



MILLBROOK

SCIENTIFIC INSTRUMENTS PLC

Press Release

19 December 2007

Millbrook Scientific Instruments plc

("Millbrook" or the "Company")

Interim Results

Millbrook Scientific Instruments plc (AIM:MBK), the designer and manufacturer of innovative scientific instruments that measure nanoscale properties of thin films and coatings, announces its Interim Results for the six months ended 30 September 2007.

Overview

	Six months ended 30 September 2007 (unaudited) £	Six months ended 30 September 2006 (unaudited) £	Year ended 31 March 2007 (audited) £
Revenue	1,052,516	623,006	1,891,482
EBITDA (redefined)	(149,830)	(428,135)	(518,271)
Operating loss	(196,962)	(398,141)	(470,667)
Basic Loss per share (in pence)	(0.235p)	(0.746p)	(0.901p)

- Revenue of £1,052,516 (2006: £623,006):
 - significant improvement over last year due to partial fulfilment of previous year's order backlog;
 - backlog of MiniSIMS ToF instruments now cleared although not all had shipped in the first half
- EBITDA loss of £(149,830) (2006: loss of £(428,135)) – again an improvement due to increased sales and some reduction in overhead;
 - Note: change of method of computation of EBITDA – on previous basis, figure would have been loss of £(38,096) (2006: loss of £(272,201))
- First release of the software upgrade for MiniSIMS ToF well in hand;
- Continued strong performance of sales of NanoTest instrument through the year – further steady growth expected, currently limited by available space;

- Successful private placement completed 13 September 2007, raising £400,000 of further equity before costs and enabling elimination of Group's Net Debt; net cash balance at 14 December 2007 - £114k;
- Total Group sales for FY2008 plus outstanding orders £2.6m at 13 December 2007
 - Order book for NanoTest remains strong;
 - Order book for MiniSIMS is rebuilding after pause in new orders caused by production and cash flow difficulties;
- Other priorities for the remainder of the Financial Year:
 - Complete move to new NanoTest facility at Wrexham;
 - Commence roll-out of software upgrade for MiniSIMS ToF;
 - Complete improvements to production processes at Blackburn to ensure production and quality targets are reliably met.

Chairman's Statement

Revenue for the six month period ending 30 September 2007 was £1,052,516 (2006: £623,006). The increase in revenue compared to 2006 was mainly due to the easing of production difficulties at Blackburn enabling fulfilment of a large part of the backlog in orders for the MiniSIMS instrument which are referred to in detail below and were highlighted in the trading updates released by the Company on 19 April and 25 June 2007. The Operating loss for the period was £(196,962) (2006: £(398,141)). This improvement was almost entirely due to the improvement in sales referred to above; as previously announced, steps have been taken to reduce overheads but the benefit of these will not be fully realised until the second half.

As announced on 31 July 2007, the Company hit cash flow difficulties caused by the on-going production problems at Blackburn but exacerbated by the unforeseen damage to an instrument in transit to a customer. A shareholder update was issued on 22 August 2007 and an EGM was held on 24 August 2007. Thanks to the support of a small group of shareholders led by YFM Private Equity ("YFM"), managers of The Northwest Business Investment Scheme, our largest shareholder, and three of the directors, the full amount of £400,000 was raised enabling the immediate crisis to be weathered and the elimination of the Group's Net Debt. The fundraising was completed on 13 September 2007.

The update issued on 22 August 2007 also stated that further Resolutions authorising the Directors to allot shares and to disapply pre-emption rights only within certain specified limits would be proposed at a second EGM. I confirm that this remains our intention.

During the period under review, sales and orders of the NanoTest instrument have progressed most satisfactorily. Continued steady growth is expected but the constraints of space at the existing facility in Wrexham have been severe. A move to nearby premises was agreed in September but legal issues held up progress until recently. It is now expected that the move will be

complete before the end of the Financial Year. Our thanks are due to our employees at Wrexham who have worked tirelessly in increasingly difficult conditions.

The Board has commenced a fundamental business review which is expected to be complete by the year end. However, certain conclusions were obvious and required immediate attention. Production space at Wrexham has already been mentioned. Improvements to production and quality processes at Blackburn were equally as important to ensure as far as possible that instruments could be produced in a predictable timescale and that they passed quality tests first time. Staff changes have taken place to enable this to happen but results will not be instantaneous. Furthermore, the MiniSIMS ToF had been sold and shipped with an existing software release on condition that a new release, which had been specified, would be retro-supplied. Completion of this work in-house was a priority and is now well in hand. Supplying this software as well as completion of the MiniSIMS alpha version is now a priority.

