



30 January 2018

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

**HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2017**

Filtronic plc (AIM: FTC), the designer and manufacturer of antennas, filters and mmWave products for the wireless telecoms infrastructure and adjacent markets, announces its half year results for the six months ended 30 November 2017 ("H1 2018").

**Financial Summary**

- Revenue of £12.8m (H1 2017: £21.6 m)
- Adjusted operating profit\* of £0.9m (H1 2017: £1.8m)
- Operating profit of £0.9m (H1 2017: £1.8m)
- Net cash of £2.8m (31 May 2017: £2.6m)
- Net cash inflow from operating activities £0.4m (H1 2017: £1.4m)

\*Operating profit before exceptional items and development cost amortisation.

**Highlights**

- Selected by a world leading mobile telecommunications infrastructure OEM to develop a Massive MIMO antenna product; a key enabler of 5G.
- Approved as a vendor by a major US mobile network operator to supply 5G Evolution antennas.
- Secured a second major contract from a tier 1 European defence equipment supplier to manufacture another variant of advanced radar transmit receive modules.
- Strong demand for filter products to wireless telecoms and public safety communications markets in the first half of the financial year.

**Commenting on the outlook, Reg Gott, Chairman, said:**

*"It is very pleasing to see our strategy to broaden our customer base and the markets we serve has been validated by recent contract wins that will position us to participate over the long term in the development of future communication networks and in particular in the nascent 5G technology space. Recent extensions to our multi-year defence contracts also provide welcome baseline revenues for the next few years.*

*Notwithstanding these positive developments, we remain at the early stages on a number key initiatives and projects where progress toward production volume orders has been slower than anticipated. As a consequence, we now anticipate a 2nd half performance broadly similar to our 1st half performance, with further growth being pushed into FY2019."*

**Enquiries:**

**Filtronic plc**

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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

The Group continued to trade profitably through the first half of FY2018 despite a reduction in sales compared to the first half of the prior year. Group revenue in the period was £12.8m (H1 2017: £21.6m) resulting in an operating profit and adjusted operating profit of £0.9m (H1 2017: £1.8m), and net cash inflow from operating activities of £0.4m (H1 2017: £1.4m).

Sales of antennas declined against the comparative period last year, as the large original equipment manufacturer ("OEM") orders that dominated antenna sales over the past two financial years were completed. However, this reduction in antenna sales was partially offset by strong sales of filter products to telecoms and public safety market customers.

As previously announced, a second multi-year defence contract was secured in the period for transmit receive modules. The production ramp for this second contract has unfortunately taken longer than initially expected, with the first volume deliveries slipping into H2 FY2018. The delay in the production ramp is a result of ongoing supply issues with a customer specified component that has limited our output. We are working closely with our customer and the supplier to resolve this issue and it is expected that contractual production volumes will be achieved in H2 FY2018. We are also encouraged by news that further orders have been received by the end customer for the aircraft that contains arrays of one of these transmit receive module variants manufactured and supplied by Filtronic. This should result in additional work for Filtronic and we look forward to being able to announce further details in due course.

As part of our strategy to engage with mobile network operators ("MNOs") we are pleased to report that we have now been approved as one of the vendors of a major US MNO for a "5G evolution" antenna. Having only recently been advised of our approval, it will take some time to work with our client's regional network planning teams and installers before we can determine our likely volume and value allocations and before any firm orders are received. This particular product has been developed to meet the MNO's specification and uses licensed assisted access ("LAA") frequencies as well as licensed high band spectrum. These frequencies are utilised by a number of MNOs and OEMs and we therefore anticipate that this achievement will open up further opportunities for other variants in due course.

In addition to our work to secure new customers, we continue to develop opportunities with our existing OEM clients and we are particularly pleased to report that we have been awarded a development contract for a high band Massive MIMO antenna. The development road map contains some aggressive timescales for delivery and is a technically challenging product to develop but we are pleased to report that we are currently on track to meet these goals. This project is strategically significant to both us and our OEM customer as it enables MNOs to significantly increase capacity within their networks at spectrums for which they already hold licences by deploying 3D beamforming techniques. This ability to steer beams to individual devices is a fundamental technique that will be required under the much higher frequencies proposed for 5G networks. Whilst there is no assurance that this development contract will convert to a volume production contract we are optimistic that initial production orders will be received in FY2019.

