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Sepura PLC
23 November 2011

SEPURA PLC
INTERIM RESULTS ANNOUNCEMENT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2011

Sepura plc (the "Company"), a leading global provider of TETRA digital mobile radios, today announces its interim results for the six month period ended 30 September 2011.

A presentation of the interim results will be held today at 9.00 am at the Andaz Hotel, Liverpool Street, 40 Liverpool Street, London, EC2M 7QN. The presentation will be available on the investor relations page of our web-site following the event at <http://investors.sepura.com>.

Strong commercial revenues despite challenging market backdrop
Gross margin improvement achieved as forecast
Cost reduction programme driving further operational efficiencies

Financial Highlights:

Revenues of £28.4M, in line with expectations
Gross margin strengthened to 45.3% as forecast
Restructuring completed with forecast cost savings of £1.7m in FY12
Term loan repaid in October and a new £18M RCF secured for five years
Interim dividend increased 7% to 0.48p per share

Operational Highlights:

63,000 radios delivered to customers in 65 countries (2011: 69,000 radios in 68 countries)
Increasing demand from commercial customers who represented 17% of revenues, up from 9% in H1 last year
Seven countries purchased over £1m of products and services, compared to five countries in H1 last year
Transfer of manufacturing to new manufacturing partner completed successfully
ATEX products on track for delivery in Q4

Gordon Watling, Chief Executive Officer of Sepura, commenting on the first half performance and outlook, said:

"We are encouraged by the resilient demand in our core markets and the increased demand from our commercial sector customers. Our business is as usual weighted to the second half of the year. However, the forthcoming launch of our ATEX products, combined with strengthening gross margins and the operational efficiencies resulting from our recent restructuring, gives us a solid platform from which to achieve our full year targets."

The Interim Report to Shareholders will be issued on 8 December 2011.

FOR FURTHER INFORMATION PLEASE CONTACT:**Sepura**

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Gordon Watling, Chief Executive Officer

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Paul Durman / Victoria Ward

CAUTIONARY STATEMENT:

This Interim Results announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of Sepura. By their nature, future events and circumstances can cause results and developments to differ from those anticipated. Nothing in this Interim Results announcement should be construed as a profit forecast. No undertaking is given to update the forward-looking statements whether as a result of new information, future events or otherwise.

NOTES TO EDITORS:**About Sepura**

Sepura is a global leader in the design, manufacture and supply of TETRA (TErrestrial Trunked RAdio) digital radios, which are used predominantly by the emergency services around the world and in the transport, utilities and commercial sectors. Our products deliver mission critical communications.

Sepura offers one of the broadest ranges of TETRA products available, is often first to market with innovative products and features, and is a market leader in the supply of surveillance and other specialist TETRA radios and accessories. Founded in the UK in 2002, Sepura has expanded rapidly across the world with a network of regional partners that sell and provide local support for our market-leading products and we are the market leader in over 30 countries.

Based in Cambridge, England and employing some 275 employees, Sepura was admitted to the Official List of the London Stock Exchange on 3 August 2007. For further information please visit www.seapura.com.

Summary Financial Information	30 September 2011 (Unaudited)	1 October 2010 (Unaudited)
Total revenue	£28.4m	£31.5m
Gross margin	45.3%	44.3%
EBITDA before non-recurring costs	£4.9m	£6.1m
Operating profit (loss)	£(4.3)m	£0.3m
Diluted EPS	(1.6)p	0.4p
Net funds (debt)	£(1.2)m	£5.4m
Adjusted operating loss ¹	£(1.5)m	£(0.1)m
Adjusted diluted EPS ²	(0.1)p	0.7p
Interim dividend	0.48p	0.45p

¹ Adjusted to exclude the capitalisation of research and development costs (together with associated amortisation), the IFRS2 share option charge and non-recurring costs.

² Adjusted to exclude the capitalisation of research and development costs (together with associated amortisation), the IFRS2 share option charge, non-recurring costs and gains and losses arising on marking open foreign exchange contracts to market value, all net of UK Corporation Tax at the standard rate.

CHAIRMAN'S STATEMENT

The trends we reported at the end of the last financial year have continued into the first half of the current year. Sustained activity across the business has enabled us to absorb the impact of the delays in the German network rollout reported earlier in the year. We have successfully implemented a restructuring programme which has already generated cost savings of £0.8m, with a further £0.9m forecast to be achieved in the second half of the year. The transfer of production to our new manufacturing partner has progressed smoothly, and has already contributed to the strengthening of gross margin during the first half.

We have achieved major successes with customers across the globe. We have continued to service our core public safety market, with significant projects in Kazakhstan, Chile, Russia, Sweden and China. We have also seen growing demand from commercial users across a wide range of industries. While individual commercial orders are typically of lower value, the aggregate revenues from the large numbers of projects we have secured during the period have made a significant contribution to our results. They also affirm that TETRA has expanded beyond its core public safety origins and is driving digital migration in markets around the world.

We have announced our ATEX product, which will address markets which demand exceptional robustness and performance due to the risk of explosion. This will open a segment of the TETRA market which was previously closed to us, and will increase our penetration of the commercial sector. We have also continued to invest in the development of a new platform which will deliver both the next generation of TETRA radios and our first radios to deploy the DMR standard which is targeted at smaller-scale commercial networks.

At the same time we have refinanced our existing line of credit on attractive terms a year ahead of maturity. In addition we have invested in capex and inventory ahead of the full transfer of manufacturing to our new partner, and we expect most of this increase in working capital to unwind during the remainder of the year.

