

**CML Microsystems Plc**

# delivering innovative semiconductor solutions

CML Microsystems Plc  
Half Yearly Financial Report 2013

# Introduction

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**CML** Microsystems Plc designs, manufactures and markets a range of semiconductors for global industrial, professional and consumer applications within the wireless communications, storage and wireline communications market areas. Founded in 1968, CML now operates internationally with subsidiaries across the UK, the USA, Germany, Singapore and Taiwan.

We develop innovative semiconductor solutions for our customers, enabling them to produce world-class products. By focusing on sub-markets where applications have significant expertise barriers to entry alongside offering superior levels of technical support, we are uniquely well placed for the future.

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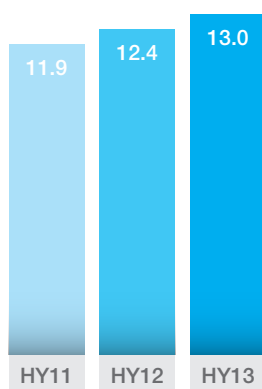
# Business highlights

## Our results

Revenue

**£13.0m**

£m

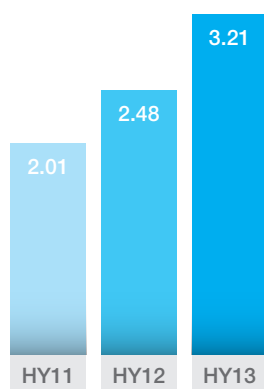


↑ **5%**

Pre-tax profit

**£3.2m**

£m

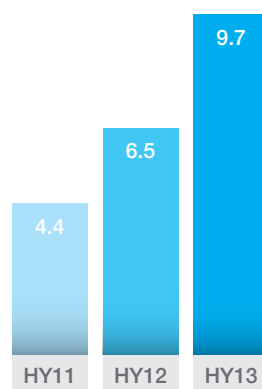


↑ **29%**

Net cash

**£9.7m**

£m

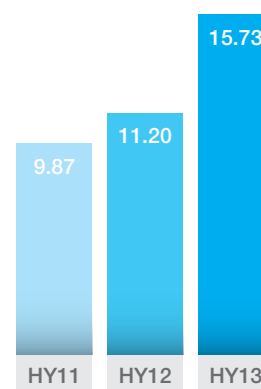


↑ **49%**

Basic earnings per share

**15.73p**

p



↑ **40%**

The revenues and pre-tax profits have been restated to remove the results of Radio Data Technology Limited since it went into voluntary liquidation on 13 August 2013.

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# Chairman and Chief Executive's statement and operational and financial review

## Compelling growth opportunities

“...engineering development activities are being targeted to underpin the sustainable growth strategy that has been communicated in recent years.”

### Introduction

I am pleased to report a further improvement in the Group's operating performance through the first six-month trading period to 30 September 2013. A steady increase in revenues, coupled with a diligent focus on product and operational cost management, has contributed to a 5% uplift in revenues and a 29% advance in profit before tax being recorded against the comparable period.

Unfortunately, the financial and operational progress achieved has been overshadowed in recent weeks following the death of two Board members.

Our founder and Non-Executive Chairman, George Gurry passed away on 5 October 2013. Although he had announced plans to vacate the Chairman's role by the end of this financial year, the Board was expecting to benefit from his wide ranging knowledge and experience for some time. An inspirational leader, he was highly regarded by those that knew him and the business legacy he leaves is evidence of both his success and the gratitude the Group owes to his vision and commitment for over 45 years.

Unexpectedly, George Bates, Non-Executive Director, passed away on 21 October 2013. George joined the Group in 1971 and over the following three and a half decades made an immeasurable contribution to the Group's engineering activities. In March 2006 he relinquished his executive engineering position but remained on the Board in a non-executive capacity. His considered and pragmatic approach will be sorely missed.

Over the coming months the Board will fully assess the situation and take appropriate action to ensure it has the right mix of skills and experience to continue executing on its sustainable growth strategy.

### Equipment segment

As reported at the time of the full-year results in June 2013, the Board took the decision to exit from the Group's loss-making equipment segment, Radio Data Technology Ltd (RDT), and completed the exit during the first half of the current financial year. Following the sale of certain IP and assets to third parties, RDT went into liquidation on 13 August 2013. As a consequence, the Group now has only one operating segment, semiconductors, and this statement and operational review refers to the results of the continuing operations. A note in the condensed consolidated income statement highlights the loss from discontinued operations and notes 1 and 4 of the condensed consolidated financial statements contain further detailed breakdowns.

