



Microsystems Plc

2005



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THOMSON  
FINANCIAL 

Interim Statement for  
the half year ended  
30th September 2005

# Chairman's STATEMENT

It is pleasing to report that your company has continued to achieve the firm progress in product sales that I had expected as the opening period began, led strongly by the healthy growth maintained in sales for memory card controllers.

Collectively, turnover from products for other semiconductor market areas served by the group were ahead of the figures for the immediately preceding six months, but were lower than those recorded for the comparable half.

Although the overall operating results for the opening period to 30 September 2005 are also viewed as a satisfactory outcome by your board, it is difficult to make direct comparisons with the results reported for earlier years due to the introduction of the mandatory new IFRS reporting standards.

The IFRS reporting standards do not materially impact on figures for turnover in these results, for example, but they do introduce new rules for the treatment of R&D expenditure, amortisation, depreciation and other accounting issues, which can significantly alter the presentation of results compared with traditional UK GAAP reporting standards.

As required from all companies with a full listing on the London Stock Exchange, a full description of the transition to International Financial Reporting Standards has been lodged with the LSE, and a copy can be viewed and downloaded from the group's website at [www.cmlmicroplc.com](http://www.cmlmicroplc.com)

Good gains were posted in sales of memory card controllers into the Far East, US and European territories, with Germany forming a notable component in the European figures. Steps taken to increase the range and scope of Hyperstone's new products portfolio are an ongoing feature of its operations, and product development expenditure is again expected to reach increased levels in this second half. Additional engineering staff are among the measures being taken.

Sales for the group's radio communications and Wireless Data products were comfortably ahead over the comparative period, but the gains in sales of Two Way Radio products in the Far East were more than offset by the weakened sales of Wireline Telecom products into China. The problems in this market area became evident during the second half of last year and have continued since. It is not likely that a material improvement in the situation will be seen before the year-end.

New products introduced to market this year have included high performance devices aimed towards rapidly growing areas of the marine communications market and multi-standards land mobile voice and data applications. Expenditure on product design and development is again set to rise through the second half, reflecting the strong new products portfolio that underpins the group's growth strategies. Additionally, the group increased senior level resources in sales and marketing positions in Europe and the Far East.

Although I expect the weaknesses that have persisted in some historic market areas will continue to present difficulties through the months ahead, I feel quite sure that your company will continue to achieve its growth objectives.

G.W.Gurry  
Chairman

22nd November 2005

# Group

## CONSOLIDATED INCOME STATEMENT

	6 Months End 30/09/05	6 months End 30/09/04 <i>Restated</i>	12 Months End 31/03/05 <i>Restated</i>
	£'000	£'000	£'000
Revenue	14,240	11,440	23,457
Cost of sales	(6,292)	(4,435)	(8,597)
<b>Gross Profit</b>	<u>7,948</u>	<u>7,005</u>	<u>14,860</u>
Distribution and administration costs	(6,632)	(5,819)	(12,507)
	1,316	1,186	2,353
Other operating income	156	276	581
<b>Operating profit before adjustments</b>	<u>1,472</u>	<u>1,462</u>	<u>2,934</u>
Restructuring costs	-	-	(420)
Share based payment	(40)	(39)	(79)
<b>Operating profit after adjustments</b>	<u>1,432</u>	<u>1,423</u>	<u>2,435</u>
Finance cost	(112)	(118)	(249)
Finance income	96	47	119
<b>Profit before tax</b>	<u>1,416</u>	<u>1,352</u>	<u>2,305</u>
Taxation	(250)	(381)	181
<b>Profit for the period attributable to equity shareholders</b>	<u>1,166</u>	<u>971</u>	<u>2,486</u>
<b>Earnings per share</b>			
Basic	7.83p	6.66p	16.77p
Diluted	<u>7.77p</u>	<u>6.56p</u>	<u>16.64p</u>

## STATEMENT OF RECOGNISED INCOME AND EXPENDITURE

	6 Months End 30/09/05	6 months End 30/09/04 <i>Restated</i>	12 Months End 31/03/05 <i>Restated</i>
	£'000	£'000	£'000
<b>Profit for the period attributable to equity shareholders</b>	1,166	971	2,486
Foreign exchange differences	187	77	(40)
Actuarial losses	-	-	(493)
Deferred tax	-	-	148
<b>Recognised gains and losses relating to the period</b>	<u>1,353</u>	<u>1,048</u>	<u>2,101</u>