Clearly the non-availability of the new software and then the public announcement of the production difficulties and associated cash-flow problems hampered the efforts of the MiniSIMS sales team. Nevertheless new orders have been achieved such that total group sales for FY 2008 to date plus outstanding orders at 13 December 2007 are £2.6m.

The Board has previously disclosed a figure for EBITDA which was struck before amortisation of certain costs but after capitalisation of similar expenditure. It is considered that a more appropriate measure, closer to the cash generation by the business, can be struck by adding back net movement on that expenditure thus taking into account expenditure on Research and Development whether or not capitalised. For the period to 30 September 2007 EBITDA on the new basis was a loss of £150k (half year 2006 – loss of £428k).

My thanks are due to all the employees at Blackburn. Change is always difficult to embrace under any circumstances but they have done so willingly despite the difficult financial position in which Millbrook found itself until recently.

This financial period has also seen significant changes at Board level. I paid tribute to my predecessor as Chairman, Peter Stefanini, at the AGM. He stepped down from his Executive role on 19 April 2007. Simon Cleaver of YFM stepped down as non-executive director on 31 July 2007. Thanks are also due to him as well as YFM whose support has been unstinting and most valuable. The other executive directors have had to shoulder the burden, none more so than Paul Grasske, the Group CEO as well as acting FD, and they have all risen to the challenge. These changes at Board level as well as other changes within the Group will result in cost savings mainly in the second half. However the administration and finance side of the business is running too lean at present. Steps will be taken to address this as soon as the Board is confident that trading conditions permit.

Committees

The Audit and Remuneration Committees met once each in the period under review under the Chairmanship of Malcolm Fortnam. My grateful thanks are due to Malcolm for carrying out this role as well as for his sterling contribution to the Board in general.

The Remuneration Committee had the important task of refreshing the Group Option scheme. I referred to this in my Letter dated 31 July 2007 and the refreshment will be effective by the end of January 2008. Existing option holders who are still employed will have the exercise price per share reduced to 3.125p, significantly closer to the existing share price. Certain employees will receive additional options; in particular Paul Grasske's options will be increased to 1,500,000 shares. The total number of shares under option after this grant will represent 8.25% of the total issued share capital.

The Audit Committee also met to consider the implementation of IFRS. The committee was briefed by the Auditors and individual members of the Committee have attended numerous workshops and briefing sessions by other organisations. These accounts are the first to incorporate adoption of IFRS. The Committee also undertook a detailed review of existing accounting policies. This led to clarification and formalisation of certain policies including revenue recognition but no changes other than those mandated by IFRS and which are detailed below. Our thanks are due to Edwards Veeder LLP, our auditors, for their help during this transitional period.

Other Advisers

A difficult year puts pressure first on directors and employees but second on professional advisers. Seymour Pierce, our Nomad, have provided first-rate advice and support. George Davies LLP, who were our legal advisers for a number of years, stepped down after the AGM with the Board's thanks for their efforts. Thereafter our new legal advisers, Halliwells LLP, provided excellent support and advice through and beyond the September fund-raising.

Stephen M Blank
Chairman

CONDENSED GROUP INCOME STATEMENT

for the six months to 30 September 2007

		Unaudited 6 months to 30 September 2007	Unaudited 6 months to 30 September 2006 (as restated)	Audited Year ended 31 March 2007 (as restated)
	Note	Total £	Total £	Total £
REVENUE		1,052,516	623,006	1,891,482
Other income		14,565	2,540	11,048
Changes in inventories and work in progress		70,239	29,560	44,700
Work performed by the entity and capitalised		111,734	155,934	299,802
Raw material and consumables used		(507,474)	(257,997)	(845,703)
Employee benefits expense		(510,865)	(522,210)	(1,013,100)
Depreciation and amortisation expense		(122,199)	(110,071)	(236,329)
Other expenses	5	(305,478)	(318,903)	(622,567)
OPERATING (LOSS)		(196,962)	(398,141)	(470,667)
Finance costs		(13,735)	2,339	(10,082)
INCOME BEFORE TAX		(210,697)	(395,802)	(480,749)
Tax refund	4	79,560	-	-
INCOME FOR THE PERIOD		(131,137)	(395,802)	(480,749)
Earnings per share				
Basic		(0.235p)	(0.746p)	(0.901p)
Diluted		(0.211p)	(0.665p)	(0.804p)

