



06 February 2020

FILTRONIC PLC
("Filtronic", the "Company" or the "Group")

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2019

Filtronic plc (AIM: FTC), the designer and manufacturer of products for the wireless telecoms and critical communications markets, announces its half year results for the six months ended 30 November 2019 ("H1 2020").

Financial Summary

- Revenue of £7.5m (H1 2019: £8.9m)
- Adjusted EBITDA¹ of £0.6m (H1 2019: £0.6m)
- Adjusted operating profit² of £0.3m (H1 2019: £0.4m)
- Exceptional costs of £0.8m (H1 2019: £nil)
- Operating loss of £0.5m (H1 2019: operating profit of £0.4m)
- Net debt (including IFRS16 lease liabilities) of £3.6m (31 May 2019: net cash of £2.5m)
- Net cash outflow from operating activities £2.8m (H1 2019: £0.9m outflow)

¹ Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and exceptional items.

² Adjusted operating profit is operating profit before exceptional items.

Highlights

- Successfully disposed of the Telecoms Antenna Operation for an initial consideration of \$5.5m potentially increasing with a profit share in excess of mutually agreed gross profit targets.
- Strong demand from our lead OEM customer for Orpheus product and initial demand for our next-generation Morpheus, both being deployed in 5G X-Haul applications.
- Good progress made to onshore production of public safety products to the USA with production expected to commence in Q1 calendar year 2020.
- Expansion programme implemented at Sedgelyield to increase manufacturing capacity and production volumes of X-Haul and defence transceiver products. Machinery now embedded and optimised to improve operational efficiency.
- New design contract wins for High-Altitude Pseudo-Satellite (HAPS) mmWave "X-Haul" applications and other 5G mmWave equipment markets

Commenting on the outlook, Reg Gott, Chairman, said: "The sale of the FTAO business enables us to implement an effective operating structure across a more efficient footprint and provides us with a stronger balance sheet to further develop and grow the business. The Board is committed to revenue growth initiatives and intends to strengthen the sales and marketing organisation and extend engineering capacity across a range of disciplines during the course of this calendar year.

The recent design wins to develop X-Haul derivatives to major players in the High-Altitude Pseudo-Satellite and 5G mmWave equipment markets were key milestones on our strategic roadmap. However, this NRE funded development work will run through the next 16 months meaning revenue will largely not be recognised until FY2021, slightly limiting our progress in H2 profit development. These new contracts enable us to further extend our engineering capability, know-how and highlight our ability to develop a competitive position across a wider market".

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Notes:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Chairman's Statement

I am pleased to report a further period of underlying profitable trading in our continuing business. The Group performed in line with management expectations in the first half of FY2020 with sales of £7.5m (2019 H1: £8.9m). The lower sales revenue was anticipated and resulted from the closing-out of our legacy filter product programmes. However, continued growth in sales of our mmWave products, along with further increases in sales of defence applications, partially mitigated the filter reduction and provided an overall stronger sales mix with improved gross margin.

Despite the reduction in sales, the improved margin mix enabled us to maintain adjusted EBITDA at £0.6m (2019 H1: £0.6m). Adjusted operating profit declined slightly to £0.3m (2019 H1: £0.4m) as a consequence of an extensive recruitment and training programme of additional manufacturing & test staff for the increase in mmWave and defence production volumes.

The Group incurred exceptional costs relating to the sale of the Filtronic Telecoms Antenna Operations ("FTAO") and restructuring the continuing business of £0.8m with an additional £0.7m expected in H2 (2019 H1: £nil). Consequently, the Group suffered an overall H1 operating loss of £0.5m (2019 H1: operating profit of £0.4m). Net debt at 30 November 2019 was £3.6m including £2.6m of lease liability recognised as part of the new accounting standard IFRS16 (31 May 2019: net cash of £2.5m).

The sale of our loss-making FTAO business to Microdata Telecom Innovation Stockholm AB completed on 2 January 2020. The initial consideration, received in cash, was \$5.5m, with the potential to receive further deferred consideration of 50% of gross profit in excess of agreed targets over the next 2 years. The cash received has strengthened our balance sheet and provides the means to further develop the business and drive long-term shareholder value. The sale leaves us with a more focussed, higher margin business operating across a reduced geographical footprint and with a simplified management structure. As at 31 January, the Company had net cash of £1.1m (excluding lease liabilities) following the sale of the FTAO.

