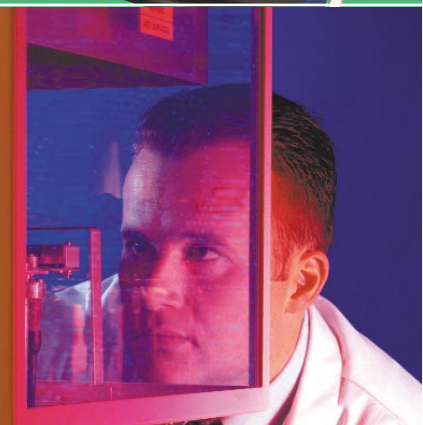
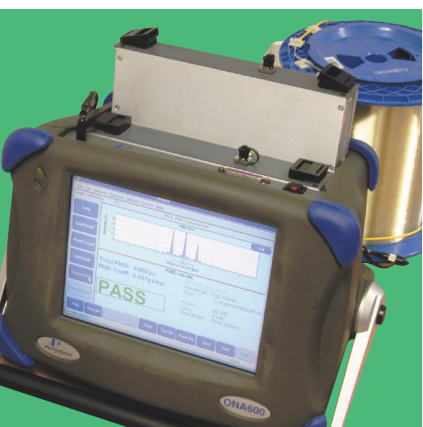




Interim Report and Accounts 2007





Company Information

Directors

The Hon. Alexander Robert Hambro (Non-Executive Chairman)
David Elie Cicurel (Chief Executive)
Ralph Leslie Cohen (Finance Director)
Ralph Julian Elman (Non-Executive Director)
Glynn Carl Reece (Non-Executive Director)

Company Secretary

Ralph Leslie Cohen

Registered Office

Unit 19, Charlwoods Road
East Grinstead
West Sussex RH19 2HL

Registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Nominated Adviser

Shore Capital and Corporate Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Stockbroker

Shore Capital Stockbrokers Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Auditor

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
8 West Walk
Leicester LE1 7NH

Principal Bankers

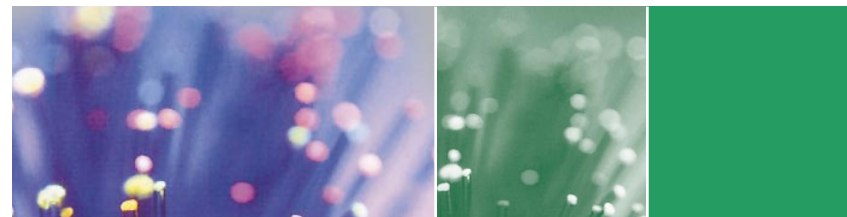
Bank of Scotland
55 Temple Row
Birmingham B2 5LS

Solicitors

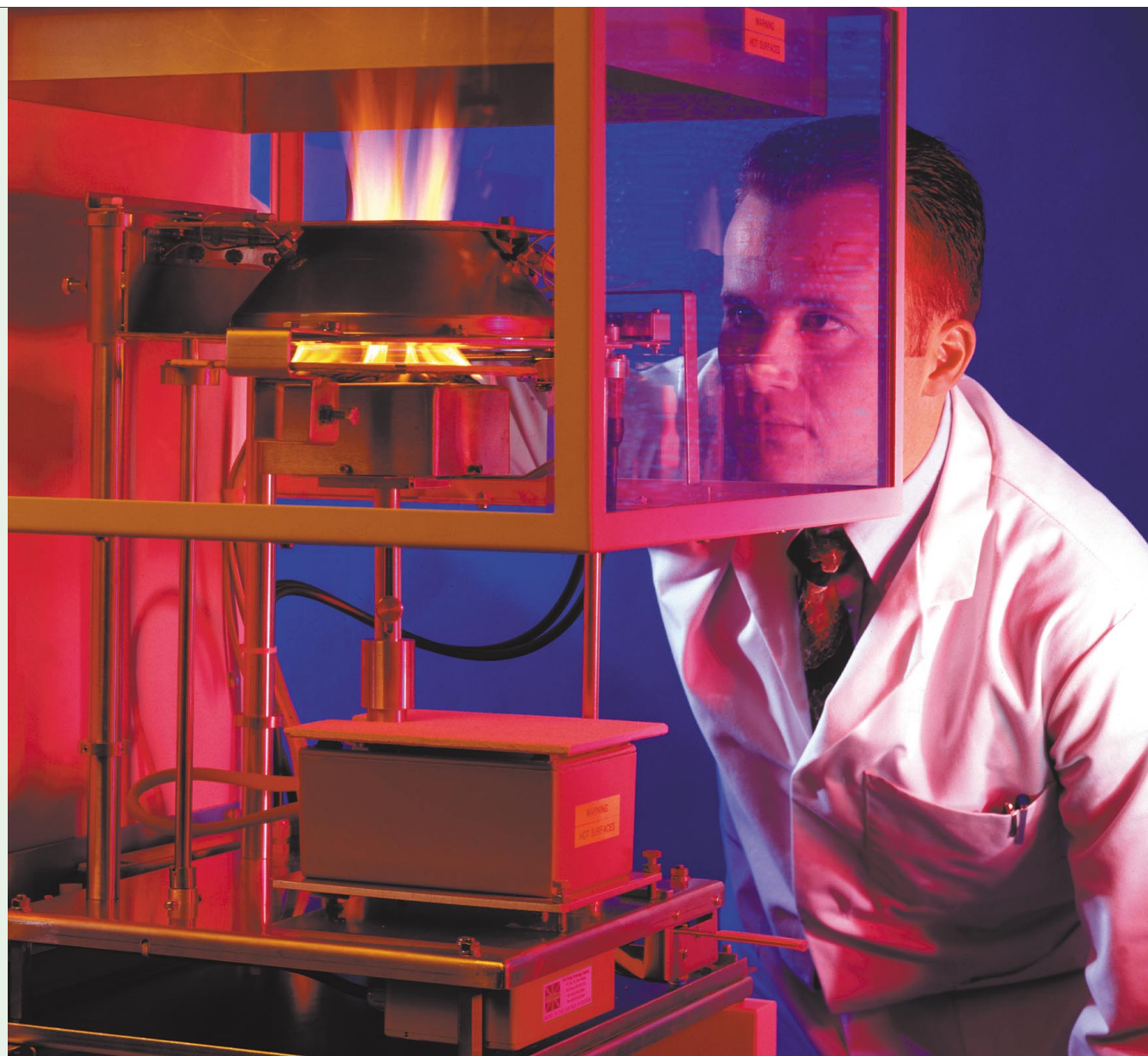
Faegre & Benson LLP
7 Pilgrim Street
London EC4V 6LB

