dated 25 June 2007, issued with the preliminary announcement, referred to our need to manage cash extremely carefully during the year. At the end of June, with orders awaiting shipment, the Board considered it had sufficient funds to manage through the three month period to the end of September during which those orders would be fulfilled but before the related payments were received. After that the Company's cash requirement was expected to be well within current banking facilities provided to the Company.

Subsequently, on 10 July 2007 we were advised that a MiniSIMS ToF instrument shipped on 26 June 2007 had been damaged in transit and was returned to Blackburn for evaluation and examination by insurers. This took place on 25 July 2007. Its return to the UK clearly put at risk a substantial receipt in the critical three months identified by my predecessor. We advised the bank what our additional funding requirement might be taking this into account and the bank have conducted a review using independent accountants. The review was completed last week.

Following the review the bank indicated that it would not be prepared to increase our existing overdraft facility but would consider renewing or replacing it if the additional requirement could be provided by way of the Loan Note Instrument. The Board has received an offer in principle to provide a substantial part of the Fundraising from YFM, the Company's largest single shareholder.

The Board has taken other actions to reduce the Company's immediate working capital requirements.

However, it is clear that, without securing an element of investment of at least £200,000, the ability of the Company to continue trading will be brought into question.

Pursuant to the Loan Note Instrument the Company will receive funding of up to £250,000 in return for issuing Warrants of an equivalent amount.

As a condition of the bank's continuing support for the Company, additional Warrants up to £80,000 value may be issued to the bank.

The terms of the appointment of Stephen Blank as Non-Executive Chairman of the Company include fees of £17,500 pa. In addition the Board (excluding Mr Blank) has approved the award to Stephen Blank of 2,000,000 Incentive Warrants at an exercise price of 3.125p per share. This arrangement is subject to shareholder approval. The Board (excluding Mr Blank) took the view that this incentive package was essential in securing the services of Mr Blank as Chairman.

The Board is also of the opinion that it is important that key members of the executive team are appropriately incentivised. It is therefore its intention to review the share option arrangements in the Company in order to give effect to this objective. In doing so it will ensure that at no time shall the total number of Incentive Warrants and share options exceed 15 per cent. of the issued share capital of the Company (currently equivalent to 8,048,612 shares) and will aim to reduce this percentage over time. Shareholders will be aware that the Company has in existence Financial Arranger Warrants totalling 3,258,000 with an exercise of 10p.

The Board would emphasise that they have not revised their trading expectations in respect of this financial year and remain as convinced of the potential of the business as ever.

### **The Capital Reorganisation**

The Company's share price is currently trading at less than the nominal value of an Ordinary Share. Accordingly, in order for the Company to successfully complete the Fundraising, the Directors consider that the nominal value of each ordinary share in the capital of the Company needs to be reduced to 1p.

In light of the above, it is proposed at Resolution 2 that each Ordinary Share be converted into one New Ordinary Share and one Deferred Share. The rights attaching to the Deferred Shares are set out at Resolution 4 and it should be noted that no application will be made for the Deferred Shares to be admitted to trading on AIM or on any other recognised investment exchange.

The reorganisation of the Company's share capital in this way will not of itself affect the value of your shareholding, as can be seen from the worked example below:

<i>Ordinary Shares held prior to Capital Reorganisation</i>	<i>1,000</i>
<i>Current market price per Ordinary Share</i>	<i>3p</i>
<i>Current value of shareholding</i>	<i>£30</i>
<i>Number of New Ordinary Shares held following Capital Reorganisation</i>	<i>1,000</i>
<i>Market price per New Ordinary Share immediately following Capital Reorganisation</i>	<i>3p</i>
<i>Value of New Ordinary shareholding</i>	<i>£30</i>
<i>No of Deferred Shares held following Capital Reorganisation</i>	<i>1,000</i>
<i>Market price of Deferred shareholding immediately following Capital Reorganisation</i>	<i>nil</i>

In addition, following the Capital Reorganisation the above shareholder will hold 1,000 Deferred Shares. By effecting the reorganisation in this way the Company's authorised share capital remains the same. In the example above, the 1,000 shares held today each have a nominal value of 5p giving a total nominal value for the holding of £50. The New Ordinary Shares have a nominal value of 1p (£10 in aggregate) which when added to the aggregate nominal value of the Deferred Shares (£40) means that the nominal value of the holding remains at £50.

### **Resolutions**

A notice convening the EGM to be held at the offices of the Company at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB at 10.00 a.m. on Friday 24 August 2007 is set out at the end of this document. At the EGM, the following Resolutions will be proposed:

- (a) an ordinary resolution to sub-divide each Ordinary Share into one New Ordinary Share and one Deferred Share;
- (b) an ordinary resolution to authorise the Directors to allot relevant securities (as defined in section 80 of the Act), *inter alia*, for the purposes of the Fundraising;
- (c) a special resolution to allow the Directors, subject to the limits set out in that resolution, to issue New Ordinary Shares for cash on a non-pre-emptive basis, including a specific authority to allot New Ordinary Shares under the Fundraising; and
- (d) a special resolution to amend the Company's articles of association to include details of the rights attaching to the Deferred Shares.

The Fundraising is conditional upon, *inter alia*, the passing of the Resolutions.