Within the mmWave product line, the production ramp of Orpheus orders has progressed well to meet the increased demand from our lead OEM customer as they roll-out their ultra-high bandwidth, low latency 5G backhaul network solutions to customers in North America and the Middle East. To facilitate this, we have made significant investments in capital equipment and expanded our operational capability, all of which will be fully productive by mid H2.

Good progress has also been made in transferring the manufacture of our public safety product line from our Chinese subcontractor to our new assembly and test capability at our facility in Salisbury, Maryland. The main drivers for this are the mitigation of increasing import tariffs and to address the growing appeal of "Made in America" amongst public sector end-customers in the USA. We anticipate customer audit and approval for the commencement of deliveries from the operation in Q3.

Board changes

Rob Smith resigned his position as CEO on 31 October 2019. The search for a new CEO is progressing very well and we hope to have the new CEO in post before the end of H2. In the meantime, and until the new CEO arrives, I will continue to fill the role of Executive Chairman on a full-time basis and will step back to Non-Executive Chairman after the new CEO is in post.

Outlook

We entered H2 with a healthy order book of over £10m and a strong demand profile from our key customers. As such, the Board expects to meet EBITDA market expectations for the full year.

I would like to thank our employees for all their continued hard work over the past year and to also thank our shareholders and other stakeholders for their continuing support as we work hard to grow our business.

Reg Gott
Executive Chairman, 6 February 2020

Condensed Consolidated Interim Income Statement
For the period ended 30 November 2019

		6 months Ended 30 November 2019 (Unaudited) £000	6 months Ended 30 November 2018 (Unaudited) £000	Year Ended 31 May 2019 (Audited) £000
Continuing operations	Note			
Revenue	5	7,533 =====	8,875 =====	15,932 =====
Adjusted EBITDA¹		608	581	664
Depreciation		(148)	(181)	(355)
Right of use asset depreciation		(162)	-	-
Amortisation of other intangible assets		(12)	(18)	(38)
Amortisation of development costs		-	(17)	(37)
		-----	-----	-----
Adjusted operating profit²		286	365	234
Exceptional items	6	(825) -----	- -----	- -----
Operating (loss)/profit		(539)	365	234
Finance costs		(132)	(29)	(154)
Finance income		-	33	55
		-----	-----	-----
(Loss)/profit before taxation		(671)	369	135
Taxation	7	(94) -----	(30) -----	2,099 -----
(Loss)/profit from continuing operations		(765)	339	2,234
Loss from discontinued operations	8	(1,068) -----	(1,329) -----	(3,547) -----
Loss for the period		(1,833) =====	(990) =====	(1,313) =====
Basic and diluted (loss)/earnings per share (pence)				
Basic and diluted (loss)/earnings per share	9	(0.86)p =====	(0.48)p =====	(0.63)p =====

1 Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortisation and exceptional items which is a non-GAAP metric used by management and is not an IFRS disclosure.

2 Adjusted operating profit is defined as operating profit before exceptional items which is a non-GAAP metric used by management and is not an IFRS disclosure.

Condensed Consolidated Interim Statement of Comprehensive Income
For the period ended 30 November 2019

	6 months Ended 30 November 2019 (Unaudited) £000	6 months Ended 30 November 2018 (Unaudited) £000	Year Ended 31 May 2019 (Audited) £000
Loss for the period	(1,833)	(990)	(1,313)
	-----	-----	-----
<i>Items that are or may be subsequently reclassified to profit and loss</i>			
Currency translation arising on consolidation	(55)	(81)	60
	-----	-----	-----
Other comprehensive(expense)/income	(55)	(81)	60
	-----	-----	-----
Total comprehensive expense for the period	(1,888)	(1,071)	(1,253)
	=====	=====	=====