### Operational and financial review

Revenues from continuing operations increased year on year by almost 5% to £12.99m (2012: £12.39m) driven by progress in the Group's two key semiconductor market areas, storage and wireless.

Storage revenues advanced by close to 7% as a number of customers transitioned to higher-performance flash memory controller products. The Group also benefitted from the first full reporting period where its SATA interface controllers were in mass production.

Revenues from the sale of semiconductors into professional and commercial wireless applications improved by approximately 10%. The growth was driven by increased shipments of digital baseband products and high performance RF ICs.

Telecom revenues were down approximately 5% but remained broadly in line with expectations.

Geographically, the improvement in sales revenues was not attributable to any one single area, with increases posted in all three major regions; the Far East, the Americas and Europe.

Gross margins improved to 71% (2012: 69%) largely as a result of product mix, leading to a reported gross profit of £9.21m (2012: £8.57m), an increase of just over 7% year on year. Distribution and administration costs were fractionally lower at £6.16m (2012: £6.18m) driving a 28% improvement in operational profits (before other income, share-based payments and net finance effects) to £3.06m (2012: £2.39m).

Other operating income rose to £192k (2012: £124k) reflecting the increased occupancy of group owned non-operational commercial properties.

There were no finance costs during the period and a small finance income was reported of £35k (2012: £5k).

Profit before tax increased by 29% to £3.21m (2012: £2.48m).

Once again the Group posted a pleasing performance in terms of cash generation, despite high levels of investment in new product development activities, the repayment of all bank loans and the payment of an £873k cash dividend (2012: £631k). At 30 September 2013, the Group had net cash reserves of £9.74m (2012: £6.51).

Diluted earnings per share increased by 38% to 15.37p (2012: 11.13p) and shareholders' equity rose to £22.94m (2012: £20.12m).

### Summary and outlook

Performance through the first half year was in line with both management and market expectations for firm improvement. The exit from the equipment segment was completed on schedule and at minimum cost leaving the Group focused as a pure-play fabless semiconductor business.

Our key addressable markets of storage and wireless each exhibit compelling growth opportunities. Within storage we expect adoption of our industrial SATA controller to continue whilst the early feedback from sampling customers with our new industrial SD controller has been positive. For our target wireless markets, we expect the growth drivers to be digital radio technology along with opportunities for chip-set design wins within data centric applications. The expansion of the RF product portfolio is a key catalyst in this regard. In short, engineering development activities are being targeted to underpin the sustainable growth strategy that has been communicated in recent years.

Order book visibility continues to be relatively short term and raw material lead times can extend to 16 weeks in some instances. This could affect the timing of revenue recognition towards the end of what is a traditionally weaker second half period. That said, the Board's expectation remains for a full year of firm growth in profitability to 31 March 2014.

On behalf of the Board, I would like to express sincere thanks and appreciation to our employees for the commitment and loyalty they continue to demonstrate and, without whom, success would not be possible.

It remains for me to convey my appreciation to all Group stakeholders and friends who have offered their support in recent weeks following the loss of our founder. He set high standards for business acumen, ethics and achievement that are embedded across the Group and will remain a constant reference as we move forward.