Our successes in the first half of the year have continued into the current quarter, with orders already received for major projects in France, Russia and Africa. We remain confident about our long term future, our balance sheet is robust and we are committed to delivering shareholder value. We are therefore pleased to announce a further 7% increase in our interim dividend to 0.48p per share.

John Hughes, CBE, Chairman

22 November 2011

INTERIM MANAGEMENT REPORT

The trends we reported at the end of the last financial year have continued into the first half of the current year. We have seen the expected lower cyclical demand in the UK, while call-offs under our existing German framework contracts are flat pending the resolution of the infrastructure delays announced earlier in the year. However, other markets have remained resilient, and demand from the commercial sector in particular remains strong. We have secured notable wins with new customers in key geographies. These wins are critical to growing our installed base in order to deliver the long term recurring revenues we expect from mature TETRA markets.

		Half-year ended 30 September 2011	Half-year ended 1 October 2010	Half-year ended 1 April 2011	Year ended 1 April 2011
Revenue	(£m)	28.4	31.5	39.0	70.5
Volumes	(000s of units)	63.0	69.1	77.9	147.0
ARPU ⁽¹⁾	(£)	452	456	502	480

(1) Average Revenue Per Unit Shipped

Revenue and market review

In the UK we saw the expected cyclical fall in demand as our UK police customers near the end of their first refresh cycle. We supplied 6,500 radios to UK police refresh customers, a reduction of 25% compared to the first half of last year. Total volumes in the UK were 9,000 radios. We expect a similar volume of police refresh business during the remainder of the year, with UK volumes increasing thereafter as other users commence their own refresh cycles. Our installed base in the UK of over 160,000 radios continues to deliver significant recurring revenues.

We shipped 19,000 radios in Germany, an increase on the 15,000 radios delivered in the second half of last year. We have 94,000 radios left to deliver under our current German framework contracts; we expect similar volumes to be called down under these contracts during the second half of the year to those delivered in the first half. We are seeing encouraging signs that some of the infrastructure delays seen last year are now being resolved.

While many markets in Western Europe are becoming increasingly mature, the pace of migration from analogue to digital is increasing in Eastern Europe. The last twelve months has seen a significant increase in demand from Russia and other Eastern European countries. We delivered over 5,500 radios to both public safety and commercial customers in Russia, compared to 1,400 during the first six months of last year, together with 9,500 radios for a major regional public safety network being deployed in Kazakhstan.

Revenues from commercial customers represented 17% of total revenues, compared to 9% during the first half of last year. We delivered 2,300 radios to mining and similar businesses in Australia, compared to 700 during the same period last year. We have also supplied mines in Germany, Equatorial Guinea and Mauritania. Transportation is also a market segment where we have had significant success. We have continued to deliver radios under our contract to upgrade 18 Brazilian airports to TETRA prior to the 2014 World Cup and 2016 Olympics. Our new ATEX product, aimed initially at the oil, gas and petrochemical market, will reinforce our presence in the commercial sector as we continue to expand beyond our traditional public safety markets.

The strengthening of our middle order business demonstrates the growing maturity of TETRA, with seven countries purchasing more than £1m of products and services, compared to five during the same period last year. We have secured orders for delivery in the second half of the year from new territories as our investment in sales resources in emerging markets continues to deliver business.

The waiver granted by the Federal Communications Commission in May, followed by a similar licensing of TETRA by Industrie Canada, significantly increases our addressable market. We are investing in our sales resource in North America. We expect this market to start delivering revenues once we have secured specific product approvals, established a local presence and a robust network of local partners - all of which are currently underway.

Gross margin

Gross margins strengthened to 45.3%, up from 44.3% during the first half of last year, despite 1% reduction in ARPUS and the strengthening of the Euro. Average product costs fell by 3% compared to the same period last year. This was a result of lower product costs from our new CEM partner, favourable customer and product mix and designing third-party IP out of our products. The continuing growth of our commercial business, typically consisting of smaller volume, higher margin orders, also made a positive contribution to gross margins.

Pricing for new business remains competitive, but as previously forecast gross margins for the remainder of the year are expected to strengthen further due to the visibility provided by our fixed-price framework contracts, and the full year impact of our product cost reduction programmes.

Restructuring costs

On 22 June 2011 we announced a restructuring programme and non-recurring costs totalling £3.2m have been recognised during the period. This included £1.2m of cash costs in relation to redundancy payments, together with related HR and outsourcing consultancy and legal fees. As part of the restructuring we reviewed our portfolio of development projects and identified an alternative, more cost-effective approach to completing some of these projects. This resulted in a £2.0m impairment charge against our capitalised development costs and associated software. This impairment has no cash impact as the associated expenditure had already been incurred.

The cost reduction programme has already delivered savings of £0.8m during the first six months of the year, some of which have been reinvested in growth opportunities, and is forecast to generate net savings of £1.7m for the year as previously advised.

Research and development

A key element of our investment has been in our ATEX product portfolio, which was announced in May. During the period we have met all key milestones of the extremely rigorous ATEX certification regime. We remain on track to commence volume production during the last quarter of the year. We have also made substantial investment in our next generation platform, and in meeting the needs of the German market.

Gross expenditure on R&D fell to £6.5m from £6.8m for the same period last year. We realised cost savings of £0.4m from simplifying the back-office functions and management structure in our development group, while protecting critical resources. At the same time productivity has been improved by the creation of an outsourced development centre in India. This enhances our flexibility and efficiency, and enables us to deliver more hours of engineering effort for the same overall cost.

