CML Microsystems Plc

Annual Results Announcement for the year ended 31st March 2009

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Chairman's Statement

Introduction
The results posted for the full trading year ending 31 March 2009 reflect a continuation throughout the second half of the depressed trading conditions reported in the Group's marketplaces at the interim stage.

As anticipated with my concluding comments in the Interim Statement, conditions throughout the remaining months of the year remained challenging and a clear reduction in half on half performance was recorded.

Results
Details of the results are reported in the Operating and Financial Review. In summary, these show that Group revenues for the year posted a 6% decline to £16.09m (2008: £17.10m) and gross margin was 5% lower at 63% (2008: 68%). The lower gross margin results to some extent from variations in product sales mix.

An increased loss before tax of £2.09m (2008: £1.73m loss) is consequent to an accounting rules gain and the positive movement of exchange rates during the period, in all totalling approximately £1m. If this gain is discounted the loss is broadly in line with market expectations for the year.

The reported loss per ordinary share is 14.29p (2008: 4.13p loss per share).

Dividend
Your directors have given consideration to the savings expected from cost reduction measures that the Group has already and continues to implement, together with the funding of operational plans to increase its performance in the difficult circumstances that presently exist.

They conclude that payment of a dividend would not be an appropriate use of resources at this present time. The directors therefore do not recommend payment of a dividend for the year ending 31 March 2009.

Property
The UK freehold properties that the Group had earlier placed on the market have been withdrawn from sale pending an improvement in commercial property values.

Prospects
The breadth and duration of the markets slowdown has exceeded the expectations I had when reporting to you at the interim stage.

Sales levels in the opening months of the current year show no improvement over those of the preceding months, but the Group's product, marketing and business activities remain rightly focussed towards the growth opportunities identified as conditions improve.

I have confidence in your Group's ability to achieve a future return to growth.

G W Gurry
Chairman 15th June 2009

Operating and Financial Review

Overview

During the year to 31 March 2009 the particularly adverse global market environment that commenced towards the end of the first-half impacted trading.

Internal progress was made with our product development strategy for driving sustainable business growth but prevailing market and customer conditions prevented that progress from driving an annual revenue improvement.

Operational cost efficiencies were receiving management focus prior to the start of the financial year and that process escalated during the second-half culminating in a significant reduction in employee levels. These reductions affected the majority of our trading subsidiaries whilst particular emphasis was placed on maintaining the resources required to ultimately achieve sustained growth within our chosen market areas. All costs associated with this exercise were realised prior to the year-end and are contained within these financial results.

The uncertain outlook, low visibility and soft trading conditions reported in recent management statements continued through to the end of the period under review.

Financial results

Group revenues for the year ended 31 March 2009 were £16.09m reflecting a 6% decrease over the comparable period (2008: £17.10m). The majority of customer transactions were in US dollars and the strengthening of the dollar against sterling through the year made a positive contribution.

Gross margin fell to 63% (2008: 68%) largely as a result of product mix and a reduced gross profit of £10.20m was recorded for the full year (2008: £11.71m). Reported distribution and administration expenses improved to £12.47m (2008: £13.67m) assisted by lower amortisation costs and an unrealised gain of £507k relating to an inter-group loan.

Net finance costs amounted to £218k (2008: £144k).

The revenue reduction and margin loss were the largest contributing factors to the group posting an increased loss before tax of £2.09m (2008: £1.73m loss).

Continued tight management of the Group's cash resources led to a reduced outflow of £0.69m (2008: £2.12m) for the year. Cash balances stood at £2.19m at the 31 March 2009.

A decrease in both raw materials and finished goods saw inventory levels fall to £1.37m (2008: £1.75m). This, coupled with lower revenues, resulted in a working capital reduction of £132k. Capital expenditure was £66k (2008: £358k)

The Group does not enter into hedging arrangements in respect of foreign currency exposure although a partial natural hedge exists due to the majority of raw material purchases and the majority of customer transactions being denominated in US dollars. Although this affords some protection, our largest cost centres are located in the UK and Germany resulting in substantial exposure to foreign currency fluctuations.

The tax expense within the income statement of £47k (2008: £1.11m credit) includes a charge of £392k in respect of the government enacting the proposal to withdraw Industrial Buildings Allowances. This event was fully anticipated and highlighted within the 2008 Annual Report and Accounts.

The Group continued to benefit from the focus on leveraging internal engineering resources across multiple product and market segments at the expense of external development resources, where appropriate. Several key new product releases were made during the year whilst development expenses remained flat at £3.97m (2008: £3.95m).

The effect on the income statement of accounting for pensions under IAS 19 was to increase the administration costs by £391k (2008: decrease of £259k) and to increase the finance income by £72k (2008: £96k). The retirement benefit obligation liability under IAS 19 grew to £1.99m compared to a surplus of £459k at the 31st March 2008.