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

**Condensed Consolidated Interim Balance Sheet
At 30 November 2019**

	Note	30 November 2019 (Unaudited) £000	30 November 2018 (Unaudited) £000	31 May 2019 (Audited) £000
Non-current assets				
Goodwill and other intangibles		1,676	3,581	1,247
Right of use assets	3	2,493	-	-
Property, plant and equipment		904	1,378	1,030
Deferred tax		1,914	976	1,982
		<u>6,987</u>	<u>5,935</u>	<u>4,259</u>
Current assets				
Inventories		3,936	2,909	2,081
Trade and other receivables		4,770	7,836	4,220
Cash and cash equivalents		121	2,314	2,625
Assets held for sale	10	3,832	-	5,046
		<u>12,659</u>	<u>13,059</u>	<u>13,972</u>
Total assets		<u>19,646</u>	<u>18,994</u>	<u>18,231</u>
Current liabilities				
Trade and other payables		3,969	6,681	2,316
Provisions	11	1,849	509	2,265
Deferred Income		73	203	81
Financial liabilities	12	1,126	103	231
Liabilities directly associated with assets held for sale	10	707	-	2,207
Lease liability	3	588	-	-
		<u>8,312</u>	<u>7,496</u>	<u>7,100</u>
Long term liabilities				
Financial liabilities	12	-	315	118
Lease liability	3	1,981	-	-
		<u>1,981</u>	<u>315</u>	<u>118</u>
Total liabilities		<u>10,293</u>	<u>7,811</u>	<u>7,218</u>
Net assets		<u>9,353</u>	<u>11,183</u>	<u>11,013</u>
Equity				
Share capital		10,791	10,789	10,789
Share premium		10,941	10,715	10,715
Translation reserve		(613)	(699)	(558)
Retained earnings		(11,766)	(9,622)	(9,933)
Total equity		<u>9,353</u>	<u>11,183</u>	<u>11,013</u>

The total equity is attributable to the equity shareholders of the parent company Filtronic plc.
Company number 2891064

Condensed Consolidated Interim Statement of Changes in Equity
For the period ended 30 November 2019

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 June 2019	10,789	10,715	(558)	(9,933)	11,013
Loss) for the period	-	-	-	(1,833)	(1,833)
New shares issued (net of issue costs)	2	226	-	-	228
Currency translation movement arising on consolidation	-	-	(55)	-	(55)
	-----	-----	-----	-----	-----
Balance at 30 November 2019	10,791	10,941	(613)	(11,766)	9,353
	=====	=====	=====	=====	=====

Condensed Consolidated Interim Cash Flow Statement
For the period ended 30 November 2019

	6 months Ended 30 November 2019 (Unaudited) £000	6 months Ended 30 November 2018 (Unaudited) £000	Year Ended 31 May 2019 (Audited) £000
Cash flows within operating activities			
(Loss)/profit for the period from continuing operations	(765)	(990)	2,234
Loss for the period from discontinued operations	(1,068)	-	(3,547)
Taxation	103	49	(2,059)
Finance income	-	(58)	(55)
Finance costs	135	54	154
	-----	-----	-----
Operating loss	(1,595)	(945)	(3,273)
Share based payments	-	17	29
Profit on disposal of plant and equipment	-	-	(2)
Tax paid	(71)	(49)	(127)
Depreciation	148	253	459
Right of use asset depreciation	162	-	-
Amortisation of intangible assets	12	139	217
Impairment of intangible assets	-	500	512
Movement in inventories	(1,703)	(781)	(348)
Movement in trade and other receivables	409	(1,493)	1,669
Movement in trade and other payables	278	1,625	(657)
Movement in provisions	(416)	24	1,780
Change in deferred income	(8)	(159)	(279)
	-----	-----	-----
Net cash used in operating activities	(2,784)	(869)	(20)
	-----	-----	-----
Cash flows within investing activities			
Acquisition of plant and equipment	(1,231)	(217)	(380)
Acquisition of intangible assets	(21)	(316)	(11)
Capitalised development costs	(385)	-	(666)
Proceeds on sale of assets	1	-	59
	-----	-----	-----
Net cash used in investing activities	(1,636)	(533)	(998)
	-----	-----	-----
Cash flows within financing activities			
Interest paid	(111)	(54)	(103)
Proceeds from bank loans and finance agreements	2,047	-	-
Payment of bank loans and finance agreements	(117)	(100)	(182)
Payment of lease liabilities	(125)	-	-
Proceeds from new shares (net of issue costs)	229	76	76
	-----	-----	-----
Net cash generated from/(used in) financing activities	1,923	(78)	(209)
	-----	-----	-----
Movement in cash and cash equivalents	(2,497)	(1,480)	(1,227)
Currency exchange movements	(7)	-	58
Opening cash and cash equivalents	2,625	3,794	3,794
	-----	-----	-----
Closing cash and cash equivalents	121	2,314	2,625
	=====	=====	=====

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 AIM market of 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 interim financial report are available from the Company's registered office or the Company's website at www.filtronic.com.