Capitalised R&D increased slightly to £5.4m compared to £5.3m last year. This is equivalent to 82% of our gross R&D spend compared to 78% last year, reflecting increasing investment in longer-term projects such as our new platform and ATEX portfolio. The amortisation charge for the period increased as forecast to £5.2m from £4.6m, due to a full period of amortisation for significant software releases and new products launched during the last year. This led to the income statement charge for R&D increasing by 4% to £6.4m despite the reduction in gross expenditure.

Selling, marketing and distribution costs and administrative expenses

While realising cost savings of £0.4m in general overheads, our investment in sales resources in key emerging markets has also been unaffected. We have redeployed staff to target opportunities in emerging markets such as Latin America and the Middle East, supported by additional hires where appropriate. We have also created a team dedicated to opening the North American market following the grant of the Federal Communications Commission waiver. We have also invested in marketing for our new ATEX product portfolio in order to maximise its success once it enters production later this year.

Administrative expenses increased compared with the same period last year, due to a foreign exchange loss in the period of £546,000 as the Euro weakened sharply at the end of the period. Excluding this item administrative expenses fell as a result of the restructuring.

Total cash operating costs, being the gross R&D expenditure, sales and marketing costs and administrative expenses excluding the FX loss and the non-cash IFRS share option charge, fell 2% to £13.8m.

Taxation

There is a tax credit for the period as a result of the loss for the period and the enhanced tax relief on our research and development expenditure. We also continue to benefit from the taxable losses created on the exercise of employee share options immediately prior to listing, and we have £9.6m (net) of losses available for offset against future taxable profits (2011: £8.1m). We also have deferred tax liabilities of £5.7m (2011: £6.4m) in relation to the development costs capitalised under IFRS, which do not represent future tax cash payments and will be released to income as the related costs are amortised.

Earnings Per Share

Adjusted earnings per share, based on expensing our development costs as they are incurred and excluding non-recurring costs, the IFRS 2 share option charge and the unrealised gain or loss on marking our open foreign exchange contracts to market value, was 0.1p (2011: 0.7p). The diluted loss per share was 1.5p (2011: diluted earnings per share of 0.4p).

Dividends

The Board has declared an interim dividend of 0.48 pence per Ordinary share, an increase of 7% over last year. This interim dividend will be payable on 5 January 2012 to those shareholders on the register at 2 December 2011.

Cashflow and financing

Our cash balances at 30 September 2011 stood at £1.8m (2011: £11.3m), and our net debt, after deducting outstanding borrowings of £2.9m, was £1.1m (2011: Net cash of £5.3m). The net cash outflow from operating activities was £0.1m, compared to inflows of £11.0m during the same period last year which had included the receipt of £8.0m in relation to outstanding receivables from Portugal as previously reported. Subsequent to the end of the period the Group repaid the outstanding balance on our term loan and entered into a new five year revolving credit facility of up to £18m.

Significant cash flows during the period related to:

- £1.2m to settle non-recurring costs incurred in the period;
- £3.1m increase in inventory, of which £2.1m related to additional inventory to mitigate the risk associated with the transfer of production to our new CEM partner. The remainder related to components designated as "end-of-life" by suppliers, which are being utilised while we design them out of our products. We expect the majority of this additional inventory to unwind during the second half of the year;
- £5.4m spent on capitalised R&D;
- £1.0m of other capital expenditure;
- £1.3m paid in relation to last year's final dividend;
- £1.7m of scheduled repayments and net interest on our borrowings; and
- £4.2m of net inflows from underlying trading during the period, together with movements in working capital other than inventory.

Share capital

During the period there was no change in the Company's issued Ordinary share capital, and options were granted over a total of 3.4m shares to senior executives under the Company's Long-Term Incentive Plan. These will vest if targets relating to the period to 31 March 2014 are achieved.

Foreign exchange

The Group's results have been impacted significantly over the last four years by the volatility in the Euro / Sterling exchange rate, which has fluctuated between 1.4851 and 1.0272 since the Company listed in August 2007. The effect of this volatility has become more pronounced as our business has become more international, with the UK representing a declining proportion of our overall business. Approximately 85% of the Group's revenues are now invoiced in Euros, and the majority of product costs are invoiced to the Group in Euros, giving a partial natural hedge. However, the unpredictable timing of overseas revenues has meant that the Group has been unable to apply hedge accounting to forward contracts taken out to convert the forecast net Euro receivables into Sterling, resulting in any gains or losses being reported within the income statement. The Group therefore reported unrealised losses of £1m last year in relation to forward FX contracts, and a further £0.5m loss within administrative expenses during the current period.

With effect from 1 October 2011, the Directors have changed the functional and presentation currency of the Group to Euros. From this date the Group will account for its activities in Euros, being the underlying currency in which the majority of revenues are earned and product costs incurred. The Directors believe that reporting the results in Euros will remove a significant element of volatility from the Group's results by improving the visibility of reported revenues and margins. Furthermore, the majority of the Group's operating expenses relate to UK-based development and operations, and are incurred in Sterling. As these are predictable monthly cashflows the Group has been able to put in place forward contracts to sell Euros and buy Sterling to meet these expenses which comply with the requirements of hedge accounting. The result is that any changes in the fair value of the contracts are recognised within equity. This was the case with the open contracts at the period end, for which a fair value adjustment of £0.6m has been recognised in equity.

