28 January 2013

FILTRONIC PLC

("Filtronic" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2012

Filtronic plc, the designer and manufacturer of microwave electronics products for the wireless telecoms infrastructure market, announces its interim results for the six months ended 30 November 2012 ("H1 2013").

Financial Summary

- Revenue from continuing operations £16.4m (H1 2012: £10.5m)
- Wireless sales £11.9m (H1 2012: £5.2m)
- Broadband sales £4.5m (H1 2012: £5.3m)
- Operating profit before amortisation and exceptional items of £0.1m (H1 2012: £1.2m loss)
- Cash of £3.2m (31 May 2012: £3.7m)
- Net cash inflow from operating activities improved to £0.2m (H1 2012: £0.5m outflow)

Highlights

- Revenues grow 56% versus H1 2012
- Wireless sales growth of 50% or over for third consecutive half year
- Operating profit of £0.1m (before amortisation and exceptional items) with Wireless growth outstripping Broadband reduction
- Broadening of customer base in both Wireless and Broadband businesses

Commenting on the Outlook, Howard Ford, Chairman said:

"Overall, the Board anticipates that stronger than expected Wireless results will more than compensate for the shortfall in Broadband, and that Group performance will be ahead of current market estimates for both turnover and profits, with Wireless sales likely to represent nearly 80% of the total Group revenues for FY 2013."

Enquiries

Filtronic plc

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Interim Management Report

Revenue from continuing operations for the six months ended 30 November 2012 (“H1 2013”) was £16.4m compared with £10.5m for H1 2012 and £15.6m for H2 2012. This included £11.9m for the Wireless business and £4.5m for the Broadband business.

The operating profit of £0.1m before exceptional items and amortisation (£1.2m loss H1 2012), split into a £1.8m profit for the Wireless business, but a £1.3m loss for the Broadband business, and central costs of £0.4m.

In line with our stated policy there is no interim dividend.

Net cash inflow from operating activities was £0.2m compared to an outflow of £0.5m for H1 2012. Capital expenditure in the six months was £0.7m – slightly above the £0.4m in the prior period.

The closing cash balance at 30 November 2012 was £3.2m, a decrease of £0.5m in the period.

Wireless Business

Wireless had another very strong half year. Sales of £11.9m were 129% higher than the comparable period and 50% above last year's second half. Wireless sales represented 73% of group turnover and delivered above budget operating profits of £1.8m (£0.4m loss in H1 2012).

The main driving force remained the US 4G/LTE market, with a number of network roll-outs starting to pick-up speed. Sales to operators represented a smaller proportion of the total than for last year, a factor which tended to reduce slightly the overall operating margins of this activity from the levels enjoyed towards the end of last financial year.

Broadband Business

Broadband had a disappointing first half, with sales of £4.5m falling by 16% from last year's comparable period. The business suffered an operating loss of £1.3m (£0.3m comparative).

As anticipated, legacy sales to Ceragon fell away sharply after the exceptional "last-buy" levels seen at the end of FY2012. This shortfall was broadly counterbalanced by a strong rise in revenues from the multi-chip package family of products.

Both Eband radio and defence products will commence volume production in the final quarter of this financial year, however the first half build-up in the programmes was slower than expected due to temporary end-market delays.

Business Review and Outlook

Wireless continues to extend its participation in a broadening number of OEM and operator programmes for its filter and combiner products. Whilst demand levels of individual product lines remain subject to quite large month-on-month variability, the aggregate position is positive and healthy.

Wireless has recently received orders in excess of £14m for the supply of large quantities of LTE/4G interference mitigation filters that prevent 4G services interfering with domestic television receivers in Europe. Subject to a demanding production schedule, shipments for the initial phase of this product will be largely completed by the middle of calendar 2013, straddling the group's financial year end. There are prospects for follow-on business after this initial surge. Wireless is also at an early stage of developing opportunities for a similar product in other European markets.

Although in the short term there is unlikely to be any significant pick-up in overall revenues for Broadband, the Board believes that the level of losses in the Broadband activity should be ameliorated somewhat in the second half as long-term customer programmes in defence and commercial millimetre wave technology products begin to build.

Overall, the Board anticipates that stronger than expected Wireless results will more than compensate for the shortfall in Broadband, and that Group performance will be ahead of current market estimates for both turnover and profits, with Wireless sales likely to represent nearly 80% of the total Group revenues for FY2013.