Filtronic has a strong technology proposition for 5G. Our knowledge of network access products, both filtering and antennas and our know-how of mmWave products and manufacturing techniques are key, as is our relationship with the leading OEMs. We are now aligning our technology and sales teams so that we can leverage these strengths, to secure a strong position in the nascent 5G technology market. In support of this strategy we recently partnered with the University of Surrey's 5G Innovation Centre in order to align our activities with world leading academic research.

The Board is monitoring and assessing the impact of Brexit on our business as information becomes available. However, we continue to believe that the geographical spread of our trading means that the effects of the UK's withdrawal will likely be marginal for the Group.

Whilst the Group continues to make good progress and is delighted to have been selected for key projects on the developing 5G roadmap, we are mindful that until we still further widen our customer base the business will continue to be subject to volume swings. Due to the lack of current order clarity for our new antenna products we expect trading for the second half of the financial year to be broadly in line with the

first half. As a consequence of this, along with the current supplier delays impacting our defence contracts, it is anticipated that sales and operating profit for the year will be lower than previously indicated. Whilst short-term forecasting continues to be challenging we are confident that the steps taken over the last few years have enabled the business to better manage the peaks and troughs in demand and we are confident that the long-term outlook for the business remains positive.

Reg Gott  
Chairman  
January 2018

**Condensed Consolidated Interim Income Statement**  
**For the period ended 30 November 2017**

|   |   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>(Unaudited)<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>(Unaudited)<br>£000 | Year<br>Ended<br>31 May<br>2017<br>(Audited)<br>£000 |
|---|---|---|---|--|
| <b>Revenue</b>  |   | <b>12,801</b><br>=====  | 21,608<br>=====   | 35,373<br>=====                                      |
| <b>Adjusted operating profit *</b>                                |   | <b>904</b>  | 1,797   | 1,797  |
| Amortisation of development costs                                 |   | <b>(47)</b>   | (47)  | (95)   |
|   |   | -----   | -----   | -----  |
| <b>Operating profit</b>   |   | <b>857</b>  | 1,750   | 1,702  |
| Finance costs before exceptional items                            |   | <b>(28)</b>   | (45)  | (287)  |
| Exceptional finance items   | 5 | <b>(247)</b>  | -   | -  |
|   |   | -----   | -----   | -----  |
| Finance costs   |   | <b>(275)</b>  | (45)  | (287)  |
| Exceptional finance items   | 5 | -   | -   | 740  |
|   |   | -----   | -----   | -----  |
| Finance income  |   | -   | -   | 740  |
|   |   | -----   | -----   | -----  |
| <b>Profit before taxation</b>                                     |   | <b>582</b>  | 1,705   | 2,155  |
| Taxation  | 6 | <b>221</b>  | (275)   | 962  |
|   |   | -----   | -----   | -----  |
| <b>Profit for the period</b>                                      |   | <b>803</b><br>=====   | 1,430<br>=====  | 3,117<br>=====                                       |
| <b>Basic and diluted earnings per share<br/>(stated in pence)</b> |   | -----   | -----   | -----  |
| Basic earnings per share  | 7 | 0.39p   | 0.69p   | 1.51p  |
| Diluted earnings per share  | 7 | 0.38p   | 0.69p   | 1.49p  |
|   |   | =====   | =====   | =====  |

\*Operating profit before exceptional items and development cost amortisation.

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

The above results are all as a result of continuing operations.

**Condensed Consolidated Interim Statement of Comprehensive Income  
For the period ended 30 November 2017**

|  | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>(Unaudited)<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>(Unaudited)<br>£000 | Year<br>Ended<br>31 May<br>2017<br>(Audited)<br>£000 |
|--|---|---|--|
| <b>Profit for the period</b>   | <b>803</b>  | 1,430   | 3,117  |
| <i>Items that are or may be subsequently reclassified<br/>to profit and loss</i> |   |   |  |
| Currency translation movement arising on<br>consolidation                        | <b>52</b>   | 202   | (541)  |
| <b>Other comprehensive income/(expense)</b>                                      | <b>52</b>   | 202   | (541)  |
| <b>Total comprehensive income for the period</b>                                 | <b>855</b>  | 1,632   | 2,576  |