2 Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 30 November 2019, this statement does not itself contain sufficient information to comply with IFRS.

These financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim report should be read in conjunction with the annual report 2019, which includes annual financial statements for the year ended 31 May 2019.

The interim financial report for the six months ended 30 November 2019 was approved by the Board on 05 February 2020.

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 interim financial report.

The condensed consolidated financial statements for the six months ended 30 November 2019 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 2019 and comparative period have not been audited.

The comparative figures for the financial year ended 31 May 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3 Adoption of IFRS16 – new accounting standard on leases

The Group has adopted IFRS16 "Leases" with effect from 1 June 2019, replacing IAS17 "Leases". This means that previously unrecognised operating leases are now recognised in the Statement of financial position as Lease liabilities and Right of use assets. Rent payments on these leases are no longer treated as a charge within operating expenses in the Income Statement. Instead a depreciation charge on the Right of use assets and an interest expense on the Lease liabilities are now recognised in the Income Statement.

On adoption of IFRS16 the Group has used the modified retrospective approach to transition. When applying IFRS16, the Group has used the following practical methods on transition:

- reliance on previous identification of a lease under IAS17;

3 Adoption of IFRS16 – new accounting standard on leases (*continued*)

- exclusion of initial direct costs from the measurement of the right of use asset at transition;
- the classification of all long leases which had less than 12 months remaining at transition date as short-term leases;
- the measurement of the value of Right of use assets on transition as an amount equal to the corresponding lease liability adjusted for any prepaid lease payments;
- the use of hindsight in determining the length of the lease.

The Group is applying the accounting policy recognition exemptions set out in paragraph 5 of IFRS16 in respect of short-term leases (leases of less than 12 months) and small value leases.

The Group has applied judgement in its assessment of the length of certain leases where there are break clauses or options to extend the lease. The conclusions drawn by management in deciding whether lease break clauses or lease extension options are likely to be applied are based on its current assessment of the longer-term growth expectations of the Group and its associated future office space requirements.

The Group is applying the modified retrospective approach to transition and has therefore not restated any prior period information. Accordingly, the results for the 6 months ended 30 November 2019 are not directly comparable with those presented in the prior period under the previously applicable accounting standard IAS17 "Leases".

In order to show the impact of IFRS16 and to facilitate a comparison of results with the prior year, a reconciliation is presented below of results for the 6 months ended 30 November 2019 as reported on an IFRS16 basis with the former IAS17 basis.

	H1 2020 IFRS16 basis £000	IFRS16 Impact £000	H1 2020 IAS 17 basis £000
Operating overheads	3,870	(163) ¹	4,033
Adjusted EBITDA	608	163	445
Depreciation	(148)	-	(148)
Right of use asset depreciation	(162)	140 ²	-
Amortisation of other intangible assets	(12)	-	(12)
Adjusted operating profit	286	23	263
Exceptional items	(825)	-	(825)
Operating loss	(539)	23	(562)
Finance costs	(132)	(44) ³	(88)
Loss before taxation	(671)	(21)	(650)
	=====	=====	=====

The impact on the Income Statement is summarised as follows:

1. Reduced lease rental charges on IFRS16 basis;
2. Additional depreciation on right of use assets recognised under IFRS16;
3. Additional interest costs on finance leases recognised under IFRS16.

The outcome of this is that adjusted EBITDA and adjusted operating profit are higher on a comparative basis but the loss before taxation is lower.

