

FILTRONIC PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2007

Filtronic plc, the wireless communications and electronic defence equipment company, announces its Preliminary Results for the year ended 31 May 2007.

Revenue from continuing operations was £73.5m (2006 £63.0m), with an operating loss before exceptional items of £5.3m (2006 £10.9m). Operating loss after exceptional items was £27.6m (2006 £10.2m). Discontinued operations recorded a profit of £76.7m (2006 £18.9m). Earnings per share were 60.36p compared with 8.03p in 2006.

Highlights

- Revenue from continuing UK operations £65.4m (2006 £49.5m)
- Reduced operating loss from continuing UK operations before exceptional items £3.4m (2006 loss £11.8m)
- Year end cash £118.3m (2006 net debt £12.7m)
- Point to Point revenue up 93% year on year and 10% margin
- UK Defence good recovery in second half
- Compound Semiconductors' operating loss much reduced
- Disposals realised £144.5m for Wireless Infrastructure business, further £11.3m for Handset division and £2.8m for properties
- Pension scheme liabilities reduced in size by 35%, at a cost of £5.3m in 2007/8 post the year end

Summary of Outlook for the Group

The Board is committed to defining the future of Compound Semiconductors and resolving the issues that stand in the way of a cash return. Once these are achieved, progress of the UK Defence and Point to Point businesses and reduced central costs indicate that the group should return to profit during this year.

Enquiries:

Filtronic plc

John Poulter, Chairman

Charles Hindson, Chief Executive

Tel: 01274 415 306

Tel: 01274 415 306 / Mob: 07800 706 319

Parkgreen Communications Ltd

Paul McManus

Tel: 020 7479 7933

Mob: 07980 541 893

Chairman's Statement

The year ended 31 May 2007 produced revenue from continuing operations of £73.5m and operating losses before exceptional items of £5.3m compared with the prior year of £63.0m and £10.9m respectively. The group profit for the period was £45.0m compared to £6.0m in the prior year. Cash at the year end was £118.3m compared with net debt of £12.7m at the 31 May 2006. A full breakdown of the year is shown in the financial statements, notes and narratives which follow.

Having detailed the many events impacting the performance of Filtronic in my report to shareholders at the interim stage, I shall concentrate in this commentary on the activities of the second half of the year to avoid repetition.

Since the half year the shares received in part consideration for the Wireless Infrastructure business, completed in October 2006, were sold, yielding net cash proceeds of £144.5m.

Our review of activities resulted in the decision to exit the small loss-making US defence business and discussions are at an advanced stage with a prospective purchaser.

Similarly, overheads have been reduced and surplus property has been sold. The Waterfront building, previously occupied by the headquarters and the Wireless Infrastructure business, is on the market.

Of the three continuing operations, both the Point to Point and the UK Defence businesses performed well. The former in particular has achieved substantial growth as a result of exploiting its particular niche.

Actions taken to reduce costs and widen margins enabled Compound Semiconductors to produce a near-breakeven result in the second half. The total impact of the capital expansion reversal referred to at the half year was £7.1m. Excluding this, and completion of the capital expenditure commitments, the unit delivered a positive cash flow in the half year. Subsequently, the main customer for mobile handset switch products advised us of its intention to in-source all its future requirements, resulting in Filtronic announcing a significant headcount reduction at the Newton Aycliffe facility.

The objective for the remaining Compound Semiconductors business, serving a diverse range of customers, is to be at least break even and cash-neutral. The scale of the operation in a volatile and capital-intensive environment, set against the small size of the parent company, indicates that sale to another company in the same or adjacent markets would provide the optimum solution for customers, employees and shareholders. The company is engaged in discussions to that end but, in the event that these prove unfruitful, the Board will pursue other options. A further non cash impairment of £20.1m has been made in the carrying value of Compound Semiconductors, reducing it to £17.9m, reflecting the decision referred to above. The consequent provision against the carrying value in the company accounts has eliminated the distributable reserves.