This change in presentation currency is accounted for as a change in accounting policy and will be applied retrospectively, as if the new presentation currency had always been the presentation currency. The impact of this change on the reported results for the Group is set out in Note 16 to the Interim Results.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group for both the first six months and the remaining six months of the financial year continue to be those stated on Page 20 of the Group's 2011 Annual Report and Accounts, which are summarised as follows:

The risk that customers delay issuing tenders or orders, as a result of changes in political and economic conditions, with a consequential delay in the timing of our revenues.

The risk that the Group fails to secure a market-leading position in emerging markets, with a detrimental effect on future revenue opportunities and profitability.

The risk that alternative products and technologies are developed by our competitors, which threaten our future profitability.

The risk that we are unable to manage our rapid growth profitably, with reduced margins and inefficiencies adversely affecting our future profitability and financial position.

The risk that a material customer defaults on outstanding receivables.

The risk that fluctuations in exchange rates, especially the Euro, give rise to revaluations of assets and liabilities which impact our future profitability; this risk is being addressed by changing the Group's presentation currency to Euros.

The risk that our outsourced electronic manufacturing partners are unable to supply sufficient critical components to meet our end-user demand.

CONDENSED CONSOLIDATED HALF-YEAR INCOME STATEMENT

	Note	Half-year ended			Year ended	
		30 September 2011 £'000 (Unaudited)	1 October 2010 £'000 (Unaudited)	1 April 2011 £'000 (Audited)	1 April 2010 £'000 (Audited)	1 April 2011 £'000 (Audited)
		Before exceptional costs	Exceptional costs	After exceptional costs		
Revenue	3	28,431	-	28,431	31,506	70,481
Cost of sales		(15,555)	-	(15,555)	(17,551)	(37,707)
Gross profit		12,876	-	12,876	13,955	32,774
Selling, marketing and distribution costs		(4,525)	(223)	(4,748)	(4,814)	(9,928)
Research and development costs		(6,396)	(2,567)	(8,963)	(6,163)	(12,843)
Administrative expenses		(3,044)	(389)	(3,433)	(2,656)	(6,181)
Operating profit (loss)		(1,089)	(3,179)	(4,268)	322	3,822
Financial income		8	-	8	18	28
Losses on forward currency contracts		-	-	-	(982)	(1,113)
Financial expense: interest payable		(185)	-	(185)	(122)	(236)
Net financial expense		(177)	-	(177)	(1,086)	(1,321)
Profit (loss) before income tax		(1,266)	(3,179)	(4,445)	(764)	2,501
Income tax credit	6	1,408	827	2,235	1,357	1,659
Profit (loss) for the period attributable to equity holders		142	(2,352)	(2,210)	593	4,160
Earnings (loss) per share (p)						
Basic	7	0.1	(1.6)	(1.5)	0.4	3.0
Diluted	7	0.1	(1.6)	(1.5)	0.4	3.0

The results above relate to continuing operations.

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended		Year ended
	30 September 2011 £'000 (Unaudited)	1 October 2010 £'000 (Unaudited)	1 April 2011 £'000 (Unaudited)
Profit (loss) for the period	(2,210)	593	4,160
Other comprehensive income			
Cash flow hedges, net of taxation	422	-	-
Total comprehensive income (expense) for the period	(1,788)	593	4,160

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 September 2011 (Unaudited)	Share capital £'000	Retained earnings £'000	Total £'000
At 2 April 2011	69	46,083	46,152
Loss for the period	-	(2,210)	(2,210)
Other comprehensive income	-	422	422
Total comprehensive income	-	(1,788)	(1,788)
Transactions with owners			
Excess tax on share option schemes	-	380	380
Employee share option schemes: value of employee services	-	(244)	(244)
Equity dividends paid	-	(1,250)	(1,250)
Total transactions with owners	-	(1,114)	(1,114)
At 30 September 2011	69	43,181	43,250
For the half-year ended 1 October 2010 (Unaudited)			
At 1 April 2010	68	43,193	43,261
Profit / total comprehensive income for the period	-	593	593
Transactions with owners			
Excess tax on share option schemes	-	170	170
Employee share option schemes: value of employee services	-	259	259
Equity dividends paid	-	(1,167)	(1,167)
Issue of shares	1	-	1
Total transactions with owners	1	(738)	(737)
At 1 October 2010	69	43,048	43,117

CONDENSED CONSOLIDATED HALF-YEAR BALANCE SHEET

	Note	30 September 2011 £'000 (Unaudited)	1 October 2010 £'000 (Unaudited)	1 April 2011 £'000 (Audited)
Assets				
Non-current assets				
Intangible assets	9	24,028	25,623	26,036
Property, plant and equipment	9	3,185	2,818	3,097
Deferred tax asset		5,903	3,407	3,415
Total non-current assets		33,116	31,848	32,548
Current assets				
Inventories		13,567	7,760	10,447
Derivative financial instruments		563	-	-
Trade and other receivables		21,579	21,403	25,413
Cash and cash equivalents		1,790	11,276	11,111
Total current assets		37,499	40,439	46,971
Total assets		70,615	72,287	79,519
Liabilities				
Current liabilities				
Borrowings	10	(2,950)	(2,952)	(2,952)
Derivative financial instruments		(9)	(982)	(1,055)
Trade and other payables		(15,893)	(14,818)	(19,959)
Income tax payable		(187)	(132)	(71)
Provisions		(529)	(414)	(478)
Total current liabilities		(19,568)	(19,298)	(24,515)
Non-current liabilities				
Borrowings	10	-	(2,950)	(1,474)
Trade and other payables		(6,920)	(6,162)	(6,485)
Provisions		(877)	(760)	(893)
Total non-current liabilities		(7,797)	(9,872)	(8,852)
Total liabilities		(27,365)	(29,170)	(33,367)
Net assets		43,250	43,117	46,152
Shareholders' equity				
Ordinary share capital	11	69	69	68
Retained earnings		43,181	43,048	46,083
Total equity		43,250	43,117	46,152