Howard Ford, Chairman
Alan Needle, CEO
28 January 2013

The Board

The directors that served during the six months ended 30 November 2012 and their respective roles are set out below:

Alan Needle (Chief Executive Officer)
Howard Ford (Chairman)
Michael Brennan (Chief Financial Officer)
Graham Meek (Non-executive Director)
Reginald Gott (Non-executive Director)

Hemant Mardia resigned as a director on 21 September 2012.

Responsibility Statement of the Directors

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board
28 January 2013

Independent Review Report to Filtronic plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2012 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement and the related explanatory 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 set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

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 DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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 UK. 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 set of financial statements in the half-yearly financial report for the six months ended 30 November 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

David Morritt for and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds
28 January 2013

Condensed Consolidated Interim Income Statement

For the period ended 30 November 2012

Continuing operations	note	**6 months ended 30 November 2012 (Unaudited) £000**	6 months ended 30 November 2011 (Unaudited) £000	Year ended 31 May 2012 (Audited) £000
Revenue		**16,385**	10,513	26,082
		======	======	======
Operating profit/(loss) before amortisation and exceptional items		**147**	(1,197)	768
Amortisation of intangibles		**(1,209)**	(1,209)	(2,419)
Exceptional Items	6	**(143)**	-	-
		----------	----------	----------
Operating loss		**(1,205)**	(2,406)	(1,651)
Finance Income		**6**	11	16
		----------	----------	----------
Loss before Taxation		**(1,199)**	(2,395)	(1,635)
Taxation	7	**194**	953	1,670
		----------	----------	----------
(Loss)/profit for the period		**(1,005)**	(1,442)	35
		======	======	======
Basic (loss)/profit per share (stated in pence)				
		----------	----------	----------
Basic (loss)/profit per share	8	**(1.03)p**	(1.51)p	0.04p
		======	======	======
Diluted (loss)/profit per share (stated in pence)				
		----------	----------	----------
Diluted (loss)/profit per share	8	**(1.03)p**	(1.51)p	0.04p
		======	======	======

The loss for the period is attributable to the equity shareholders of the parent company Filtronic plc.

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 30 November 2012

	6 months ended 30 November 2012 (Unaudited) £000	6 months ended 30 November 2011 (Unaudited) £000	Year ended 31 May 2012 (Audited) £000
(Loss)/profit for the period	**(1,005)**	(1,442)	35
Currency translation movement arising on consolidation	**(93)**	(5)	16
Other Comprehensive Income	**(93)**	(5)	16
Total comprehensive income for the period	**(1,098)**	(1,447)	51

The total comprehensive income for the period is attributable to the equity shareholders of the parent company Filtronic plc.

Condensed Consolidated Interim Balance Sheet

At 30 November 2012

	Note	**30 November 2012 (Unaudited) £000**	30 November 2011 (Unaudited) £000	31 May 2012 (Audited) £000
Non current assets				
Goodwill and other intangibles		**9,281**	11,700	10,491
Property, plant and equipment		**2,678**	2,568	2,375
		11,959	14,268	12,866
Current assets				
Inventories		**4,041**	1,767	3,198
Trade and other receivables		**8,846**	6,843	10,277
Tax receivable		**-**	115	-
Deferred tax	7	**787**	1,047	887
Cash and cash equivalents		**3,222**	3,912	3,745
		16,896	13,684	18,107
Total assets		**28,855**	27,952	30,973
Current liabilities				
Trade and other payables		**7,892**	6,942	8,422
Provision		**530**	349	565
Deferred tax	7	**587**	653	600
Deferred Income		**194**	30	267
		9,203	7,974	9,854
Long term liabilities				
Deferred tax	7	**881**	1,633	1,162
Deferred income		**106**	144	116
		987	1,777	1,278
Total liabilities		**10,190**	9,751	11,132
Net assets		**18,665**	18,201	19,841
Equity				
Share capital	10	**9,700**	9,659	9,681
Share premium	10	**5,110**	5,049	5,083
Translation reserve		**(77)**	(5)	(16)
Retained earnings		**3,932**	3,498	5,093
Total equity		**18,665**	18,201	19,841

The total equity is attributable to the equity shareholders of the parent company Filtronic plc.