As noted above, the group has £118.3m in cash and the Board remains committed to pursuing a return of cash to shareholders in line with the intention expressed in the EGM circular related to the Wireless Infrastructure disposal. The prerequisites remain expiry of the product liability obligations to Powerwave Technologies, Inc. associated with the disposal and the need to reach agreement with the trustees of the Filtronic defined benefit pension scheme on the magnitude of a cash injection into the fund as a necessary precursor to shareholder approval and a court approved reorganisation of reserves. The former will be time expired in October. The company has made an offer of enhanced transfer values to deferred members, resulting in a reduction of 35% in the size of the scheme liabilities as at 30 November 2006. Further discussions are now being held with the trustees of the scheme with the aim of providing an additional cash contribution to the scheme consistent with the intended return of cash to shareholders.

A further consequence of the lack of distributable reserves is that the company will not pay a final dividend.

Looking ahead, the Board is committed to defining the future of Compound Semiconductors and resolving the issues that stand in the way of a cash return. Once these are achieved, progress of the UK Defence and Point to Point businesses and reduced central costs indicate that the group should return to profit during this year.

In addition to the Board changes detailed in the interim statement, Richard Blake retired at the beginning of March and Iain Gibson will resign at the AGM. I should like to thank directors who have retired from the Board over the past year, as well as all staff in the business who have had to accommodate the many changes in the group.

John Poulter
Chairman
23 July 2007

Chief Executive's Operating Review

Summary

The course of the year has resulted in many changes for the group, after the disposal of the Wireless Infrastructure business to Powerwave Technologies, Inc. The previous expansion plan for Compound Semiconductors was stopped. Point to Point and UK Defence have delivered growth and good operating performances.

Continuing operations

The segmental analysis of the operating results for continuing operations is as follows:

	Revenue		Operating (loss) before exceptional items		Operating (loss)	
	2007	2006	2007	2006	2007	2006
Year ended 31 May	£m	£m	£m	£m	£m	£m
Compound Semiconductors	30.3	20.8	(1.5)	(7.3)	(29.0)	(5.1)
Defence Electronics	24.2	32.1	(0.6)	2.1	(3.4)	0.6
Point to Point	22.4	11.6	2.2	(0.4)	2.2	(0.4)
Central Services	-	-	(4.8)	(4.2)	(5.2)	(4.2)
Inter segment	(3.4)	(1.5)	-	-	-	-
Unallocated pension credit/(charge)	-	-	(0.6)	(1.1)	7.7	(1.1)
	73.5	63.0	(5.3)	(10.9)	(27.7)	(10.2)

Compound Semiconductors

The Compound Semiconductors business operates a Gallium Arsenide (GaAs) fabrication facility at Newton Aycliffe in the UK that specialises in producing pHEMT GaAs wafers which are used in switches for mobile telephones, a range of components and complex Monolithic Multifunctional Integrated Circuits (MMICs) for communication equipment and defence applications.

The decision was made in the last financial year to expand the facility. This expansion was stopped in the light of market developments. Subsequent to the year end, we announced that our predominant customer had decided to in-source fully and that its requirements for switches would cease in September 2007; this will result in a substantial reduction in the level of activity for the Compound Semiconductor business.

During the financial year, Compound Semiconductors achieved revenues of £30.3m, split equally across the half financial years, and reduced operating losses through margin and overhead control to near breakeven for the second half of the financial year.

By stopping the expansion plan in December 2006, the capital expenditure, including cancellation costs, was restricted to £13.4m and its termination was completed in the year. Excluding this capital expenditure, there was a cash inflow of £5.8m in the second half.

In light of the expected lower level of activity, the carrying value of the Compound Semiconductors business has been impaired to £17.9m in both the consolidated and company's accounts. The objective for this division is to trade on at least a break even and cash neutral basis on a reduced level of turnover arising from the broadening customer base, with negligible capital expenditure.

Defence Electronics

The Defence Electronics division consists of two separately managed activities in the UK and the US.

