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Microsystems
Plc



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Interim Statement for
the half year ended
30th September 2003

Chairman's STATEMENT

The results for the six months trading period ending 30th September 2003 reflect the modestly improving performance that I reported for the opening quarter, and the outcome figures are in close line with internal budgets and reported current market expectations.

During the reporting period, and effective from 2nd July 2003, your Company completed the acquisition of Hyperstone AG and the reported consolidated figures include the performance of Hyperstone AG from that date.

Against the immediately preceding six month period turnover, excluding Hyperstone, rose 22% from £5.502m to £6.714m. This improvement was fuelled largely by growth from the Far East. The operational loss (excluding Hyperstone) was reduced by 62% from £649k to £247k and the pre-tax loss was reduced by £337k to £207k.

I should comment that your Board has a preference towards writing down intangible assets, which includes goodwill, in the shortest practical and permitted time. This results in the exceptional "goodwill" charge of £348k against costs; the "goodwill" aspect of the acquisition is being fully written off within three years.

When compared with the corresponding period last year, Group turnover increased by 20% to £8.275m (2002: £6.885m) but the pre tax position (before exceptional) deteriorated to a loss of £177k (2002: Profit £222k).

Although clear sales growth was achieved in Far Eastern markets, and gains were made in the US, semiconductor sales into the Group's traditional major European markets remained difficult during the period. Forward market visibility was generally limited, but signs of firmer customer confidence were appearing in some areas.

Given the present market conditions, I am not expecting a significantly improved performance in the short term, but I believe your Company should continue its progress back to profitability for the current year.

The strategies being followed in these challenging times are now beginning to secure the potential for future growth and I remain confident that the group will make significant strides as these measures take increasing effect.

G.W.Gurry
Chairman

18th November 2003

PROFIT AND LOSS ACCOUNT

	Notes	Unaudited 6 Months End 30/09/03 £'000	Unaudited 6 Months End 30/09/02 £'000	Audited 12 Months End 31/03/03 £'000
Turnover		-		
Turnover from operations excluding acquisition		6,714	6,885	12,387
Turnover from acquisition		1,561	-	-
		<u>8,275</u>	<u>6,885</u>	<u>12,387</u>
Cost of sales		<u>(3,291)</u>	<u>(2,362)</u>	<u>(4,064)</u>
Gross Profit		4,984	4,523	8,323
Distribution costs and administration expenses		(5,329)	(4,816)	(9,634)
Exceptional goodwill written off	3	(348)	-	-
		<u>(693)</u>	<u>(293)</u>	<u>(1,311)</u>
Other operating income		<u>128</u>	<u>364</u>	<u>733</u>
Operating (Loss)/Profit	4			
from operations excluding acquisition		(247)		
from acquisition		<u>(318)</u>		
Interest receivable		(565)	71	(578)
Interest payable		70	151	256
		<u>(30)</u>	<u>-</u>	<u>-</u>
(Loss)/Profit on Ordinary Activities Before Taxation		(525)	222	(322)
Taxation	5	28	60	402
(Loss)/Profit on Ordinary Activities After Taxation		<u>(497)</u>	<u>282</u>	<u>80</u>
Minority Interest		3	(4)	(3)
(Loss)/Profit Attributable to Shareholders		<u>(494)</u>	<u>278</u>	<u>77</u>
Basic (Loss)/Earnings Per Share	6	<u>(3.38p)</u>	<u>1.91p</u>	<u>0.53p</u>
Statement of Total Recognised Gains and Losses				
(Loss)/profit for the financial period		(494)	278	77
Unrealised surplus on revaluation of properties		-	-	986
Currency translation differences on foreign currency net investments		(345)	(717)	(747)
Total (losses)/gains recognised since last Report and Accounts		<u>(839)</u>	<u>(439)</u>	<u>316</u>