**Action to be taken**

A Form of Proxy is enclosed for use at the EGM. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to the Company at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB as soon as possible but in any event so as to arrive not later than 10.00 a.m. on Wednesday 22 August 2007. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

**Recommendation**

The Directors will continue to negotiate with potential funders and endeavour to secure terms for the Fundraising that are fair and reasonable and in the best interests of the Company and its Shareholders. Shareholders will be appraised of further key developments up until the EGM. However, it will be clear to Shareholders that it is very important that the proposed fundraising and the associated financial restructuring is undertaken and accordingly the Directors unanimously recommend the Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings of 3,432,333 Existing Ordinary Shares representing 6.02 per cent. of the Existing Ordinary Shares.

**Stephen M Blank MSc, MA (Oxon), FCA Director**

**31 July 2007**

## PART 2

### Notice of EGM

#### MILLBROOK SCIENTIFIC INSTRUMENTS PLC (Company)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB on 24 August 2007 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as to resolution 1 and 2 as ordinary resolutions and as to resolutions 3 and 4 as special resolutions.

#### ORDINARY RESOLUTIONS

1. **THAT** each issued and unissued ordinary share of 5p each in the capital of the Company be and is hereby subdivided into one ordinary share of 1 pence each (“**New Ordinary Shares**”) and one non-voting redeemable deferred share of 4p each (“**Deferred Shares**”), such Deferred Shares to have the rights and be subject to the restrictions set out in resolution 4 below.
2. **THAT** subject to and conditional upon the passing of resolution 1 above and in substitution for all existing and unexercised authorities and powers, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the “**Act**”) to:
  - 2.1 allot up to 16,500,000 New Ordinary Shares in connection with the Warrants (as such term is defined in the circular accompanying this notice);
  - 2.2 allot up to 2,000,000 New Ordinary Shares in connection with the Incentive Warrants; and
  - 2.3 otherwise than pursuant to 2.1 and 2.2 above, allot relevant securities (within the meaning of section 80(2) of the Act) up to the nominal amount of the authorised but unissued share capital of the Company. The authority will expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (if earlier) except that the directors may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of that offer or agreement as if this authority had not expired.

#### SPECIAL RESOLUTIONS

3. **THAT** subject to and conditional on the passing of resolution 2 above and in substitution for all existing and unexercised authorities the directors of the Company be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) pursuant to the authority conferred upon them by the preceding resolution for cash as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - 3.1 in connection with an offer of such securities by way of rights issue;
  - 3.2 as detailed in resolution 2 above; and
  - 3.3 otherwise than pursuant to 3.1 and 3.2 above, up to the nominal amount of the authorised but unissued share capital of the Company,

and shall expire at the conclusion of the next annual general meeting of the Company or (if earlier) 15 months from the date of passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such

expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

In this resolution, “rights issue” means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

4. **THAT** the Company’s articles of association be amended as follows:

4.1 adding the following definition to article 2.1:

“Deferred Shares” means the non-voting redeemable deferred shares of 4p each in the capital of the Company;

4.2 by deleting article 3.1 in its entirety and replacing it as follows:

“3.1 The authorised share capital of the Company is £4,500,000 divided into 90,000,000 ordinary shares of 1p each (“**Ordinary Shares**”) and 90,000,000 Deferred Shares of 4p each.”

4.3 by adding a new article 3.2 as follows:

“3.2 Deferred Shares

(a) The Deferred Shares:

- (i) do not entitle their holders to receive any dividend or other distribution;
- (ii) do not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company;
- (iii) do not entitle their holders to receive any part of the assets of the Company on a return of capital on a winding up of the Company (whether voluntary or under supervision or compulsory);
- (iv) do not entitle their holders to any further participation in the capital of the Company; and
- (v) do not entitle their holder to a share certificate.

(b) The Company has authority at any time:

- (i) to appoint a person on behalf of any holder of Deferred Shares to enter into an agreement to transfer and to execute a transfer of the Deferred Shares for a consideration not exceeding £1 for each holding of the Deferred Shares, to a person appointed by the Directors to be the custodian of those shares;
- (ii) to cancel and/or purchase the Deferred Shares (under the provisions of the Act) without making any payment to or obtaining the sanction of the holders of the Deferred Shares; and
- (iii) pending any transfer or cancellation or purchase of Deferred Shares to retain the certificate for those shares.

(c) The Company may at its option at any time redeem all or any holding of the Deferred Shares then in issue at a price not exceeding £1 for each holding of the Deferred Shares to be redeemed on giving to their holders at least seven days prior written notice of its intention to do so, fixing a time and place for the redemption, and at that time and place those holders shall be bound to surrender to the Company the certificates for their

Deferred Shares to be cancelled and the Company shall pay the redemption monies to those holders.

- (d) Save as set out in Article 3.2(b)(i), the Deferred Shares shall not be transferable.”

**BY ORDER OF THE BOARD**

Paul M Grasske  
Secretary

Dated: 31 July 2007

**Notes:**

- 1 A person entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company. Appointment of proxies does not preclude members from attending and voting at the meeting should they wish to do so.
- 2 To be valid, the instrument appointing a proxy must be deposited at the Company's offices, at Blackburn Technology Centre, Challenge Way, Blackburn, Lancashire, BB1 5QB not less than 48 hours before the time of the meeting.
- 3 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders of the Company on the register at 10.00 a.m. on 22 August 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after 10.00 a.m. on 22 August 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

By order of the Board

Paul M Grasske  
Secretary