The UK Defence business supplies complex components and subsystems that are principally used in the defence market including military communications, radar and sensing equipment. It is well positioned to provide partial or complete “antennae to digital interface” solutions for the receiver systems required in such equipment.

Its customers are typically the world-wide, prime contractors for defence equipment into which it supplies at component or sub-assembly, and increasingly at the major subsystems, levels. Its products are used to intercept, identify, analyse, generate and transmit radio frequency, microwave and millimetre wave signals.

UK Defence’s expertise is in novel RF and microwave circuit design, coupled with a strong capability in advanced digital signal processing and a sound knowledge of system requirements and system engineering. It is not dependent on any single technology or manufacturing technique, using the most appropriate resource on a product by product basis.

Its research and developments activities, in the UK and Australia, are driven by both customer funded development activities and by technology research contracts undertaken directly with Government agencies. It is a member of the UK EMRS Defence Technology Centre and the Electronic Warfare and Radar Towers of Excellence, enabling it to work in partnership with the wider UK defence industry, academia and MoD to advance ideas and concepts which will eventually be pulled through to enhance future MoD equipment capabilities.

UK Defence grew its underlying turnover by 18% compared with last financial year, excluding the major contracts that effectively came to a close last year, and improved its operating profit margin to 8% for this year with the stronger performance in the second half of the financial year. The order book at the year end was stable, with overdue orders reduced in the second half year. It is expected to show revenue growth over the coming year.

The US Defence business achieved revenues of £8.1m and made an operating loss of £1.9m, and discussions for its sale are at an advanced stage.

Point to Point

The Point to Point business designs and manufactures customised microwave electronic sub assembly components that are integrated by OEMs into point to point (PTP) radios. These radios provide the backhaul links for telecom networks particularly for the mobile basestation market. Customers require a broad radio portfolio in order to provide global coverage of the licensed communication bands.

Point to Point applies specialised microwave technology and radio expertise to develop custom solutions for each OEM customer. It provides a broad product range of frequency bands underpinned by cost effective designs in order to offer highly competitive volume supply across two product lines – microwave transceiver modules and filters. These products are integrated by the customer into the radio.

Point to Point has developed proprietary semiconductor device technology that enables a high level of product integration. These devices are manufactured both in Filtronic’s in-house semiconductor division and at a third party foundry. This provides significant cost advantage compared to the normal level of product integration by reducing the complexity of manufacture of transceiver modules.

It has a full portfolio of filters required to channelise the licensed frequency bands in the radio. These products are optimised to meet market needs for high volume supply with short lead times.

Point to Point has expanded its customer base and has three main customers which are global market leading OEMs. It believes itself to be in the top two merchant suppliers of transceivers and diplex filters by global volume share in the point to point market. Several additional products are being developed and qualified, some of which have entered production late in the financial year. Expansion of its portfolio with its current customer base and volume demand growth from these customers has enabled Point to Point to increase its revenue 93% compared with last financial year and achieve operating margins of 10% in the year. It is expected to show further growth in the coming year.

Discontinued operations

Wireless Infrastructure

The shares in Powerwave Technologies, Inc. ("Powerwave"), which were received on completion of the sale of the Wireless Infrastructure business, were disposed of in the second half of the financial year for £53.4m, bringing the net cash consideration received to £144.5m.

We have provided for a product liability claim that has now been settled. We have not been notified of other material outstanding product liability claims, although Powerwave has the right to do so until 16 October 2007.

Handset Products

Deferred consideration of £11.3m was received during the year, bringing the total consideration received for the Handset Products division to £55.5m.

Group matters

Central costs were reduced further in the second half of the financial year, resulting in an forward run rate of £3m a year.

Two freehold properties were disposed of in the year with cash receipts of £2.8m, resulting in a book loss of £0.4m. The main remaining surplus property to operational requirements is the Waterfront site in Saltaire, UK; this is being marketed.

Finance

The group repaid its bank facilities of £18.0m on completion of the sale of the Wireless Infrastructure business.

The group ended the year with cash on deposit of £118.3m, receiving interest payments of £2.8m on cash balances subsequent to the sale of the Wireless Infrastructure business.