The condensed consolidated financial statements were approved by the Board and authorised for issue on 22 November 2011 and are signed on its behalf by:

John Hughes, CBE
Chairman

Gordon Watling
Chief Executive Officer

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF CASH FLOWS

	Half-year ended 30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Audited)
Profit (loss) before income tax	(4,445)	(764)	2,501
<i>Adjustments for:</i>			
Depreciation charges	465	803	1,225
Amortisation charges	5,557	4,986	10,323
Impairment of intangible assets	1,983	-	-
Loss on disposal of property, plant and equipment	7	-	-
Equity settled share based payment charge (credit)	(244)	259	578
Loss (gain) on derivative financial instruments	(1,046)	1,040	1,113
Financial income	(8)	(18)	(28)
Financial expense	185	122	236
<i>Cash generated from operations before movements in working capital</i>	2,454	6,428	15,948
Increase in inventories	(3,120)	(1,122)	(3,809)
Decrease in trade and other receivables	3,834	12,231	8,221
Decrease in trade and other payables	(3,371)	(6,413)	(1,189)
Increase in provisions	35	41	238
<i>Movements in working capital</i>	(2,622)	4,737	3,461
Cash generated from (consumed by) operations	(168)	11,165	19,409
Income taxes received (paid)	102	(124)	(124)
Net cash generated from (consumed by) operating activities	(66)	11,041	19,285
Cash flow from investing activities			
Interest received	8	18	28
Purchase of property, plant and equipment	(820)	(496)	(937)
Capitalised development costs	(5,378)	(5,303)	(10,786)
Purchase of other intangible assets	(154)	(366)	(633)
Net cash used in investing activities	(6,344)	(6,147)	(12,328)
Cash flow from financing activities			
Repayments of borrowings	(1,500)	(1,500)	(3,000)
Interest paid	(161)	(78)	(188)
Dividends paid to shareholders	8	(1,167)	(1,785)
Issue of share capital	-	1	1
Net cash used in financing activities	(2,911)	(2,744)	(4,972)
Net (decrease) increase in cash and cash equivalents	(9,321)	2,150	1,985
Cash and cash equivalents at the beginning of the period	11,111	9,126	9,126
Cash and cash equivalents at the end of the period	12	1,790	11,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

General information

Sepura plc ("the Company") is a public limited company incorporated and domiciled in England and Wales, whose Ordinary shares of £0.0005 each are traded on the Main Market of the London Stock Exchange. The Company's registered office is Radio House, St Andrew's Road, Cambridge, CB4 1GR, England.

The Company has prepared condensed consolidated financial statements for the period to 30 September 2011, being the nearest Friday to the end of the period. The Company prepares financial statements to the nearest Friday to the period end, aligning external reporting dates with internal reporting periods and in accordance with industry practice.

The condensed consolidated financial statements were approved for issue on 22 November 2011.

The condensed consolidated financial statements do not constitute the statutory accounts of the Company within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 1 April 2011 have been delivered to the Registrar of Companies. The auditors have reported on those accounts and their report was not qualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim financial reporting" as adopted by the European Union. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 1 April 2011, which have been prepared in accordance with IFRS as adopted by the European Union. These condensed consolidated financial statements have been prepared under the same accounting policies and methods of computation as those applied in the preparation of the most recent Annual Report.

The preparation of these condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2011.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 March 2011.

After making due enquiry, and having considered the Group's forecast for the coming year together with outline projections through to 2013 and available bank facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, the going concern basis has been applied in preparing these condensed consolidated financial statements.

With effect from 1 October 2011, the Directors have changed the presentation currency of the Group to Euros. A change in presentation currency is accounted for as a change in accounting policy and will be applied retrospectively, as if the new presentation currency had always been the presentation currency. The impact of this change on the reported results for the Group are set out in Note 16.

Segmental reporting

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. IFRS 8 also sets out the process by which operating segments may be amalgamated into reportable segments because they share the same economic characteristics due to the nature of the products sold, the production processes used and the type of customer for the products. The Company has a single reportable segment, being the design, development and supply of TERrestrial Trunked RAdio ("TETRA") digital mobile radios.

Exceptional items

On 22 June 2011 we announced a restructuring programme to improve efficiency and streamline costs across the business. Non-recurring costs totalled £3.2m, all of which has been recognised during the period. This included £1.2m of cash costs settled during the period in relation to redundancy payments, together with related HR and outsourcing consultancy and legal fees. The remaining £2.0m comprised an impairment charge against our capitalised development costs and associated software. As part of the restructuring we reviewed our portfolio of development projects and identified an alternative, more cost-effective approach to completing some of these projects. The impairment has no cash impact as the associated expenditure had already been incurred.

Adjusted performance measures

The Group presents adjusted figures as key performance measures in addition to those reported under IFRS. These adjusted figures, comprising EBITDA, cash EBITDA and adjusted operating profit, exclude certain non-operational or non-cash items and reflect the underlying trading performance of the Group.