Registered in England and Wales, Company No. 4597315

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Chairman's Statement

I am delighted to report that your Company made encouraging progress during the six months ended 30 June 2007. The accounts for this period are the first to have been drawn up under IFRS and comparatives in respect of 2006 have been restated accordingly. Profit before tax advanced to £190,000 compared with £52,000 for the corresponding period of 2006 on sales that rose from £2.4 million to £2.8 million. This translates into diluted earnings per share of 2.87p compared with 0.92p in respect of the first half of 2006. Operating profit before amortisation of intangible assets, a measure of profit that is similar under both IFRS and UK GAAP, increased to £369,000 from £273,000. Diluted earnings per share, similarly adjusted for amortisation of intangible assets, amounted to 4.05p (first half 2006: 2.98p).

These accounts include a full six-months' contribution from UHV Design (compared with only four months in the first half of 2006) and from Aitchee, which was acquired during the second half of 2006.

All operations performed in line with management's expectations and this was reflected in a strong across-the-board contribution to the Group's results. Order pipelines remained healthy and at the conclusion of the six-month trading period our order book was more robust than in June 2006.

With cash balances of £648,000, our balance sheet leaves the Company well positioned to pursue further acquisitions in line with its strategy.

Subsequent to the end of the trading period, Poole Investments plc, in which the Company held a significant minority interest, was acquired by Inland plc. The disposal will result in a second half gain of £142,000 and a £342,000 cash inflow available to develop our instrument businesses. This virtually concludes the realisation of the investment portfolio held under the Company's former strategy.

Your Board is of the opinion that the first half trading results and the outlook for the full year justify a 10% increase in the interim dividend from 1p to 1.1p. This will be paid on Friday 2 November to shareholders on the register on Friday 5 October. The shares will go ex-dividend on Wednesday 3 October.

I am pleased to report that second half trading has started favourably, benefiting from the strong order book referred to above. All businesses continue to enjoy active markets and the Board is confident in the Group's ability to meet its targets for the full year.

The Hon. Alexander Robert Hambro
Chairman
21 September 2007

Condensed Consolidated Interim Income Statement



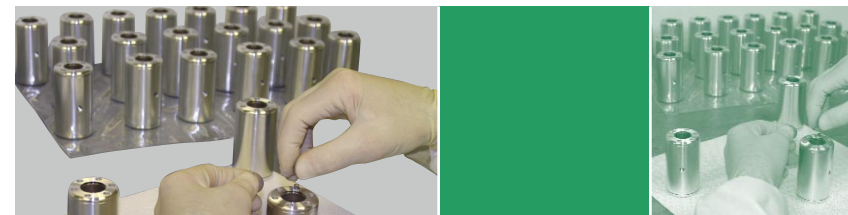
Unaudited	Note	6 months to 30 June 2007 £	6 months to 30 June 2006 £	Year to 31 December 2006 £
Continuing operations				
Revenue		2,836,251	2,406,298	5,195,325
Operating costs		(2,539,961)	(2,258,083)	(4,712,635)
Operating profit		296,290	148,215	482,690
Loss on disposal of available-for-sale investments		0	(6,145)	(6,145)
Interest receivable		15,060	19,376	32,041
Interest payable		(121,015)	(109,913)	(227,418)
Profit before tax		190,335	51,533	281,168
Taxation		(54,608)	(11,019)	(84,653)
Profit for the period		135,727	40,514	196,515
Attributable to:				
Equity holders of the parent company		113,334	30,745	190,105
Minority interest		22,393	9,769	6,410
Earnings per share				
		Pence	Pence	Pence
Basic	7	3.18	0.87	5.36
Diluted	7	2.87	0.92	4.85



Condensed Consolidated Interim Balance Sheet

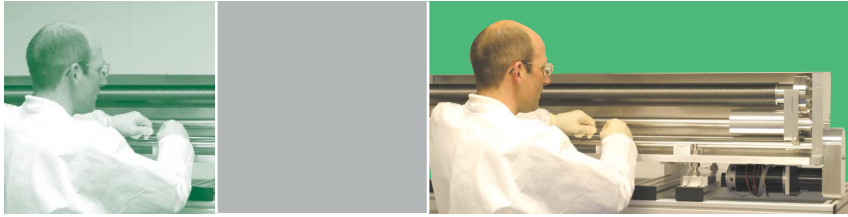
Unaudited	Note	30 June 2007 £	30 June 2006 £	31 December 2006 £
ASSETS				
Non-current assets				
Property, plant and equipment		279,469	231,913	295,468
Goodwill	6	4,389,963	4,241,023	4,389,963
Other intangible assets		123,547	219,295	195,924
Available-for-sale investments		267,950	182,450	210,950
		<u>5,060,929</u>	<u>4,874,681</u>	<u>5,092,305</u>
Current assets				
Inventories		489,134	540,567	402,941
Trade and other receivables		1,240,222	737,499	1,249,039
Cash and cash equivalents		648,317	1,230,137	824,156
		<u>2,377,673</u>	<u>2,508,203</u>	<u>2,476,136</u>
Total assets		<u><u>7,438,602</u></u>	<u><u>7,382,884</u></u>	<u><u>7,568,441</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables		(705,453)	(646,235)	(779,708)
Current portion of long-term borrowings		(492,721)	(330,000)	(421,813)
Current tax payable		(229,548)	(237,287)	(261,718)
		<u>(1,427,722)</u>	<u>(1,213,522)</u>	<u>(1,463,239)</u>
Non-current liabilities				
Long-term borrowings		(2,568,958)	(3,047,330)	(2,835,940)
Deferred tax liabilities		(86,539)	(82,601)	(89,505)
		<u>(2,655,497)</u>	<u>(3,129,931)</u>	<u>(2,925,445)</u>
Total liabilities		<u><u>(4,083,219)</u></u>	<u><u>(4,343,453)</u></u>	<u><u>(4,388,684)</u></u>
Net assets		<u><u>3,355,383</u></u>	<u><u>3,039,431</u></u>	<u><u>3,179,757</u></u>
EQUITY				
Share capital	9	178,044	178,044	178,044
Share premium account	9	2,501,430	2,501,430	2,501,430
Merger reserve	9	475,074	475,074	475,074
Retained earnings	9	79,705	(157,364)	(33,629)
Revaluation reserve	9	34,156	(25,693)	(5,743)
		<u>3,268,409</u>	<u>2,971,491</u>	<u>3,115,176</u>
Equity attributable to equity holders of the parent company				
Minority interest	9	86,974	67,940	64,581
Total equity		<u><u>3,355,383</u></u>	<u><u>3,039,431</u></u>	<u><u>3,179,757</u></u>