Condensed Consolidated Interim Statement of Changes in Equity

For the period ended 30 November 2012

	note	**6 months Ended 30 November 2012 (Unaudited) £000**	6 months Ended 30 November 2011 (Unaudited) £000	Year ended ended 31 May 2012 (Audited) £000
Equity at the start of period		**19,841**	18,830	18,830
Total comprehensive income for the period		**(1,098)**	(1,447)	51
New shares issued (net of issue costs)	10	**46**	738	794
Share-based payments	11	**(124)**	80	166
		----------	----------	----------
Equity at the end of period		**18,665**	18,201	19,841
		======	======	======

Condensed Consolidated Interim Cash Flow Statement

For the period ended 30 November 2012

	note	**6 months Ended 30 November 2012 (Unaudited) £000**	6 months Ended 30 November 2011 (Unaudited) £000	Year Ended 31 May 2012 (Audited) £000
Cash flows from operating activities				
(Loss)/profit for the period		**(1,005)**	(1,442)	35
Taxation		**(194)**	(953)	(1,670)
Finance income		**(6)**	(11)	(16)
		----------	----------	----------
Operating loss	9	**(1,205)**	(2,406)	(1,651)
Share based payments		**(124)**	80	166
Profit on disposal of plant and equipment		**(22)**	(5)	(5)
Depreciation		**369**	331	697
Amortisation of intangibles		**1,209**	1,209	2,419
Movement in inventories		**(843)**	(90)	(1,521)
Movement in trade and other receivables		**1,431**	(1,080)	(4,514)
Movement in trade and other payables		**(530)**	1,457	2,937
Movement in provision		**(35)**	(88)	128
R&D Tax credit received		**-**	-	467
Change in deferred income including government grants		**(83)**	50	258
		----------	----------	----------
Net cash from/(used in) operating activities	9	**167**	(542)	(619)
		----------	----------	----------
Cash flows from investing activities				
Interest received		**6**	11	16
Acquisition of plant and equipment		**(704)**	(417)	(579)
Proceeds on sale of assets		**55**	8	8
		----------	----------	----------
Net cash used in investing activities		**(643)**	(398)	(555)
		----------	----------	----------
Cash flows from financing activities				
Share placing, net of issue costs		**-**	737	737
Proceeds from exercise of share options	10	**46**	-	57
		----------	----------	----------
Net cash from financing activities	9	**46**	737	794
		----------	----------	----------
Movement in cash and cash equivalents		**(430)**	(203)	(380)
Currency exchange movements		**(93)**	(5)	5
Opening cash and cash equivalents		**3,745**	4,120	4,120
		----------	----------	----------
Closing cash and cash equivalents		**3,222**	3,912	3,745
		======	======	======

Notes to the Condensed Financial Statements

1 Company information

Filtronic plc is a company registered and domiciled in the United Kingdom, and is listed on the London Stock Exchange. The company's registered number is 2891064. The address of the company's registered office is Filtronic plc, Filtronic House, Unit 3, Airport West, Lancaster Way, Yeadon, West Yorkshire, LS19 7ZA.

Copies of the company's annual report and half-yearly financial report are available from the company's registered office or the company's website at www.filtronic.co.uk.

2 Basis of preparation

The directors have reviewed the projected cash flow and other relevant information and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the half-yearly financial report.

The half-yearly financial report, including the condensed consolidated financial statements for the six months ended 30 November 2012, has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The half-yearly financial report for the six months ended 30 November 2012 was approved by the Board on 28 January 2013.

The condensed consolidated financial statements for the six months ended 30 November 2012 consolidate the financial statements of the company and all of its subsidiaries (together referred to as the 'Group'). Transactions between Group companies, which are related parties, have been eliminated upon consolidation and therefore do not require disclosure.

The condensed consolidated financial statements for the six months ended 30 November 2012 and comparative period have not been audited. The auditor has carried out a review of the half-yearly financial report and their report is set out above.

The half-yearly financial report for the six months ended 30 November 2012 does not constitute financial statements, within the meaning of Section 434 of the Companies Act 2006, and does not include all of the information and disclosures required for annual financial statements. The half-yearly report should be read in conjunction with the annual report 2012, which includes annual financial statements for the year ended 31 May 2012.

The financial information for the year ended 31 May 2012 has been extracted from the annual financial statements included in the annual report 2012, which has been filed with the Registrar of Companies. The auditor's report on those financial statements was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those set out in the annual financial statements for the year ended 31 May 2012 included in the annual report 2012. Those annual financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

3 Accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements, that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The accounting estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of the future, that are believed to be reasonable under the circumstances. Actual results may differ from the expected results. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting estimates and judgements that have a significant effect on the financial statements are considered below.

Goodwill impairment
Goodwill and other intangibles are tested for impairment by reference to the expected cash generated by the business unit. This is deemed to be the best approximation of value, but is subject to the same uncertainties as the cash flow forecast being used.

Deferred tax asset
The recognition of the deferred tax assets relating to tax losses carried forward depends on forecasts of the future taxable profits of the members of the Group. These forecasts require the use of estimates and judgements about the future performance of the respective subsidiaries.

