MILLBROOK
SCIENTIFIC INSTRUMENTS PLC

Press Release **25 June 2007**

Millbrook Scientific Instruments plc

Final Results

Millbrook Scientific Instruments plc, the designer and manufacturer of innovative scientific instruments that measure nanoscale properties of thin films and coatings, announces its Final Results for the year ended 31 March 2007.

Highlights

- Sales dropped by 12% to £1.89 million
- EBITDA loss increased to £212,000 (2006: £91,000)
- NanoTest business achieved record sales
- MiniSIMS demand at high levels with data storage and semiconductor sectors predominating
- Order book for 2007-8 stands at a record £1.45 million
- Paul Grasske has taken over as Chief Executive
- Stephen Blank is to be appointed Non-Executive Chairman at the AGM

Commenting on the results, Dr Peter Stefanini, Chairman, said:
"Failure to get a number of high value MiniSIMS orders shipped before the year end was the reason for our disappointing performance last year. Steps have already been taken to rectify the production weaknesses which led to this. I am pleased to say that demand for Millbrook's products is at a record level with the new versions of the MiniSIMS attracting great interest particularly from blue chip technology companies."

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CHAIRMAN'S STATEMENT & REVIEW

Overview

For the first time in its history, the Group failed to generate year on year growth in turnover – sales dropping by around 12%. This was largely the result of a poor first half in which an overrun in our development programme led to delays in shipping two major orders. Sales rallied in the second half of the year but insufficiently to reach acceptable levels for the year as a whole. As a result the expectation that 2006-7 would see a profit at the EBITDA level was not realised. Frustratingly, had we been able to ship a substantial proportion of the £800,000 worth of orders on the books at year-end, we should have achieved our objective of a positive EBITDA.

MiniSIMS production at Blackburn proved to be the Group's Achilles heel. Late receipt of certain components and an overstretched technical team - weakened by the loss of a key engineer towards the year end - caused production targets to be missed. I am pleased to say the necessary steps to strengthen the team through recruitment have now been taken.

We regard these production setbacks to sales growth as strictly temporary, and the future of the MiniSIMS remains bright. The introduction of the MiniSIMS ToF, with its enhanced performance, has greatly extended the appeal of our range of desk-top surface chemical analysers. In particular the data storage and semiconductor sectors are becoming increasingly important, accounting for a high proportion of current order intake. Pricing strategy for the MiniSIMS ToF and related products has been very successful, and these instruments have been generating substantially higher order values.

Sales of the NanoTest – a sophisticated instrument for measuring physical properties of films and coatings of nanoscale dimensions - increased strongly. Further growth of this product range is now limited by the space available at the production unit at Wrexham. Accordingly we have taken the decision to move to new premises in Wrexham to remove this constraint.

The Aquila operation was moved from Cambridge to Blackburn in September 2006. Of the staff at Cambridge, only the technical director was retained and a product manager was recruited in January 2007. Whilst the move achieved significant cost savings (as anticipated in last year's statement) inevitably it also proved disruptive and there was a hiatus in sales. However, it was pleasing to see an encouraging flow of orders towards the end of the year.

We have had to manage cash extremely carefully during the year. As with most high price capital equipment businesses, we experience peaks and troughs in sales. This irregular cash flow has dictated a prudent approach to our decision making. We have regarded the security of the Group as paramount and have foregone opportunities which might have compromised this security. For example building stock in anticipation of order intake would have provided a route to smoothing out production but would have subjected us to unacceptable risks in terms of our borrowing facilities. Therefore in general we have commenced instrument building only on receipt of order. I am pleased to say that looking ahead we expect current confirmed orders to generate substantial cash flow and significantly improve our cash position as the year progresses giving us greater freedom to grow the business.

Results

Group sales were £1.89 million, 12% down on the previous year. Gross profit was £937,000 – a gross margin of 50% compared with 53% the previous year. This reduction in average gross margin resulted from a change in product mix. The MiniSIMS typically generates higher margins than the NanoTest but sales of the latter accounted for a higher proportion of sales last year compared with the previous year.

Overheads were £1.15 million, a reduction of £85,000 compared with £1.23 million in the previous year. Overheads were well controlled given the general cost increases experienced and withdrawal from the Cambridge site assisted this result.

Loss for the year at the EBITDA level was £212,000 which compares with a loss of £91,000 last year. This decline was predominantly the consequence of reduced sales resulting from MiniSIMS production problems referred to above.

