Mr M Grabowski
Sharman Inquiry
Sharman Secretariat
C/o Financial Reporting Council
Aldwych House
71-91 Aldwych
London
WC2B 4HN

28th June 2011

Dear Mr Grabowski,

Further to your letter of 2 June 2011, you requested my input to the Sharman inquiry in the light of my recent experience with e2v technologies plc ('e2v'), since joining the group in May 2009.

Transparency and Guidance for Directors
e2v carried out a refinancing of its debt in December 2009 with a 'rescue' placing and right issue along with a revised bank facility. This reflected its change in its financial profile over the preceding year that had been due to the two principle drivers of:

- The business being structured for ongoing revenue growth, anticipated from markets internationally
- Its debt being in non sterling currencies reflecting the funding of its two major acquisitions.

Both these strategic decisions were visible in the annual report for the year ended 31 March 2008 and disclosure was provided on the sensitivities to exchange rate movements for net borrowings. When the company disclosed reduced trading performance expectations due to the global recession and its changed reported borrowings due to sterling's depreciation in a trading update, the market analysed the risks to e2v's liquidity position and repriced e2v's shares accordingly.

In the annual report for the year ended 31 March 2009 the independent auditor's report included an emphasis of matter as a "material uncertainty".

This was accompanied by extensive disclosure within the report on the group's liquidity position and trading outlook. For investors, the classification and associated disclosures were straight forward and understood, so were effective. A non holding investor at the time commented that it was "not surprising" to see this emphasis of matter in the audit report within the context of the narrative flow of the annual report.

As the area of "material uncertainty" changed, this was reflected in the disclosures in the results for the half year ended 30 September 2009, whilst the refinancing was in progress. This disclosure permitted investors to assess the changing profile within the classification of "material uncertainty" satisfactorily.

Company actions

As a result of the group's experience in 2009, e2v has changed its strategy to:

- Provide for greater flexibility in its operating structure with up to 20% of its labour force sourced flexibly outside of staff on permanent employment contracts
- cash flows to dimension the proportion on a short term basis, whilst retaining the element of longer term borrowings in its reporting currency of sterling
- Limit the level of net borrowings to be 'investment grade'.

The group has also placed greater emphasis on the use of its forecasting processes by:

- Integrating in to our regular process the two main value adds from external review at the time of financing, of preparing integrated financial plans and modelling a full range of sensitivities
- Preparing detailed forecasts on a quarterly basis and integrating their review with the annual budget and the strategic plan review cycles, and quarterly external reporting including the audit programme and audit committee review for the half and full year.

Thus, the sustainable capital structure for e2v over the cycle will be primarily achieved through managing the business including following the parameters set out above. The current guidance on the approach to forecasting provides a sufficient framework to approach this in a disciplined way that is integrated effectively with external reporting and its associated independent audit. The disclosure provided in e2v's annual report for the year ended 31 March 2011 covered investors' questions on the group's changing risk and liquidity profiles.

Other matters

Access to capital is expensive, particularly in turnaround situations. For e2v's refinancing in December 2009:

- Raising equity cost 7% of the sum raised
- Bank borrowings were at an effective margin of 6% pa including set up costs

Consideration should be given to steps to reduce the overall cost burden of supporting finance raising.

Yours Sincerely,

Charles Hindson