



CML Microsystems Plc

Interim Statement for
the half year ended
30th September 2006

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Chairman's Statement

As advised with my AGM Statement in August, the Group's trading results for the opening half are significantly down against those for the comparable period the year earlier.

Group revenues for the six month period ending 30 September 2006 show a decline of 34% to £9.46m (2005: £14.24m) and a corresponding loss is recorded of £0.8m against the prior-year first-half profit of £1.4m.

Despite good progress within the Americas, and with products for the Group's historic market areas, it has not been possible to offset the revenue loss created by the severe reduction in product shipments to a key Memory Card Controller customer during the period. Any confidence that this reduction would be of a short-term nature has been dispelled by their recently announced decision to exit the Flash Memory market area where the Group's Hyperstone products were used.

In product markets generally, good progress is being achieved through the Group's strategy of expanding product integration, reducing time to market and improving commercial competitiveness. Product R&D expenditure remains strongly focussed on this area.

We are seeing increased customer design-in activity as the result of higher integration of features in our range of Wireline Modems for data communication, and customers are entering production phase for Two-Way Radio equipments based on our proprietary FirmASIC technology. The Group's new high performance RF (Radio Frequency) product for professional digital radio applications has begun deliveries.

New product developments in the Memory Controller and Programmable Platform areas have experienced difficulties and delays that have impacted product introduction and customer adoption. As a result, it is unlikely that key product introductions now expected in the coming months will deliver revenue benefit in the current financial year, and consequently second-half losses will be materially above those recorded in the first-half. Your Board is taking steps to improve the Group's performance in this area.

I will not conceal my disappointment with these results and the present outlook for the second half, but I balance the causes and the performance strengths of your Company to expect a return to profitability reasonably soon thereafter.

G. W. Gurry
Chairman

21st November 2006

CML Microsystems Plc
Consolidated Income Statement

	6 Months End 30/09/06 £'000	<i>6 Months End</i> <i>30/09/05</i> <i>£'000</i>	12 Months End 31/03/06 £'000
Continuing Operations			
Revenue	9,460	14,240	26,333
Cost of sales	(3,455)	(6,292)	(10,473)
Gross Profit	<u>6,005</u>	<u>7,948</u>	<u>15,860</u>
Distribution and administration costs	(7,149)	(6,632)	(13,409)
	<u>(1,144)</u>	<u>1,316</u>	<u>2,451</u>
Other operating income	374	156	472
Operating (loss)/profit before adjustments	<u>(770)</u>	<u>1,472</u>	<u>2,923</u>
Share based payments	(40)	(40)	(79)
Operating (loss)/profit after adjustments	<u>(810)</u>	<u>1,432</u>	<u>2,844</u>
Revaluation of investment properties	-	-	695
Finance cost	(110)	(112)	(233)
Finance income	88	96	180
(Loss)/profit before tax	<u>(832)</u>	<u>1,416</u>	<u>3,486</u>
Income Tax	100	(250)	(853)
(Loss)/profit for the period attributable to equity shareholders	<u>(732)</u>	<u>1,166</u>	<u>2,633</u>
(Loss)/earnings per share			
Basic	<u>(4.90p)</u>	<u>7.83p</u>	<u>17.68p</u>
Diluted	<u>(4.90p)</u>	<u>7.77p</u>	<u>17.66p</u>

Statement of Recognised Income and Expense

	6 Months End 30/09/06 £'000	<i>6 Months</i> <i>End 30/09/05</i> <i>£'000</i>	12 Months End 31/03/06 £'000
(Loss)/profit for the period	(732)	1,166	2,633
Foreign exchange differences	(261)	187	350
Actuarial gain	-	-	222
Income tax on actuarial gain	-	-	(67)
Recognised gains and losses relating to the period	<u>(993)</u>	<u>1,353</u>	<u>3,138</u>

