15 June 2010

Andor Technology plc ("Andor")

Interim Results for the Six Months ended 31 March 2010

Andor Technology plc (AND.L), the leading developer and manufacturer of high performance digital cameras for academic, industrial and government applications globally today announces interim results for the six months ended 31 March 2010.

Financial highlights

- Turnover up 24% to £20.0m (H1'09: £16.1m)
- Adjusted* operating profit up 85% to £3.2m (H1'09: £1.7m)
- Adjusted* PBT up 87% to £3.3m (H1'09: £1.7m)
- Adjusted* EPS up 73% to 9.32 pence (H1'09: 5.39 pence)
- £4.0m cash generated from operations
- Record £0.5m profit related pay distributed amongst all employees

**Adjusted results are before acquisition costs, amortisation of acquired intangibles and IFRS2 share based payments*

Operational highlights

- Growth in sales in China - up 71%
- Acquisition of Bitplane AG ("Bitplane")
- Launch of Revolution® DSD
- Launch of Ikon-M PV for solar panel market
- Completed transition to IFRS
- sCMOS camera on track for H2 launch

Commenting on the results Conor Walsh, Chief Executive, said:

"I am delighted to report that, for the six months to 31 March 2010, the employees of Andor have again delivered an exceptional set of results. The scale of improvement year on year, and the consistency of performance over the past number of years have been extraordinary.

While Andor is not insulated from the macro-economic environment we have strengths that help us in difficult times. We are balanced across the geographic segments and the market sectors that we serve, we have a clear strategy to deliver growth through investment and innovation and we are obsessive about our execution."

For further information, please contact:
Enquiries:-
Andor Technology plc 028 9023 7126
Conor Walsh, Chief Executive Officer

Nominated Adviser & Broker
Arden Partners plc 020 7614 5928
Fred Walsh
Matthew Armitt

Notes to Editors:

Andor Technology plc (www.andor.com) is at the forefront of developing and manufacturing instruments for the global scientific imaging and spectroscopy markets. The company's range of CCD and intensified CCD camera systems are used throughout the world for academic, industrial and government research across a wide range of fields such as biotechnology, physics and chemistry. Using Andor products these customers can break new ground by performing experiments that were previously considered impossible. Independently conducted customer research confirms that Andor's low light solutions are considered world beating.

Established in 1989, Andor's corporate headquarters are in Belfast, Northern Ireland. Operating in a global market, Andor's US headquarters opened in Connecticut in 1997. Andor has regional sales offices in Europe, the US, Japan and China.

The company is listed on the London Stock Exchange's AIM market and commenced dealings in its ordinary shares in December 2004 (AND.L).

Introduction by the Chairman

These interim financial statements are my first as Chairman and the first results reported by Andor that have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as adopted by the European Union. Previous financial statements were prepared in accordance with UK Generally Accepted Accounting Principles ("UKGAAP"). Prior to the acquisition of Bitplane, Andor was not obliged to prepare accounts in accordance with IFRS as we were not required to prepare consolidated financial statements.

The trading performance of the business has continued to strengthen as evidenced in the significant increase in both revenue and profit. Under Conor's leadership "Team Andor" has delivered another strong performance during the first half of the year and your Board is pleased with the results that have been achieved and grateful to all the staff that have contributed to this performance.

Financial Overview

For the six month period ended 31 March 2010, the conversion from UKGAAP to IFRS as adopted by the EU increased the operating profit by £89,000. For the same period in the prior year the effect was to increase operating profit by £39,000. The effect of the transition to IFRS is fully explained in note 13 to these interim financial statements.

Throughout this document adjusted results are stated after adding back acquisition costs, amortisation of acquired intangible assets and the IFRS2 share based payments adjustment. A reconciliation of reported results to adjusted results, for the six months ended 31 March 2010 and for the six months ended 31 March 2009, is given in note 14 of these interim financial statements.

The Board is delighted to welcome to Andor the staff of Bitplane, which we acquired in late December 2009. In the current results Bitplane has contributed revenue of £1.0m and profit before tax of £0.3m. Current performance remains in line with our expectations.

Turnover grew 24% to £20.0m (H1'09: £16.1m) and adjusted operating profit grew 85% to £3.2m (H1'09: £1.7m). This converted to cash at a rate of 152% delivering £4.0m cash before financing and acquisition activity. Taken in the context of the first half of last year, which saw increases of 40% in revenue and 102% in adjusted operating profit, today's results are truly outstanding.

EBITDA grew to £3.5m from £2.1m, an increase of 68% resulting in an EBITDA margin of 17.5%. Adjusted

PBT grew 87% to £3.3m from £1.7m and adjusted earnings per share increased by 73% to 9.32 pence from 5.39 pence. We generated £4.0m of cash in the period and working capital to sales is now at an all time low of 10.7%.

Segmental Performance

Rest of World

Revenue to Rest of World grew 6% from £8.2m to £8.7m. Our strongest growth was achieved in China where sales grew 71% to £1.7m. We continue to invest in this high growth region and in the period we restructured our sales organisation to deliver a more targeted approach. We have also increased our direct sales presence on the ground as we believe this visible commitment to the region is important both to Andor and our customers.

In the current period sales of Systems to Rest of World fell slightly from the heights achieved in the same period last year. This situation is not uncommon in the introduction of new technology and we are clear on the actions we need to take to move the technology from early adopters to more mainstream use. Because of this, revenue from Europe fell by 3% in the period to £7.0m.

European research sales have remained strong. We are also seeing a significant increase in OEM sales to Europe as a result of our investment in both product and channel. The iKon-M PV, launched for the solar cell inspection market, has generated significant interest amongst new OEM customers.

Japan

Because of its significance as the world's second largest economy we report Japan separately from the Rest of World. Revenue here grew by 33% from £2.2mto £2.9m. Since we opened our second Japanese office, in Osaka, we have seen increased business with research customers in both the physical and life sciences. At Andor we believe it is important to show commitment to your market and your customers and investing in this way demonstrates that commitment.

