CML Microsystems Plc

2014

Unaudited Preliminary
Results for the year ended
31 March 2014

Contents

Chairman and Managing Director's statement and operating and financial review

Introduction
It is pleasing to report that trading through the year to 31 March 2014 resulted in the Group producing a firm improvement in profitability, as expected, driven by a strong first six-month period.

The exit of the equipment segment during August 2013 benefitted gross margins and, as previously reported, the Group now has only one reportable operating segment; semiconductors. This strategic report refers to the results of the continuing operations. The consolidated income statement highlights the performance of discontinued operations and the consolidated financial statements contain further detailed breakdowns.

The Group increased profits before tax by 6% to an all-time record of £5.79m (2013: £5.45m) on revenues that were slightly lower at £24.39m (2013: £24.65m). The resultant net margin rose to 24% (2013: 22%).

Basic earnings per share increased 7% to 29.96p (2013: 28.01p).

The Group repaid all outstanding loans and overdrafts through the period and finished with zero debt and a net cash position of £11.37m (2013: £8.98m).

As a result, and aided by a significant reduction in the retirement benefit obligation, net assets increased by 31% to £27.93m (2013: £21.37m).

Dividend
Since reinstating a dividend payment three years ago, the Group has consistently delivered earnings growth whilst simultaneously making material investments in developing the underlying business prospects. Having considered these results along with the ongoing level of investment required and the most recent outlook, the Board is recommending a dividend payment of 6.25p per ordinary share (2013: 5.5p). Subject to shareholder approval, this will be paid on 1 August 2014 to all shareholders whose names appear on the register at close of business on 4 July 2014.

Board and management
We reported at the interim stage on the sad loss of our founder and Chairman, George Gurry, along with one of the Group's longest serving employees, non-executive director George Bates. The Directors have given due consideration to the Board's current composition, the corporate strategy being followed and the future needs of the business. As a result, it has decided to expand and enhance the present structure while at the same time recognising the need for an appropriate level of continuity.

For personal reasons, Nigel Clark, Group Finance Director, will relinquish his current position by the end of the financial year. The formal search for a suitable replacement has commenced and the Board will report on that process in due course. Once a suitable successor has been appointed, Nigel will transition to the role of non-executive Chairman.

The significant investment in research and development being made is delivering a growing product range that will broaden the Group's addressable market areas. In order to fully capitalise on the opportunities that lie ahead, the Board has decided to appoint a sales and marketing director with primary responsibility for global selling-related activities. The recruitment process is at an advanced stage and the Board expects to make an announcement shortly.

At an operational management level, a revised organisational structure was implemented in relation to the Group's UK engineering resources. The new structure took effect from 1 April 2014 and involved two senior management appointments along with the formal transition of our Somerset-based systems engineering group into the UK semiconductor operating company.

Results
Group revenues for the year were £24.39m (2013:£24.65m) representing a 1% decline against the comparative 12 month period. Sales into the storage and telecom sectors moved ahead of the prior year with wireless revenues somewhat lower reflecting the periodic volatility that characterises certain sub-markets. In comparison to last year, the influence of currency exchange movements had a negligible effect on reported sales levels.

In gross profit terms, the Group gained a useful benefit from exiting the equipment segment which had typical gross margins well below the ongoing business. On a continuing basis, the product mix coupled with a higher level of customer non-refundable engineering (NRE) income contributed to an improvement in gross profit to £17.88m (2013: £17.34m) and a corresponding gross margin of 73% (2013: 70%).

Distribution and administration costs increased to £12.47m (2013:£12.13m) due mostly to a general increase in direct staff costs.

As well as the revenues generated from the sale of semiconductor products, the Company owns the freehold on a number of commercial property assets that are now surplus to requirements. These properties are rented to third parties on a commercial industry standard basis. Income from this activity along with proceeds from any development grants obtained through the year is classified as ‘other operating income’ within the consolidated income statement. The amount recorded against this category for the year under review was £474k (2013: £296k) with the majority of the increase being attributable to the expiry of tenant rent free periods.

The combined positive effects of the margin improvement and higher other operating income served to offset the rise in distribution and administration costs. This culminated in profit from operations rising 7% to £5.89m (2013: £5.50m).

We began the financial year with an outstanding bank overdraft of £338k. This was paid down in the first six months, and for the full year, finance income of £62k (2013: £55k) was recorded.

Profit before taxation amounted to £5.79m (2013: £5.45m) which is an increase of 6% against the prior year.