Markets & Marketing

Once again the Group's sales spanned markets in Europe, Asia and North America. We continued to do well in countries in which we have established a position over a number of years including Japan, China, Italy and Finland. Russia accounted for sales of two NanoTest systems and two more orders are in the pipeline for this year. We also made our first sales to customers in Switzerland and Austria. We are still under-performing in the USA, but as a result of a major campaign last year we have picked up high value MiniSIMS orders for dispatch this year.

The MiniSIMS ToF and the Enhanced Sampling option have been well received by the market. These premium versions of the MiniSIMS accounted for the major part of sales last year and represent a dominant share of orders currently in the pipeline. The interest from the data storage and semiconductor sectors has been particularly encouraging and confirmed orders from these sectors alone stand at more than £500,000 this year. Approaches so far have been confined to known interested parties in selected territories. Now a comprehensive training programme for our international distributors is underway to be followed by a roll out of the products to all the territories they represent. We believe there is a lot more to come as a result of this initiative.

The NanoTest has strengthened its market position through the development of a new control unit which has taken the instrument's performance to a new higher level. This was very much a customer driven development and is accordingly very much in demand.

Sales of the Aquila nkd were disrupted by the closure of the Cambridge site and the loss of three of the four staff. The operation has been re-housed at our Blackburn site and sales have started to pick up again. In particular the Chinese market has proved receptive and two of the orders for delivery this year have come from China. Responsibility for sales has been given to the MiniSIMS sales team and a product manager was taken on in January to coordinate production and sales.

Technology & Product Development

The last two years have seen a heavy research and development programme resulting in the emergence of the MiniSIMS ToF and Enhanced Sample options. These new products are already generating substantial revenue but are expected to generate much higher income over the next few years. The MiniSIMS ToF represents a great leap forward and further development will build on this. The immediate task of the technical team is the tidying up of the production procedures relating to the new products, and this is already underway.

Once this is completed, development work will continue to increase the scope and performance of the MiniSIMS: in particular to extend its capabilities in terms of sample types which can be analysed and spatial resolution which can be achieved. This work is being partly funded through a DTI Development Grant of £171,000.

There will be a new release of software during the year to provide users with greater power to process the enormous quantity of data available from the MiniSIMS ToF. This will improve both the user friendliness of the instrument as well as its functionality, providing a three-dimensional visual presentation of the sample through which the user can navigate.

For the NanoTest, the emphasis is to replicate to an ever closer degree, testing conditions which are experienced in real applications rather than extrapolating or interpolating from results obtained under artificial conditions. Thus work on extending the range of temperature over which measurements can be made forms an important part of the development programme. Having developed a stage which can support temperatures in excess of 500º C, work is continuing in collaboration with Birmingham University to develop a low temperature stage which can operate down to – 40º C.

Following the relocation of the Aquila business we took the opportunity to re-engineer the instrument to enable more streamlined manufacture, and much of the basic production process has been outsourced to one of our established contractors.

Board

In April 2007, I handed over executive responsibilities to Paul Grasske who has taken on the role of Chief Executive whilst retaining responsibility as Finance Director. Paul's experience in the sector and commercial acumen makes him the natural successor and I am confident he will succeed in the role. He had run Micro Materials ably for several years when we acquired the business, and has continued to preside over strong growth since it became part of the Group. Given the current need for production streamlining in the business, I believe Paul has the right skills and experience to find successful solutions.

I have continued as Chairman during this period but will step down from the Board at the forthcoming AGM. Stephen Blank who joined the Board as non-executive director in June will take over the role of non-executive chairman at the AGM. Stephen is a chartered accountant and will bring to the Group expertise in the area of corporate finance as well as a great deal of experience of chairing SME's.

To be able to hand over to able and talented successors should be every leader's aim. After a period of nearly seven years as executive chairman I hand over my responsibilities to Paul and Stephen with the full confidence that they are well equipped to discharge them and I look forward to seeing Millbrook flourish under the new senior management team.

Simon Cleaver will also step down at the AGM. Simon who is investment manager with YFM Group – the largest shareholder in Millbrook – joined the board in November

2006. We thank him for his contributions to board discussions and wish him well in the future.

In summary, after the AGM it is intended that the Board will comprise five directors – three executive: Paul Grasske, John Eccles and Peter Vohralik and two non-executive: Stephen Blank and Malcolm Fortnam.