US

Revenue from the US grew by 30% to £7.4m from £5.7m. We have seen growth in the Systems Division and the OEM business but especially pleasing is the strong performance achieved by our research sales team who have worked extremely hard in difficult market conditions to deliver real growth.

In the US, and across all the regions, we have revisited the organisational structure to ensure it is capable of delivering the growth targets we set ourselves for the coming years. In most regions we have made changes and added resource and are confident the current structure is fit for the future.

Bitplane

On 23 December 2009 we acquired the entire issued share capital of Bitplane. Based in Zurich, Switzerland, Bitplane is a world leader in 3D and 4D image analysis software for the medical and life sciences sector. Bitplane is established globally with a strong brand and will continue to be run as a standalone business, but very much as part of the Andor family.

The consideration was composed £5.6m of cash and 283,851 ordinary shares in Andor (valued at £0.5m) with the potential for further consideration in the form of cash and shares totalling £0.5m under an earn out provision in the event Bitplane achieves certain EBITDA targets in the twelve months post acquisition. The acquisition was funded by a placing in December 2009 of Andor ordinary share which raised £3.0m with the remainder drawn from cash. At the balance sheet date we had £11.0m of cash in hand and net cash (after deducting debt) of £9.0m.

We have appointed an Integration Manager from within the Andor Leadership Team with responsibility for all aspects of the integration process and we have already identified a number of ways that Andor and Bitplane can work together to generate additional returns. We successfully completed the transition of the Bitplane management reporting to the Andor standard including the additional requirements under IFRS. Product training has been completed across both businesses and we are beginning to see the

benefits that the joint Andor/ Bitplane product offerings bring to the market. In the three months since acquisition Bitplane contributed revenue of £1.0million and operating profit of £0.3 million.

Operational Review

Systems Division

The Systems Division compliments our camera component business by offering a complete solution to customers. Our existing Revolution® XD system offers ultimate sensitivity and performance for live cell imaging and growth rates in sales have been exceptional over the past three years.

There remain significant growth opportunities in this space and we have continued to invest in expanding our channel to market, taking a largely direct approach to these large and often complex sales. We have added to our sales team in the US and in China and we believe these regions hold significant potential for further growth in this division.

We are also expanding our product offering and in February of this year we announced the release of our Revolution® DSD. This is a white light spinning disc confocal systems that delivers comparable image quality to traditional laser-point scanning confocal microscope but at significantly lower cost. This product will move to production in the second half of this year and we expect to see an impact in the order book by year end.

In April 2010 we acquired Photonic Instruments ("Photonic") in the US for consideration comprising $5m (£3.25m) in cash and the issue of 156,627 ordinary shares. The acquisitions of Bitplane and Photonic also add significantly to the product offering in the systems division and enhance our competitive differentiation. We were delighted that our first joint demonstration incorporating product from the three businesses was successful and generated a single order worth almost $700,000.

Scientific Research

Research sales are the bedrock of the Andor business. Historically our product offering has been at the high end of the performance spectrum delivering ultimate sensitivity to our research customers in both the physical and life science markets. Our first objective is to continue to invest and grow this high end market where we have built our reputation for innovation, quality and superior customer service. Largely driven by this core market sales grew 16% in the period to £10.7 million from £9.2 million in the same period last year.
In addition, our strategy is to use our experience, technical knowledge and manufacturing capability to expand our product offering into the much larger mid range market. We have delivered a number of products addressed at this space however the most significant is our ground breaking sCMOS camera. As we said in February, we expect this product to move to production in the second half of this year and expect sales to benefit from H1 2011. There has been a high level of interest in this technology and we have been working on developing additional indirect channels to support the expected demand for product.

OEM

Growing our OEM business is another key aspect of our strategy. This is higher volume business to business sales for Andor and leverages the investment we make in our research market by bringing similar technology to these instrumentation companies. It also supports our investment in engineering and manufacturing capability which is another differentiator for Andor. OEM customers need to know Andor's manufacturing capability can keep up with and support their growth over time. Our facility, opened in 2005, is custom designed for Andor and has capacity to support our growth plans going forward. We have invested in automated quality control systems, train our staff in Six Sigma and embrace the principles of Lean Manufacturing. All of this is to achieve our ultimate goal of becoming world class.

We have seen growth across all of our regions but especially in the US where our performance has been particularly strong. We received follow-on funding of $0.5 million for our design contract that we announced in April 2009 taking the total order to in excess of $2.6 million for delivery in 2010. The potential remains for this camera to move to production for the customer and be a significant revenue

contributor from 2011 onwards.

We restructured our sales and engineering teams to better support our OEM customers and this is delivering real benefit. In Europe we have also seen real growth, particularly from our new Ikon-M PV product. This is a dedicated CCD camera designed to deliver market leading speed and sensitivity for in-line inspection of photovoltaic cells used in solar panels. We have also gained traction in the Chinese OEM market, although this is early stage business for Andor.

Outlook

We have again exceeded market expectations. The reason is because we have outstanding individuals who are focused and dedicated to delivering innovative, superior products and service to our customers and whose personal goals are totally aligned with those of the business. On behalf of the Board I thank them for their efforts.

While Andor is not insulated from the macro-economic environment we have strengths that help us in difficult times. We are balanced across the geographic segments with sales in Rest of World, the US and Japan. We are equally balanced across the markets that we serve having successfully grown our OEM and systems business. We have a clear strategy to deliver growth through investment and innovation. And finally we are obsessive about our execution. For these reasons the Board remains confident about the outlook for the full year and beyond.