3 Adoption of IFRS16 – new accounting standard on leases (*continued*)

The adoption of IFRS 16 on 1 June 2019 has impacted certain categories of assets and liabilities in the Group Statement of financial position as set out below:

Extracts from the Statement of Financial Position

	H1 2020 IFRS16 basis £000	IFRS16 Impact £000	H1 2020 IAS 17 basis £000
Non-current assets			
Right of use assets	1,287	(1,287)	-
Current liabilities			
Lease liability	243	(243)	-
Non-current liabilities			
Lease liability	1,163	(1,163)	-

The right of use assets recognised under IFRS16 are in respect of facilities and office premises the Group leases under non-cancellable agreements.

There was no overall impact on Net Assets or Equity from the initial adoption of IFRS16 on 1 June 2019.

Reconciliation of IAS17 to IFRS16

The reconciliation below demonstrates how operating lease commitments presented in the Annual Report and Accounts 2019 under IAS17 at the end of FY2019 and before the application of IFRS16 changes with the opening lease liability presented in the consolidated balance sheet at the start of the FY2020 on 1 June 2019.

	£000
IAS17 operating lease commitments based on gross cash flows	2,059
Discounted using the Group's incremental borrowing rate of 7%	(345)
Discounted using the Group's incremental borrowing rate of 5%	(95)
Reclassified to assets held for sale	(293)

IFRS16 lease liability as at 1 June 2019	1,327
	=====

4 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. Revisions 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 in the Filtronic plc Annual Report for the year ended 31 May 2019 which can be found on the Filtronic website. Unless stated below there is no material change from the Annual Report in the basis of calculation.

5 Segmental Analysis

Operating Segments

IFRS 8 requires consideration of the identity 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 Executive Chairman, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly, the Executive Chairman is deemed to be the CODM.

The CODM has identified one operating segment within the Group as defined under IFRS 8. In turn, this is the only reportable segment of the Group as the entities in the Group have similar products and services, production processes and economic characteristics. Therefore, there is no allocation of operating expenses, profit measures or assets and liabilities to specific commercial markets.

Accordingly, the CODM assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with those in the financial statements by reference to Group results against budget.

The Group profit measures are operating profit and adjusted EBITDA, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

The Group has three customers representing individually over 10% each and in aggregate 84% of revenue.

Revenue by Destination

The revenue presented is based on the geographic location of customers receiving the product/service from the continuing operations.

	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Revenue			
United Kingdom	2,119	1,745	3,658
Europe	2,659	2,980	4,818
Americas	2,472	2,425	4,913
Rest of the world	283	1,725	2,543
	7,533	8,875	15,932
	=====	=====	=====

6 Exceptional items

Exceptional items are costs that are separately disclosed due to their material and non-recurring nature in order to reflect management's view of the underlying business.

Operating (loss)/profit is stated after charging exceptional items as follows:

	6 months Ended 30 November 2019	6 months Ended 30 November 2018	Year Ended 31 May 2019
	£000	£000	£000
Restructuring	362	-	-
Transaction costs of FTAO disposal	463	-	-
	-----	-----	-----
	825	-	-
	=====	=====	=====

Restructuring relates to the costs incurred in restructuring the Group to align it to the continuing business needs after the disposal of the Telecoms Antenna operation ("FTAO") along with those amounts paid to the Company's previous CEO on resignation.

Transaction costs of FTAO disposal are the costs incurred in the period relating to the sale of the antenna business which completed after the period end on 2 January 2020. Further disclosure of this sale is made in note 10.

7 Taxation

A tax charge of £94,000 was incurred in the period for taxes relating to the entities in China and the USA. (H1 2019: £30,000).

8 Discontinued Operations

Discontinued operations is the loss for the period relating to the Telecoms Antenna Operation (FTAO) which was held for sale at 30 November 2019.