**C. A. Gurry**  
Chairman and Chief Executive  
19 November 2013

# Condensed consolidated income statement

for the six months ended 30 September 2013

	Unaudited 6 months end 30/09/13 £'000	Unaudited 6 months end 30/09/12 £'000	Audited Year end 31/03/13 £'000
<b>Continuing operations</b>			
Revenue	12,989	12,390	24,648
Cost of sales	(3,777)	(3,825)	(7,313)
<b>Gross profit</b>	<b>9,212</b>	8,565	17,335
Distribution and administration costs	(6,156)	(6,180)	(12,131)
	<b>3,056</b>	2,385	5,204
Other operating income	192	124	297
<b>Profit before share-based payments</b>	<b>3,248</b>	2,509	5,501
Share-based payments	(69)	(38)	(102)
<b>Profit after share-based payments</b>	<b>3,179</b>	2,471	5,399
Finance costs	—	—	—
Finance income	35	5	55
<b>Profit before taxation</b>	<b>3,214</b>	2,476	5,454
Income tax expense	(710)	(638)	(1,017)
<b>Profit after taxation from continuing operations</b>	<b>2,504</b>	1,838	4,437
Profit/(loss) from discontinued operations (see note 4)	—	(68)	(383)
<b>Profit for period attributable to equity owners of the parent</b>	<b>2,504</b>	1,770	4,054
<b>Basic earnings per share</b>			
From continuing operations	15.73p	11.63p	28.01p
From profit for the year	15.73p	11.20p	25.59p
From discontinued operations	—	(0.43p)	(2.42p)
<b>Diluted earning per share</b>			
From continuing operations	<b>15.37p</b>	11.56p	27.56p
From profit for the year	<b>15.37p</b>	11.13p	25.18p
From discontinued operations	—	(0.43p)	(2.38p)

# Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2013

	Unaudited 6 months end 30/09/13 £'000	Unaudited 6 months end 30/09/12 £'000	Audited Year end 31/03/13 £'000
Profit for the period	2,504	1,770	4,054
<b>Other comprehensive income:</b>			
Foreign exchange differences	(214)	(65)	180
Actuarial loss on retirement benefit obligations	—	—	(1,768)
Income tax on actuarial loss	—	—	407
Other comprehensive income for the period net of tax	(214)	(65)	(1,181)
Total comprehensive income for the period net of tax attributable to equity owners of the business	<b>2,290</b>	1,705	2,873



# Condensed consolidated statement of financial position

as at 30 September 2013

	Unaudited 30/09/13 £'000	Unaudited 30/09/12 £'000	Audited 31/03/13 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5,025	5,132	5,094
Investment properties	3,450	3,450	3,450
Development costs	5,611	4,372	4,674
Goodwill	3,512	3,512	3,512
Deferred tax asset	2,242	2,398	2,738
	<b>19,840</b>	18,864	19,468
<b>Current assets</b>			
Inventories	1,536	2,017	1,692
Trade receivables and prepayments	4,187	2,693	2,522
Current tax assets	—	—	139
Cash and cash equivalents	9,737	7,864	9,323
	<b>15,460</b>	12,574	13,676
Non-current assets classified as held for sale – properties	103	103	110
<b>Total assets</b>	<b>35,403</b>	31,541	33,254
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans and overdrafts	—	1,354	338
Trade and other payables	3,863	3,604	3,308
Current tax liabilities	422	255	57
	<b>4,285</b>	5,213	3,703
<b>Non-current liabilities</b>			
Deferred tax liabilities	2,058	1,671	2,064
Retirement benefit obligation	6,122	4,542	6,122
	<b>8,180</b>	6,213	8,186
<b>Total liabilities</b>	<b>12,465</b>	11,426	11,889
<b>Net assets</b>	<b>22,938</b>	20,115	21,365
<b>Capital and reserves attributable to equity owners of the parent</b>			
Share capital	798	793	794
Share premium	5,060	4,959	4,977
Share-based payments reserve	240	146	171
Foreign exchange reserve	299	268	513
Accumulated profits	16,541	13,949	14,910
<b>Shareholders' equity</b>	<b>22,938</b>	20,115	21,365