Consolidated income statement

		Unaudited Six months ended 31 March		Unaudited Year ended 30 September
		2010	2009	2009
	Notes	£'000	£'000	£'000
Revenue		**20,012**	16,129	33,113
Cost of sales		**(8,938)**	(7,210)	(16,298)
Gross profit		**11,074**	8,919	16,815
Net operating expenses		**(8,447)**	(7,335)	(12,274)
Operating profit		**2,627**	1,584	4,541
Finance income		**76**	66	128
Finance costs		**(8)**	(47)	(56)
Profit before income tax		**2,695**	1,603	4,613
Income tax expense	5	**(561)**	(298)	(744)
Profit for the period		**2,134**	1,305	3,869
Earnings per share (pence)				
- Basic		**7.37**	4.85	14.38
- Diluted		**6.96**	4.75	13.72

All profits are attributable to equity holders of the company and relate to continuing operations.

Consolidated statement of comprehensive income

	Unaudited Six months ended 31 March		Unaudited Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Profit for the period	**2,134**	1,305	3,869
Other comprehensive income			
Exchange differences on translation of foreign operations	**279**	-	-
Other comprehensive income for the period net of tax	**279**	1,305	3,869
Total comprehensive income for the period	**2,413**	1,305	3,869

All comprehensive income is attributable to equity holders of the company.

Consolidated statement of financial position

	Unaudited	Unaudited

	Notes	31 March 2010 £'000	31 March 2009 £'000	30 September 2009 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	5,229	5,661	5,405
Intangible assets	8	10,413	1,868	2,396
Deferred income tax assets		286	363	210
		15,928	7,892	8,011
Current assets				
Inventories		6,732	7,040	6,291
Trade and other receivables		5,842	4,929	4,498
Derivative financial instruments		-	-	226
Cash and cash equivalents		11,007	6,660	9,979
		23,581	18,629	20,994
Total assets		39,509	26,521	29,005
Capital and reserves attributable to equity holders of the company				
Called up share capital	10	593	538	540
Share premium account		7,713	4,786	4,810
Other reserves		2,519	1,843	1,843
Retained earnings		12,711	7,820	10,445
Total equity		23,536	14,987	17,638
Liabilities				
Non-current liabilities				
Borrowings	9	1,733	1,920	1,827
Deferred income tax liabilities		3,119	1,299	1,387
Government grants and deferred income		2,328	1,617	1,831
		7,180	4,836	5,045
Current liabilities				
Borrowings	9	259	256	222
Trade and other payables		2,267	2,486	2,019
Current income tax liabilities		1,305	548	630
Derivative financial instruments		244	981	305
Accrued expenses		4,718	2,427	3,146
		8,793	6,698	6,322
Total liabilities		15,973	11,534	11,367
Total equity and liabilities		39,509	26,521	29,005

The notes on pages 11 to 36 form an integral part of this condensed consolidated interim financial information.

Consolidated statement of changes in equity

	Attributable to equity holders of the company						
Unaudited Six months ended 31 March 2009	**Share capital £000**	**Share premium account £000**	**Translation of foreign Operations £000**	**Capital redemption reserve £000**	**Merger reserve £000**	**Retained earnings £000**	**Total £000**
Balance at 1 October 2008	538	4,786	-	1,843	-	6,491	13,658
Profit for the period	-	-	-	-	-	1,305	1,305
Total comprehensive income for period ended 31 March 2009	-	-	-	-	-	1,305	1,305
Adjustment in respect of employee share scheme	-	-	-	-	-	24	24
Balance at 31 March 2009	538	4,786	-	1,843	-	7,820	14,987

The notes on pages 11 to 36 form an integral part of this condensed consolidated interim financial information.

Consolidated statement of changes in equity

Attributable to equity holders of the company

Unaudited Six months ended 31 March 2010	Share capital	Share premium account	Translation of foreign operations	Capital redemption reserve	Merger reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 October 2009	540	4,810	-	1,843	-	10,445	17,638
Profit for the period	-	-	-	-	-	2,134	2,134
Currency translation	-	-	279	-	-	-	279
Total comprehensive income for period ended 31 March 2010	-	-	279	-	-	2,134	2,413
Issue of share capital	47	3,031	-	-	-	-	3,078
Less: expenses incurred on issue		(128)					(128)
Issue of share capital on acquisition of subsidiary	6	-	-	-	397	-	403
Adjustment in respect of employee share scheme	-	-	-	-	-	132	132
Balance at 31 March 2010	593	7,713	279	1,843	397	12,711	23,536

The notes on pages 11 to 36 form an integral part of this condensed consolidated interim financial information.

Consolidated cash flow statement

	Notes	Unaudited six months ended 31 March 2010 £'000	2009 £'000	Unaudited Year ended 30 September 2009 £'000
Cash flows from operating activities				
Cash generated from operations	7	3,995	3,046	6,730
Interest paid		(9)	(49)	(66)
Income tax paid		(58)	(14)	(132)
Net cash generated from operating activities		3,928	2,983	6,532
Cash flows from investing activities				
Acquisition of Bitplane AG		(5,779)	-	-
Purchase of property, plant and equipment		(89)	(279)	(469)
Interest received		76	66	128
Net cash used in investing activities		(5,792)	(213)	(341)
Cash flows from financing activities				
Proceeds from issue of share capital		2,949	-	26
Invoice discounting			(156)	(156)
Repayments of borrowings		(57)	(94)	(222)
Net cash generated from/(used in) financing activities		2,892	(250)	(352)
Net increase in cash, cash equivalents and bank overdrafts		1,028	2,520	5,839
Cash, cash equivalents and bank overdrafts at start of period		9,979	4,140	4,140
Cash, cash equivalents and bank overdrafts at end of period		11,007	6,660	9,979

The notes on pages 11 to 36 form an integral part of these consolidated financial statements.

Independent review report to Andor Technology plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the half-yearly financial report for the

six months ended 31 March 2010, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The consolidated interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
Belfast
14 June 2010

Notes:

(a) The maintenance and integrity of the Andor Technology plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

1 General information

Andor Technology plc ("the Company") and its subsidiaries (together "the Group") is a public limited company incorporated and domiciled in the United Kingdom.