After careful consideration, and with effect from 31 March 2009, the Company took the decision to close the UK defined benefit pension scheme in respect of future benefit accruals. The scheme had already closed to new entrants some years earlier but, after receiving the latest triennial valuation from the scheme actuary, it became clear that it continued to represent a significant and unpredictable future financial exposure. The Company intends to continue making payments into the scheme in respect of accrued liabilities and has agreed a multi-year payment plan with the trustees. All affected employees were offered the chance to join an existing Group Money Purchase Scheme.

MARKETS REVIEW

Wireless

Revenues from the sale of semiconductors into the wireless market were flat year-on-year with the majority coming from the Far East and European regions. Customer products through the period included military, professional and leisure two-way radios, paging devices and narrowband wireless data modems. Our integrated circuits (IC's) performed a number of functions within each of these products including signal processing, voice privacy and radio frequency (RF) transmission and reception.

Growth was recorded in the contribution made from those products built on our proprietary FirmASIC technology and the RF product family expanded to include a high-performance IQ modulator along with a flexible quadrature receiver chip. Initial customer programs with these products are encouraging and support the underlying strategy to expand the CML silicon footprint within each customer's end product.

Revenues from the low-cost analogue radio market were subdued as customers chose to suspend the release of new products in response to the general market conditions. Semiconductor shipments into China for public utility telemetry and marine electronics applications continued to perform slightly ahead of expectations. Overall, the wireless segment proved to be quite resilient through the year.

Storage

The prominent applications for our semiconductors within this market during the year were inclusion within removable memory cards and solid-state drive products in varying form factors. Customer products containing our IC's were typically used as an alternative to magnetic storage media in commercial and industrial application areas that demand high-reliability under arduous operating conditions.

Percentage revenue growth in this segment was close to double-digits with the Far East and Europe performing particularly well. The growth came from a combination of historic and new customers. Throughout the particular sub-segments of the storage market where the Group is active, we continued to enhance our reputation in relation to product quality, performance and customer service levels. A growing list of major international organisations built their products on our proprietary technology

Telecom

The sale of semiconductors into the telecom segment fell significantly for the second consecutive year and was the main contributor to the overall reduction in Group revenues. Whilst all geographic regions posted a reduction, the fall in demand from specific North American security applications was the single biggest factor. Despite this disappointing performance, the product range remained both price and performance competitive for the target markets and several new customer design-wins were achieved.

Networking

Revenue contributions from the networking segment were slightly down against the prior year and remain at relatively low-levels. Development of the support tools required to successfully market the product range reached the stage for promotional activities to commence.

Equipment

The Group's equipment division, Radio Data Technology Ltd, suffered a reduction in revenues to £980k (2008: £1.13m) as a direct result of the economic conditions in the UK delaying the placement of commercial orders for CCTV transmission equipment. A focused product development plan was initiated and is expected to drive global growth as conditions improve.

Across all market areas during the year, no customer accounted for more than 10% of Group revenues and only one customer accounted for more than 5%.

SUMMARY & OUTLOOK

The year under review was a difficult one. Despite a reasonable performance during the opening few months, global events that commenced towards the end of the first half impaired our ability to post a trading improvement fur the full year. Whilst I am encouraged by the resilience exhibited within the wireless segment and the growth delivered from storage products, forward visibility remains low and directly affects our ability to anticipate the timing of any upturn in the markets.

We enter the 2009/10 financial year with a cost base better aligned to recent revenue levels and remain hopeful that general market conditions improve to facilitate a return to profitability at the earliest opportunity.

The Board continues to have confidence in the medium term outlook and considers that actions taken through the year will ultimately deliver positive results. The strategic and operational focus continues to be on achieving sustainable growth as conditions improve.

The Company has now been in existence for 40 years and the success achieved during that time has been fundamentally built on the quality, dedication and support of the Group’s past and present employees worldwide. On behalf of the Board, I would like to extend our sincere thanks for their loyal support and effort throughout the year.

C A Gurry
Managing Director

15th June 2009

CML Microsystems Plc
Condensed Consolidated Income Statement

Continuing operations	Unaudited Year end 31st March 2009 £'000	Audited Year end 31st March 2008 £'000
Revenue	16,089	17,098
Cost of sales	(5,887)	(5,393)
Gross Profit	10,202	11,705
Distribution and administration costs	(12,466)	(13,671)
	(2,264)	(1,966)
Other operating income	489	430
Loss before share based payments	(1,775)	(1,536)
Share based payments	(101)	(48)
Loss after share based payments	(1,876)	(1,584)
Revaluation of investment properties	5	-
Finance costs	(333)	(334)
Finance income	115	190
Loss before taxation	(2,089)	(1,728)
Income tax (expense)/credit	(47)	1,111
Loss after taxation attributable to equity holders of the Company	(2,136)	(617)
Loss per share		
Basic	(14.29)p	(4.13)p
Diluted	(14.29)p	(4.13)p