# Condensed consolidated cash flow statements

for the six months ended 30 September 2013

	Unaudited 6 months end 30/09/13 £'000	Unaudited 6 months end 30/09/12 £'000	Audited Year end 31/03/13 £'000
<b>Operating activities</b>			
Profit for the period before income taxes and discontinued activities	3,217	2,408	5,071
Adjustments for:			
Depreciation	124	109	242
Amortisation of development costs	1,109	1,146	2,517
Movement in pensions deficit	—	—	(188)
Share-based payments	69	38	102
Finance income	(35)	(5)	(24)
Increase in working capital	(959)	(362)	(164)
<b>Cash flows from operating activities</b>	<b>3,525</b>	<b>3,334</b>	<b>7,556</b>
Income tax refunded/(paid)	65	19	(71)
<b>Net cash flows from operating activities</b>	<b>3,590</b>	<b>3,353</b>	<b>7,485</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(58)	(88)	(179)
Investment in development costs	(2,067)	(1,460)	(3,048)
Disposals of property, plant and equipment	4	—	—
Finance income	35	5	24
<b>Net cash flows from investing activities</b>	<b>(2,086)</b>	<b>(1,543)</b>	<b>(3,203)</b>
<b>Financing activities</b>			
Issue of ordinary shares	87	92	111
Decrease in bank loans and short-term borrowings	(338)	(1,146)	(2,163)
Dividend paid to Group shareholders	(873)	(631)	(631)
<b>Net cash flows from financing activities</b>	<b>(1,124)</b>	<b>(1,685)</b>	<b>(2,683)</b>
<b>Increase in cash and cash equivalents</b>	<b>380</b>	<b>125</b>	<b>1,599</b>
Movement in cash and cash equivalents:			
At start of period/year	9,323	7,742	7,742
Increase in cash and cash equivalents	380	125	1,599
Effects of exchange rate changes	34	(3)	(18)
<b>At end of period/year</b>	<b>9,737</b>	<b>7,864</b>	<b>9,323</b>



# Condensed consolidated statement of changes in equity

for the six months ended 30 September 2013

Unaudited	Share capital £'000	Share premium £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits £'000	Total £'000
<b>At 31 March 2012</b>	788	4,872	108	333	12,809	18,910
Profit for period					1,770	1,770
<b>Other comprehensive income:</b>						
Foreign exchange differences				(65)		(65)
<b>Total comprehensive income for the period</b>	—	—	—	(65)	1,770	1,705
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid					(631)	(631)
Issue of ordinary shares	5	87				92
<b>Total of transactions with owners in their capacity as owners:</b>	5	87	—	—	(631)	(539)
Share-based payments			38			38
<b>At 30 September 2012</b>	793	4,959	146	268	13,948	20,114
Profit for period					2,284	2,284
<b>Other comprehensive income:</b>						
Foreign exchange differences				245		245
Actuarial loss on retirement benefit obligation					(1,768)	(1,768)
Deferred tax on actuarial losses					407	407
<b>Total comprehensive income for the period</b>	—	—	—	245	923	1,168
<b>Transactions with owners in their capacity as owners:</b>						
Issue of ordinary shares	1	18				19
<b>Total of transactions with owners in their capacity as owners:</b>	1	18	—	—	—	19
Share-based payments			64			64
Cancelation/transfer of share-based payments			(39)		39	—
<b>At 31 March 2013</b>	794	4,977	171	513	14,910	21,365
Profit for period					2,504	2,504
<b>Other comprehensive income:</b>						
Foreign exchange differences				(214)		(214)
<b>Total comprehensive income for the period</b>	—	—	—	(214)	2,504	2,290
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid					(873)	(873)
Issue of ordinary shares	4	83				87
<b>Total of transactions with owners in their capacity as owners:</b>	4	83	—	—	(873)	(786)
Share-based payments			69			69
<b>At 30 September 2013</b>	798	5,060	240	299	16,541	22,938

# Notes to the condensed consolidated financial statements

## 1 Segmental analysis

### Business segments

	Unaudited 6 months end 30/09/13			Unaudited 6 months end 30/09/12			Audited Year end 31/03/13		
	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000
<b>Revenue</b>									
By origination	282	21,497	21,779	308	20,824	21,132	590	40,494	41,084
Inter-segmental revenue	—	(8,508)	(8,508)	—	(8,434)	(8,434)	—	(15,846)	(15,846)
Segmental revenue	282	12,989	13,271	308	12,390	12,698	590	24,648	25,238
<b>Profit/(loss)</b>									
Segmental result	3	3,179	3,182	(68)	2,471	2,403	(383)	5,399	5,016
Net financial income			35			5			55
<b>Income tax</b>			(713)			(638)			(1,017)
Profit after taxation			2,504			1,770			4,054
<b>Assets and liabilities</b>									
Segmental assets	—	29,608	29,608	659	24,931	25,590	272	26,545	26,817
<b>Unallocated corporate assets</b>									
Investment property (including held for sale)			3,553			3,553			3,560
Deferred taxation			2,242			2,398			2,738
Current tax receivable			—			—			139
Consolidated total assets			35,403			31,541			33,254
Segmental liabilities	—	3,863	3,863	298	3,306	3,604	228	3,080	3,308
<b>Unallocated corporate liabilities</b>									
Deferred taxation			2,058			1,671			2,063
Current tax liability			422			255			57
Bank loans and overdrafts			—			1,354			338
Retirement benefit obligation			6,122			4,542			6,122
Consolidated total liabilities			12,465			11,426			11,888
<b>Other segmental information</b>									
Property, plant and equipment additions	—	58	58	—	88	88	—	179	179
Development cost additions	—	2,067	2,067	35	1,425	1,460	59	2,989	3,048
Depreciation	—	124	124	1	108	109	1	241	242
Amortisation	—	1,109	1,109	32	1,114	1,146	171	2,346	2,517
Other significant non-cash income	—	—	—	—	—	—	—	188	188