# Group

## CONSOLIDATED BALANCE SHEET

	6 Months End 30/09/05 £'000	6 Months End 30/09/04 £'000	12 Months End 31/03/05 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	7,205	6,828	7,193
Investment properties	3,150	3,150	3,150
Intangible assets - Research & development	5,396	4,629	5,089
Intangible assets - Goodwill on consolidation	3,512	3,512	3,512
Deferred tax asset	1,583	1,066	1,573
	<u>20,846</u>	<u>19,185</u>	<u>20,517</u>
<b>Current assets</b>			
Inventories	1,944	1,991	1,723
Trade receivables and prepayments	5,310	3,837	4,093
Cash and cash equivalents	7,413	8,471	8,449
	<u>14,667</u>	<u>14,299</u>	<u>14,265</u>
<b>Total assets</b>	<u>35,513</u>	<u>33,484</u>	<u>34,782</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans and overdrafts	4,000	4,378	4,378
Trade and other liabilities	5,293	4,788	4,086
Current tax liabilities	413	418	272
	<u>9,706</u>	<u>9,584</u>	<u>8,736</u>
<b>Non current liabilities</b>			
Deferred tax liabilities	2,624	2,408	2,624
Provisions	319	-	420
Long term liabilities	3,504	3,093	3,504
	<u>6,447</u>	<u>5,501</u>	<u>6,548</u>
<b>Total liabilities</b>	<u>16,153</u>	<u>15,085</u>	<u>15,284</u>
<b>Net Assets</b>	<u>19,360</u>	<u>18,399</u>	<u>19,498</u>
<b>Equity</b>			
Share capital	745	741	744
Convertible warrants	120	240	120
Share premium	3,784	3,630	3,753
Share based payments	122	42	82
Capital Redemption Reserve	255	255	255
Foreign exchange differences	147	77	(40)
Retained earnings	14,187	13,414	14,584
<b>Shareholders' equity</b>	<u>19,360</u>	<u>18,399</u>	<u>19,498</u>

# Group

## CONSOLIDATED CASH FLOW STATEMENT

	6 Months End 30/09/05	6 Months End 30/09/04 <i>Restated</i>	12 Months End 31/03/05 <i>Restated</i>
	£'000	£'000	£'000
<b>Operating activities</b>			
Net profit for the period before income taxes	1,416	1,352	2,305
Adjustments for:			
Depreciation	295	289	663
Movement in pension deficit	-	-	(82)
Amortisation of research and development	1,730	1,301	3,354
Share based payments	40	39	79
Exceptional restructuring costs	-	-	420
Interest expense	112	118	235
Interest income	(96)	(47)	(119)
(Decrease)/Increase in working capital	(537)	385	243
<b>Cash flows from operating activities</b>	<b>2,960</b>	<b>3,437</b>	<b>7,098</b>
Income tax refunded	99	284	142
<b>Net cash flows from operating activities</b>	<b>3,059</b>	<b>3,721</b>	<b>7,240</b>
<b>Investing activities</b>			
Purchase tangible fixed assets	(305)	(593)	(1,351)
Investment in intangible assets	(2,049)	(1,579)	(4,093)
Disposals of tangible fixed assets	4	53	99
Interest income	96	47	119
<b>Net cash flows from investing activities</b>	<b>(2,254)</b>	<b>(2,072)</b>	<b>(5,226)</b>
<b>Financing activities</b>			
Issue of ordinary shares	32	41	47
Repayment of bank loan	(378)	-	-
Dividends paid to group shareholders	(1,563)	(1,556)	(1,556)
Interest expense	(112)	(118)	(235)
<b>Net cash flows from financing activities</b>	<b>(2,021)</b>	<b>(1,633)</b>	<b>(1,744)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(1,216)</b>	<b>16</b>	<b>270</b>
Movement in cash and cash equivalents:			
At start of period	8,449	8,245	8,245
(Decrease)/Increase	(1,216)	16	270
Effects of exchange rate changes	180	210	(66)
<b>At end of period</b>	<b>7,413</b>	<b>8,471</b>	<b>8,449</b>

STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Convertible Warrants £'000	Share Premium £'000	Share based payments £'000	Capital redemption reserves £'000	Foreign Exchange differences £'000	Retained earnings £'000	Total £'000
<b>At 1st April 2004</b>	740	240	3,590	3	255	-	13,999	18,827
Shares issued	1		40					41
Foreign Exchange differences						77		77
Dividends paid							(1,556)	(1,556)
Profit for period							971	971
Share based payments				39				39
<b>At 30th September 2004</b>	741	240	3,630	42	255	77	13,414	18,399
Shares issued	3		123					126
Warrants converted		(120)						(120)
Foreign Exchange differences						(117)		(117)
Net actuarial losses recognised directly to equity							(493)	(493)
Profit for period				40			1,515	1,515
Share based payments								40
Deferred tax							148	148
<b>At 31st March 2005</b>	744	120	3,753	82	255	(40)	14,584	19,498
Shares issued	1		31					32
Foreign Exchange differences						187		187
Dividends paid							(1,563)	(1,563)
Profit for period							1,166	1,166
Share based payments				40				40
<b>At 30th September 2005</b>	745	120	3,784	122	255	147	14,187	19,360

# Notes

## 1. Presentation of results

The directors approved this Interim Statement on 21st November 2005.

The results for the current period have been prepared using International Financial Reporting Standards. Comparative information previously published under UK Generally Accepted Accounting Practice has been restated under International Financial Reporting Standards. Reconciliations of this restatement may be found in the announcement dated 15th November 2005.

The financial information contained in this Interim Statement does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The financial information for the year ended 31st March 2005 is based on the statutory accounts for the financial year ended 31st March 2005 that have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion.

All shareholders will be sent a copy of this Interim Statement which can also be obtained from the company's registered office at Oval Park, Maldon, Essex CM9 6WG, England.

## 2. Dividend

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

## 3. Income tax

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.

## 4. Earnings per share

The calculation of basic earnings per share is based on the 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 2005	14,891,212
6 months ended 30th September 2004	14,810,378
12 months ended 31st March 2005	14,829,848

The calculation for diluted earnings per share takes into consideration 778,855 of shares under option at 30th September 2005.

## 5. Employee benefits

The directors have not obtained an actuarial report in respect of the defined benefit pension scheme for the purpose of this Interim Statement.



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