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 2017**

|                                |   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>(Unaudited)<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>(Unaudited)<br>£000 | Year<br>Ended<br>31 May<br>2017<br>(Audited)<br>£000 |
|--------------------------------|---|---|---|--|
| <b>Non-current assets</b>      |   |   |   |  |
| Goodwill and other intangibles |   | <b>3,526</b>  | 3,634   | 3,590  |
| Property, plant and equipment  |   | <b>1,207</b>  | 1,175   | 1,354  |
| Deferred tax                   | 8 | <b>1,308</b>  | 582   | 1,015  |
|                                |   | <b>6,041</b>  | 5,391   | 5,959  |
| <b>Current assets</b>          |   |   |   |  |
| Inventories                    |   | <b>1,995</b>  | 1,927   | 2,249  |
| Trade and other receivables    |   | <b>5,985</b>  | 12,369  | 8,643  |
| Cash and cash equivalents      |   | <b>3,114</b>  | 1,680   | 2,598  |
|                                |   | <b>11,094</b>   | 15,976  | 13,490   |
| <b>Total assets</b>            |   | <b>17,135</b>   | 21,367  | 19,449   |
| <b>Current liabilities</b>     |   |   |   |  |
| Trade and other payables       |   | <b>4,728</b>  | 9,972   | 8,061  |
| Provisions                     | 9 | <b>499</b>  | 448   | 545  |
| Deferred Income                |   | <b>46</b>   | 232   | 105  |
| Interest bearing borrowings    |   | <b>107</b>  | 920   | -  |
|                                |   | <b>5,380</b>  | 11,572  | 8,711  |
| <b>Long term liabilities</b>   |   |   |   |  |
| Deferred income                |   | -   | 21  | 11   |
| Interest bearing borrowings    |   | <b>160</b>  | -   | -  |
|                                |   | <b>160</b>  | 21  | 11   |
| <b>Total liabilities</b>       |   | <b>5,540</b>  | 11,593  | 8,722  |
| <b>Net assets</b>              |   | <b>11,595</b>   | 9,774   | 10,727   |
| <b>Equity</b>                  |   |   |   |  |
| Share capital                  |   | <b>10,788</b>   | 10,788  | 10,788   |
| Share premium                  |   | <b>10,640</b>   | 10,640  | 10,640   |
| Translation reserve            |   | <b>(744)</b>  | (53)  | (796)  |
| Retained earnings              |   | <b>(9,089)</b>  | (11,601)  | (9,905)  |
| <b>Total equity</b>            |   | <b>11,595</b>   | 9,774   | 10,727   |

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 2017**

|  | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Translation<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>equity<br>£000 |
|--|--------------------------|--------------------------|--------------------------------|------------------------------|-------------------------|
| Balance at 1 June 2017                                 | 10,788                   | 10,640                   | (796)                          | (9,905)                      | 10,727                  |
| Profit for the period                                  | -                        | -                        | -                              | 803                          | 803                     |
| Share based payments                                   | -                        | -                        | -                              | 13                           | 13                      |
| Currency translation movement arising on consolidation | -                        | -                        | 52                             | -                            | 52                      |
| <b>Balance at 30 November 2017</b>                     | <b>10,788</b>            | <b>10,640</b>            | <b>(744)</b>                   | <b>(9,089)</b>               | <b>11,595</b>           |