The Company has its primary listing on the Alternative Investment Market of the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 14 June 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2009 were approved by the Board of Directors on 23 November 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

The Company's financial statements for the year ended 30 September 2009 were prepared in accordance with United Kingdom Generally Accepted Accounting Principles. As a result of the acquisition of Bitplane AG, the company is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards for the year ended 30 September 2010.

The condensed consolidated interim financial information for the six months ended 31 March 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

This is the group's first consolidated interim financial information prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, with the 2009 comparatives restated accordingly. The effects of the transition to IFRS as of 1 October 2008 on

the financial position of the company can be found at Note 14.

3. Accounting policies

The accounting policies set out below are those that the Group has adopted under International Financial Reporting Standards as adopted by the European Union for the year ended 30 September 2010.

(a) New and amended standards and interpretations adopted by the Group

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 October 2009:

- IAS 1 (Revised) 'Presentation of financial statements' - This revised standard requires entities to prepare a statement of comprehensive income. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Owner changes in equity are shown in a statement of changes in equity.

- IFRS 1 (Revised) 'First time adoption of IFRS' - This revised standard was issued in order to improve the structure, which had become complex due to the numerous amendments in recent years.

- Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' - This amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements on transition to IFRS. The amendment also removes the definition of the cost method from IAS 27, replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

- Amendment to IFRS 2 ' Share based payments' on 'Vesting conditions and cancellations' - This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features that are not vesting conditions should be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or the valuation thereof subsequent to the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- IFRS 3 (Revised) 'Business combinations' - The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs are required to be expensed.

- Amendment to IFRS 7 'Financial instruments - disclosures' on 'Fair-value hierarchy' - The amendment increases the disclosure requirements around fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk, primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

- IFRS 8 'Operating segments' - This standard replaces IAS 14. The new standard uses a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

- IAS 23 Revised 'Borrowing costs' - The revised standard requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option in the previous version of IAS 23 of immediately expensing those borrowing costs has been removed.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the group

- Amendment to IAS 32 'Financial instruments: presentation' on 'Puttable financial instruments and obligations arising on liquidation'

- IAS 27 Revised 'Consolidated and separate financial statements'

- Amendment to IAS 39 'Financial instruments: recognition and measurement' on 'Eligible-hedged items'

- IFRIC 12 'Service concession arrangements'

(c) The following new standards, new interpretations, and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 October 2009 and have not been early adopted

- IFRIC 18 'Transfers of assets from customers'
- Amendment to IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- Amendment to IAS 24 'Related part disclosures'
- Amendment to IAS 32 'Financial instruments: presentation'
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'
- Amendment to IFRS 1 'Presentation of financial statements' on 'Presentation of items of other comprehensive income'
- Amendment to IFRS 2 'Share based payment' on 'Group cash-settled share based payment transactions'
- IFRS 9 'Financial instruments'

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking for the six month period ended 31 March 2010. Subsidiaries are entities that are directly or indirectly controlled by the group. Control exists where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings.
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Foreign currency translation
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the company's functional and the group's presentation currency.

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue
Revenue represents the invoiced value of services provided and goods supplied during the year, excluding value added tax, and net of sales returns, trade discounts and rebates. Revenue is recognised upon customer receipt of products, which is when title to the product is passed to the customer. Turnover in respect of extended warranties and maintenance contracts is recognised over the period in which the serves are provided.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Intangible assets
Goodwill
On the acquisition of businesses, fair values are attributed to their identifiable net assets, and where the value of the consideration exceeds the fair value of the net assets, the difference is treated as goodwill and capitalised in the balance sheet. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Research and development
Costs associated with research activities are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable products controlled by the group are recognised as intangible assets in accordance with the recognition criteria set out in IAS 38, 'Intangible Assets'.

Directly attributable costs that are capitalised as part of products include employee costs incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs recognised as assets are amortised over their estimated useful economic lives.

Acquired research and development
Research and development expenditure acquired in a business combination is recognised at fair value at the acquisition date. The research and development expenditure has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful economic lives of the products to which the research and development expenditure relates.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation.

The cost of property, plant and equipment is equal to its purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as write off the cost of tangible fixed assets, less their estimated
residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

	%
Freehold buildings	4
Plant & machinery	10 to 33

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Impairment of non-financial assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or income-generating unit's net realisable value and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

Inventories
Stocks are stated at the lower of cost and net realisable value. Cost for raw materials is calculated on a first in first out basis. Net realisable value for work in progress and finished goods is based on estimated selling prices less further costs expected to be incurred in bringing the stock to completion and disposal. Cost comprises materials, direct wages and other direct production costs together with a proportion of production overheads relevant to the stage of completion of work in progress and finished goods. Provision is made for slow moving and obsolete stocks.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected useful economic lives of the related assets.

Financial instruments
Classification
The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Loans and receivables
Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

Trade and receivables with a maturity of more than twelve months from the balance sheet date are shown as non-current trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where objective evidence of impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Share capital
Ordinary shares are classified as equity.

Other reserves
Where the Company has issued shares as part of an acquisition and the issue of those shares qualifies for merger relief, the excess of the fair value of the shares issued above their nominal value is taken to a Merger Reserve.

Foreign exchange differences arising on the translation of foreign operations are taken to the foreign currency translation reserve.

The nominal value of preference shares redeemed by the Company is held within the capital redemption reserve.

Other financial liabilities at amortised cost
Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments
Derivatives comprise forward currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value, with the gain or loss being recognised in the income statement.

The forward contracts are not designated as hedging instruments as defined by IAS 39, 'Financial Instruments: Recognition and Measurement'.

Income tax and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Operating lease commitments
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Pension costs
The Group operates a defined contribution pension plan for certain directors and employees. Contributions are charged to the profit and loss account in the period to which they relate.