Capitalisation of development costs
Development costs incurred on projects requiring product qualification tests to satisfy customer specifications are generally expensed as incurred, reflecting the technical risks associated with meeting the resultant product qualification test.
Other certain research and development costs are likely to meet the definition of enhancement type costs, as they do not substantially improve the product, and therefore do not meet the definition of development costs to be capitalised.
This process is to be continually reviewed to ascertain whether any development costs meet the criteria for capitalisation. This requires various judgements by management as to whether the various criteria have been met.

Inventory
Inventories are stated at the lower of cost and net realisable value. The assessment of net realisable value of inventory requires forecasts of the future demand and selling prices of the inventory.

Warranty provision

Warranties are given to customers on products sold to them. A warranty provision is recognised when products are sold. The provision is based on historical warranty data. Actual warranty costs in the future may differ from the estimates based on historical performance. The level of warranty provision required is reviewed on a product by product basis and adjusted accordingly in light of actual experience.

3 Risks and uncertainties

Introduction

Filtronic supplies microwave and base station filter products for the wireless telecommunications market. The business is in a fast-changing sector with a small number of sophisticated customers, demanding performance standards and international competition, all of which pose risks to the business.

Market

We supply a niche range of products to a small number of large OEM customers for both the Broadband and Wireless filter businesses as well as a growing number of network operators in the Wireless business. The loss of any of these customers, or any material reduction in orders from any such customers may have a material adverse effect upon Filtronic's financial condition. With the rapid evolution of product technology and other corporate decisions the size of our addressable market may be affected. We may also fail to forecast market movements correctly so missing opportunities or wrongly predicting product longevity.

Manufacturing

In most of the products, production is demand led and customers may vary their requirements from the business at short notice, which also impacts inventory management. Customers in these businesses expect consistent high quality product and reducing prices, hence we depend on control of our operating environment, including management of security of supply in our supply chain, and the provision of correctly designed technological solutions including the achievement of target cost reduction plans. Non-performance in these areas risks a diminished market position.

All our products are provided to customers after detailed qualification testing. However, this may not test all aspects of the product's design and manufacturing process or may not ensure that the product is viewed as fit for purpose in its intended use. Identification of these types of problem after release of product to customers creates the risk of being required to rectify such product defects. Historically such work has not had a substantial impact on the financial performance of the business, although a major defect, leading to a field recall, could do so in future.

The Broadband business operates a leased manufacturing location, located within the facility of our major semiconductor supplier. The Wireless business relies for the manufacture of its products on a large Chinese turnkey manufacturer that provides favourable supply and financing terms. The loss of this supplier or a material change to supply terms could have a material adverse effect on the Group.

Technology

Our product competitiveness is strongly influenced by technology choices at product concept stage and throughout execution of design to product launch. For products in the production cycle, technology insertion is often required as a means of achieving price reductions, which underpin sales. The market is time sensitive and opportunities may be lost if the technology we develop is not appropriate or ready for exploitation to match market demand, so having an adverse effect on business performance.

Our ability to remain competitive in terms of technology and product design is also underpinned by retaining key staff, the loss of whom could seriously impact the rate of introduction of new products and technologies.

Financial management

A large proportion of sales is denominated in US dollars with the cost base substantially in sterling, which may therefore create margin risks that may not be recoverable through price changes. This risk is mitigated to some extent by purchasing some input materials in US dollars.

We have sold four divisions of the Group in the past seven years. We have provided warranties in support of these transactions, covering areas including product liability for an initial period and usually environment risks on freehold property and tax risks for longer specified periods. We have received claims on the sale of the Wireless Infrastructure and Defence Electronics business, some of which have been settled or rejected, and may receive claims in future related to these current and future commitments.

Going Concern

The directors have considered going concern matters and whilst they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, it remains possible that sufficient events with material adverse impacts on the business could occur such as to the change this expectation.

5 Segmental Analysis

Operating Segments

IFRS 8 requires consideration of the chief operating decision maker ('CODM') within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the CEO, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly the CEO is deemed to be the CODM.

Operating segments have then been identified based on the interim reporting information and management structures within the Group. The Group has three customers representing individually over 10% each and in aggregate over 65% of revenue.

The Group operates within two trading business segments

- The design and manufacture of transceiver modules and filters for backhaul microwave linking of base stations used in wireless telecommunication networks (Broadband).
- The design of radio frequency conditioning product for base stations used in wireless telecommunication networks (Wireless).

The Group also contains a central services segment that provides support to the trading businesses.

