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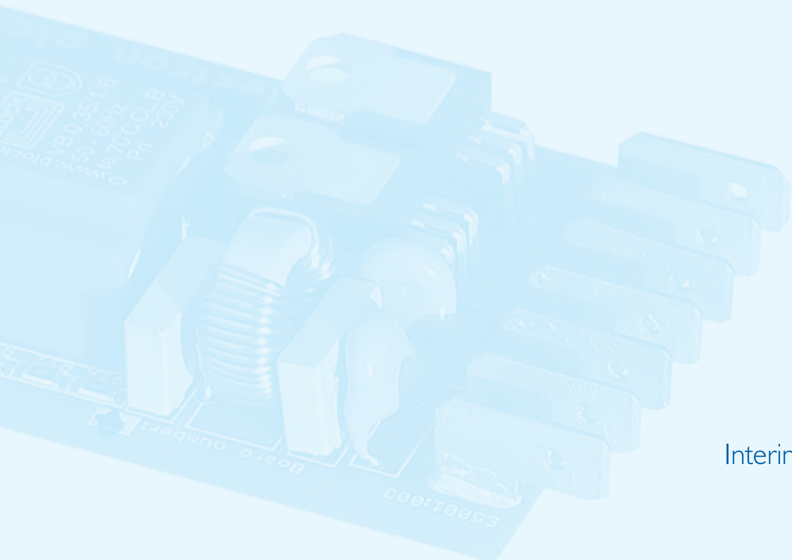

Interim Report 2006/2007

Key Points

- Turnover up 17% to £12,954,000 (2005: £11,112,000)
- Operating profits before exceptional items up 11% to £1,173,000 (2005: £1,057,000)
- Cash generated from operations up 25% to £972,000 (2005: £776,000)
- Transfer of remaining Bulgin production to Tunisia anticipated to produce future annualised cost savings of £900,000
- Underlying earnings per share before exceptional costs up 11% to 1.08p (2005: 0.97p)
- Net cash increased to £886,000 from £443,000 at 31 January 2006

Chairman's Statement

The first half of the current financial year has seen good progress in our long term plans to develop the Group. The recent past has seen us successfully transition from a UK manufacturer incurring losses to a profitable UK and offshore manufacturer with much lower costs of production. The closure of the Barking based Bulgin factory later this year and consequent transfer to our Tunisian factory will elicit further annualised savings in the region of £900,000.

We have also been taking action to secure future growth in revenue streams by investing in sales and product development capability. In particular, we have recruited sales managers in Beijing and Shanghai to target opportunities in China as well as designing and developing a number of new electronic products which will be exhibited at the Electronica exhibition in November.

Financial results

Group sales have increased by 17% with increases in all the markets we serve. Domestic sales were up 15% to £4.3 million, European sales by 15% to £4.3m, North American sales by 20% to £2.1 million and rest of the world by 22% to £2.2 million.

Group operating profits of £1,173,000 before exceptional items were 11% ahead of those in first half of last year. Gross margins have remained steady at 38% as a result of increasing metal prices offset by a reduction in labour costs and product mix.

The dramatic increases in raw material costs have allowed us to persuade customers in most of our markets to accept price increases, the benefits of which should be seen in the second half.

Since the year-end, moulding plant and machinery used by Bulgin has begun to be transferred to Tunisia following the leasing of additional space and it is expected that this process will be largely completed by our coming year-end. Consequently, all Bulgin manufacturing will cease at Barking and the factory vacated by March 2007. This will incur one-time revenue costs of £1 million of which £476,000 has been incurred in the first half.

The weakening of the US dollar has impacted and we have incurred a loss on foreign currency transactions and translations of £91,000 compared with a gain of £75,000 in the comparative period last year.

Cash generated from operations was up 25% on the corresponding period to £972,000. £419,000 was spent on plant and equipment, £280,000 on repayment of hire purchase and lease finance obligations and £132,000 on purchase of own shares. At 31 July 2006, net funds, being cash less borrowings, had increased to £886,000.

Acquisitions

In the Annual Report I stated that the Board was optimistic about concluding a transaction in the current year. At that time we were considering two opportunities having reached agreements on price subject to due diligence.

The first opportunity, which is a manufacturer of components in Europe and Tunisia, is still under discussion as a result of findings during the due diligence process. Due diligence is currently continuing on another opportunity. We have written off £41,000 as exceptional costs in respect of these potential transactions.

Earnings per share, share buy back and dividends

The underlying earnings per share before exceptional costs were 1.08p compared with 0.97p in 2005. Basic and diluted earnings per share were 0.60p (2005: 0.93p).

During the period 764,500 shares were bought on-market at a cost of £132,000.

The Board has considered the payment of an interim dividend, but in the light of current projects has decided to retain cash. Providing progress continues to be made the Directors intend to review the rate of the dividend at the year-end.

Employees

I should like to thank all of our staff for their continued hard work, particularly those at Bulgin who have worked diligently and professionally in the light of the announcement that the factory would close and operations be transferred to Tunisia.

Outlook

Orders received to date are currently up 8% on this time last year and with new products coming on stream we are well placed to continue progress.