Condensed Statement of Recognised Income and Expense

	Unaudited Year end 31st March 2009 £'000	Audited Year end 31st March 2008 £'000
Loss for the year	(2,136)	(617)
Foreign exchange differences	397	82
Actuarial (loss)/gain	(1,671)	1,934
Income tax on actuarial (loss)/gain	507	(580)
Net (loss)/income for the year directly recognised in equity	(767)	1,436
Recognised (losses) and gains relating to the year attributable to equity holders of the Company	(2,903)	819

CML Microsystems Plc
Condensed Consolidated Balance Sheet

	Unaudited 31st March 2009 £'000	Audited 31st March 2008 £'000
Assets		
Non current assets		
Property, plant and equipment	5,931	6,261
Investment properties	3,850	415
Development costs	5,192	5,341
Goodwill	3,512	3,512
Deferred tax asset	2,019	1,290
	20,504	16,819
Current assets		
Inventories	1,366	1,745
Trade receivables and prepayments	2,504	2,535
Current tax assets	355	410
Cash and cash equivalents	2,192	1,891
	6,417	6,581
Non current assets classified as held for sale - property	468	3,770
Total assets	27,389	27,170
Liabilities		
Current liabilities		
Bank loans and overdrafts	6,062	5,075
Trade and other payables	2,069	2,320
Current tax liabilities	15	54
	8,146	7,449
Non current liabilities		
Deferred tax liabilities	2,459	2,125
Retirement benefit obligation	1,990	-
	4,449	2,125
Total liabilities	12,595	9,574
Net Assets	**14,794**	**17,596**
Capital and reserves attributable to equity holders of the Company		
Share capital	747	747
Share premium	4,148	4,148
Share based payments reserve	151	50
Foreign exchange reserve	443	46
Accumulated profits	9,305	12,605
Shareholders' equity	**14,794**	**17,596**

CML Microsystems Plc
Condensed Consolidated Cash Flow Statement

	Unaudited Year end 31st March 2009 £'000	Audited Year end 31st March 2008 £'000
Operating activities		
Net loss for the year before income taxes	(2,089)	(1,728)
Adjustments for:		
Depreciation	437	579
Amortisation of development costs	4,183	4,684
Movement in pensions deficit	319	(355)
Share based payments	101	48
Interest expense	333	334
Interest income	(115)	(190)
Decrease in working capital	132	440
Cash flows from operating activities	3,301	3,812
Income tax refunded/(paid)	225	(747)
Net cash flows from operating activities	3,526	3,065
Investing activities		
Purchase of property, plant and equipment	(66)	(358)
Investment in development costs	(3,969)	(3,952)
Disposals of property, plant and equipment	38	13
Interest income	115	190
Net cash flows from investing activities	(3,882)	(4,107)
Financing activities		
Increase in short term borrowings	987	1,075
Dividends paid	-	(747)
Interest expense	(333)	(334)
Net cash flows from financing activities	654	(6)
Increase/(decrease) in cash and cash equivalents	298	(1,048)
Movement in cash and cash equivalents:		
At start of year	1,891	3,000
Increase/(decrease) in cash and cash equivalents	298	(1,048)
Effects of exchange rate changes	3	(61)
At end of year	2,192	1,891

CML Microsystems Plc
Condensed Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Share Based Payments £'000	Foreign Exchange Reserve £'000	Accumulated Profits £'000	Total £'000
At 1st April 2007 Audited	**747**	**4,148**	**238**	**(36)**	**12,379**	**17,476**
Foreign Exchange differences				82		82
Net actuarial gains recognised directly to equity					1,934	1,934
Deferred tax on actuarial gains					(580)	(580)
Loss for year					(617)	(617)
	747	4,148	238	46	13,116	18,295
Dividends paid					(747)	(747)
Share based payments transferred on cancellation			(236)		236	-
Share based payments			48			48
At 1st April 2008 Unaudited	**747**	**4,148**	**50**	**46**	**12,605**	**17,596**
Foreign Exchange differences				397		397
Net actuarial losses recognised directly to equity					(1,671)	(1,671)
Deferred tax on actuarial losses					507	507
Loss for year					(2,136)	(2,136)
	747	4,148	50	443	9,305	14,693
Dividends paid						
Share based payments in year			101			101
Share based payments transferred on cancellation						
At 31st March 2009	**747**	**4,148**	**151**	**443**	**9,305**	**14,794**