Share based payments
The company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. In accordance with the transitional provisions in IFRS 2 "Share-based payments", the recognition and measurement principles in IFRS 2 have only been applied to options and awards granted after 7 November 2002 that had not vested by 1 January 2006.

Fair value estimation
Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The group's financial instruments fair valued (for recognition purposes only) under level 2 are the group's forward exchange contracts. The fair value of these financial instruments is obtained from banking institutions and is based on observable market data.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

(a) Assessment of the fair value of acquired intangibles

The fair value of the development expenditure arising on the acquisition of Bitplane AG was based on a number of assumptions, including a discount rate and growth rates in revenue. If the discount rate and growth rates were to have changed by 1% the effect on the fair value of the acquired development expenditure as of the date of acquisition would have been:

	£'000
Increase in discount rate by 1%	(289)
Decrease in discount rate by 1%	308

Increase in revenue growth rates by 1%	219
Decreased in revenue growth rates by 1%	(212)

The effect of a change in the fair value of the acquired development expenditure of £100,000 on the consolidated comprehensive income statement for the six month period ended 31 March 2010 would be £2,500.

(a) Estimate of useful economic life of developed products

The Group assesses the useful economic life of developed products on an annual basis. The remaining useful economic life of the developed assets range from four years to ten years. If the remaining useful economic lives had been shortened by 1 year, capitalisation of development expenditure (net of amortisation) would have decreased by £54,000 and if the remaining useful economic lives had been extended by 1year, capitalisation of development expenditure (net of amortisation) would have increased by £35,000.

4. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors for strategic decision-making purposes. The Board of Directors consider the business from a geographic perspective and have identified four reportable segments. The Board of Directors assess the performance of the operating segments based on gross material margin, before the allocation of overheads and research and development expenses.

	Unaudited six months ended 31 March		Unaudited year ended 30 September
	2010	2009	2009
Segment revenues	**£'000**	£000	£'000
ROW	**8,735**	8,249	16,913
United States of America	**7,406**	5,681	11,748
Japan	**2,919**	2,199	4,452
Bitplane *	**952**	-	-
Total	**20,012**	16,129	33,113

	Unaudited six months ended 31 March		Unaudited year ended 30 September
	2010	2009	2009
Segment results	**£'000**	£000	£'000
ROW	**5,325**	5,255	10,278
United States of America	**4,688**	3,518	7,108
Japan	**2,110**	1,656	3,321
Bitplane *	**924**	-	-
Total segment results	**13,047**	10,429	20,707
Production costs	**(1,973)**	(1,510)	(3,892)
Gross profit per financial statements	**11,074**	8,919	16,815
Operating expenses	**(8,447)**	(7,335)	(12,274)
Operating profit per financial statements	**2,627**	1,584	4,541

4. Segment information (continued)

	Unaudited six months ended 31 March		Unaudited year ended 30 September
	2010	2009	2009
Segment assets	**£'000**	£000	£'000
ROW	**21,654**	21,847	24,188
United States of America	**4,356**	2,636	3,194
Japan	**1,948**	1,675	1,413
Bitplane *	**11,265**	-	-
Total operating assets	**39,223**	26,158	28,795
Deferred tax asset	**286**	363	210
Total assets	**39,509**	26,521	29,005

* The results of the Company's subsidiary undertaking are separately reported to the Board of Directors and are therefore disclosed as a separate reportable segment.

There are no significant seasonal fluctuations.

On 23 December 2009, the Company acquired 100% of the shares of Bitplane AG, a company incorporated in Switzerland. A full description of the business combination and its effect on the financial position of the Group is contained within note 11.

5. **Income tax expense**

	Unaudited six months ended 31 March		Unaudited year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Income tax expense on profit for the period			
Corporation tax	**628**	287	500
Deferred tax	**(67)**	11	244
	561	298	744

6. **Earnings per share**

Earnings per ordinary share is based on retained profit for the financial period and on the weighted average number of ordinary shares in issue during the period. **Diluted earnings per share** is calculated using an adjusted number of shares reflecting the number of dilutive shares under option.

The weighted average number of shares used in the calculation of earnings per share is as follows:

	Unaudited six months ended 31 March		Unaudited year ended 30 September
	2010	2009	2009
	Number of shares	Number of shares	Number of shares
Weighted average number of shares:			
Basic	**28,935,895**	26,892,493	26,900,576
Diluted	**30,816,357**	27,440,882	28,197,243

7. **Cash generated from operations**

	Unaudited Six months ended 31 March		Unaudited Year ended 30 September
	2010	2009	2009
	£'000	£'000	£'000
Profit before interest and tax	**2,627**	1,584	4,541
Adjustments for:			
Depreciation	**309**	351	670
Capitalisation of development expenditure	**(553)**	(589)	(1,243)
Amortisation of intangible fixed assets	**407**	475	601
Amortisation of capital grant and deferred income	**(89)**	(62)	151
Acquisition costs expensed	**172**	-	-
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
Movement in inventories	**(441)**	(1,811)	(770)
Movement in trade and other receivables	**(33)**	838	1,269
Movement in trade and other payables	**1,464**	2,236	1,427
Adjustment in respect of employee share option schemes	**132**	24	84
Cash generated from operations	**3,995**	3,046	6,730

8. **Property, plant and equipment and intangible assets**

		Intangible assets			
	Property, plant and equipment £'000	**Goodwill £'000**	**Development expenditure £'000**	**Other intangible assets £'000**	**Total**
Opening net book amount as at 1 October 2008	5,733	7	1,661	87	1,755
Additions	266	-	589	-	589
Depreciation and amortisation	(338)	(7)	(104)	-	(111)

Impairment charge	-	-	(365)	-	(365)
Closing net book amount as at 31 March 2009	5,661	-	1,781	87	1,868
Opening net book amount as at 1 October 2009	5,405	-	2,335	61	2,396
Exchange adjustments	1	35	245	-	280
Goodwill arising on acquisition of subsidiary	-	685	-	-	685
Assets obtained on acquisition of subsidiary	43	-	6,906	-	6,906
Additions	89	-	553	-	553
Depreciation and amortisation	(309)	-	(407)	-	(407)
Closing net book amount as at 31 March 2010	5,229	720	9,632	61	10,413

Impairment testing
Included within intangibles is an amount of £495k of capitalised development expenditure which has been reviewed for impairment during the six month period. An impairment charge of £365k was recognised in relation to this amount in the six month period to 31 March 2009.