People

Headcount was in line with our projection last year with an average of 25 people employed over the year dropping to 23 people by the year end. I have referred above to the need to strengthen the technical team at the Blackburn site. Appointment to the new position of Operations Manager will shortly be made and this person will oversee production, developing new robust systems to ensure better adherence to deadlines.

Current Trading

Demand is strong across all products. Confirmed orders (dispatched and awaiting shipment) so far this year total £1.45 million.

This is by far the strongest order position we have enjoyed in the Group's history, and should lead to record sales this year. However, external factors can affect the Group in unpredictable ways, so it is not safe to extrapolate from these figures for the year as a whole.

The Future

We believe that Millbrook will continue to enjoy sales growth to levels well above those achieved in the last two years. The evidence for this comes from current demand data as well as long-term trends in materials and surface engineering.

The MiniSIMS remains a unique product with essentially no direct competition. The new ToF version of the MiniSIMS has generated substantial additional interest among prospective customers and the electronic data storage and semiconductor markets are in the forefront of that demand. Currently orders are at an all time high and potential demand extremely promising.

Unlike the MiniSIMS, the NanoTest has competition from three worldwide players in nano-indentation. However, it has significant advantages over that competition and its unique features make it the preferred system for many applications. Demand is currently running at a higher level than the Wrexham site can handle. Physical space is the limitation and therefore plans are in place for moving this unit to larger premises within the Wrexham Technology Park.

Underpinning the evidence we see from current demand are the longer-term trends referred to in my earlier statements. The most important of these is the move away from monolithic materials to materials incorporating functional coatings – often only nanometres thick. Millbrook instrumentation finds application both in quality control of such systems and also in the development of new materials and products.

The nanotechnology sector continues to grow and spawn many new businesses some with enormous growth potential. The buy and build policy designed to transform Millbrook into a broader nanotechnology group has had to be put on the back burner as a result of the cash constraints I referred to above. Nevertheless, when cash considerations permit, Millbrook will be in a position to resume its quest for acquisitions that complement and reinforce our existing portfolio, providing an enhanced product range for our customers and enhanced value for our shareholders.

Thanks

As always, I end this review with a word of thanks. Since this is my last year at the helm, I couple this with a farewell to those who have supported Millbrook loyally in good times and bad, and have thereby enabled its future prosperity.

Our thanks go out to staff who have worked long hours – often unsociable hours – for the success of the company; to customers for their continued confidence in our products; to suppliers for their help in our development programmes and flexibility in supply arrangements; to professional advisers for their expert guidance; and to those loyal shareholders for their continued support for the business.

I have much enjoyed my time as executive chairman in spite of (or perhaps because of) the difficult challenges we have faced and I thank my colleagues for their loyal support during this time.

F P STEFANINI
Chairman

25 June 2007

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2007

	Notes	2007 Total £	2006 Total £
TURNOVER	2	**1,891,482**	2,163,497
Cost of sales		**(954,007)**	(1,020,279)
Gross profit		**937,475**	1,143,218
Administration expenses		**(1,149,922)**	(1,234,662)
(Loss)/Profit before interest, tax, depreciation, amortisation and exceptional item		**(212,447)**	(91,444)
Depreciation and amortisation net of capital grant released		**(236,329)**	(183,085)
Amortisation of goodwill		**(157,612)**	(157,612)
Exceptional item (cost of placing)		**(15,869)**	-
OPERATING LOSS		**(622,257)**	(432,141)
Bank interest receivable		**13**	1,374
Interest payable and similar charges		**(10,095)**	(29,185)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		**(632,339)**	(459,952)
Taxation		**-**	12,169
LOSS FOR THE PERIOD		**(632,339)**	(447,783)
Loss per share	3		
Basic		**(1.185p)**	(1.183p)
Diluted		**(1.059p)**	(1.089p)