Condensed Consolidated Interim Statement of Changes in Equity



Unaudited	Share capital £	Share premium £	Merger reserve £	Profit & loss account £	Revaluation reserve £	Total £	Minority interest £	Total equity £
Restated balance at 1 January 2006 under IFRS	173,118	2,501,430	380,000	(188,109)	(58,510)	2,807,929	58,171	2,866,100
Changes in equity for first half of 2006								
Gains/(losses) on revaluation of available-for-sale investments	0	0	0	0	(8,550)	(8,550)	0	(8,550)
Tax on revaluation gains/(losses) taken directly to equity	0	0	0	0	2,566	2,566	0	2,566
Net income recognised directly in equity					(5,984)	(5,984)	0	(5,984)
Profit for the period	0	0	0	30,745	0	30,745	9,769	40,514
Transferred to profit or loss on disposal of available-for-sale investments	0	0	0	0	38,801	38,801	0	38,801
Total recognised income and expense for the period	0	0	0	30,745	32,817	63,562	9,769	73,331
Issue of share capital	4,926	0	95,074	0	0	100,000	0	100,000
Balance at 30 June 2006	178,044	2,501,430	475,074	(157,364)	(25,693)	2,971,491	67,940	3,039,431
Restated balance at 1 January 2006 under IFRS	173,118	2,501,430	380,000	(188,109)	(58,510)	2,807,929	58,171	2,866,100
Changes in equity for 2006								
Gains/(losses) on revaluation of available-for-sale investments	0	0	0	0	19,950	19,950	0	19,950
Tax on revaluation gains/(losses) taken directly to equity	0	0	0	0	(5,985)	(5,985)	0	(5,985)
Net income recognised directly in equity	0	0	0	0	13,965	13,965	0	13,965
Profit for the period	0	0	0	190,105	0	190,105	6,410	196,515
Transferred to profit or loss on disposal of available-for-sale investments	0	0	0	0	38,802	38,802	0	38,802
Total recognised income and expense for the period	0	0	0	190,105	52,767	242,872	6,410	249,282
Dividends	0	0	0	(35,625)	0	(35,625)	0	(35,625)
Issue of share capital	4,926	0	95,074	0	0	100,000	0	100,000
Balance at 31 December 2006	178,044	2,501,430	475,074	(33,629)	(5,743)	3,115,176	64,581	3,179,757
Balance at 1 January 2007	178,044	2,501,430	475,074	(33,629)	(5,743)	3,115,176	64,581	3,179,757
Changes in equity for first half of 2007								
Gains/(losses) on revaluation of available-for-sale investments	0	0	0	0	57,000	57,000	0	57,000
Tax on revaluation gains/(losses) taken directly to equity	0	0	0	0	(17,101)	(17,101)	0	(17,101)
Net income recognised directly in equity					39,899	39,899	0	39,899
Profit for the period	0	0	0	113,334	0	113,334	22,393	135,727
Total recognised income and expense for the period	0	0	0	113,334	39,899	153,233	22,393	175,626
Balance at 30 June 2007	178,044	2,501,430	475,074	79,705	34,156	3,268,409	86,974	3,355,383

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Condensed Consolidated Interim Cash Flow Statement

Unaudited	Note	6 months to 30 June 2007 £	6 months to 30 June 2006 £	Year to 31 December 2006 £
Cash flows from operating activities				
Profit after tax		135,727	40,514	196,515
Adjustments for:				
Depreciation		33,517	21,049	53,644
Amortisation of intangible assets		72,377	124,412	228,783
Profit on disposal of property, plant and equipment		0	0	(2,078)
Other losses		0	6,145	6,145
Foreign exchange (gains)/losses		(3,615)	6,307	(7,335)
Interest expense (net)		105,955	90,537	195,377
Tax expense recognised in income statement		54,608	11,019	84,653
(Increase)/decrease in inventories		(86,193)	(37,851)	104,775
Decrease/(increase) in trade and other receivables		8,817	147,113	(364,429)
(Decrease)/increase in trade and other payables		(73,683)	15,755	117,933
Cash generated from operations		247,510	425,000	613,983
Interest paid		(102,694)	(93,177)	(227,418)
Tax paid		(106,847)	(219,545)	(294,693)
Net cash from operating activities		37,969	112,278	91,872
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		0	(813,723)	(1,036,223)
Purchase of property, plant and equipment		(17,518)	(11,024)	(31,336)
Proceeds from disposal of equipment		0	0	15,655
Proceeds from disposal of available-for-sale investments		0	202,611	202,611
Interest received		15,060	19,376	32,041
Net cash used in investing activities		(2,458)	(602,760)	(817,252)
Cash flows from financing activities				
Proceeds from drawdown of long-term borrowings		0	700,000	700,000
Repayments of long-term borrowings		(211,350)	(128,000)	(263,454)
Dividends paid	11	0	0	(35,629)
Net cash (used in)/from financing activities		(211,350)	572,000	400,917
Net (decrease)/increase in cash and cash equivalents		(175,839)	81,518	(324,463)
Cash and cash equivalents at beginning of period		824,156	1,148,619	1,148,619
Cash and cash equivalents at end of period		648,317	1,230,137	824,156

Notes to the Condensed Consolidated Interim Financial Statements



1. General information

These condensed consolidated interim financial statements are for the six months ended 30 June 2007. They have been prepared taking into account the requirements of IAS 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards" relevant to interim reports because they are part of the period covered by the group's first IFRS financial statements for the year ending 31 December 2007. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements (under UK GAAP) of the group for the year ended 31 December 2006. These condensed consolidated interim financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company. They were approved for issue by the board of directors on 21 September 2007.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value.