Group BALANCE SHEET

	Unaudited 6 Months End 30/09/03 £'000	Unaudited 6 Months End 30/09/02 £'000	Audited 12 Months End 31/03/03 £'000
Fixed Assets			
Tangible assets	10,392	9,063	9,937
Intangible assets	3,828	-	-
	<u>14,220</u>	<u>9,063</u>	<u>9,937</u>
Current Assets			
Stocks	1,473	1,487	1,326
Debtors	3,184	2,489	2,480
Investments	7,343	8,742	8,255
Cash at Bank and in Hand	2,076	1,117	1,344
	<u>14,076</u>	<u>13,835</u>	<u>13,405</u>
Creditors: Amounts falling due within one year	(8,749)	(2,133)	(3,325)
Net Current Assets	<u>5,327</u>	<u>11,702</u>	<u>10,080</u>
Total Assets less current liabilities	19,547	20,765	20,017
Provision for liabilities and charges	(564)	(539)	(573)
Net Assets	<u>18,983</u>	<u>20,226</u>	<u>19,444</u>
Capital and Reserves			
Called up Share Capital	736	731	731
Shares to be issued	237	-	-
Share Premium Account	3,380	3,241	3,241
Capital Redemption Reserve	255	255	255
Revaluation Reserve	986	-	986
Profit and Loss Account	13,389	15,995	14,228
Shareholders' Funds	<u>18,983</u>	<u>20,222</u>	<u>19,441</u>
Minority Interests	-	4	3
	<u>18,983</u>	<u>20,226</u>	<u>19,444</u>



Group

CASH FLOW STATEMENT

	Unaudited 6 Months End 30/09/03 £'000	Unaudited 6 Months End 30/09/02 £'000	Audited 12 Months End 31/03/03 £'000
Net cash inflow from operating activities	4,534	179	15
Returns on investments and servicing of finance	40	151	256
Taxation	253	(54)	123
Capital expenditure and financial investment	(88)	(104)	(339)
Acquisition of Hyperstone AG	(3,233)	-	-
Equity dividends paid	(1,535)	(1,534)	(1,535)
Net cash (out)/in flow before financing	<u>(29)</u>	<u>(1,362)</u>	<u>(1,480)</u>
Financing	144	4	4
Increase/(Decrease) in cash	<u>115</u>	<u>(1,358)</u>	<u>(1,476)</u>
Reconcillation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit	(565)	71	(578)
Depreciation	352	274	625
Amortisation of goodwill	348	-	-
Loss/(profit) on sale of fixed assets	7	(1)	(6)
Decrease/(increase) in stock	173	146	307
Decrease/(increase) in debtors	1,552	(445)	(126)
Decrease/(increase) in creditors	2,667	134	(207)
	<u>4,534</u>	<u>179</u>	<u>15</u>
Reconcillation of movement of funds			
Funds at start of period	9,599	11,773	11,773
Translation difference	(295)	(556)	(698)
(Decrease)/Increase in cash	115	(1,358)	(1,476)
Funds at close of period	<u>9,419</u>	<u>9,859</u>	<u>9,599</u>
Analysis of funds			
Cash at Bank and in hand	2,076	1,117	1,344
Current asset investments	7,343	8,742	8,255
Total funds at close of period	<u>9,419</u>	<u>9,859</u>	<u>9,599</u>



Notes

1 Presentation of results

This Interim Statement was approved by the directors on 17th November 2003.

The results for both the current and comparative period have been prepared using accounting policies and practices consistent with those adopted in the 2003 Report and Accounts but have not been audited.

The audited results for the year ended 31st March 2003 are an abridged version of the company's Report and Accounts which have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion.

The financial information contained in this Interim Statement does not constitute statutory accounts as defined by Section 240 of the Companies Act 1995.

All shareholders will receive a copy of this Interim Statement which can also be obtained from the company's registered office at Oval Park, Maldon, Essex CM9 7WG, England.

2 Dividends

The directors do not recommend the payment of an interim dividend.

3 Exceptional goodwill written off

Goodwill arising from the acquisition of Hyperstone AG is being amortised over a period of 36 months from 2nd July 2003.

4 Operating loss

The operating loss for the period to 30th September 2003 is made up as follows:

	£'000	£'000
Operating loss from operations existing prior to the acquisition of Hyperstone AG		(247)
Operating profit of Hyperstone AG	30	
Exceptional goodwill written off	(348)	
	<hr/>	<hr/>
		(318)
Operational (loss)/profit for the period		<hr/>
		(565)

5 Taxation

The directors consider that tax will be payable at varying rates according to the country of incorporation of a subsidiary and have provided on that basis.

6 Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to shareholders for the period and on the following weighted average number of shares in issue:

	No of Ordinary 5p shares
6 months ended 30th September 2003	14,636,785
6 months ended 30th September 2002	14,619,304
12 months ended 31st March 2003	14,619,941

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