Capital expenditure

The group's capital expenditure in the year for continuing operations was £14.4m, of which £13.4m was within Compound Semiconductors, completing the curtailed expansion programme.

Employees

At 31 May 2007, the group employed 801 people, of which 71 were in the US Defence business and 340 in the Compound Semiconductors business.

Pension scheme

The profile of the defined benefit pension scheme operated by Filtronic ("the scheme") has changed during the year.

We have previously reported the change to a career average revalued earnings basis in August 2006 and a contribution of £4.6m by the group at that time. A further contribution of £1m was made in March 2007 to complete the group's obligations arising from this change.

The group made an offer to deferred members of the scheme of transfer values enhanced to the level of the IAS 19 valuation as at 30 November 2006, which closed after the year end on 30 June 2007. Some 320 members have now accepted the offer. On a proforma IAS 19 basis as at 30 November 2006, this would have resulted in a reduction of 35% in the size of the scheme liabilities. This will involve further funding of £5.3m from the group to be paid in the year ended 31 May 2008.

Charles Hindson
Chief Executive
23 July 2007

Consolidated Income Statement

for the year ended 31 May 2007

		2007	2006
Continuing operations	note	£000	£000
Revenue	1, 2	73,501	62,992
		=====	=====
Operating loss before exceptional items		(5,300)	(10,877)
Exceptional items	3	(22,360)	732
		-----	-----
Operating loss	1, 2	(27,660)	(10,145)
(Loss)/gain on sale of property		(415)	523
Loss on sale of investments	13	(6,518)	-
Finance income	14	5,221	1,706
Finance costs	15	(3,839)	(4,934)
		-----	-----
Loss before taxation		(33,211)	(12,850)
Taxation		1,491	-
		-----	-----
Loss for the period from continuing operations		(31,720)	(12,850)
Profit for the period from discontinued operations	16	76,715	18,861
		-----	-----
Profit for the period		44,995	6,011
		=====	=====
Basic and diluted (loss)/earnings per share			
Continuing operations	24	(42.55) p	(17.17) p
Discontinued operations	24	102.91 p	25.20 p
		-----	-----
Basic and diluted earnings per share	24	60.36 p	8.03 p
		=====	=====

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

Consolidated Statement of Recognised Income and Expense

for the year ended 31 May 2007

	2007	2006
	£000	£000
Profit for the period	44,995	6,011
	-----	-----
Actuarial gain/(loss) on defined benefit pension scheme	562	(2,849)
Transfer to income from translation reserve related to business disposal	61	(42)
Currency translation movement arising on consolidation	47	(531)
	-----	-----
	670	(3,422)
	-----	-----
	-----	-----
Total recognised income and expense for the period	45,665	2,589
	=====	=====

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

Consolidated Balance Sheet
at 31 May 2007

	2007	2006
	£000	£000
Non-current assets		
Goodwill	-	2,723
Property, plant and equipment	26,089	69,248
Deferred tax	-	2,249
	-----	-----
	26,089	74,220
	-----	-----
Current assets		
Inventories	10,625	33,623
Trade and other receivables	16,268	67,615
Income tax receivable	-	550
Cash and cash equivalents	118,267	5,293
	-----	-----
	145,160	107,081
	-----	-----
	-----	-----
Total assets	171,249	181,301
	-----	-----
Current liabilities		
Bank revolving credit	-	18,000
Trade and other payables	23,944	41,412
Income tax payable	-	1,764
	-----	-----
	23,944	61,176
	-----	-----
Non-current liabilities		
Defined benefit pension	6,954	20,585
Deferred income	2,140	4,475
Deferred tax	-	688
	-----	-----
	9,094	25,748
	-----	-----
	-----	-----
Total liabilities	33,038	86,924
	-----	-----
	-----	-----
Net assets	138,211	94,377
	=====	=====
Equity		
Share capital	7,432	7,484
Share premium	139,253	139,172
Capital redemption reserve	58	-
Translation reserve	660	698
Other reserve	-	6,237
Accumulated losses	(9,192)	(59,214)
	-----	-----
Total equity	138,211	94,377
	=====	=====