The group's financial statements up to and including those for the year ended 31 December 2006 were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). With effect from 1 January 2007, the company, being listed on the Alternative Investment Market of the London Stock Exchange, is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Accordingly, these condensed consolidated interim financial statements (the interim financial

statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 December 2007 or are expected to be adopted and effective at 31 December 2007, the first annual reporting date at which the group is required to use IFRS accounting standards adopted by the EU.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these condensed consolidated interim financial statements.

3. Transition to IFRS

In accordance with the provisions of IFRS 1, "First time adoption of International Financial Reporting Standards", the group's transition date for adoption of IFRS was 1 January 2006. Comparative figures in respect of 2006 have been restated in these financial statements to reflect changes in accounting policies as a result of the adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules presented in note 9. The group has taken advantage of certain exemptions available under IFRS 1. The exemptions used are explained under the respective accounting policy.

4. Summary of significant accounting policies

4.1 Basis of consolidation

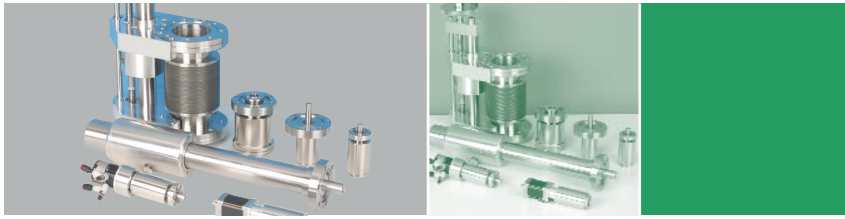
The group financial statements include those of the company and all its subsidiaries. Subsidiaries are entities over which the group has the power through voting rights to control the financial and operating policies so as to obtain benefits from its

activities. Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. In the case of acquisitions after 31 December 2005, goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

4.2 Business combinations completed prior to the date of transition to IFRS

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS, and are measured using their UK



Notes to the Condensed Consolidated Interim Financial Statements – continued

GAAP carrying amounts immediately post-acquisition as deemed cost, unless IFRS requires fair value measurement. Amounts recorded as goodwill under UK GAAP have not been re-assessed to identify intangible assets. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

4.3 Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

The carrying value of negative goodwill at the date of transition has been credited to reserves. There is no re-instatement of goodwill or negative goodwill that was amortised prior to transition to IFRS.

4.4 Revenue

Revenue from the sale of goods is measured by reference to the fair value of consideration received or receivable by the group for goods supplied, excluding Value Added Tax, and is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods, which is generally at the point of despatch from the factory;
- the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

- it is probable that the economic benefits associated with the transaction will flow to the group.

Dividend income is recognised when the shareholder's right to receive payment is established.

4.5 Intangible assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the group. Amortisation begins when the intangible asset is first available for use and is calculated on a discounted straight-line basis to allocate the deemed cost over its estimated useful life.

4.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets: the gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the profit and loss reserve.

Depreciation: Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life, within the following ranges:

- Plant and machinery: 15% on written down value to 20% on cost

- Fixtures, fittings and equipment: 15% on written down value to 33% on cost
- Motor vehicles: 25% on written down value to 25% on cost
- Building improvements: 20% on cost

Material residual value estimates are updated as required but at least annually, whether or not the asset is revalued.

4.7 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and

Notes to the Condensed Consolidated Interim Financial Statements – continued



value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

4.8 Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the period of the lease term. Lease incentives are spread over the term of the lease.

4.9 Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first-in, first-out cost formula.

Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

4.10 Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of those temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective periods of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense on the income statement, except where they relate to items that are charged or credited directly

to equity in which case the related deferred tax is also charged or credited directly to equity.

The interim tax charge on underlying business performance is calculated by reference to the estimated effective tax rate for the full year. Tax on disposals and other exceptional items is based on the expected tax impact of each item.

4.11 Share-based payments

For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the income statement, together with a corresponding credit to "other reserves", on a straight-line basis over the vesting period, based on the best available estimate of the number of options that are expected eventually to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value.

IFRS 2 has been applied, in accordance with IFRS 1, to equity-settled share options granted on or after 7 November 2002 and not vested at 1 January 2006.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.



Notes to the Condensed Consolidated Interim Financial Statements – continued

4.12 Financial assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables comprise trade receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement. Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in

value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired, with a corresponding adjustment within the statement of changes in equity in respect of previously recognised changes in fair value.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

4.13 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs, and are recorded at amortised cost using the effective interest method, with

interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

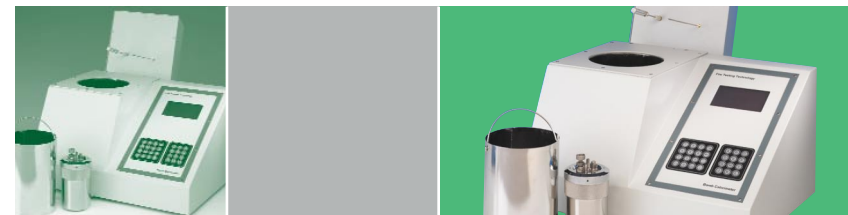
4.15 Pensions

Companies in the group operate defined contribution pension schemes for employees and directors. The assets of the schemes are held by investment managers separately from those of the company and group. The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

4.16 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Monetary assets and

Notes to the Condensed Consolidated Interim Financial Statements – continued



liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All foreign exchange differences are dealt with through the income statement.

4.17 Dividends

Dividend distributions payable to equity shareholders are included in "trade and other payables" when the dividends are approved in general meeting prior to the balance sheet date.

4.18 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" represents the fair value of the consideration received in excess of the nominal value of equity shares issued in connection with acquisitions where the company has exercised entitlement to the merger relief offered by section 131 of the Companies Act 1985.
- "Other reserves" represents provision for equity-settled share-based employee remuneration until such share options are exercised.
- "Profit and loss reserve" represents retained profits.
- "Revaluation reserve" represents gains and losses due to the revaluation of certain financial assets.

5. Segmental reporting

The group's primary reporting format is business segment and its secondary format is geographical segment by origin of revenue.