	6 months Ended 30 November 2019 (Unaudited) £000	6 months Ended 30 November 2018 (Unaudited) £000	Year Ended 31 May 2019 (Audited) £000
Revenue	1,033	1,570	4,638
Operating loss	(1,055)	(810)	(3,507)
Finance costs	(3)	(1)	–
Loss before taxation	(1,058)	(811)	(3,507)
Taxation	(10)	(18)	(40)
Loss for the period from discontinued operations	(1,068)	(829)	(3,547)

9 Basic and diluted (loss)/earnings per share

	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Continuing operations	(765)	339	2,234
Discontinued operations	(1,068)	(1,329)	(3,547)
Loss for the period	(1,833)	(990)	(1,313)
	‘000	‘000	‘000
Basic weighted average number of shares	211,482	206,996	207,578
Dilution effect of share options	-	6,496	3,370
Diluted weighted average number of shares	211,482	213,492	210,948
Basic and diluted (loss)/earnings per share (pence)			
Continuing operations			
Basic (loss)/earnings per share	(0.36)p	0.16p	1.08p
Diluted (loss)/earnings per share	(0.36)p	0.16p	1.06p
Discontinued operations			
Basic and diluted (loss)/earnings per share	(0.50)p	(0.64)p	(1.71)p
Total Group			
Basic and diluted (loss)/earnings per share	(0.86)p	(0.48)p	(0.63)p

10 Assets held for sale and post balance sheet event

It was announced on 19 December 2019 that the Company had signed a contract with Microdata Telecoms Innovation Stockholm AB to sell its Telecoms Antenna Operation for an initial consideration of \$5.5m (approximately £4.2m) on a cash free-debt free basis with a further potential deferred consideration whereby Filtronic will take an equal share of the gross profit that outperforms the mutually agreed gross profit targets of \$2.0m and \$3.0m for the Telecoms Antenna Operation over the next two calendar years respectively. The sale completed on 2 January 2020. Consequently, this part of the business is presented as a disposal group held for sale at 30 November 2019.

The accounting standard, IFRS 5, dictates that a disposal group should be valued at the lower of carrying value or fair value less costs. At 30 November 2019, the disposal group is stated at carrying value and comprises the following assets and liabilities:

	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Goodwill and other intangible assets	2,567	-	2,605
Right of use asset	101	-	-
Property, plant and equipment	228	-	237
Inventory	208	-	406
Trade and other receivables	728	-	1,798
	-----	-----	-----
Assets held for sale	3,832	-	5,046
	=====	=====	=====
Trade and other payables	707	-	2,207
	-----	-----	-----
Liabilities directly associated with the assets held for sale	707	-	2,207
	=====	=====	=====

11 Provisions

	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Warranty provision			
Opening balance	2,205	425	425
Used during the year	(386)	3	(11)
Released/(unused) during the year	-	(10)	(45)
Charge for the year	14	31	1,836
Currency translation movement	(39)	-	-
	----- 1,794 =====	----- 449 =====	----- 2,205 =====
	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Dilapidation provision			
Opening balance	60	60	60
Reclassification to assets held for sale	(5)	-	-
	----- 55 =====	----- 60 =====	----- 60 =====
	6 months Ended 30 November 2019 £000	6 months Ended 30 November 2018 £000	Year Ended 31 May 2019 £000
Total provision			
Warranty provision	1,794	449	2,205
Dilapidation provision	55	60	60
	----- 1,849 =====	----- 509 =====	----- 2,265 =====

The provision for warranty relates to the units sold during the last two financial years. The provision is based on estimates made from historical warranty data.

The first payment instalment of the settlement agreement was paid in the period for \$500k.

12 Analysis of net (debt)/funds

	1 June 2019	Cash Flow	Other movements	30 Nov 2019
	£000	£000	£000	£000
Cash and cash equivalents	2,625	(2,497)	(7)	121
Invoice discounting facility	-	(1,126)	-	(1,126)
Financial liabilities	(117)	117	-	-
Lease liability – property lease	-	-	(1,406)	(1,406)
Lease liability – plant and equipment	-	-	(1,163)	(1,163)
Net (debt)/funds	2,508	(3,506)	(2,576)	(3,574)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 November 2019, the Company had a £3.0m invoice discounting facility in place with Barclays Bank plc against the UK debtor book and a \$4.0m factoring facility with Wells Fargo against the US debtor book. There were drawings of £0.8m in Barclays Bank plc and £0.3m in Wells Fargo at 30 November 2019.

IFRS16 requires the recognition of property leases on the balance sheet which is classified as a debt item.

The lease liability related to plant and equipment shows an increase of £1.2m at 30 November 2019 as asset finance was used to purchase the machinery at our Sedgefield site as we invested to increase capacity and capability.

13 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.