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

Consolidated Cash Flow Statement

for the year ended 31 May 2007

		2007	2006
	note	£000	£000
Cash flows from operating activities			
Profit for the period		44,995	6,011
Gain on sale of discontinued operations		(80,139)	(14,146)
Taxation		(860)	1,390
Finance costs		4,078	4,934
Finance income		(5,221)	(1,706)
Loss on sale of investments		6,518	-
Loss/(gain) on sale of property		415	(523)
		-----	-----
Operating loss	27	(30,214)	(4,040)
Defined benefit pension (credit)/charge		(5,649)	3,624
Defined benefit pension contributions paid		(7,695)	(2,561)
Share-based payment		567	240
Goodwill impairment		2,653	-
Plant and equipment impairment		17,511	-
Depreciation		8,252	11,744
Loss on sale of plant and equipment		7,316	402
Licence fee released to income		(2,335)	(2,335)
Government grants released to income		-	(3,920)
Movement in inventories		(3,201)	(3,215)
Movement in trade and other receivables		381	1,490
Movement in trade and other payables		1,719	1,086
		-----	-----
Cash flow from operations		(10,695)	2,515
Taxation received/(paid)		88	(1,998)
		-----	-----
Net cash from operating activities	27	(10,607)	517
		-----	-----

Consolidated Cash Flow Statement

for the year ended 31 May 2007

		2007	2006
	note	£000	£000
Net cash from operating activities	27	(10,607)	517
		-----	-----
Cash flows from investing activities			
Proceeds from sale of property		2,750	3,508
Proceeds from sale of plant and equipment		334	348
Interest received		2,850	172
Acquisition of property, plant and equipment		(16,605)	(14,422)
Proceeds from sale of discontinued operations		105,252	44,138
Proceeds from sale of investments		53,391	-
		-----	-----
Net cash from investing activities	27	147,972	33,744
		-----	-----
Cash flows from financing activities			
Bank revolving credit (repaid)/drawn		(18,000)	18,000
Bank loan repaid		-	(44,000)
Bank loan renewal fee paid		(508)	(543)
Interest paid		(575)	(1,841)
Shares issued		87	-
Shares bought back		(1,137)	-
Dividends paid		(1,348)	(2,021)
		-----	-----
Net cash from financing activities	27	(21,481)	(30,405)
		-----	-----
Increase in cash and cash equivalents		115,884	3,856
Currency exchange (loss)/gain on sale of discontinued operations		(2,784)	1,007
Currency exchange movement		(126)	(175)
Opening cash and cash equivalents		5,293	605
		-----	-----
Closing cash and cash equivalents		118,267	5,293
		=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

1 Business segment analysis continuing operations

	2007	2006
	£000	£000
Revenue		
Compound Semiconductors	30,323	20,756
Defence Electronics	24,196	32,079
Point to Point	22,364	11,631
Inter segment	(3,382)	(1,474)
	<u>73,501</u>	<u>62,992</u>
Operating (loss)/profit		
Compound Semiconductors	(28,999)	(5,114)
Defence Electronics	(3,431)	564
Point to Point	2,234	(382)
Central Services	(5,208)	(4,150)
Unallocated pension credit/(charge)	7,744	(1,063)
	<u>Operating loss (27,660)</u>	<u>(10,145)</u>
(Loss)/gain on sale of property	(415)	523
Loss on sale of investments	(6,518)	-
Finance income	5,221	1,706
Finance costs	(3,839)	(4,934)
	<u>Loss before taxation (33,211)</u>	<u>(12,850)</u>
Taxation	1,491	-
	<u>Loss for the period from continuing operations (31,720)</u>	<u>(12,850)</u>

The operating loss is stated after crediting the release of deferred income as follows:

	2007	2006
	£000	£000
Compound Semiconductors		
- licence fee	2,335	2,335
- government grants	-	3,440
Defence Electronics		
- government grants	-	64
	<u>2,335</u>	<u>5,839</u>