Segment analysis: all of the group's operations are in the field of design and manufacture of scientific instruments. The revenues and net results generated by each of the business segments are as follows:

	6 months to 30 June 2007	6 months to 30 June 2006	Year to 31 December 2006
	£	£	£
Fire testing equipment			
Revenues	1,703,280	1,527,534	3,247,979
Operating profit	199,286	186,035	495,499
Fibre optic test equipment			
Revenues	457,281	419,020	787,817
Operating profit	69,824	82,207	95,763
Ultra high vacuum manipulation equipment			
Revenues	675,690	459,744	1,159,529
Operating profit	140,956	129,168	282,839
Central costs and consolidation			
Revenues	0	0	0
Operating profit	(113,776)	(249,195)	(391,411)
Group consolidated			
Revenues	2,836,251	2,406,298	5,195,325
Operating profit	296,290	148,215	482,690

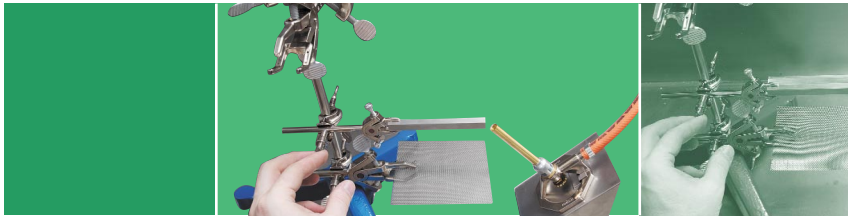
All revenue originates from the United Kingdom.

6. Additions to and amortisation of intangible assets

The following tables show the significant additions to and amortisation of intangible assets:

	Carrying amount at 1 January 2007	Additions	Amortisation	Carrying amount at 30 June 2007
	£	£	£	£
Advertising contracts	2,488	0	1,867	621
Distribution agreements	16,333	0	16,333	0
Customer relationships	158,348	0	51,927	106,421
Non-competition agreements	18,755	0	2,250	16,505
Total	195,924	0	72,377	123,547

	Carrying amount at 1 January 2006	Additions	Amortisation	Carrying amount at 30 June 2006
	£	£	£	£
Advertising contracts	0	5,600	1,245	4,355
Distribution agreements	0	98,000	32,667	65,333
Sales order backlog	0	89,000	89,000	0
Customer relationships	0	128,602	0	128,602
Non-competition agreements	0	22,505	1,500	21,005
Total	0	343,707	124,412	219,295



Notes to the Condensed Consolidated Interim Financial Statements – continued

	Carrying amount at 1 January 2006	Additions	Amortisation	Carrying amount at 31 December 2006
	£	£	£	£
Advertising contracts	0	5,600	3,112	2,488
Distribution agreements	0	98,000	81,667	16,333
Sales order backlog	0	91,000	91,000	0
Customer relationships	0	207,602	49,254	158,348
Non-competition agreements	0	22,505	3,750	18,755
Total	0	424,707	228,783	195,924

7. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

6 months to 30 June 2007	Earnings attributable to equity holders of the parent company	Weighted average number of shares	Earnings per share
	£	no.	Pence
Profit after tax for calculation of basic earnings per share	113,334		
Notional taxed interest income accruing on dilution	10,374		
Profit after tax for calculation of diluted earnings per share	123,708		
Add-back amortisation of intangible assets, net of tax	50,664		
Adjusted diluted profit before amortisation of intangible assets	174,372		
Number of shares for calculation of basic earnings per share		3,560,878	
Dilutive effect of potential shares		748,218	
Number of shares for calculation of diluted earnings per share		4,309,096	
Basic earnings per share			3.18
Diluted earnings per share			2.87
Adjusted diluted earnings per share			4.05

6 months to 30 June 2006	Earnings attributable to equity holders of the parent company	Weighted average number of shares	Earnings per share
	£	no.	Pence
Profit after tax for calculation of basic earnings per share	30,745		
Notional taxed interest income accruing on dilution	8,171		
Profit after tax for calculation of diluted earnings per share	38,916		
Add-back amortisation of intangible assets, net of tax	87,088		
Adjusted diluted profit before amortisation of intangible assets	126,004		
Number of shares for calculation of basic earnings per share		3,528,763	
Dilutive effect of potential shares		704,681	
Number of shares for calculation of diluted earnings per share		4,233,444	
Basic earnings per share			0.87
Diluted earnings per share			0.92
Adjusted diluted earnings per share			2.98

Notes to the Condensed Consolidated Interim Financial Statements – continued



Year to 31 December 2006	Earnings attributable to equity holders of the parent company	Weighted average number of shares	Earnings per share
	£	no.	pence
Profit after tax for calculation of basic earnings per share	190,105		
Notional taxed interest income accruing on dilution	16,685		
Profit after tax for calculation of diluted earnings per share	206,790		
Add-back amortisation of intangible assets, net of tax	160,148		
Adjusted diluted profit before amortisation of intangible assets	<u>366,938</u>		
Number of shares for calculation of basic earnings per share		3,544,953	
Dilutive effect of potential shares		718,852	
Number of shares for calculation of diluted earnings per share		<u>4,263,805</u>	
Basic earnings per share			<u>5.36</u>
Diluted earnings per share			<u>4.85</u>
Adjusted diluted earnings per share			<u>8.60</u>

8. Events after the balance sheet date

On 9 August 2007, a recommended cash offer of 6p per share was made for the whole of the issued share capital of Poole Investments plc, in which the group owned 3.08% and which formed the last significant holding under its previous investment strategy. The offer was declared unconditional in all respects on 6 September 2007. The cash proceeds of this disposal of £342,000 are expected to be received by the end of September 2007 and the gain to be realised through the income statement will amount to £142,217 before tax.

9. Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the group's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from UK GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 January 2006, the group's date of transition to IFRS, have not been restated to comply with IFRS 3 Business Combinations. Goodwill arising from these business combinations of £3,762,324 (net of amortisation to 31 December 2005) has not been restated other than as set out in note d below.
- negative goodwill arising on business combinations prior to 1 January 2006 of £124,265 (net of amortisation to 31 December 2005) has been transferred to reserves as at the date of transition.