Development expenditure has been reviewed for impairment during the year using a value in use calculation using discounted future cash flows. The cash flow projections are over a period of 4 years, the expected period over which the company expects to benefit from the related development expenditure. The key assumption is the discount rate of 20%.

Sensitivity to changes in assumptions
A movement of 1% in the discount rate would change the impairment charge by £20,000.

9. Borrowings

The movement in borrowings is analysed as follows:

	Unaudited 31 March 2010	2009	Unaudited 30 September 2009
	£'000	£'000	£'000
Opening amount	2,049	2,271	2,271
Repayment of borrowings	(57)	(95)	(222)
Closing amount	1,992	2,176	2,049

Maturity of bank loan:

	Unaudited 31 March 2010	2009	Unaudited 30 September 2009
	£'000	£'000	£'000
Less than one year, or on demand	259	256	222
Between one and two years	259	256	222
Between two and five years	776	768	666
After more than five years	698	896	939
Total borrowings	1,992	2,176	2,049

The company's bank loan is denominated is sterling and is repayable in instalments over 15 years at a rate based on LIBOR plus a percentage. The bank loan is secured by fixed and floating charges over the assets of the company.

10. Share capital

Allotted, called up and fully paid ordinary shares of £0.02 each	Number of shares (thousands)	Ordinary shares £'000
At 1 October 2009	27,007,493	540
Issued during the period	2,630,453	53
At 31 March 2010	**29,637,946**	**593**

During the period the company issued 2,346,602 ordinary shares of £0.02 each at a premium of £1.23 per share. A further 283,851 ordinary shares of £0.02 each at a premium of £1.40 per share were issued on the acquisition of Bitplane AG.

11. Business combinations

On 23 December 2009, the Company acquired 100% of the share capital of Bitplane AG, an interactive microscopy image analysis software company for consideration comprising £7.54 million (CHF:GBP exchange rate of 0.5951) in cash and the issue of 283,851 ordinary shares of 2p each in the capital of the Company. The fair value of the ordinary shares issued amounted to £403,068, and was calculated on the basis of the Company's quoted share price on 23 December 2009. Bitplane complements Andor's existing business, particularly in the Systems division, and will generate future growth through shared a customer base and technological development opportunities.

Further consideration in the form of cash and Andor shares may be payable by the Company under an earn-out provision in the event that Bitplane

generates EBITDA in excess of CHF 1.2m in the twelve months ending on 31 December 2010. The potential undiscounted amount of all payments that the Company could be required to make under this arrangement is between £0 and £0.51m, plus an amount equal to 10% of the amount by which EBITDA exceeds CHF1.6m. The consideration includes a variable number of shares in the Company to a maximum value of £0.15m. Under the terms of the arrangement, 50% of the contingent consideration is payable on reaching an EBITDA target of CHF1.2m, rising proportionately to £0.51m on reaching a target of CHF1.6m. Amounts due will be payable in January 2011. Under IFRS 3 (Revised) the earn-out has been treated as employee remuneration rather than a cost of acquisition.

The acquired business contributed revenues of £0.95m and net profit of £0.18m to the group for the period from acquisition to 31 March 2010. If the acquisition had occurred on 1 October 2009, the additional amounts included in consolidated revenue and consolidated profit for the six month period ended 31 March 2010 would have been £0.84m and £0.06m respectively.

Goodwill on acquisition has been calculated as follows:

	£'000
Effective consideration	
Consideration transferred on acquisition (including issue of shares)	7,945
Total purchase consideration	7,945
Fair value of net identifiable assets acquired	(7,260)
Goodwill	685

The goodwill is attributable to Bitplane's strong market position and the potential synergies expected to arise after its acquisition by the Group. None of the goodwill is expected to be deductible for tax purposes.

The assets and liabilities arising from acquisition are as follows:

	Acquiree's carrying amount £'000	Provisional fair value £'000
Cash and cash equivalents	1,935	1,935
Property, plant and equipment	43	43
Development expenditure	68	6,906
Receivables	1,061	1,061
Payables	(1,014)	(1,014)
Net deferred tax liabilities	(227)	(1,671)
Net identifiable assets acquired	1,866	7,260

The fair value of trade and other receivables is £1.06m and includes trade receivables of £0.92m. The contractual value of trade receivables due is equal to their fair value.

Outflow of cash to acquire the business, net of cash acquired:

	£'000
Cash consideration on acquisition	(7,542)
Direct costs relating to acquisition	(172)
Cash and cash equivalents in subsidiary acquired	1,935
Cash outflow on acquisition	(5,779)

Acquisition related costs of £172k are included in the income statement.

12. Events occurring after the reporting period

On 14April 2010 the Company acquired the trade and assets of Photonic Instruments Inc and Imaginative Instruments Inc (together 'Photonic') for consideration comprising US$ 5.0 million (GBP £3.25 million) in cash and the issue of 156,627ordinary shares of 2p each in the capital of the Company, which have a fair value of £0.34m based on the Company's quoted share price as at 14 April 2010. Further consideration in the form of cash and Andor shares of a maximum aggregate value of US$ 1.95 million (GBP £1.27 million) may be payable by Andor under an earn-out provision in the event that Photonic exceeds an agreed order intake target as well as certain product development goals in the 18 months following completion. The Company has not yet completed the exercise to fair value the assets and liabilities of the acquiree.