CONDENSED GROUP INCOME STATEMENT continued
for the six months to 30 September 2007

Earnings Before Interest, Tax and Depreciation and Amortisation (“EBITDA”)

	Unaudited 6 months to 30 September 2007 Total £	Unaudited 6 months to 30 September 2006 (as restated) Total £	Audited Year ended 31 March 2007 (as restated) Total £
Operating (Loss)	(196,962)	(398,141)	(470,667)
Exceptional item	(36,667)	(15,869)	(15,869)
Depreciation	(22,452)	(36,457)	(118,810)
Work performed by the entity and capitalised	111,734	155,934	299,802
Amortisation	(99,747)	(73,614)	(117,519)
EBITDA	(149,830)	(428,135)	(518,271)

Previously the Directors provided information on EBITDA in the computation of which, gross amortisation of Intangible Assets comprising Goodwill and capitalised Research & Development (“R&D”) expenditure was added back. In the table above EBITDA is calculated after adding back net movement on capitalised R&D expenditure. The Directors consider that this more closely approximates cash generation by the business which is the main reason the EBITDA measure is used.

For comparative purposes, information on EBITDA calculated in accordance with the manner used in the last financial report is provided below:

CONDENSED GROUP INCOME STATEMENT continued
for the six months to 30 September 2007

Earnings Before Interest, Tax and Depreciation and Amortisation (“EBITDA”)

	Unaudited 6 months to 30 September 2007 Total £	Unaudited 6 months to 30 September 2006 (as restated) Total £	Audited Year ended 31 March 2007 (as restated) Total £
EBITDA (using net movement on R&D expenditure as above)	(149,830)	(428,135)	(518,271)
Work performed by the entity and capitalised	111,734	155,934	299,802
EBITDA (as previously disclosed)	(38,096)	(272,201)	(218,469)

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Retained Earnings £	Total £
At 1 April 2006	1,893,019	777,861	(1,445,308)	1,225,572
Retained loss for the period	-	-	(395,802)	(395,802)
Proceeds from share issue	789,852	-	-	789,852
At 30 September 2006	2,682,871	777,861	(1,841,110)	1,619,622
Retained loss for the period	-	-	(84,947)	(84,947)
At 31 March 2007	2,682,871	777,861	(1,926,057)	1,534,675
Retained loss for the period	-	-	(131,137)	(131,137)
Proceeds from share issue	200,000	185,588		385,588
Share based payments (note 2)	-	-	5,023	5,023
At 30 September 2007	2,882,871	963,449	(2,052,171)	1,794,149

CONDENSED GROUP BALANCE SHEET
for the six months to 30 September 2007

	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 (as restated) £	Audited Year ended 31 March 2007 (as restated) £
Non Current Assets			
Property, plant and equipment	115,932	215,291	156,181
Intangible assets	1,431,588	1,361,797	1,403,195
	<u>1,547,520</u>	<u>1,577,088</u>	<u>1,559,376</u>
Current Assets			
Inventories	325,515	249,644	330,371
Trade and other receivables	784,553	454,859	666,988
Cash at bank and in hand	620,727	574,433	288,494
	<u>1,730,795</u>	<u>1,278,936</u>	<u>1,285,853</u>
Total Assets	<u>3,278,315</u>	<u>2,856,024</u>	<u>2,845,229</u>
Current Liabilities			
Bank loans and overdrafts	(505,970)	(682,270)	(615,723)
Trade and other payables	(593,763)	(356,858)	(597,899)
Other creditors and deferred income	(337,156)	(155,317)	(64,502)
	<u>(1,436,889)</u>	<u>(1,194,445)</u>	<u>(1,278,124)</u>
Non Current Liabilities			
Bank loans	(13,000)	(25,000)	(19,000)
Provision for deferred grant income	(34,277)	(16,957)	(13,430)
	<u>(1,484,166)</u>	<u>(1,236,402)</u>	<u>(1,310,554)</u>
Net Assets	<u>1,794,149</u>	<u>1,619,622</u>	<u>1,534,675</u>
Equity			
Called up share capital	2,882,871	2,682,871	2,682,871
Share premium account	963,449	777,861	777,861
Retained Earnings	(2,052,171)	(1,841,110)	(1,926,057)
Total Equity	<u>1,794,149</u>	<u>1,619,622</u>	<u>1,534,675</u>