Notes to the Condensed Consolidated Interim Financial Statements – continued

Reconciliation of equity at 1 January 2006

Note	UK	IFRS adjustments – 1 January 2006			IFRS
	GAAP	Eliminate negative goodwill	State equity investments at market value	Deferred tax on FTT fair value adjustment	
	9a	9e	9f		
	£	£	£	£	£
Non-current assets					
PP&E	114,336				114,336
Goodwill	3,762,324			(27,789)	3,734,535
Negative goodwill	(124,265)	124,265			0
Available-for-sale investments	427,911		(83,586)		344,325
Current assets					
Inventories	413,130				413,130
Trade and other receivables	692,350				692,350
Cash and cash equivalents	1,148,619				1,148,619
Current liabilities					
Trade and other payables	(472,466)				(472,466)
Current portion of long-term borrowings	(256,000)				(256,000)
Current tax payable	(315,798)				(315,798)
Non-current liabilities					
Long-term borrowings	(2,528,959)				(2,528,959)
Deferred tax	(23,557)	(37,280)	25,076	27,789	(7,972)
Net assets	2,837,625	86,985	(58,510)	0	2,866,100
Equity					
Share capital	(173,118)				(173,118)
Share premium	(2,501,430)				(2,501,430)
Merger reserve	(380,000)				(380,000)
Profit and loss account	232,471	(44,362)			188,109
Revaluation reserve	0		58,510		58,510
Minority interests	(15,548)	(42,623)			(58,171)
Total equity	(2,837,625)	(86,985)	58,510	0	(2,866,100)

Notes to the Condensed Consolidated Interim Financial Statements – continued



Reconciliation of equity at 30 June 2006

Note	UK	Eliminate negative goodwill	Eliminate goodwill amortisation	IFRS adjustments – 30 June 2006		State equity investments at market values	Deferred tax on FTT fair value adj	IFRS
	GAAP			Business combinations	Amortisation of intangibles			9d (i)
	£	£	£	£	£	£	£	£
Non-current assets								
PP&E	231,913							231,913
Goodwill	4,400,299		109,108	(240,595)			(27,789)	4,241,023
Negative goodwill	(69,666)	69,666						0
Other intangible assets	0			343,707	(124,412)			219,295
Available-for-sale investments	219,155					(36,705)		182,450
Current assets								
Inventories	540,567							540,567
Trade and other receivables	737,499							737,499
Cash and cash equivalents	1,230,137							1,230,137
Current liabilities								
Trade and other payables	(646,235)							(646,235)
Current portion of long-term borrowings	(330,000)							(330,000)
Current tax payable	(237,287)							(237,287)
Non-current liabilities								
Long-term borrowings	(3,047,330)							(3,047,330)
Deferred tax	(31,568)	(20,900)		(103,112)	37,324	11,012	24,643	(82,601)
Net assets	2,997,484	48,766	109,108	0	(87,088)	(25,693)	(3,146)	3,039,431
Equity								
Share capital	(178,044)							(178,044)
Share premium	(2,501,430)							(2,501,430)
Merger reserve	(475,074)							(475,074)
Profit and loss account	201,109	(24,871)	(109,108)		87,088		3,146	157,364
Revaluation reserve	0					25,693		25,693
Minority interests	(44,045)	(23,895)						(67,940)
Total equity	(2,997,484)	(48,766)	(109,108)	0	87,088	25,693	3,146	(3,039,431)



Notes to the Condensed Consolidated Interim Financial Statements – continued

Reconciliation of equity at 1 January 2007

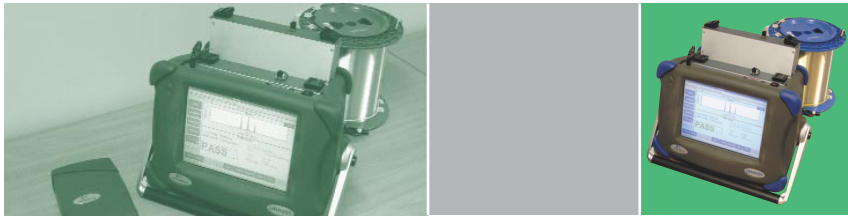
Note	UK GAAP	Eliminate negative goodwill	Eliminate goodwill amortisation	IFRS adjustments – 1 January 2007		State equity investments at market values	Deferred tax on FTT fair value adj	IFRS
		9a	9d (iii)	Business combinations 9d (i)	Amortisation of intangibles 9d (iii)	9e	9f	
	£	£	£	£	£	£	£	£
Non-current assets								
PP&E	295,468							295,468
Goodwill	4,467,528		247,519	(297,295)			(27,789)	4,389,963
Negative goodwill	(36,702)	36,702						0
Other intangible assets	0			424,707	(228,783)			195,924
Available-for-sale investments	219,155					(8,205)		210,950
Current assets								
Inventories	402,941							402,941
Trade and other receivables	1,249,039							1,249,039
Cash and cash equivalents	824,156							824,156
Current liabilities								
Trade and other payables	(779,708)							(779,708)
Current portion of long-term borrowings	(421,813)							(421,813)
Current tax payable	(261,718)							(261,718)
Non-current liabilities								
Long-term borrowings	(2,835,940)							(2,835,940)
Deferred tax	(43,676)	(11,011)		(127,412)	68,635	2,462	21,497	(89,505)
Net assets	3,078,730	25,691	247,519	0	(160,148)	(5,743)	(6,292)	3,179,757
Equity								
Share capital	(178,044)							(178,044)
Share premium	(2,501,430)							(2,501,430)
Merger reserve	(475,074)							(475,074)
Profit and loss account	127,810	(13,102)	(247,519)		160,148		6,292	33,629
Revaluation reserve	0					5,743		5,743
Minority interests	(51,992)	(12,589)						(64,581)
Total equity	(3,078,730)	(25,691)	(247,519)	0	160,148	5,743	6,292	(3,179,757)