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

2 Geographical origin segment analysis continuing operations

	2007	2006
	£000	£000
Revenue		
United Kingdom	65,004	49,453
United States of America	8,159	14,026
Australia	619	-
Inter segment	(281)	(487)
	-----	-----
	73,501	62,992
	-----	-----
Operating loss		
United Kingdom	(23,278)	(8,803)
United States of America	(4,556)	(1,342)
Australia	174	-
	-----	-----
Operating loss	(27,660)	(10,145)
(Loss)/gain on sale of property	(415)	523
Loss on sale of investments	(6,518)	-
Finance income	5,221	1,706
Finance costs	(3,839)	(4,934)
	-----	-----
Loss before taxation	(33,211)	(12,850)
Taxation	1,491	-
	-----	-----
Loss for the period from continuing operations	(31,720)	(12,850)
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

3 Exceptional items

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

		2007	2006
	note	£000	£000
Compound Semiconductors assets impairment	4	20,111	-
Loss on disposal of plant and equipment	5	7,057	-
Closure costs	6	-	406
Government grants released	7	-	(2,717)
Goodwill impairment	8	2,653	-
Inventory write down	9	-	1,516
Redundancy costs	10	521	-
Share-based payments	11	333	63
Pension past service credit	12	(8,315)	-
		=====	=====
		22,360	(732)
		=====	=====

4 Compound Semiconductors assets impairment

	2007	2006
	£000	£000
Plant and equipment impairment	17,511	-
Inventory impairment	2,600	-
	=====	=====
	20,111	-
	=====	=====

Following an impairment review, the plant and equipment and inventory at the UK Compound Semiconductors facility was impaired. The impairment resulted from the reduction in the scale of the business, due to the decision of the principal customer to in-source its switch production from September 2007.

5 Loss on disposal of plant and equipment

	2007	2006
	£000	£000
Loss on disposal of plant and equipment	7,057	-
	=====	=====

A loss on disposal of plant and equipment at the UK Compound Semiconductors facility was incurred as a result of the curtailment of the expansion plan at the facility.

6 Closure costs

	2007	2006
	£000	£000
Closure costs	-	406
	=====	=====

Closure costs were incurred in closing the Compound Semiconductors facility in California, USA.

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

7 Government grants released

	2007	2006
	£000	£000
Government grants released	-	(2,717)
	<u> </u>	<u> </u>

During the year ended 31 May 2006, deferred government grants of £2,717,000, related to the UK Compound Semiconductors facility, were released to income following the renegotiation of their arrangements.

8 Goodwill impairment

	2007	2006
	£000	£000
Goodwill impairment	2,653	-
	<u> </u>	<u> </u>

Following an impairment review the goodwill related to Sage Laboratories, Inc. was impaired. Sage Laboratories, Inc. is located in the United States of America and forms part of the Defence Electronics division.

9 Inventory write down

	2007	2006
	£000	£000
Inventory write down	-	1,516
	<u> </u>	<u> </u>

An inventory write down in the US Defence Electronics business arose as a result of its strategic repositioning and after its move to a new facility.

10 Redundancy costs

	2007	2006
	£000	£000
Redundancy costs:		
UK Compound Semiconductors	132	-
UK Defence Electronics	158	-
UK Central Services	231	-
	-----	-----
	521	-
	<u> </u>	<u> </u>

11 Share-based payments

	2007	2006
	£000	£000
Share option expense:		
Compound Semiconductors	155	48
Central Services	178	15
	-----	-----
	333	63
	<u> </u>	<u> </u>

All outstanding share options vested on the completion of the sale of the Wireless Infrastructure business on 16 October 2006. Consequently all the remaining share-based payment cost was charged in the period.

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

12 Pension past service credit

	2007	2006
	£000	£000
Pension past service credit	(8,315)	-

In August 2006 the defined benefits pension scheme was changed from a final salary basis to a career average revalued earnings basis. This resulted in a past service credit, due to a reduction in the past service pension liabilities.