13. Transition to IFRS

The Company reported under UK GAAP in its previously published financial statements. For the purpose of these interim results, the group's date of transition to IFRS is 1 October 2008.

IFRS 1 provides a number of optional exemptions to the general principles of full retrospective application of IFRS. The Group has elected to take advantage of the following optional exemption from full retrospective application at the date of transition.

Business combinations

The Group has elected to utilise the option in IFRS 1 not to apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition. The effect of this decision is that all assets and liabilities acquired as a result of past business combinations are recognised at the date of transition to IFRS. The carrying amount of goodwill in the opening IFRS statement of financial position is equal to its carrying amount in accordance with previous UK GAAP, adjusted for the recognition of intangible assets previously subsumed in goodwill.

Reconciliation of UK GAAP to IFRS

The Group has prepared reconciliations between equity reported under UK GAAP and under IFRS as at 1 October 2008, the date of transition to IFRS for the purpose of these financial statements, and as at 31 March 2009 and 30 September 2009.

The Group has prepared reconciliations between profit/(loss) recognised under UK GAAP and under IFRS for the six month period ended 31 March 2009 and for the year ended 30 September 2009.

13. Transition to IFRS (continued)

Reconciliation of equity at 1 October 2008:

	Notes	UK GAAP 1 October 2008 £'000	Effect of transition to IFRS £'000	IFRS 1 October 2008 £'000
Assets				
Non-current assets				
Property, plant and equipment		5,733	-	5,733
Intangible assets	(a)	589	1,165	1,754
Deferred income tax assets	(e)	-	84	84
		6,322	1,249	7,571
Current assets				
Inventories		5,229	-	5,229
Trade and other receivables		5,767	-	5,767
Cash and cash equivalents		4,140	-	4,140
		15,136	-	15,136
Total assets		21,458	1,249	22,707
				Shareholders' equity
Share capital		538	-	538
Share premium		4,786	-	4,786
Other reserves		1,843	-	1,843
Retained earnings	(d)	6,164	327	6,491
Total equity		13,331	327	13,658
Liabilities				
Non-current liabilities				
Borrowings		2,138	-	2,138
Deferred tax liabilities	(e)	234	784	1,018
Government grants and deferred income		1,680	-	1,680
		4,052	784	4,836
Current liabilities				
Borrowings		133	-	133
Trade and other payables		1,899	-	1,899
Current income tax liabilities		263	-	263
Derivative financial instruments	(c)	-	120	120
Accrued expenses	(b)	1,780	18	1,798
		4,075	138	4,213
Total liabilities		8,127	922	9,049
Total equity and liabilities		21,458	1,249	22,707

Reconciliation of equity at 1 October 2008:

(a) Under UK GAAP, research and development expenditure incurred directly by the company was written off as incurred. Amounts arising from historic development activity that meet the requirements of IAS 38 have been capitalised on transition at their net amortised value.

(b) An accrual has been recognised for outstanding holiday entitlement due to employees at the date of transition.

(c) The Company uses forward contracts as a commercial hedge of short term foreign currency inflows. The fair value of these contracts has been recognised on the balance sheet at transition.

(d) The increase in retained earnings as a result of the adjustments noted in (a), (b) and (c) above is as follows:

	£'000
Capitalisation of development expenditure	1,165
Adjustment in respect of forward currency contracts	(120)
Recognition of holiday benefit accrual	(18)
Deferred tax impact	(700)
Increase in retained earnings	327

(e) The increase in deferred tax assets and liabilities represents the deferred tax effects of the adjustments noted in (a), (b) and (c) above, together with the differing treatment of deferred tax liabilities on Industrial Buildings.

Reconciliation of equity at 31 March 2009:

	Notes	UK GAAP 31 March 2009 £'000	Effect of transition to IFRS £'000	IFRS 31 March 2009 £'000
Assets				
Non-current assets				
Property, plant and equipment		5,661	-	5,661
Intangible assets	(a)	204	1,664	1,868
Deferred income tax assets	(e)	-	363	363
		5,865	2,027	7,892
Current assets				
Inventories		7,040	-	7,040
Trade and other receivables	(b)	4,502	427	4,929
Cash and cash equivalents		6,660	-	6,660
		18,202	427	18,629
Total assets		24,067	2,454	26,521
			Shareholders' equity	
Share capital		538	-	538
Share premium		4,786	-	4,786
Other reserves		1,843	-	1,843
Retained earnings	(d)	7,465	355	7,820
Total equity		14,632	355	14,987
Liabilities				
Non-current liabilities				
Borrowings		1,920	-	1,920
Deferred income tax liabilities	(e)	224	1,075	1,299
Government grants and deferred income		1,617	-	1,617
		3,761	1,075	4,836
Current liabilities				
Borrowings		256	-	256
Trade and other payables	(b)	2,473	13	2,486
Current income tax liabilities		548	-	548
Derivative financial instruments	(b)	-	981	981
Accrued expenses	(c)	2,397	30	2,427
		5,674	1,024	6,698
Total liabilities		9,435	2,099	11,534
Total equity and liabilities		24,067	2,454	26,521

Reconciliation of equity at 31 March 2009:

(a) Under UK GAAP, research and development expenditure incurred directly by the company was written off as incurred. Amounts arising from historic development activity that meet the requirements of IAS 38 have been capitalised on transition at their net amortised value.

(b) The Company uses forward contracts as a commercial hedge of short term foreign currency inflows. The fair value of these contracts has been recognised on the balance sheet at transition.

(c) An accrual has been recognised for outstanding holiday entitlement due to employees.

(d) The increase in retained earnings as a result of the adjustments noted in (a), (b), (c) and (d) above is as follows:

	£'000
Capitalisation of development expenditure	1,664
Adjustments in respect of forward currency contracts	(568)
Recognition of holiday benefit accrual	(29)
Deferred tax impact	(712)
Increase in retained earnings	355

(e) The increase in deferred tax assets and liabilities represents the deferred tax effects of the adjustments noted in (a), (b) and (c) above, together with the differing treatment of deferred tax liabilities on Industrial Buildings.