CML Microsystems Plc
Notes to the financial statements

1. Segmental Analysis

Primary - Business

	Unaudited 2009			Audited 2008		
	Equipment	Semi-conductor components	Group	Equipment	Semi-conductor components	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
By origination	979	20,928	21,907	1,130	22,474	23,604
Inter-segmental revenue	-	(5,818)	(5,818)	-	(6,506)	(6,506)
Segmental revenue	979	15,110	16,089	1,130	15,968	17,098
(Loss)/Profit						
Segmental results	54	(1,930)	(1,876)	178	(1,762)	(1,584)
Net financial income/(expense)			(218)			(144)
Revaluation of investment properties			5			-
Income tax			(47)			1,111
Loss after taxation			(2,136)			(617)
Assets and Liabilities						
Segmental assets	686	20,012	20,698	708	20,578	21,286
Unallocated corporate assets						
Investment property			4,317			4,184
Deferred taxation			2,019			1,290
Current tax receivable			355			410
Consolidated total assets			27,389			27,170
Segmental liabilities	51	2,018	2,069	93	2,227	2,320
Unallocated corporate liabilities						
Deferred taxation			2,459			2,125
Current tax liability			15			54
Bank loans and overdrafts			6,062			5,075
Retirement benefit obligation			1,990			-
Consolidated total liabilities			12,595			9,574
Other segmental information						
Property plant and Equipment additions	30	36	66	2	356	358
Development cost additions	74	3,895	3,969	72	3,880	3,952
Depreciation	16	421	437	16	563	579
Amortisation	73	4,110	4,183	73	4,611	4,684
Other significant non cash expenses	-	391	391	-	54	54

Inter-segmental transfers or transactions are entered into under commercial terms and conditions appropriate to the location of the entity whilst considering that the parties are related.

2. Dividend paid and proposed - Final

Declared and paid during the period

Equity dividends paid on 5p ordinary shares	Unaudited 2009 £'000	Audited 2008 £'000
5p per share dividend for year ended 31 March 2007	-	747

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2009.

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.

	Unaudited 2009 £'000	Audited 2008 £'000
UK income tax	(305)	(364)
Overseas income tax	114	329
Total current tax	191	(35)
Deferred tax	(238)	(1,076)
Reported income tax charge/(credit)	47	(1,111)

4. Loss per share

The calculation of basic earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The share options are not expected to have a dilutive effect on the loss per share as the likelihood of exercise is low given the recent share price movements.

	Ordinary 5p shares	
	Weighted Average Number	Diluted Number
12 months ended 31 March 2009 (unaudited)	14,947,626	14,947,626
12 months ended 31 March 2008 (audited)	14,933,733	14,933,733

5. Investment Properties

Investment properties are revalued at each discrete period end by the directors and every third year by independent Chartered Surveyors on an existing use open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. At the 31st March 2009 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis.

6. Analysis of cash flow movement in net debt

	Net debt at 1st April 2008 £'000	Cash Flow £'000	Exchange Movement £'000	Net debts at 31st March 2009 £'000
Cash and Cash equivalents	1,891	298	3	2,192
Bank loans and overdrafts	(5,075)	(987)	-	(6,062)
	(3,184)	(689)	3	(3,870)

7. Principal risks and uncertainties

Key risks of a financial nature

The principal risks and uncertainties facing the Group are with foreign currencies and customer dependency. With the majority of the Group's earnings being linked to the US Dollar a decline in this currency will have a direct effect on revenue, although since the majority of the cost of sales are also linked to the US Dollar, this risk is reduced at the gross profit line. Additionally, though the Group has a very diverse customer base in certain market segments, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored, however changes in buying patterns of a key customer could have an adverse effect on the Group's performance.

7. Principal risks and uncertainties (continued)

Key risks of non-financial nature

The Group is a small player operating in a highly competitive global market, which is undergoing continual and geographical change. The Group's ability to respond to many competitive factors including, but not limited to pricing, technological innovations, product quality, customer service, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the demand for its customers' products since the Group is a component supplier.

A substantial proportion of the Group's revenue and earnings are derived from outside the UK and so the Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

8. Directors' statement pursuant to the Disclosure and Transparency Rules

The directors confirm that, to the best of their knowledge:

a. the condensed financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit/(loss) of the company and the undertakings included in the consolidation taken as a whole; and

b. the Chairman's Statement and Operating and Financial Review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face. .

The directors are also responsible for the maintenance and integrity of the CML Microsystems Plc website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

9. General

The directors approved this Annual Results announcement on 15th June 2009.

The results for the year have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and the accounting policies as set out in the most recently published financial statements with no new accounting policies.

The audited financial information for the year ended 31st March 2008 is based on the statutory accounts for the financial year ended 31st March 2008 that have been filed with the Registrar of Companies. The auditors reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31st March 2009 will be filed in due course.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31st March 2009 or 2008 as defined by Section 240 of the Companies Act 1985.

CML Microsystems Plc

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