13 Loss on sale of investments

	2007	2006
	£000	£000
Proceeds from sale of Powerwave shares	53,391	-
Value of Powerwave shares consideration at completion of the sale of Wireless Infrastructure business	(59,909)	-
Loss on sale of investments	(6,518)	-

On 16 October 2006 the company received 17,700,000 shares in Powerwave Technologies, Inc. common stock, as part of the consideration for the sale of the Wireless Infrastructure business. All the shares were sold in the six months ended 31 May 2007.

14 Finance income

	2007	2006
	£000	£000
Interest income	2,850	172
Expected return on pension scheme assets	2,371	1,534
	5,221	1,706

15 Finance costs

	2007	2006
	£000	£000
Interest expense	575	1,841
Bank loan renewal fee	508	543
Interest on pension scheme liabilities	2,646	2,058
Currency exchange losses	110	492
	3,839	4,934

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

16 Profit for the period from discontinued operations

		2007	2006
Discontinued operations	note	£000	£000
Revenue	17, 18	58,039	174,714
Operating (loss)/profit before exceptional items		(2,320)	7,362
Exceptional items	19	(234)	(1,257)
Operating (loss)/profit	17, 18	(2,554)	6,105
Finance costs	22	(239)	-
(Loss)/profit before taxation		(2,793)	6,105
Taxation		(631)	(1,390)
(Loss)/profit after taxation		(3,424)	4,715
Gain of sale of discontinued operations	23	80,139	14,146
Profit for the period from discontinued operations		76,715	18,861

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

17 Business segment analysis discontinued operations

	2007	2006
	£000	£000
Revenue		
Wireless Infrastructure	58,039	161,069
Handset Products	-	13,645
	-----	-----
	58,039	174,714
	=====	=====
Operating (loss)/profit		
Wireless Infrastructure	(2,554)	5,907
Handset Products	-	198
	-----	-----
Operating (loss)/profit	(2,554)	6,105
Finance costs	(239)	-
	-----	-----
(Loss)/profit before taxation	(2,793)	6,105
Taxation	(631)	(1,390)
	-----	-----
(Loss)/profit after taxation	(3,424)	4,715
Gain on sale of discontinued operations	80,139	14,146
	-----	-----
Profit for the period from discontinued operations	76,715	18,861
	=====	=====

The operating (loss)/profit is stated after crediting the release of deferred income as follows:

	2007	2006
	£000	£000
Wireless Infrastructure - government grants	-	416
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

18 Geographical origin segment analysis discontinued operations

	2007	2006
	£000	£000
Revenue		
United Kingdom	24,170	68,327
Finland	8,654	42,056
Hungary	7,427	3,402
United States of America	14,816	39,000
China	22,720	72,220
Australia	-	1,481
Inter segment	(19,748)	(51,772)
	-----	-----
	58,039	174,714
	=====	=====
Operating (loss)/profit		
United Kingdom	(4,331)	(6,856)
Finland	(1,201)	(1,751)
Hungary	2,206	(412)
United States of America	738	1,685
China	34	14,693
Australia	-	(1,254)
	-----	-----
Operating (loss)/profit	(2,554)	6,105
Finance costs	(239)	-
	-----	-----
(Loss)/profit before taxation	(2,793)	6,105
Taxation	(631)	(1,390)
	-----	-----
(Loss)/profit after taxation	(3,424)	4,715
Gain on sale of discontinued operations	80,139	14,146
	-----	-----
Profit for the period from discontinued operations	76,715	18,861
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

19 Exceptional items discontinued operations

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

		2007	2006
	note	£000	£000
Closure costs	20	-	1,080
Share-based payments	21	234	177
		-----	-----
		234	1,257
		=====	=====

20 Closure costs discontinued operations

		2007	2006
		£000	£000
Closure costs		-	1,080
		=====	=====

Closure costs were incurred in closing the Wireless Infrastructure facility in Australia.