	6 months Ended 30 November 2012 £000	6 months ended 30 November 2011 £000	Year Ended 31 May 2012 £000
Revenue			
Broadband	**4,494**	5,329	13,036
Wireless	**11,891**	5,184	13,122
Central Services	**115**	-	131
Inter Company Elimination	**(115)**	-	(207)
	----------	----------	----------
	16,385	10,513	26,082
	======	======	======
Operating profit before amortisation			
Broadband	**(1,352)**	(338)	601
Wireless	**1,839**	(419)	720
Central Services	**(368)**	(440)	(422)
Inter Company Elimination	**(115)**	-	(131)
	----------	----------	----------
Operating profit/(loss) before amortisation	**4**	(1,197)	768
Amortisation	**(1,209)**	(1,209)	(2,419)
	----------	----------	----------
Operating loss	**(1,205)**	(2,406)	(1,651)
Taxation	**194**	953	1,670
Finance income	**6**	11	16
	----------	----------	----------
(Loss)/Profit after taxation	**(1,005)**	(1,442)	35
	======	======	======

Revenue by Destination

	6 months Ended 30 November 2012 £000	6 months ended 30 November 2011 £000	Year Ended 31 May 2012 £000
Revenue			
United Kingdom	**1,032**	1,295	3,500
Europe	**5,335**	5,096	12,446
Americas	**3,251**	1,913	5,589
Rest of the world	**6,767**	2,209	4,547
	----------	----------	----------
	16,385	10,513	26,082
	======	======	======

6 Exceptional items

Operating loss is stated after charging exceptional items as follows:

	6 months ended 30 November 2012	6 months Ended 30 November 2011	Year Ended 31 May 2012
	£000	£000	£000
Management reorganisation	**143**	-	-
	----------	----------	----------
	143	-	-
	======	======	======

7 Taxation

The tax credit reported relates to the release of a deferred tax liability offset by a £100,000 reduction in the deferred tax asset. This is due to the utilisation of tax losses brought forward from profits generated in the interim period by Filtronic Wireless Inc.

The deferred tax liability relates to the intangible assets arising upon acquisition of the wireless business. The original liability was £2,938,000 and an amount is being released each half year in line with the amortisation of the intangible asset. The amount released in the period to 30 November 2012 was £294,000.

8 Basic and diluted loss per share

	6 months ended 30 November 2012	6 months Ended 30 November 2011	Year Ended 31 May 2012
	£000	£000	£000
(Loss)/profit for the period			
Continuing operations	**(1,005)**	(1,442)	35
	----------	----------	----------
(Loss)/profit for the period	**(1,005)**	(1,442)	35
	======	======	======
	000	000	000
Basic weighted average number of shares	**96,903**	95,323	95,843
Dilution effect of share awards	**-**	-	692
	----------	----------	----------
Diluted weighted average number of shares	**96,903**	95,323	96,535
	======	======	======
Basic (loss)/earnings per share			
Continuing operations	**(1,03)p**	(1.51)p	0.04p
	----------	----------	----------
Basic (loss)/earnings per share	**(1.03)p**	(1.51)p	0.04p
	======	======	======
Diluted (loss)/earnings per share			
Continuing operations	**(1.03)p**	(1.51)p	0.04p
	----------	----------	----------
Diluted (loss)/earnings per share	**(1.03)p**	(1.51)p	0.04p
	======	======	======

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share in the half year periods as the effect of all potentially dilutive shares outstanding was anti-dilutive.

9 Note to the condensed consolidated cash flow statement

	note	**6 months ended 30 November 2012 £000**	6 months Ended 30 November 2011 £000	Year Ended 31 May 2012 £000
Operating loss				
Continuing operations		**(1,205)**	(2,406)	(1,651)
		======	======	======
Net cash from/(used in) operating activities				
Continuing operations		**167**	(542)	(619)
		======	======	======
Net cash used in investing activities				
Continuing operations		**(643)**	(398)	(555)
		======	======	======
Net cash from financing activities				
Continuing operations		**46**	737	794
		======	======	======

10 Share Capital and Share Premium

The Group has issued 0.2m shares to employees exercising share options from SAYE scheme 1 at 25p per share.

11 Share Based Payments

The first performance share plan, granted to executive directors and senior managers, matured in September 2012. The Group opted to exercise the right to settle the transaction in cash rather than equity. This amounted to a sum of £165,000 paid to employees in the scheme. As the Group had accounted for the scheme on an equity settlement basis the entry was made to reserves in the balance sheet.

12 Forward looking statements

Certain statements in this half-yearly financial report are forward-looking. Where the half-yearly financial report includes forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Such statements are based on current expectations and are subject to a number of risks and uncertainties, including both economic and business risk factors that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.