Notes to the Condensed Consolidated Interim Financial Statements – continued



Reconciliation of profit for the 6 months ended 30 June 2006

Note	UK	IFRS adjustments – 30 June 2006					IFRS
	GAAP	Eliminate negative goodwill	Eliminate goodwill amortisation	Amortisation of intangibles	State equity investments at market values	Deferred tax on FTT fair value adj	
	£	£	£	£	£	£	£
Turnover (continuing and acquisitions)	2,406,298						2,406,298
Operating costs	(2,133,671)						(2,133,671)
Goodwill amortisation - positive	(109,108)		109,108				0
Goodwill amortisation - negative	54,599	(54,599)					0
Amortisation of intangibles	0			(124,412)			(124,412)
Total operating costs	(2,188,180)	(54,599)	109,108	(124,412)	0	0	(2,258,083)
Operating profit/(loss)	218,118	(54,599)	109,108	(124,412)	0	0	148,215
Profit/(loss) on disposal and changes in market values of investments	(6,145)						(6,145)
Interest receivable	19,376						19,376
Interest (payable)	(109,913)						(109,913)
Profit on ordinary activities before taxation	121,436	(54,599)	109,108	(124,412)	0	0	51,533
Tax on profit on ordinary activities	(61,577)	16,380		37,324		(3,146)	(11,019)
Profit on ordinary activities after taxation	59,859	(38,219)	109,108	(87,088)	0	(3,146)	40,514
Minority interests	(28,497)	18,728					(9,769)
Profit for the financial period retained	31,362	(19,491)	109,108	(87,088)	0	(3,146)	30,745



Notes to the Condensed Consolidated Interim Financial Statements – continued

Reconciliation of profit for the year ended 31 December 2006

Note	UK	IFRS adjustments – 31 December 2006				IFRS
	GAAP	Eliminate negative goodwill	Eliminate goodwill amortisation	Amortisation of intangibles	State equity investments at market values	Deferred tax on FTT fair value adj
	9b	9d (iii)	9d (iii)	9e	9f	
	£	£	£	£	£	£
Turnover (continuing and acquisitions)	5,195,325					5,195,325
Operating costs	(4,483,852)					(4,483,852)
Goodwill amortisation - positive	(247,519)		247,519			0
Goodwill amortisation - negative	87,563	(87,563)				0
Amortisation of intangibles	0			(228,783)		(228,783)
Total operating costs	(4,643,808)	(87,563)	247,519	(228,783)	0	(4,712,635)
Operating profit/(loss)	551,517	(87,563)	247,519	(228,783)	0	482,690
Profit/(loss) on disposal and changes in market values of investments	(6,145)					(6,145)
Interest receivable	32,041					32,041
Interest (payable)	(227,418)					(227,418)
Profit on ordinary activities before taxation	349,995	(87,563)	247,519	(228,783)	0	281,168
Tax on profit on ordinary activities	(173,265)	26,269		68,635		(84,653)
Profit on ordinary activities after taxation	176,730	(61,294)	247,519	(160,148)	0	196,515
Minority interests	(36,440)	30,030				(6,410)
Profit for the financial period retained	140,290	(31,264)	247,519	(160,148)	0	190,105

Notes to the Condensed Consolidated Interim Financial Statements – continued



Notes to the reconciliations

- a) The group acquired 51% of the issued share capital of PE.fiberoptics Limited on 2 September 2005. Under UK GAAP, negative goodwill arising in connection with this acquisition was capitalised. Under IFRS, the amount of negative goodwill as at the date of transition was transferred to reserves. The result of this adjustment is to decrease negative goodwill by £124,265 as at the date of transition to IFRS and to increase deferred tax, minority interest and reserves by the same amount in aggregate. At 30 June 2006 and 31 December 2006 the value of the reduction in negative goodwill was £69,666 and £36,702 respectively.
- b) Negative goodwill recognised by the group on the above acquisition under UK GAAP was written back to profit and loss to match the consumption of the non-monetary assets acquired. Under IFRS, with the balance of negative goodwill as at the date of transition having been transferred to reserves, no amortisation or write-back is required. The result of these adjustments is to eliminate the amortisation credit of £54,599 in the income statement for the six months ended 30 June 2006 and of £87,563 for the year ended 31 December 2006. After 30% Corporation Tax and 49% minority interest, the net profit reduction is £19,492 and £31,260 respectively.
- c) The group acquired UHV Design Limited on 21 February 2006 and the goodwill and certain trading assets of Aitchee Engineering Associates on 4 September 2006. Goodwill recognised by the group on these acquisitions under UK GAAP was amortised over a period of 20 years in the case of UHV Design Limited and 3 years in the case of the Aitchee business. Under IFRS goodwill is not amortised, but tested annually for impairment and therefore the amortisation charge recognised in accordance with UK GAAP in 2006 has been written back. However, intangible assets identified on business combinations

in accordance with IFRS as described above are amortised in accordance with the accounting policy explained above. Application of IFRS 3 to these business combinations resulted in identification of a number of intangible assets, including customer relationships, distribution agreements and sales order backlogs. Under IFRS these have been recognised separately in the balance sheet at their fair values at the dates of the combinations, along with the associated deferred tax. Under UK GAAP these intangible assets were subsumed within goodwill and amortised in accordance with the group's accounting policy above.

- d) The result of these changes is:
- To decrease goodwill by £240,595 and increase intangible assets by £343,707 (with deferred tax of £103,112) as at the date of the combination in the case of UHV Design Limited and to decrease goodwill by £56,700 and increase intangible assets by £81,000 (with deferred tax of £24,300) in the case of Aitchee Engineering Associates.
 - At 30 June 2006 and 31 December 2006 the value of these intangible assets, net of amortisation, was £219,215 and £195,924 respectively.
 - The goodwill amortisation charge in respect of these acquisitions and that of Fire Testing Technology Limited ("FTT" – acquired prior to the date of transition to IFRS) in the 6 months ended 30 June 2006 and the year ended 31 December 2006 was reduced in aggregate by £109,108 and £247,519 respectively. The equivalent intangible assets amortisation charge was increased by £124,412 and £228,783 respectively, each stated prior to a 30% reduction to reflect the release of deferred taxation.
- e) Under UK GAAP, available-for-sale investments were stated at the lower of cost and the directors' estimates of near-term net realisable value. Under IFRS, such investments are stated at

open market values, with changes in value being transferred directly into equity, net of applicable taxation. Amounts accumulated in equity are transferred to the income statement when an available-for-sale investment is sold. This has had the effect of reducing the carrying value of such investments by £83,586 to £344,325 at 31 December 2005, by £36,705 to £182,450 at 30 June 2006 and by £8,205 to £210,950 at 31 December 2006, with consequential changes to deferred tax and in equity.

- f) Under UK GAAP, no deferred tax was recognised in respect of fair value adjustments arising on the acquisition of FTT. Notwithstanding that the date of the FTT acquisition was prior to the group's IFRS transition date, IFRS requires that deferred tax be recognised in respect of such fair value adjustments. Accordingly a deferred tax liability of £27,789 has been recognised at the transition date, with reversals of the provision of £3,146 and £6,292 in the six months ended 30 June 2006 and year ended 31 December 2006 respectively.