13. **Transition to IFRS (continued)**

Reconciliation of equity at 30 September 2009:

	Notes	UK GAAP 30 September 2009 £'000	Effect of transition to IFRS £'000	IFRS 30 September 2009 £'000
Assets				
Non-current assets				
Property, plant and equipment		5,405	-	5,405
Intangible assets	(a)	191	2,205	2,396
Deferred income tax assets	(e)	-	210	210
		5,596	2,415	8,011
Current assets				
Inventories		6,291	-	6,291
Trade and other receivables	(b)	4,371	127	4,498
Derivative financial instruments		-	226	226
Cash and cash equivalents		9,979	-	9,979
		20,641	353	20,994
Total assets		26,237	2,768	29,005
Shareholders' equity				
Share capital		540	-	540
Share premium		4,810	-	4,810
Other reserves		1,843	-	1,843
Retained earnings	(d)	9,237	1,208	10,445
Total equity		16,430	1,208	17,638
Liabilities				
Non-current liabilities				
Borrowings		1,827	-	1,827
Deferred tax liabilities	(e)	135	1,252	1,387
Government grants and deferred income		1,831	-	1,831
		3,793	1,252	5,045
Current liabilities				
Borrowings		222	-	222
Trade and other payables	(b)	2,034	(15)	2,019
Current income tax liabilities		630	-	630
Derivative financial instruments	(b)	-	305	305
Accrued expenses	(c)	3,128	18	3,146
		6,014	308	6,322
Total liabilities		9,807	1,560	11,367
Total equity and liabilities		26,237	2,768	29,005

13. **Transition to IFRS (continued)**

Reconciliation of equity at 30 September 2009:

(a) Under UK GAAP, research and development expenditure incurred directly by the company was written off as incurred. Amounts arising from historic development activity that meet the requirements of IAS 38 have been capitalised on transition at their net amortised value.

(b) The Company uses forward contracts as a commercial hedge of short term foreign currency inflows. The fair value of these contracts has been recognised on the balance sheet at transition.

(c) An accrual has been recognised for outstanding holiday entitlement due to employees.

(d) The increase in retained earnings as a result of the adjustments noted in (a),(b), (c) and (d) above is as follows:

	£'000
Capitalisation of development expenditure	2,205
Adjustment in respect of forward currency contracts	64
Recognition of holiday benefit accrual	(18)
Deferred tax impact	(1,042)
Increase in retained earnings	1,208

(e) The increase in deferred tax assets and liabilities represents the deferred tax effects of the adjustments noted in (a), (b) and (c) above, together with the differing treatment of deferred tax liabilities on Industrial Buildings.

13. **Transition to IFRS (continued)**

Reconciliation of profit for the six month period ended 31 March 2009:

	UK GAAP 31 March 2009 £'000	Effect of transition to IFRS £'000	IFRS 31 March 2009 £'000
Revenue	16,129	-	16,129
Cost of sales	(7,210)	-	(7,210)
Gross profit	8,919	-	8,919
Net operating expenses	(7,374)	39	(7,335)
Operating profit	1,545	39	1,584
Finance income	66	-	66
Finance costs	(47)	-	(47)
Profit before income tax	1,564	39	1,603
Income tax expense	(287)	(11)	(298)
Profit for the year	1,277	28	1,305

All profits are attributable to equity holders of the company and relate to continuing operations.

The adjustment to net operating expenses resulting from the transition to IFRS is detailed as follows:

	£'000
Capitalisation of development expenditure	(573)
Amortisation of development intangible asset	75
Adjustments in respect of forward currency contracts	448
Movement in holiday benefit accrual	11
Total reduction in net operating expenses	(39)

The adjustment to income tax expense is due to an increase in the deferred tax charge of £11,000 arising on the IFRS adjustments made.

13. Transition to IFRS (continued)

Reconciliation of profit for the year ended 30 September 2009:

	UK GAAP 31 March 2009 £'000	Effect of transition to IFRS £'000	IFRS 30 September 2009 £'000
Revenue	33,113	-	33,113
Cost of sales	(16,298)	-	(16,298)
Gross profit	16,815		16,815
Net operating expenses	(13,498)	1,224	(12,274)
Operating profit	3,317	1,224	4,541
Finance income	128	-	128
Finance costs	(56)	-	(56)
Profit before income tax	3,389	1,224	4,613
Income tax expense	(400)	(344)	(744)
Profit for the year	2,989	880	3,869

All profits are attributable to equity holders of the company and relate to continuing operations.

The adjustment to net operating expenses resulting from the transition to IFRS is detailed as follows:

	£'000
Capitalisation of development expenditure	(1,206)
Amortisation of development intangible asset	166
Adjustments in respect of forward currency contracts	(183)
Movement in holiday benefit accrual	(1)
Total reduction in net operating expenses	(1,224)

The adjustment to income tax expense is due to an increase in the deferred tax charge of £344,000 arising on the IFRS adjustments made.

14. Reconciliation of adjusted results

	Operating profit £'000	Profit before tax £'000	Profit after tax £'000
As reported at 31 March 2010	**2,627**	**2,695**	**2,134**
Add back:			
Acquisition costs	248	248	248
Amortisation of share options	132	132	132
Amortisation of acquired intangible assets	183	183	183
Adjusted results at 31 March 2010	**3,190**	**3,258**	**2,697**

	Operating profit £'000	Profit before tax £'000	Profit after tax £'000
As reported at 31 March 2009	**1,584**	**1,603**	**1,305**
Add back:			
Acquisition costs	100	100	100
Amortisation of share options	24	24	24
Amortisation of acquired intangible assets	20	20	20
Adjusted results at 31 March 2009	**1,728**	**1,747**	**1,449**