Half-year ended

	30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Unaudited)
Operating profit (loss)	(4,268)	322	3,822
Non-recurring costs	3,179	-	-
Depreciation (see Note 9)	465	803	1,225
Amortisation (see Note 9)	5,557	4,986	10,323
EBITDA	4,933	6,111	15,370
Reversal of capitalised R&D (see Note 9)	(5,378)	(5,303)	(10,786)
Reversal of the IFRS 2 share-option charge	(244)	259	578
Cash EBITDA	(689)	1,067	5,162

Adjusted operating profit (loss) has been calculated as follows:

	Half-year ended 30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Unaudited)
Operating profit (loss)	(4,268)	322	3,822
<i>Adjustments</i>			
Non-recurring costs	3,179	-	-
Reversal of capitalised R&D	(5,378)	(5,303)	(10,786)
Reversal of associated amortisation	5,241	4,629	9,627
Reversal of the IFRS 2 share-option charge	(244)	259	578
Adjusted operating profit (loss)	(1,470)	(93)	3,241

Income tax credit

The income tax credit for the period is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full year. The tax credit for the period is higher than the standard rate of Corporation Tax in the UK, which is 26% (2011: 28%). The differences are explained below:

	Half-year ended 30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Audited)
(Loss) profit before income tax	(4,445)	(764)	2,501
At standard rate of Corporation Tax in the UK	(1,156)	(214)	700
<i>Effects of:</i>			
Research and development enhanced expenditure	(1,359)	(911)	(1,912)
Accelerated capital allowances	16	-	(270)
(Income not taxable) expenses not deductible for tax purposes	24	(71)	54
Effect of overseas tax rates	4	4	7
Employee share options	-	-	(108)
Impact of change in UK tax rate	235	92	203
Adjustment in respect of prior periods	-	(257)	(333)
Total tax credit	(2,235)	(1,357)	(1,659)

Earnings (loss) per share

Basic earnings (loss) per share has been calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares of the Company. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the conversion of all dilutive equity instruments.

	Half-year ended 30 September 2011 (Unaudited)	Half-year ended 1 October 2010 (Unaudited)	Year ended 1 April 2011 (Audited)
Earnings (loss) attributable to ordinary shareholders (£'000)	(2,210)	593	4,160
<i>Number of shares</i>			
Basic weighted average number of shares (000s)	137,319	137,300	137,309
<i>Effect of dilutive securities:</i>			
Employee incentive plans (000s)	-	511	488
Diluted weighted average number of shares (000s)	137,319	137,811	137,797
Basic EPS (p)	(1.6)	0.4	3.0
Diluted EPS (p)	(1.6)	0.4	3.0

The Group presents an adjusted earnings (loss) per share figure which excludes the capitalisation of R&D costs (together with associated amortisation), the IFRS 2 share-option charge and other gains and losses arising on marking open foreign exchange contracts to market value, all net of UK Corporation Tax at the standard rate. This adjusted earnings (loss) per share figure has been based on adjusted basic earnings for each financial period and on the same number of diluted weighted average shares in issue as the GAAP earnings per share calculation above.

	Half-year ended 30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Audited)
Earnings (loss) attributable to ordinary shareholders	(2,210)	593	4,160
<i>Adjustments</i>			
Non-recurring costs	3,179	-	-
Reversal of capitalised R&D	(5,378)	(5,303)	(10,786)
Reversal of associated amortisation	5,241	4,629	9,627
Reversal of the IFRS 2 share-option charge	(244)	259	578
Gains and losses arising on marking open foreign exchange contracts to market value	-	982	1,113
	2,798	567	532
Effect of UK Corporation Tax at 26% (2011: 28%)	(727)	(159)	(149)
Net of UK Corporation Tax at 26% (2011: 28%)	2,071	408	383

Adjusted earnings (loss) attributable to ordinary shareholders	(139)	1,001	4,543
Adjusted diluted EPS (p)	(0.1)	0.7	3.3

Dividends

During the period the Company paid a final dividend in respect of the financial year ended 1 April 2011 of 0.91 pence per Ordinary share, totalling £1,250,000.

An interim dividend for the financial year ending 31 March 2012 of 0.48 pence per Ordinary share has been declared payable by the Company on 5 January 2012 to shareholders on the register at the close of business on 2 December 2011. The declared dividend has not been included as a liability in these condensed consolidated financial statements.

Capital expenditure

Half-year ended 30 September 2011 (Unaudited)	Capitalisation of development costs £'000	Software and similar licences £'000	Total intangible assets £'000	Property, plant and equipment £'000
Net book value at 2 April 2011	24,359	1,677	26,036	3,097
Additions	5,378	154	5,532	560
Disposals	-	-	-	(7)
Amortisation or depreciation charge	(5,241)	(316)	(5,557)	(465)
Impairment	(1,751)	(232)	(1,983)	-
Net book value at 30 September 2011	24,745	1,283	24,028	3,185

Major additions to property, plant and equipment comprised test and IT equipment.

Half-year ended 1 October 2010 (Unaudited)	Capitalisation of development costs £'000	Software and similar licences £'000	Total intangible assets £'000	Property, plant and equipment £'000
Net book value at 1 April 2010	23,200	1,740	24,940	3,205
Additions	5,303	366	5,669	416
Amortisation or depreciation charge	(4,629)	(357)	(4,986)	(803)
Net book value at 1 October 2010	23,874	1,749	25,623	2,818

Year ended 1 April 2011 (Audited)	Capitalisation of development costs £'000	Software and similar licences £'000	Total intangible assets £'000	Property, plant and equipment £'000
Net book value at 1 April 2010	23,200	1,740	24,940	3,205
Additions	10,786	633	11,419	1,117
Amortisation or depreciation charge	(9,627)	(696)	(10,323)	(1,225)
Net book value at 1 April 2011	24,359	1,677	26,036	3,097

Borrowings

On 27 October 2006 the Group entered into a £30,000,000 multi-currency term loan and revolving facilities agreement with a floating interest rate of 1.5% over LIBOR. £15,000,000 was drawn down against the facility on 27 October 2006, and is repayable in 20 equal quarterly instalments which commenced in December 2007. The outstanding capital at 30 September 2011 was £3,000,000 (1 October 2010: £6,000,000; 1 April 2011: £4,500,000), and unamortised issue costs were £50,000 (1 October 2010: £98,000; 1 April 2011: £74,000).