## Geographical segments

	UK £'000	Germany £'000	Americas £'000	Far East £'000	Total £'000
<b>Unaudited</b>					
<b>Six months ended 30 September 2013</b>					
Revenue by origination	6,610	6,956	2,981	5,232	21,779
Inter-segmental revenue	(2,870)	(5,638)	—	—	(8,508)
Revenue to third parties	3,740	1,318	2,981	5,232	13,271
Property, plant and equipment	4,826	70	123	6	5,025
Investment properties including held for sale	3,450	—	103	—	3,553
Goodwill	—	3,512	—	—	3,512
Development cost	2,148	3,463	—	—	5,611
<b>Total assets</b>	<b>23,918</b>	<b>7,134</b>	<b>1,930</b>	<b>2,421</b>	<b>35,403</b>
<b>Unaudited</b>					
Six months ended 30 September 2012					
Revenue by origination	6,121	6,407	3,106	5,498	21,132
Inter-segmental revenue	(3,134)	(5,300)	—	—	(8,434)
Revenue to third parties	2,987	1,107	3,106	5,498	12,698
Property, plant and equipment	4,926	58	134	14	5,132
Investment properties including held for sale	3,450	—	103	—	3,553
Goodwill	—	3,512	—	—	3,512
Development cost	2,029	2,343	—	—	4,372
<b>Total assets</b>	<b>22,176</b>	<b>5,894</b>	<b>1,562</b>	<b>1,909</b>	<b>31,541</b>
<b>Audited</b>					
Year ended 31 March 2013					
Revenue by origination	13,383	11,403	6,259	10,039	41,084
Inter-segmental revenue	(6,245)	(9,601)	—	—	(15,846)
Revenue to third parties	7,138	1,802	6,259	10,039	25,238
Property, plant and equipment	4,888	60	136	10	5,094
Investment properties including held for sale	3,450	—	110	—	3,560
Goodwill	—	3,512	—	—	3,512
Development cost	1,960	2,714	—	—	4,674
<b>Total assets</b>	<b>25,088</b>	<b>5,135</b>	<b>1,404</b>	<b>1,627</b>	<b>33,254</b>

On 13 August 2013 Radio Data Technology Ltd which represents 100% of the equipment segment went into liquidation and consequently after that date the Group only has one segment.

Reported segments and their results in accordance with IFRS 8, is based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies the Group uses for segmental reporting under IFRS 8 are the same as those used in its financial statements.

# Notes to the condensed consolidated financial statements

## 2 Dividend paid and proposed

A dividend of 5.5p per 5p ordinary share in respect of the year ended 31 March 2013 was paid on 2 August 2013 (2012: 4.0p per ordinary share of 5p in respect of the year ended 31 March 2012). No dividend is proposed in respect of the six months period ended 30 September 2013 (2012: £Nil per ordinary share of 5p in respect of the period ended 30 September 2012).

## 3 Income tax

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

	<b>Unaudited 6 months end 30/09/13 £'000</b>	Unaudited 6 months end 30/09/12 £'000	Audited Year end 31/03/13 £'000
UK income tax charge/(credit)	—	—	(142)
Overseas income tax charge	174	326	382
Total current tax charge	174	326	240
Deferred tax charge	536	312	777
Reported income tax charge	710	638	1,017

## 4 Discontinued operations

On 13 August 2013 Radio Data Technology Ltd went into liquidation and consequently qualifies as a discontinued operation. The results of the discontinued operation which have been included in the consolidated income statement are presented below:

	<b>6 months end 30/09/13 £'000</b>	6 months end 30/09/12 £'000	Year end 31/03/13 £'000
<b>Revenue</b>	<b>282</b>	308	590
Cost of sales	(171)	(140)	(361)
<b>Gross profit</b>	<b>111</b>	168	229
Distribution and administration costs	(108)	(236)	(612)
<b>Profit/(loss) before taxation</b>	<b>3</b>	(68)	—
Taxation	(3)	—	—
<b>Profit/(loss) from discontinued operations</b>	<b>—</b>	(68)	(383)

## 5 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Ordinary 5p shares	
	Weighted average number	Diluted number
<b>Six months ended 30 September 2013</b>	<b>15,915,946</b>	<b>16,296,334</b>
Six months ended 30 September 2012	15,809,707	15,903,421
Year end 31 March 2013	15,841,435	16,098,376

## 6 Investment properties

Investment properties are revalued at each discrete period end by the Directors and every third year by independent Chartered Surveyors on an 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 31 March 2012 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis.

## 7 Analysis of cash flow movement in net debt

	Net cash at 01/04/12	6 months end 30/09/12 Cash flow	Net cash at 30/09/12	6 months end 31/03/2013 Cash flow	Net cash at 31/03/13	6 months end 30/09/13 Cash flow	Net cash at 30/09/13
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,742	122	7,864	1,459	9,323	414	9,737
Bank loans and overdrafts	(2,501)	1,147	(1,354)	1,016	(338)	338	—
	5,241	1,269	6,510	2,475	8,985	752	9,737

The cash flow above is a combination of the actual cash flow and the exchange movement.

## 8 Retirement benefit obligations

The Directors have not obtained an actuarial report in respect of the defined benefit pension scheme for the purpose of this Half Yearly Report.

## 9 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 would 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.

### Key risks of a non-financial nature

The Group is a small player operating in a highly-competitive global market, which is undergoing continual 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.

## 10 Directors' statement pursuant to the Disclosure and Transparency Rules

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

- 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 of the Group and the undertakings included in the consolidation taken as a whole; and
- the condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting"; and
- the Chairman and Chief Executive's statement and operational and financial review include 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.

## 11 Basis of preparation

The basis of preparation and accounting policies used in preparation of the Half Yearly Financial Report are the same accounting policies set out in the year ended 31 March 2013 financial statements.

# Notes to the condensed consolidated financial statements

## 12 General

Other than already stated within the Chairman and Chief Executive's statement and operational and financial review there have been no important events during the first six months of the financial year that have impacted this Half Yearly Financial Report.

There have been no related party transactions or changes in related party transactions described in the latest Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

The principal risks and uncertainties within the business are contained within this report in note 9 above.

In the segmental analysis (note 1) 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.

This Half Yearly Financial Report includes a fair review of the information required by DTR 4.2.7/8 (indication of important events and their impact, and description of principal risks and uncertainties for the remaining six months of the financial year).

This Half Yearly Financial Report does not include all the information and disclosures required in the Annual Report, and should be read in conjunction with the consolidated Annual Report for the year ended 31 March 2013.

The financial information contained in this Half Yearly Financial Report has been prepared using International Financial Reporting Standards as adopted by the European Union. This Half Yearly Financial Report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2013 is based on the statutory accounts for the financial year ended 31 March 2013 that have been filed with the Registrar of Companies and on which the Auditor gave an unqualified audit opinion.

The Auditor's report on those accounts did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This Half Yearly Financial Report has not been audited or reviewed by the Group Auditor.

A copy of this Half Yearly Financial Report can be viewed on the Company website [www.cmlmicroplc.com](http://www.cmlmicroplc.com).

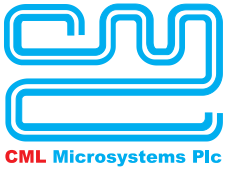
## 13 Approvals

The Directors approved this Half Yearly Report on 19 November 2013.



# Glossary

<b>fabless</b>	a company that designs the semiconductor but subcontracts the wafer fabrication process
<b>IC</b>	integrated circuit
<b>IP</b>	intellectual property
<b>RDT</b>	Radio Data Technology Ltd
<b>RF</b>	radio frequency
<b>SATA</b>	serial ATA interface
<b>SD</b>	secure digital



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