Adrian Girling
Executive Chairman 18 September 2006

Group Income Statement

Unaudited Interim Results to 31 July 2006

	Half year to 31 July 2006 £'000	Half year to 31 July 2005 As restated £'000	Year to 31 January 2006 As restated £'000
Revenue from continuing operations	**12,954**	11,112	22,467
Cost of sales	**(8,077)**	(6,899)	(14,041)
Gross profit	**4,877**	4,213	8,426
Net operating expenses (including exceptional items)	**(4,221)**	(3,205)	(6,666)
Operating profit before exceptional items	**1,173**	1,057	1,791
Exceptional items	**(517)**	(49)	(31)
Operating profit from continuing operations	**656**	1,008	1,760
Finance costs	**(13)**	(12)	(16)
Profit on ordinary activities before taxation	**643**	996	1,744
Taxation on profit on ordinary activities	**(174)**	(283)	(477)
Profit attributable to shareholders	**469**	713	1,267
Earnings per share – basic	**0.60p**	0.93p	1.63p
– diluted	**0.60p**	0.93p	1.63p

Group Balance Sheet

Unaudited Interim Results at 31 July 2006

	31 July 2006 £'000	31 July 2005 As restated £'000	31 January 2006 As restated £'000
Assets			
Non-current assets			
Property, plant and equipment	**2,096**	2,256	2,165
Deferred tax	**285**	72	89
	2,381	2,328	2,254
Current assets			
Inventories	**3,282**	3,263	3,266
Trade receivables	**4,575**	4,062	3,979
Other current assets	**613**	594	606
Cash and cash equivalents	**2,421**	2,624	1,714
	10,891	10,543	9,565
Total assets	**13,272**	12,871	11,819
Equity and liabilities			
Equity attributable to equity holders of the parent			
Called-up share capital	**3,916**	4,021	3,954
Share premium	**244**	244	244
Capital redemption reserve	**105**	–	67
Other reserves	**59**	50	46
Retained earnings	**2,568**	1,905	2,255
Own shares	**–**	(20)	–
Total equity	**6,892**	6,200	6,566
Non-current liabilities			
Long-term borrowings	**160**	202	–
Long-term provisions	**269**	347	357
Total non-current liabilities	**429**	549	357
Current liabilities			
Trade and other payables	**3,350**	3,648	2,869
Short-term borrowings	**1,087**	671	758
Current portion of long-term borrowings	**288**	608	513
Current tax payable	**644**	886	678
Short-term provisions	**582**	309	78
Total current liabilities	**5,951**	6,122	4,896
Total liabilities	**6,380**	6,671	5,253
Total equity and liabilities	**13,272**	12,871	11,819

Group Cash Flow Statement

Unaudited Interim Results to 31 July 2006

	31 July 2006 £'000	31 July 2005 As restated £'000	31 January 2006 As restated £'000
Cash flows from operating activities			
Profit before taxation	**643**	996	1,744
Adjustments for:			
Depreciation	**481**	453	902
Interest expense	**13**	12	16
Operating profit before working capital changes	**1,137**	1,461	2,662
Increase in trade and other receivables	**(626)**	(764)	(748)
Increase in inventories	**(15)**	(263)	(236)
Increase in trade payables	**477**	418	243
Other non-cash movements	**429**	(4)	(285)
Cash generated from operations	**1,402**	848	1,636
Interest paid	**(36)**	(48)	(81)
Taxation paid	**(394)**	(24)	(814)
Net cash from operating activities	**972**	776	741
Cash flows from investing activities			
Sale of subsidiaries	**–**	50	150
Purchase of property, plant and equipment	**(419)**	(180)	(546)
Proceeds of sale of property, plant and equipment	**–**	11	28
Interest received	**23**	36	66
Net cash used in investing activities	**(396)**	(83)	(302)
Cash flows from financing activities			
Issue of shares	**–**	200	200
Purchase of own shares	**(132)**	–	(205)
Proceeds from long term borrowings	**214**	–	–
Movement in short term borrowings	**329**	443	529
Payment of hire purchase and finance liabilities	**(280)**	(293)	(589)
Dividends paid	**–**	–	(241)
Net cash used in financing activities	**131**	350	(306)
Net increase in cash and cash equivalents	**707**	1,043	133
Cash and cash equivalents at the beginning of the period	**1,714**	1,581	1,581
Cash and cash equivalents at the end of the period	**2,421**	2,624	1,714

Group Statement of Changes in Equity

Unaudited Interim Results to 31 July 2006

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 January 2006	**3,954**	**244**	**67**	**2**	**2,286**	**6,553**
Changes in accounting policy	–	–	–	44	(31)	13
Restated balance	3,954	244	67	46	2,255	6,566
Share purchase	(38)	–	38	–	(132)	(132)
Exchange differences	–	–	–	–	(24)	(24)
Retained profit for the period	–	–	–	13	469	482
At 31 July 2006	**3,916**	**244**	**105**	**59**	**2,568**	**6,892**

Notes to the Unaudited Interim Results

1. Accounting Policies

The interim financial information has been prepared on the basis of International Financial Reporting Standards (IFRS). This interim statement is the first consolidated financial report prepared in accordance with IFRS. Full details of accounting policies will be included in the Annual Report for the year ending 31 January 2007. These are not expected to be materially different from those set out in the Group's statutory accounts for the year ended 31 January 2006 with the exception of the policy in relation to share-based payments.

The Group will implement the requirements of Financial Reporting Standard 20 (IFRS 2) 'Share-based payment' in the 2007 Annual Report, and this standard has accordingly been adopted in the interim accounts with the comparative figures being restated. This change in accounting policy has resulted in a pre-tax charge of £13,000 for the six months ended 31 July 2006, £14,000 for the six months ended 31 July 2005 and £27,000 for the year ended 31 January 2006.

In accordance with FRS 20 (IFRS 2) 'Share-based payment', the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the income statement equal to the fair value of the benefit awarded, fair value being estimated by an independent third party using a proprietary binomial probability valuation model. The expense is recognised in the income statement over the vesting period of the award.

Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

2. Other information

The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 January 2006 has been extracted from the statutory accounts, as adjusted for IFRS, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.

Copies of the interim results will be sent to shareholders and are available free of charge from the Company's registered office at Alfreds Way, Barking, Essex IG11 0AZ.

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