10. Explanation of material adjustments to the cash flow statement

Application of IFRS has resulted in the reclassification of certain items in the cash flow statement as follows:

- Under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'.
- Income taxes are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under UK GAAP.
- Interest paid and interest received are classified as cash flows from investing activities under IFRS, but were



Notes to the Condensed Consolidated Interim Financial Statements – continued

included in the 'Returns on investments and servicing of finance' category in cash flows under UK GAAP.

- (iv) Equity dividends paid are classified as financing cash flows under IFRS, but were included in a separate category of dividend cash flows under UK GAAP.

There are no other material differences between the cash flow statement presented under IFRS and that presented under UK GAAP.

Changes in net debt in the 6 months ended 30 June 2007 were as follows:

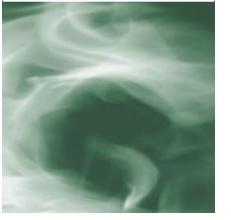
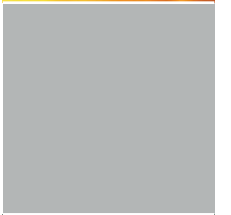
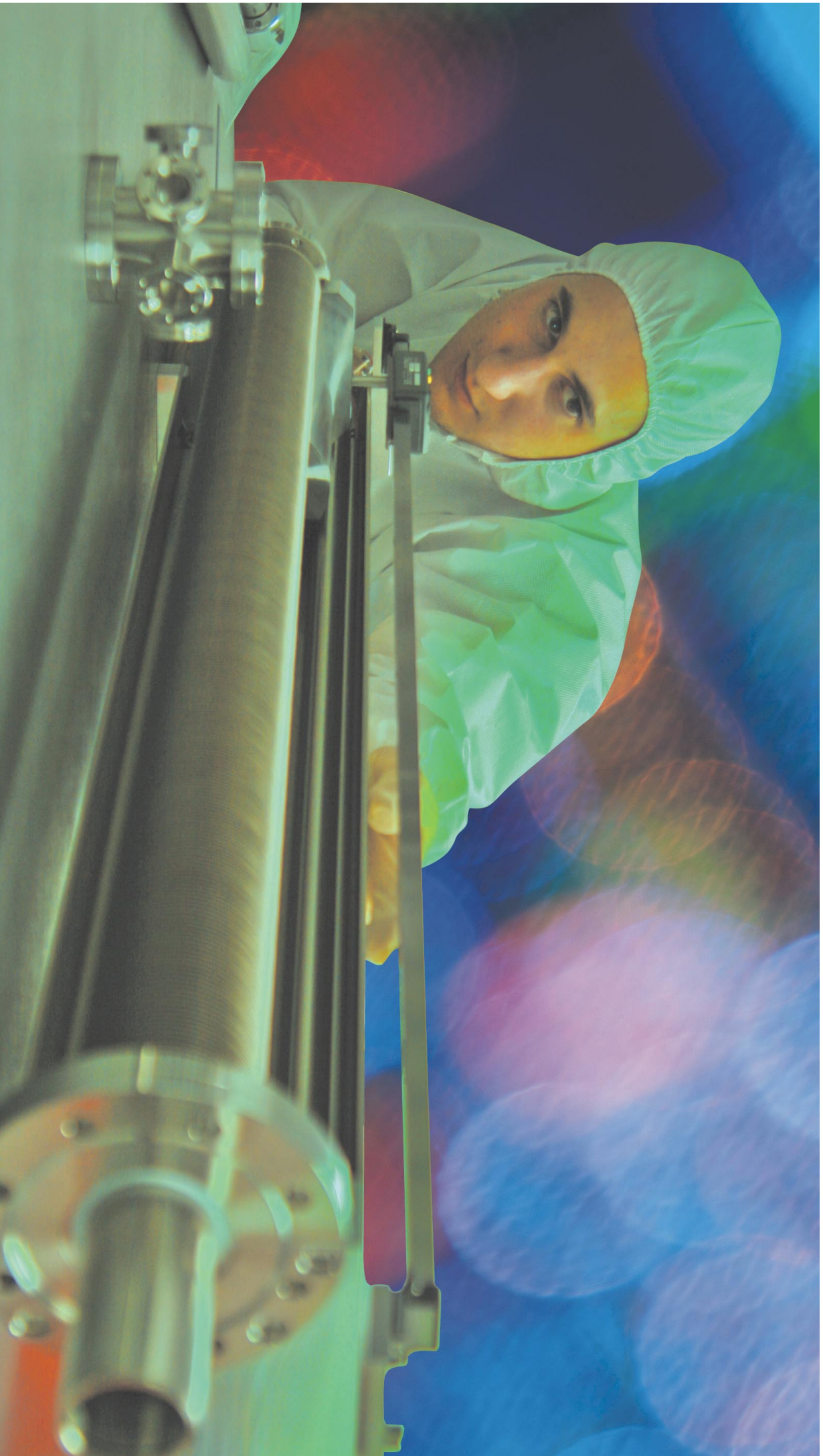
	1 January 2007		Cash flow		Non-cash items		30 June 2007	
					Revaluation reserve	Other		
	£	£	£	£	£	£	£	£
Cash at bank and in hand	824,156	(175,839)			0	0		648,317
Available-for-sale investments	210,950	0	57,000		0			267,950
Debt (bank and subordinated loans)	(3,257,753)	210,763			0	(14,689)		(3,061,679)
Net debt	<u>(2,222,647)</u>	<u>34,924</u>	<u>57,000</u>		<u>(14,689)</u>			<u>(2,145,412)</u>

11. Dividends

The company paid a maiden dividend of 1p per share (£35,629) on 3 November 2006 and a final dividend of 2p per share (£71,258) on 6 July 2007, both relating to the financial year ended 31 December 2006.

12. Status of interim report

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The group's statutory financial statements for the year ended 31 December 2006, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.





Judges Capital plc, Unit 19, Charlwoods Road, East Grinstead, West Sussex RH19 2HL
Tel: 01342 323600 Fax: 01342 323608 E-mail: enquiries@judges.uk.com
Website: www.judges.uk.com