**Condensed Consolidated Interim Cash Flow Statement**  
**For the period ended 30 November 2017**

|   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>(Unaudited)<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>(Unaudited)<br>£000 | Year<br>Ended<br>31 May<br>2017<br>(Audited)<br>£000 |
|---|---|---|--|
| <b>Cash flows from operating activities</b>           |   |   |  |
| <b>Profit for the period</b>                          | <b>803</b>  | 1,430   | 3,117  |
| Taxation  | <b>(221)</b>  | 275   | (962)  |
| Finance income  | -   | 45  | (740)  |
| Finance costs   | <b>275</b>  | -   | 287  |
|   | -----   | -----   | -----  |
| <b>Operating profit</b>                               | <b>857</b>  | 1,750   | 1,702  |
| Share based payments                                  | <b>13</b>   | 13  | 22   |
| Profit on disposal of plant and equipment             | <b>(43)</b>   | (22)  | (85)   |
| Tax (paid)/received                                   | <b>(84)</b>   | (23)  | 1,599  |
| Depreciation  | <b>270</b>  | 335   | 658  |
| Amortisation of intangibles                           | <b>69</b>   | 47  | 110  |
| Movement in inventories                               | <b>219</b>  | (130)   | (493)  |
| Movement in trade and other receivables               | <b>2,458</b>  | (2,939)   | (214)  |
| Movement in trade and other payables                  | <b>(3,219)</b>  | 2,319   | 559  |
| Movement in provisions                                | <b>(46)</b>   | 287   | 384  |
| Change in deferred income including government grants | <b>(48)</b>   | (240)   | (376)  |
|   | -----   | -----   | -----  |
| <b>Net cash from operating activities</b>             | <b>446</b>  | 1,397   | 3,866  |
|   | -----   | -----   | -----  |
| <b>Cash flows used in investing activities</b>        |   |   |  |
| Interest paid   | <b>(7)</b>  | (45)  | (286)  |
| Acquisition of plant and equipment                    | <b>(125)</b>  | (293)   | (811)  |
| Acquisition of intangible assets                      | <b>(6)</b>  | -   | -  |
| Proceeds on sale of assets                            | <b>46</b>   | 24  | 86   |
|   | -----   | -----   | -----  |
| <b>Net cash used in investing activities</b>          | <b>(92)</b>   | (314)   | (1,011)  |
|   | -----   | -----   | -----  |
| <b>Cash flows from/(used in) financing activities</b> |   |   |  |
| Movement in interest bearing borrowings               | <b>267</b>  | (350)   | (1,270)  |
|   | -----   | -----   | -----  |
| <b>Net cash from/(used in) financing activities</b>   | <b>267</b>  | (350)   | (1,270)  |
|   | -----   | -----   | -----  |
| <b>Movement in cash and cash equivalents</b>          |   |   |  |
| Currency exchange movements                           | <b>(105)</b>  | (43)  | 23   |
| Opening cash and cash equivalents                     | <b>2,598</b>  | 990   | 990  |
|   | -----   | -----   | -----  |
| <b>Closing cash and cash equivalents</b>              | <b>3,114</b>  | 1,680   | 2,598  |
|   | =====   | =====   | =====  |

## **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](http://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 2017, 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 2017, which includes annual financial statements for the year ended 31 May 2017.

The interim financial report for the six months ended 30 November 2017 was approved by the Board on 30 January 2018.

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 2017 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 2017 and comparative period have not been audited.

The comparative figures for the financial year ended 31 May 2017 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 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 2017 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.

## 4 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 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 two customers representing individually over 10% each and in aggregate over 75% 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 and phased array radar for the defence market (Filtronic Broadband).
- The design of antennas and radio frequency conditioning product for base stations used in wireless telecommunication networks (Filtronic Wireless).

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

|  | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|--|---|--|---|
| <b>Revenue</b>                           |   |  |   |
| Filtronic Broadband                      | <b>1,800</b>  | 2,891  | 4,917                                   |
| Filtronic Wireless                       | <b>11,001</b>   | 18,717   | 30,456                                  |
|  | -----<br><b>12,801</b><br>=====                             | -----<br>21,608<br>=====                         | -----<br>35,373<br>=====                |
| <b>Adjusted operating profit/(loss)*</b> |   |  |   |
| Filtronic Broadband                      | <b>(615)</b>  | (148)  | (901)                                   |
| Filtronic Wireless                       | <b>1,939</b>  | 2,387  | 3,602                                   |
| Central Services                         | <b>(420)</b>  | (442)  | (904)                                   |
|  | -----<br><b>904</b>   | -----<br>1,797                                   | -----<br>1,797                          |
| Amortisation of development costs        | <b>(47)</b>   | (47)   | (95)                                    |
|  | -----<br><b>857</b>   | -----<br>1,750                                   | -----<br>1,702                          |
| Operating profit                         | <b>857</b>  | 1,750  | 1,702                                   |
| Finance costs                            | <b>(275)</b>  | (45)   | (287)                                   |
| Finance income                           | -   | -  | 740                                     |
|  | -----<br><b>582</b><br>=====                                | -----<br>1,705<br>=====                          | -----<br>2,155<br>=====                 |
| <b>Profit before taxation</b>            |   |  |   |

\*Operating profit before amortisation of exceptional items and development cost amortisation.

## Revenue by Destination

|                   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|-------------------|---|--|---|
| <b>Revenue</b>    |   |  |   |
| United Kingdom    | 574   | 14   | 218                                     |
| Europe            | 2,675   | 13,788   | 18,696                                  |
| Americas          | 8,082   | 7,025  | 14,602                                  |
| Rest of the world | 1,470   | 781  | 1,857                                   |
|                   | -----   | -----  | -----                                   |
|                   | <b>12,801</b>   | 21,608   | 35,373                                  |
|                   | =====   | =====  | =====                                   |

## 5 Exceptional items

Finance costs/(income) is stated after charging/(crediting) exceptional items as follows:

|   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|---|---|--|---|
| Revaluation of US dollar denominated intercompany balance | 247   | -  | (740)                                   |
|   | -----   | -----  | -----                                   |
| Balance   | <b>247</b>  | -  | (740)                                   |
|   | =====   | =====  | =====                                   |

An intercompany balance owed by the US legal entity to the UK for management charges and royalties is held in US dollars. The revaluation of the intercompany debtor in the UK is posted in finance items as an exceptional item.