21 Share-based payments discontinued operations

		2007	2006
		£000	£000
Share options expense:			
Wireless Infrastructure		234	(4)
Handset Products		-	181
		-----	-----
		234	177
		=====	=====

All outstanding share options vested on the completion of the sale of the Wireless Infrastructure business on 16 October 2006. Consequently all the remaining share-based payment cost was charged in the period.

22 Finance costs discontinued operations

		2007	2006
		£000	£000
Currency exchange losses		239	-
		=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

23 Gain on sale of discontinued operations

	2007	2006
	£000	£000
Gain on sale of:		
Handset Products business	-	14,146
Wireless Infrastructure business	80,139	-
	-----	-----
	80,139	14,146
	=====	=====

On 16 October 2006 the Wireless Infrastructure business was sold for \$185,000,000 cash and 17,700,000 shares of Powerwave Technologies, Inc. common stock. The cash consideration was covered by forward foreign exchange contracts when the sale was agreed in September 2006. This fixed the cash consideration at £96,925,000. Following completion of the sale of the Wireless Infrastructure business a product liability claim was made by one of its customers. After investigation and negotiations, the claim has been settled for £5,750,000. The sale is analysed as follows:

	£000
Consideration and costs	
Cash consideration	99,709
Currency exchange loss on consideration	(2,784)

Cash consideration after currency exchange loss	96,925
Powerwave shares consideration	59,909
Sale costs	(6,720)
Product liability costs	(5,750)
Currency translation adjustment	(61)

	144,303
	=====
Assets and liabilities sold	
Property, plant and equipment	23,082
Deferred tax asset	2,269
Inventories	26,342
Trade and other receivables	39,506
Cash and cash equivalents	406
Trade and other payables	(26,306)
Income tax payable	(460)
Deferred tax liability	(675)

Net assets sold	64,164
Gain on sale of the Wireless Infrastructure business	80,139

	144,303
	=====

Notes to the Preliminary Financial Information
for the year ended 31 May 2007

24 Basic and diluted (loss)/earnings per share

	2007	2006
	£000	£000
(Loss)/profit for the period		
Continuing operations	(31,720)	(12,850)
Discontinued operations	76,715	18,861
	-----	-----
Profit for the period	44,995	6,011
	=====	=====
	000	000
Basic and diluted weighted average number of shares	74,543	74,842
	=====	=====
Basic and diluted (loss)/earnings per share		
Continuing operations	(42.55) p	(17.17) p
Discontinued operation	102.91 p	25.20 p
	-----	-----
Basic and diluted earnings per share	60.36 p	8.03 p
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

25 Dividends

The dividends recognised in equity and paid during the period were as follows:

		2007	2006
	Per share	£000	£000
Final dividend year ended 31 May 2005	1.80p	-	1,347
Interim dividend year ended 31 May 2006	0.90p	-	674
Final dividend year ended 31 May 2006	1.80p	1,348	-
		-----	-----
		1,348	2,021
		=====	=====

26 Reconciliation of movements in total equity

	2007	2006
	£000	£000
Opening total equity	94,377	93,569
Total recognised income and expense for the period	45,665	2,589
Share-based payments	567	240
Dividends	(1,348)	(2,021)
Shares issued	87	-
Shares bought back	(1,137)	-
	-----	-----
Closing total equity	138,211	94,377
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2007

27 Note to the consolidated cash flow statement

	2007	2006
	£000	£000
Operating loss		
Continuing operations	(27,660)	(10,145)
Discontinued operations	(2,554)	6,105
	-----	-----
	(30,214)	(4,040)
	=====	=====
Net cash from operating activities		
Continuing operations	(9,873)	(6,828)
Discontinued operations	(734)	7,345
	-----	-----
	(10,607)	517
	=====	=====
Net cash from investing activities		
Continuing operations	44,835	(4,257)
Discontinued operations	(2,115)	(6,137)
Sale of discontinued operations	105,252	44,138
	-----	-----
	147,972	33,744
	=====	=====
Net cash from financing activities		
Continuing operations	(21,481)	(30,405)
	=====	=====