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the six months to 30 September 2007

Note	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 (as restated) £	Audited Year ended 31 March 2007 (as restated) £	
Net cash inflow/(outflow) from operating activities	6	210,928	(311,249)	(363,291)
Cash flows from investing activities				
Payments to acquire intangible fixed assets		(133,308)	(183,621)	(331,653)
Payments to acquire tangible fixed assets		(4,568)	(51,682)	(63,933)
Less grants received		26,016	10,491	9,423
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		99,068	(536,061)	(749,454)
Cash flows from financing activities				
Issue of ordinary share capital		400,000	789,852	789,852
Share issue costs		(14,415)	(15,869)	(15,869)
Finance arrangement fees		(36,667)	-	-
Loan repayments		(13,195)	(10,759)	(17,495)
		335,723	763,224	756,488
INCREASE / (DECREASE) IN CASH		434,791	227,163	7,034

NOTES TO THE UNAUDITED ACCOUNTS
for the six months ended 30 September 2007

1. BASIS OF PRESENTATION OF ACCOUNTS

Millbrook Scientific Instruments PLC is incorporated in England and Wales. The condensed Group half-year financial statements consolidate those of the Company and its subsidiaries. They do not include all of the information required for full annual financial statements.

The half-year results are unaudited. The summary of results for the year ended 31 March 2007 is an extract from the published consolidated financial statements of the Group for that period which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the first time the group is required to report its consolidated financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union. Comparative information for the year ended 31 March 2007, previously reported under UK GAAP, has been restated under IFRS.

The presentation of the Group's financial statements has also changed. Presentation is now made in accordance with IAS 1 "Presentation of Financial Statements" and IAS 7 "Cash Flow Statements".

The Transition date to IFRS is the 1 April 2006.

As a result of the transition to IFRS the following accounting policies have been amended:

Goodwill

Goodwill is no longer amortised but is reviewed regularly for impairment.

The Directors reviewed Goodwill for impairment at the transition date (1 April 2006) and the result of the review was that £160,933 of Goodwill was considered to be impaired.

Software

IFRS 38 requires that software is accounted for as an intangible asset rather than a tangible asset. Previously, the Group regarded externally purchased software as a tangible asset.

Share Based Payments

Incentive warrants were issued to the Chairman, Mr S M Blank, on the 13 September 2007. The fair value of these warrants has been recognised as an employee expense with a corresponding increase in equity.

The fair value of £5,023 is calculated using an option pricing model.

Holiday pay

Previously the Group has not accounted for holiday pay. IAS 19 requires holiday pay to be accounted for.

The financial effects of these changes are shown in notes 9 and 10.

Business Combinations

The Group has taken advantage of the exemption permitted by IFRS 1 “First time adoption of International Reporting Standards” and not restated business combinations that took place before the Transition date. As a result the carrying value of Goodwill in the UK GAAP balance sheet at 31 March 2006 is brought forward to the IFRS balance sheet.

3. LOSS PER ORDINARY SHARE

	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 (as restated) £	Audited Year ended 31 March 2007 (as restated) £
Basic weighted average number of shares in the period	55,733,919	53,053,153	53,354,457
Diluted weighted average number of shares in the period	62,121,837	59,536,153	59,775,128
Loss attributable to members of the parent undertaking	(131,137)	(395,802)	(480,749)
Basic loss per share	(0.235p)	(0.746p)	(0.901p)
Diluted loss per share	(0.211p)	(0.665p)	(0.804p)

The loss per share (basic and diluted) has been calculated on the result after tax attributable to the ordinary shareholders and the weighted average number of shares in issue in the period.

At the 30 September 2007 there were 73,657,416 ordinary 1p shares in issue.

4. TAX REFUND

The tax refund relates to claims for Research and Development tax credits that have been submitted to HMRC.