Subsequent to the end of the period the Group terminated this facility, repaid the outstanding balance and entered into a new five year revolving credit facility of up to £18m.

Share capital

There were no changes in the Company's issued share capital during the period and accordingly at the end of the period the Company's issued share capital comprised 137,318,580 Ordinary shares of £0.0005 each (1 October 2010 and 1 April 2011: 137,318,580).

Reconciliation of cash flows to movements in net funds (debt)

	Half-year ended 30 September 2011 £'000 (Unaudited)	Half-year ended 1 October 2010 £'000 (Unaudited)	Year ended 1 April 2011 £'000 (Audited)
Net increase (decrease) in cash and cash equivalents	(9,321)	2,150	1,985
Repayment of borrowings	1,500	1,500	3,000
Changes in net funds resulting from cash flows	(7,821)	3,650	4,985
Amortisation of debt issue costs	(24)	(24)	(48)
Net movements in net funds	(7,845)	3,626	4,937
Net funds at the beginning of the period	6,685	1,748	1,748
Net funds (debt) at the end of the period	(1,160)	5,374	6,685

Net funds (debt) funds comprise:

Cash and cash equivalents	1,790	11,276	11,111
Borrowings	(2,950)	(5,902)	(4,426)

(1,160)	5,374	6,685
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Seasonality

Deliveries during the period reflected the usual weighting towards the second half of the year, which includes the end of the UK and German public sector fiscal years and the corresponding increase in business as customer budgets are confirmed.

Contingent liabilities

The Group has entered into a bank guarantee of €11,000 in respect of premises leased by its subsidiary Sepura Deutschland GmbH, and has entered into a number of guarantee and performance bond arrangements in the normal course of business. The Group is also subject to disputes with suppliers during the ordinary course of business. Provision is made for any amounts that the Directors consider will probably become payable under such arrangements.

Post balance sheet events

There have been no post balance sheet events of any significance other than the refinancing of the Group's credit facility disclosed in Note 10 above.

Presentation currency

With effect from 1 October 2011, the Directors have changed the presentation currency of the Group to Euros. A change in presentation currency is accounted for as a change in accounting policy and will be applied retrospectively, as if the new presentation currency had always been the presentation currency. Consequently, the results for the year ending 30 March 2012 will be presented in Euros, with the results for the year ended 1 April 2011 being restated in Euros. The following condensed consolidated half-year statement of comprehensive income, condensed consolidated half-year balance sheet and condensed consolidated half-year statement of cash flows present the results for the half-years ended 1 October 2010 and 30 September 2011 and the year ended 1 April 2011 as if the Euro had been the presentation currency, using average monthly exchange rates for income and expenses and the closing rate at each reporting date, with the resulting exchange differences being recognised within equity.

CONDENSED CONSOLIDATED HALF-YEAR INCOME STATEMENT

	Half-year ended 30 September 2011 €'000 (Unaudited)	Half-year ended 1 October 2010 €'000 (Unaudited)	Year ended 1 April 2011 €'000 (Unaudited)
Revenue	32,454	37,182	82,298
Cost of sales	(17,752)	(20,725)	(44,065)
Gross profit	14,702	16,457	38,233
Selling, marketing and distribution costs	(5,142)	(5,685)	(11,636)
Research and development costs	(7,261)	(7,298)	(15,084)
Administrative expenses	(3,460)	(3,116)	(7,217)
Operating profit (loss)	(1,162)	358	4,296
Non-recurring costs	(3,662)	-	-
Financial income	10	21	33
Losses on forward currency contracts	-	(1,150)	(1,291)
Financial expense: interest payable	(210)	(144)	(277)
Net financial expense	(200)	(1,273)	(1,535)
Profit (loss) before income tax	(5,024)	(915)	2,761
Income tax credit	2,526	1,603	1,984
Profit (loss) / for the period attributable to equity holders	(2,497)	688	4,745

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended		Year ended
	30 September 2011 €'000 (Unaudited)	1 October 2010 €'000 (Unaudited)	1 April 2011 €'000 (Unaudited)
Profit (loss) for the period	(2,497)	688	4,745
Other comprehensive income			
Exchange translation	1,347	-	-
Cash flow hedges, net of taxation	477	-	-
Total comprehensive income (expense) for the period	(673)	688	4,745

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 September 2011 (Unaudited)	Share capital €'000	Retained earnings €'000	Total €'000
At 2 April 2011	80	52,074	52,152
Loss for the period	-	(2,497)	(2,497)
Other comprehensive income	-	1,824	1,824
Total comprehensive income (expense)	-	(673)	(2,020)
Transactions with owners			
Excess tax on share option schemes	-	441	441
Employee share option schemes: value of employee services	-	(275)	(275)
Equity dividends paid	-	(1,428)	(1,428)
Total transactions with owners	-	(1,262)	(1,262)
At 30 September 2011	80	50,139	50,219

ADJUSTED OPERATING PROFIT

Adjusted operating profit (loss) has been calculated as follows:

	Half-year ended 30 September 2011 €'000 (Unaudited)	Half-year ended 1 October 2010 €'000 (Unaudited)	Year ended 1 April 2011 €'000 (Unaudited)
Operating profit (loss)	(4,824)	358	4,296
<i>Adjustments</i>			
Non-recurring costs	3,662	-	-
Reversal of capitalised R&D	(6,118)	(6,272)	(12,662)
Reversal of associated amortisation	5,956	5,478	11,302
Reversal of the IFRS 2 share-option charge	(275)	307	679
Adjusted operating profit (loss)	(1,599)	(129)	3,615

CONDENSED CONSOLIDATED HALF-YEAR BALANCE SHEET

	30 September 2011 €'000 (Unaudited)	1 October 2010 €'000 (Unaudited)	1 April 2011 €'000 (Unaudited)
Assets			
Non-current assets			
Intangible assets	27,899	29,569	29,421
Property, plant and equipment	3,698	3,252	3,500
Deferred tax asset	6,854	3,932	3,859
Total non-current assets	38,451	36,753	36,780
Current assets			
Inventories	15,753	8,955	11,805
Derivative financial instruments	25,055	24,699	28,717
Trade and other receivables	654	-	-
Cash and cash equivalents	2,078	13,013	12,555
Total current assets	43,540	46,667	53,077
Total assets	81,991	83,420	89,857
Liabilities			
Current liabilities			
Borrowings	(3,425)	(3,407)	(3,336)
Derivative financial instruments	(10)	(1,133)	(1,192)
Trade and other payables	(18,453)	(17,100)	(22,554)
Income tax payable	(217)	(152)	(80)
Provisions	(614)	(478)	(540)
Total current liabilities	(22,719)	(22,270)	(27,702)
Non-current liabilities			
Borrowings	-	(3,404)	(1,666)
Trade and other payables	(8,035)	(7,111)	(7,328)
Provisions	(1,018)	(877)	(1,009)
Total non-current liabilities	(9,053)	(11,392)	(10,003)
Total liabilities	(31,772)	(33,662)	(37,705)
Net assets	50,219	49,758	52,152
Shareholders' equity			
Ordinary share capital	80	80	78
Retained earnings	50,139	49,678	52,074
Total equity	50,219	49,758	52,152

CONDENSED CONSOLIDATED HALF-YEAR STATEMENT OF CASH FLOWS

	Half-year ended 30 September 2011 €'000 (Unaudited)	Half-year ended 1 October 2010 €'000 (Unaudited)	Year ended 1 April 2011 €'000 (Unaudited)
Profit (loss) before income tax	(5,024)	(915)	2,761
<i>Adjustments for:</i>			
Depreciation charges	518	950	1,447
Amortisation charges	6,193	5,899	12,120
Impairment of intangible assets	2,261	-	-
Loss on disposal of property, plant and equipment	8	-	-
Equity settled share based payment charge	(275)	307	679
Loss (gain) on derivative financial instruments	(1,182)	1,219	1,290
Financial income	(9)	(21)	(33)
Financial expense	210	144	277
<i>Cash generated from operations before movements in working capital</i>	2,700	7,583	18,541
Increase in inventories	(3,502)	(1,370)	(4,638)
Decrease in trade and other receivables	4,217	14,765	10,427
Decrease in trade and other payables	(3,708)	(7,490)	(1,417)
Increase in provisions	40	50	277
<i>Movements in working capital</i>	(2,953)	5,955	4,649
Cash generated from (consumed by) operations	(253)	13,538	23,190
Income taxes received (paid)	117	(145)	(145)
Net cash generated from (consumed by) operating activities	(137)	13,393	23,045
Cash flow from investing activities			
Interest received	9	21	33
Purchase of property, plant and equipment	(933)	(589)	(1,089)
Capitalised development costs	(6,118)	(6,272)	(12,662)
Purchase of other intangible assets	(175)	(427)	(734)
Net cash used in investing activities	(7,217)	(7,267)	(14,452)
Cash flow from financing activities			
Repayments of borrowings	(1,741)	(1,785)	(3,545)
Interest paid	(209)	(92)	(221)
Dividends paid to shareholders	(1,430)	(1,416)	(2,146)
Issue of share capital	-	1	1
Net cash used in financing activities	(3,380)	(3,292)	(5,911)
Net (decrease) increase in cash and cash equivalents	(10,734)	2,834	2,682
Cash and cash equivalents at the beginning of the period	12,555	10,221	10,221
Foreign exchange	257	(42)	(348)
Cash and cash equivalents at the end of the period	2,078	13,013	12,555

STATEMENT OF DIRECTORS' RESPONSIBILITIES

A copy of the condensed consolidated financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of information on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

This condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union;

The interim management report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remainder of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any material changes in the related party transactions described in the last Annual Report.

The Directors of the Group are listed in the Group's Annual Report for the year ended 1 April 2011 with the exception of the following changes after the end of the period: Paul Goodridge resigned on 3 October 2011. A list of the current directors is maintained on the Sepura website: www.sepura.com.

By order of the Board,

John Hughes, CBE
Chairman

Gordon Watling
Chief Executive Officer

22 November 2011

INDEPENDENT REVIEW REPORT TO SEPURA PLC

INTRODUCTION

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2011, which comprises the condensed consolidated half-year income statement, the condensed consolidated half-year statement of comprehensive income, condensed consolidated half-year statement of changes in equity, condensed consolidated half-year balance sheet, condensed consolidated half-year statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants

Cambridge

22 November 2011

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