

KEY TECHNOLOGIES PLC

Interim Report for Six Months ended 31 December 2009

Interim Statement

We are pleased to report further progress during the period under review. An underlying profit before tax of £1.366m was achieved against £1.249m in the first half of the previous financial year. This represents an increase of 9.4%. Revenue during the period of £11.823m was 15.7% ahead of the same period last year.

The underlying basic earnings per share during the period was 13.0p (13.6p in the previous year) reflecting the dilutive effect of a full year with the additional shares raised on flotation in November 2008. At the end of the period the balance sheet shows cash at bank of £2.7m. If this figure is adjusted for term loan facilities utilised, the net cash position is £342k.

The Defence business grew strongly in the half-year, comparing well with both the first and second half-years of 2008/9. In September, the company was accredited to the Nadcap aerospace quality standard for Circuit Card Assemblies, becoming the first company in the UK and one of the first in the World to do so. Parts of both the Rail and the non-core Switchgear businesses suffered from project delays which adversely affected their performance. The recent awards to the Rail business of their first significant export orders are expected to result in sales growth for that business as compared with the second half of the last financial year.

Dividend

An interim dividend of 1.8p per share (last year – nil) has been approved by the Board and will be paid to on 1 April 2010 to all shareholders on the share register on 26 March 2010.

Outlook

Our strategy of developing the Defence and Rail businesses both organically and by selective earnings enhancing bolt-on acquisitions remains in place. The second half of the current financial year has started well and trading is in line with our expectations.

D.L. Grove
(Chairman)

D. Miller
(Group Chief Executive)

Key Technologies PLC

CONSOLIDATED INCOME STATEMENT						
	Unaudited		Unaudited		Audited	
	6 Months Ended 31 Dec 09		6 Months Ended 31 Dec 08		Year Ended 30 Jun 09	
	£'000		£'000		£'000	
Turnover	11,823	100.0%	10,207	100.0%	20,700	100.0%
Cost of Sales	(7,908)	(66.9%)	(6,664)	(65.3%)	(13,804)	(66.7%)
Gross Profit	3,915	33.1%	3,543	34.7%	6,896	33.3%
Administration	(2,506)	(21.2%)	(2,186)	(21.4%)	(3,935)	(19.0%)
Other OI		0.0%	1	0.0%	44	0.2%
Underlying Operating Profit	1,409	11.9%	1,358	13.3%	3,005	14.5%
Net Interest Payable	(43)	(0.4%)	(109)	(1.1%)	(171)	(0.8%)
Other Finance Income					46	
Underlying Profit Before Tax	1,366	11.6%	1,249	12.2%	2,880	13.9%
Loan Cost Amortisation	(6)		(6)		(10)	
Share based payments	(62)		(62)		29	
Pension scheme adjustments					9	
Profit Before Tax	1,298	11.0%	1,181	11.6%	2,908	14.0%
Corp Tax	(408)	(3.5%)	(349)	(3.4%)	(786)	(3.8%)
Net Profit Before Dividend	890	7.5%	832	8.2%	2,122	10.3%
Dividend						
Retained Profit	890	7.5%	832	8.2%	2,122	10.3%
Basic Earnings per share	12.1		12.6		30.4	
Underlying Basic Earnings per share	13.0		13.6		30.0	
Diluted Earnings per share	11.7		12.1		29.1	
Underlying Diluted Earnings per share	12.6		13.1		28.7	

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CONSOLIDATED BALANCE SHEET

	31 Dec 2009	31 Dec 2008	30 June 2009
	£'000	£'000	£'000
Fixed assets			
Intangible Assets	7,838	7,682	7,842
Tangible Assets	855	663	959
Retirement Benefits Scheme	51	164	51
	<u>8,744</u>	<u>8,509</u>	<u>8,852</u>
Current Assets			
Stocks	1,830	1,712	1,491
Trade and other receivables	3,624	2,921	3,505
Cash at bank and in hand	2,747	3,091	3,302
	<u>8,201</u>	<u>7,724</u>	<u>8,298</u>
Current Liabilities			
Bank loan and overdraft	(690)	(690)	(690)
Trade and other payables	(5,405)	(6,176)	(6,176)
Hire purchase contracts	(71)	(47)	(84)
	<u>(6,166)</u>	<u>(6,913)</u>	<u>(6,950)</u>
Net current assets	2,035	811	1,348
Non Current Liabilities			
Bank and other loans	(1,553)	(2,243)	(1,897)
Hire purchase contracts	(91)	0	(120)
Deferred Tax	(38)		(38)
Provisions	(236)	(393)	(236)
	<u>(1,918)</u>	<u>(2,636)</u>	<u>(2,291)</u>
	8,861	6,684	7,909
Capital & Reserves			
Called up share capital	74	74	74
Share premium account	1,777	1,777	1,777
Merger reserve	3,410	3,410	3,410
Pension reserve	51	164	51
Profit and loss account	3,549	1,259	2,597
	<u>8,861</u>	<u>6,684</u>	<u>7,909</u>

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CONSOLIDATED CASH FLOW STATEMENT

	6 Months Ended 31 Dec 2009 £'000	6 Months Ended 31 Dec 2008 £'000	12 months Ended 30 Jun 2009 £'000
Cash Flow from operating activities			
Operating Profit	1,347	1,296	3,043
Share based payment transactions	62	62	(29)
Depreciation	208	142	255
Amortisation of licences	4	3	7
Net cost of defined benefit schemes			(6)
Profit on disposal of tangible assets			
Change in stocks	(339)	129	350
Change in debtors	(119)	689	105
Change in current liabilities	(1,178)	(496)	(310)
Change in provisions			(157)
Net cash (outflow)/inflow from operating activities	(15)	1,825	3,258
Returns on investments and servicing of finance			
Net interest paid	(43)	(109)	(125)
Taxation			
Corporation Tax paid	0	0	(602)
Capital expenditure			
Acquisition of tangible assets	(105)	(143)	(552)
Acquisition of intangible assets			(2)
Receipts from sales of fixed assets			
Net cash outflow from capital expenditure	(105)	(143)	(554)
Acquisition and Disposals			
Payments to acquire subsidiary undertakings			
Financing			
Short term bank loan repayments			
Long term bank loan repayments	(350)	(350)	(700)
New long term bank loans			
Capital element of hire purchase contracts	(42)	(24)	133
Net proceeds from share issue		1,789	1,789
Net cash (outflow)/inflow from financing	(392)	1,415	1,222
Increase/(decrease) in cash for the period	(555)	2,988	3,199

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Financial Calendar

Ex dividend date for 2010 interim dividend	24 March 2010
Payment of interim dividend for 2010	1 April 2010
Next year end	30 June 2010
Announcement of 2010 full year results	September 2010
Annual General Meeting	November 2010
Next interim period end	31 December 2010