CML Microsystems Plc
Consolidated Balance Sheet

	30/09/06	30/09/05	31/03/06
	£'000	£'000	£'000
Assets			
Non current assets			
Tangible assets - Property, plant and equipment	7,084	7,205	7,256
Tangible assets - Investment properties	3,845	3,150	3,845
Intangible assets - Research & development	6,789	5,396	6,133
Intangible assets - Goodwill on consolidation	3,512	3,512	3,512
Deferred tax asset	1,159	1,583	1,165
	<u>22,389</u>	<u>20,846</u>	<u>21,911</u>
Current assets			
Inventories	1,766	1,944	2,233
Trade receivables and prepayments	3,985	5,310	5,436
Cash and cash equivalents	3,978	7,413	5,708
	<u>9,729</u>	<u>14,667</u>	<u>13,377</u>
Total assets	<u>32,118</u>	<u>35,513</u>	<u>35,288</u>
Liabilities			
Current liabilities			
Bank loans and overdrafts	4,000	4,000	4,000
Trade and other payables	2,826	5,293	3,297
Current tax liabilities	302	413	365
	<u>7,128</u>	<u>9,706</u>	<u>7,662</u>
Non current liabilities			
Deferred tax liabilities	3,135	2,624	3,159
Provisions	52	319	147
Retirement benefit obligations	3,135	3,504	3,135
	<u>6,322</u>	<u>6,447</u>	<u>6,441</u>
Total liabilities	<u>13,450</u>	<u>16,153</u>	<u>14,103</u>
Net Assets	<u>18,668</u>	<u>19,360</u>	<u>21,185</u>
Equity			
Share capital	747	745	745
Convertible warrants	-	120	120
Capital reserves	4,148	4,039	4,039
Share based payments	202	122	162
Foreign exchange differences	49	147	310
Accumulated profits	13,522	14,187	15,809
Shareholders' equity	<u>18,668</u>	<u>19,360</u>	<u>21,185</u>

CML Microsystems Plc
Consolidated Cash Flow Statement

	6 Months End 30/09/06 £'000	6 Months End 30/09/05 £'000	12 Months End 31/03/06 £'000
Operating activities			
Net (loss)/profit for the period before income taxes	(832)	1,416	3,486
Adjustments for:			
Revaluation of investment properties	-	-	(695)
Depreciation	377	295	666
Movement in pension deficit	-	-	(147)
Amortisation of research and development	1,895	1,730	4,005
Share based payments	40	40	79
Exceptional restructuring costs	(95)	-	(273)
Interest expense	110	112	233
Interest income	(88)	(96)	(180)
Increase/(decrease) in working capital	1,159	(537)	(2,533)
Cash flows from operating activities	2,566	2,960	4,641
Income tax refunded	334	99	69
Net cash flows from operating activities	2,900	3,059	4,710
Investing activities			
Purchase of tangible fixed assets	(281)	(305)	(722)
Investment in intangible assets	(2,605)	(2,049)	(5,063)
Disposals of tangible fixed assets	32	4	19
Interest income	88	96	180
Net cash flows from investing activities	(2,766)	(2,254)	(5,586)
Financing activities			
Issue of ordinary shares	-	32	32
Repayment of bank loan	-	(378)	(377)
Dividends paid to group shareholders	(1,564)	(1,563)	(1,563)
Interest expense	(110)	(112)	(233)
Net cash flows from financing activities	(1,674)	(2,021)	(2,141)
Decrease in cash and cash equivalents	(1,540)	(1,216)	(3,017)
Movement in cash and cash equivalents:			
At start of period	5,708	8,449	8,449
Decrease	(1,540)	(1,216)	(3,017)
Effects of exchange rate changes	(190)	180	276
At end of period	3,978	7,413	5,708

CML Microsystems Plc
Consolidated Statement of Changes in Equity

	Share capital	Convertible warrants	Capital reserve	Share based payments	Foreign exchange differences	Accumulated profits	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1st April 2005	744	120	4,008	82	(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
At 30th September 2005	745	120	4,039	122	147	14,187	19,360
Foreign exchange differences					163		163
Net actuarial gains recognised directly to equity						222	222
Deferred tax on actuarial gains						(67)	(67)
Profit for period						1,467	1,467
Share based payments				40			40
At 31st March 2006	745	120	4,039	162	310	15,809	21,185
Shares issued	2	(120)	109			9	-
Foreign exchange differences					(261)		(261)
Dividends paid						(1,564)	(1,564)
Loss for period						(732)	(732)
Share based payments				40			40
At 30th September 2006	747	-	4,148	202	49	13,522	18,668

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Notes

1. Presentation of results

The directors approved this Interim Statement on 20th November 2006.

The financial information contained in this Interim Statement has been prepared using International Financial Reporting Standards. The accounting policies used in preparation of the Interim Statement are the same accounting policies set out in the year ended 31st March 2006 financial statements. 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 2006 is based on the statutory accounts for the financial year ended 31st March 2006 that have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion. The auditors report on those accounts did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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. Deferred taxation is not reassessed at the interim stage.

	6 Months End 30/09/06 £'000	6 Months End 30/09/05 £'000	12 Months End 31/03/06 £'000
UK income tax	-	172	474
Overseas income tax	100	(422)	(452)
Total current tax	100	(250)	22
Deferred tax	-	-	(875)
Reported income tax	100	(250)	(853)

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:

	Ordinary 5p shares	
	Weighted Average Number	Diluted Number
6 months ended 30 th September 2006	14,919,839	14,919,839
6 months ended 30 th September 2005	14,891,212	15,004,914
12 months ended 31 st March 2006	14,892,052	14,904,918

The calculation for diluted earnings per share takes into consideration 721,630 of shares under option at 30th September 2006.

5. Retirement benefit obligations

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