5. EXCEPTIONAL ITEMS

The following expenses are included in the Income Statement under ‘Other expenses’:

	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 £	Audited Year ended 31 March 2007 £
Finance arrangement fees	36,667	-	-
Cost of Placing	-	15,869	15,869
Total exceptional items	<u>36,667</u>	<u>15,869</u>	<u>15,869</u>

6. RECONCILIATION OF INCOME FOR PERIOD TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 (as restated) £	Audited Year ended 31 March 2007 (as restated) £
Income for the period	(131,137)	(395,802)	(480,749)
Exceptional items (finance arrangement fees)	36,667	15,869	15,869
Loss before exceptional item	(94,470)	(379,933)	(464,880)
Share based payment	5,023		
Depreciation	22,452	41,628	69,617
Amortisation of intangibles	99,747	68,448	166,712
(Increase)/Decrease in inventories	4,856	(21,620)	(102,348)
(Increase)/Decrease in debtors	(117,565)	150,883	(61,246)
(Decrease) / Increase in creditors	268,518	(170,655)	(20,429)
Transfer of asset for resale from fixed assets	22,367	-	49,283
Net cash inflow/(outflow) from operating activities	210,928	(311,249)	(363,291)

7. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(NET DEBT)

	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 (as restated) £	Audited Year ended 31 March 2007 (as restated) £
Increase/(decrease) in net cash in the period	434,791	227,162	7,034
Movement in bank loan	13,195	10,759	17,495
Movements in net debt	447,986	237,921	24,529
Net debt brought forward	(346,229)	(370,758)	(370,758)
Net funds/(debt) carried forward	101,757	(132,837)	(346,229)

8. ANALYSIS OF NET DEBT

	At 1 April 2007 (as restated) £	Cash Flow £	Non Cash Movements £	At 30 September 2007 £
Cash at bank and in hand	288,494	332,233	-	620,727
Overdraft	(596,528)	102,558	-	(493,970)
Bank loans due within one year	(19,195)	13,195	(6,000)	(12,000)
Bank loans due beyond one year	(19,000)	-	6,000	(13,000)
Net (debt)/cash	<u>(346,229)</u>	<u>447,986</u>	<u>-</u>	<u>101,757</u>

9. INCOME STATEMENT RECONCILIATION

	Income £
As reported under UK GAAP at 30 September 2006	(472,332)
Write back of goodwill amortisation	78,806
Holiday pay accrual	<u>(2,276)</u>
As reported under IFRS at 30 September 2006	<u>(395,802)</u>
As reported under UK GAAP at 31 March 2007	(632,339)
Write back of goodwill amortisation	157,612
Holiday pay accrual	<u>(6,022)</u>
As reported under IFRS at 31 March 2007	<u>(480,749)</u>

10. BALANCE SHEET RECONCILIATION

	Intangible Assets £	Fixed Assets £	Retained Earnings £
As reported under UK GAAP at 1 April 2006	1,375,969	239,496	(1,272,382)
Transfer of software from tangible assets to intangible assets	625	(625)	-
Adjustment of Goodwill	(160,933)	-	(160,933)
Holiday pay accrual	-	-	(11,992)
As reported under IFRS at 1 April 2006	<u>1,215,661</u>	<u>238,871</u>	<u>(1,445,307)</u>
As reported under UK GAAP at 30 September 2006	1,409,664	249,551	(1,744,715)
Transfer of software from tangible assets to intangible assets	34,260	(34,260)	-
Adjustment of Goodwill	(82,127)	-	(82,127)
Holiday pay accrual	-	-	(14,268)
As reported under IFRS at 30 September 2006	<u>1,361,797</u>	<u>215,291</u>	<u>(1,841,110)</u>
As reported under UK GAAP at 31 March 2007	1,378,168	184,530	(1,904,721)
Transfer of software from tangible assets to intangible assets	28,349	(28,349)	-
Adjustment of Goodwill	(3,322)	-	(3,322)
Holiday pay accrual	-	-	(18,014)
As reported under IFRS at 31 March 2007	<u>1,403,195</u>	<u>156,181</u>	<u>(1,926,057)</u>

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INDEPENDENT REVIEW REPORT TO Millbrook Scientific Instruments PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2007. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of rules of the London Stock Exchange plc for companies trading securities on the AIM market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange plc for companies trading securities on the AIM market which require that the half yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual reports.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any modifications that should be made to the financial information as presented for the six months ended 30 September 2007.

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19 December 2007