## 6 Taxation

A tax credit of £293,000 arises as a result of the recognition of a deferred tax asset as the directors believe that future taxable profits will be available against which they can be used (H1 2017: £252,000 utilisation of deferred tax asset).

A tax charge of £72,000 was incurred in the period for taxes relating to the Filtronic Wireless entity in China (H1 2017: £23,000).

## 7 Basic and diluted earnings per share

|  | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|--|---|--|---|
| <b>Profit for the period</b>                     | <b>803</b>  | 1,430  | 3,117                                   |
|  | <b>'000</b>   | '000   | '000                                    |
| Basic weighted average number of shares          | <b>206,910</b>  | 206,910  | 206,910                                 |
| Dilution effect of share options                 | <b>2,933</b>  | 1,369  | 2,839                                   |
| <b>Diluted weighted average number of shares</b> | <b>209,843</b>  | 208,279  | 209,749                                 |
| <b>Basic earnings per share</b>                  | <b>0.39p</b>  | 0.69p  | 1.51p                                   |
| <b>Diluted earnings per share</b>                | <b>0.38p</b>  | 0.69p  | 1.49p                                   |

## 8 Deferred Tax

|   | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|---|---|--|---|
| Opening balance                             | <b>1,015</b>  | 834  | 834                                     |
| Tax losses recognised                       | <b>293</b>  | -  | 264                                     |
| Utilisation of deferred tax asset           | -   | (252)  | -                                       |
| Effect of change in UK corporation tax rate | -   | -  | (83)                                    |
| <b>Balance</b>                              | <b>1,308</b>  | 582  | 1,015                                   |

Deferred tax assets have been recognised within the Filtronic Wireless subsidiaries in the UK and US where the directors consider that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business forecasts for individual subsidiaries in the Group and the reversal of temporary differences.

## 9 Provisions

| <b>Warranty provision</b>       | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|---------------------------------|---|--|---|
| Opening balance                 | 476   | 161  | 161                                     |
| Used during the year            | (5)   | (7)  | (11)                                    |
| Released unused during the year | (90)  | (23)   | (36)                                    |
| Charge for the year             | 48  | 237  | 361                                     |
| <b>Closing balance</b>          | <b>429</b>  | <b>368</b>                                       | <b>475</b>                              |

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. There is limited historical data for our new product range, ultra wide band antennas, so a prudent warranty returns rate percentage has been used to compute the charge until more data is available.

| <b>Dilapidation provision</b> | <b>6 months<br/>Ended<br/>30 November<br/>2017<br/>£000</b> | 6 months<br>Ended<br>30 November<br>2016<br>£000 | Year<br>Ended<br>31 May<br>2017<br>£000 |
|-------------------------------|---|--|---|
| Opening balance               | 70  | -  | -                                       |
| Charge for the year           | -   | 80   | 70                                      |
| <b>Closing balance</b>        | <b>70</b>   | <b>80</b>  | <b>70</b>                               |

The Group leases facilities at five sites in the UK, US, China and Sweden with each lease requiring the site to be restored to its original condition.

## 10 Analysis of net funds/(debt)

|                             | 1 June<br>2017<br>£000 | Cash Flow<br>£000 | Other<br>Changes<br>£000 | <b>30 Nov<br/>2017<br/>£000</b> |
|-----------------------------|------------------------|-------------------|--------------------------|---------------------------------|
| Cash and cash equivalents   | 2,598                  | 621               | (105)                    | <b>3,114</b>                    |
| Interest bearing borrowings | -                      | (267)             | -                        | <b>(267)</b>                    |
|                             | <b>2,598</b>           | <b>354</b>        | <b>(105)</b>             | <b>2,847</b>                    |

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

At 30 November 2017 the Company had a £3.0m invoice discounting facility in place with Barclays Bank plc against the UK debtor book. During the period, an asset based loan was used to finance plant and machinery to increase production capacity on defence contracts within Filtronic Broadband.

## **11 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.