BALANCE SHEETS
at 31 March 2007

	Notes	**Group 2007 £**	Group 2006 £	**Company 2007 £**	Company 2006 £
FIXED ASSETS					
Intangible assets		**1,378,168**	1,375,969	**-**	-
Tangible assets		**184,530**	239,496	**-**	-
Investments		**-**	-	**1,630,197**	1,630,197
		1,562,698	1,615,465	**1,630,197**	1,630,197
CURRENT ASSETS					
Stock		**330,371**	228,024	**-**	-
Debtors		**666,988**	605,742	**1,261,380**	1,270,119
Cash at bank and in hand		**288,494**	38,884	**278,493**	-
		1,285,853	872,650	**1,539,873**	1,270,119
CREDITORS: amounts falling due within one year		**(1,260,110)**	(1,046,307)	**(46,231)**	(217,776)
NET CURRENT ASSETS		**25,743**	(173,657)	**1,493,642**	1,052,343
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,588,441**	1,441,808	**3,458,800**	2,682,540
CREDITORS: amounts falling due after more than one year		**(19,000)**	(34,173)	**-**	-
PROVISIONS FOR LIABILITES AND CHARGES		**(13,430)**	(9,137)	**-**	-
NET ASSETS		**1,556,011**	1,398,498	**3,123,839**	2,682,540
CAPITAL AND RESERVES					
Called up share capital		**2,682,871**	1,893,019	**2,682,871**	1,893,019
Share premium account		**777,861**	777,861	**777,861**	777,861
Profit and loss account		**(1,904,721)**	(1,272,382)	**(336,893)**	11,660
	4	**1,556,011**	1,398,498	**3,123,839**	2,682,540

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 2007

	Notes	2007 £	2006 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	5	**(353,209)**	155,779
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**13**	1,374
Interest paid		**(10,095)**	(29,185)
		(10,082)	(27,811)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire intangible fixed assets		**(331,653)**	(271,867)
Payments to acquire tangible fixed assets		**(63,933)**	(146,700)
Less grants received		**9,423**	6,613
		(386,163)	(411,954)
TAXATION			
UK corporation tax refunded/(paid)		**-**	12,169
		-	12,169
NET CASH OUTFLOW BEFORE FINANCING		**(749,454)**	(271,817)
FINANCING			
Issue of ordinary share capital		**789,852**	-
Share issue costs		**(15,869)**	-
Loan repayments		**(17,495)**	(21,517)
		756,488	(21,517)
INCREASE/(DECREASE) IN CASH		**7,034**	(293,334)

1. BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of Millbrook Scientific Instruments plc and its subsidiary undertakings drawn up to 31 March 2007. No profit and loss account is presented for Millbrook Scientific Instruments plc as permitted by section 203 of the Companies Act 1985.

All the subsidiary companies have been included in the Group accounts using the acquisition method of accounting.

2. TURNOVER AND GEOGRAPHICAL ANALYSIS

Turnover represents the amounts derived from the provisions of goods and services which fall into the Group's ordinary activities, stated net of value added tax.

The Group operates in one principal area of activity, that of the manufacture and supply of scientific instruments. It generates turnover on a worldwide basis.

Turnover, all from continuing activities, is analysed as follows:

	2007	**2006**
	£	£
Europe (including UK)	**919,817**	851,756
North America	**202,169**	216,559
Asia	**727,742**	974,748
Other	**41,754**	120,434
Total	**1,891,482**	2,163,497

3. LOSS PER ORDINARY SHARE

	2007	2006
	£	£
Basic weighted average number of shares in the period	**53,354,457**	37,860,266
Diluted weighted average number of shares in the period	**56,612,457**	41,118,266
Loss attributable to members of the parent undertaking	**(632,339)**	(447,783)
Basic loss per share	**(1.185p)**	(1.183p)
Diluted loss per share	**(1.059p)**	(1.089p)

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.

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Loss for the period	**(632,339)**	(447,783)
Share capital issued	**789,852**	-
	157,513	(447,783)
Opening shareholders' funds	**1,398,498**	1,846,281
Closing shareholders' funds	**1,556,011**	1,398,498

5. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash inflow from operating activities

	2007	**2006**
	£	£
Operating loss	**(606,388)**	(432,141)
Depreciation	**69,617**	79,856
Amortisation of intangibles	**171,843**	106,475
Amortisation of goodwill	**157,612**	157,612
Release of capital grants	**(5,131)**	(3,246)
(Increase)/decrease in stock	**(102,348)**	73,204
(Increase)/decrease in debtors	**(61,246)**	118,488
Increase/(decrease) in creditors	**(26,451)**	55,531
Transfer of asset for resale from fixed assets	**49,283**	-
Net cash outflow from operating activities	**(353,209)**	155,779