The Company is able to benefit from UK tax credits applicable to qualifying research and development activities. This helped the Group achieve an effective tax rate of 18% that was unchanged at £1.02m (2013: £1.02m).

Profit after tax advanced by 7% to £4.77m (2013: £4.44m)

Following payment of an £873k dividend in respect of the previous year and the £338k repayment of bank borrowings, net cash reserves advanced by 27% and ended the year at £11.37m (2013: £8.98m).

Inventory levels fell to £1.13m (2013: £1.69m) largely as a result of exiting the equipment segment.

At the beginning of the year we increased our engineering resources through the establishment of an office in Sheffield, UK. We also launched new integrated circuits (IC’s) for storage and wireless markets while continuing to develop strategic technologies that are focussed on growing medium term revenues. Associated research and development expenditure for the year was £4.80m (2013: £3.75m) with an amount of £662k being written off through the income statement (2013: £698k).

The Group has a retirement benefit obligation in respect of its UK final salary pension scheme that has been closed to new members and future accruals for some years. A general improvement in the economic climate was reflected in the actuarial assumptions used in calculating the scheme deficit. At the year end the reported deficit was £2.70m (2013: £6.12m) which had a material influence on the balance sheet, increasing the Group’s reported net assets to £27.93m (2013: £21.37m).

Accounting for pensions under IAS19 resulted in a benefit to the income statement of £31k (2013: £188k).

Property

At last year’s AGM, the Board communicated that its planning appeal relating to a residential development on excess land at its Oval Park headquarters had been rejected. Following appropriate consultation and a review of next steps, a smaller scale revised application is expected to be submitted in the coming weeks.

Operational Review

STORAGE

The sale of semiconductors into solid state storage applications increased by 2% against the prior year to £11.80m (2013: £11.55m), comprising 48% (2013: 46%) of overall Group revenues. Geographically, sales from the European customer base delivered solid growth while shipments into the Americas region were softer. Average selling prices (ASPs) were fractionally ahead of the prior year due to product mix.

In explaining the performance of the storage sector across the year, it is important to highlight the strategy being employed and the stage of growth that we are at.

Up to the present time, the majority of our direct customers within the storage market have utilised our semiconductors to develop, manufacture and market a range of removable media solid state drives (SSDs) in varying formats but predominantly in the Compact Flash form factor (CF). Those customers then typically market the completed SSD to the major Networking, Telecom and Automation companies around the globe. We have been very focussed on the stringent requirements of these industrial class end-customers and, in doing so have achieved a dominant, key supplier position.

As the use of SSDs within industrial applications is increasing, so is the need to widen our product range to embrace a greater selection of industry-standard interface technologies. Our research and development teams have been addressing this over recent years and through the last 12 months the product range has visibly evolved.

During the early part of calendar 2013 we began production shipments of our first SATA controller solution targeted for use alongside flash memory technology for high reliability applications. Customer adoption of that solution continued through the year under review, although revenue recognition so far has been at a slower pace than we originally expected.

Within the February 2014 interim management statement (IMS), we conveyed that tangible progress was being made with a number of customer opportunities for our new SD/MMC controller, launched to market at the end of the first half. Since that time progress has been pleasing and I can report that a design win has been recorded at a tier one European automotive infotainment manufacturer and we expect that project to start contributing to revenues through the year ahead.

In the last two weeks, we announced early sampling of an industrial USB controller designed to address end-customer requirements for reliability that have been lacking from commonly available USB products. This is a world first for the application areas served.

So, to summarise, over the last few years we have made excellent progress within the industrial/embedded solid state storage arena. Shipments to-date comprised largely of CF controller ICs for use alongside the durable flash memories that have dominated target end markets. More recent product introductions permit embedded SD/MMC and USB connectivity, provide compatibility with an extensive array of flash memory technologies and serve to increase the total available market significantly.

To assist in understanding the typical route to market for our storage controller products, it is appropriate to highlight that although the Group's direct customers can cause periodic fluctuations in demand, these direct customers each serve a wide customer base themselves. It is the end-customers that ultimately dictate Group revenues.

In this context, the Group has three direct storage customers that each account for 10% or more of overall revenues. Of these customers, one decided to conduct a controlled exit from the embedded storage space in the second half of the year. This, coupled with customer M&A activity, disrupted trading in the final months of the year although we anticipate the situation will normalise through the year ahead.

WIRELESS

For the year as a whole, wireless sales totalled £9.12m (2013: £9.80m) and accounted for approximately 37% of Group revenues (2013: 39%). Proceeds from product sales into the Americas were ahead year-on-year while sales from Europe and the Far East were at lower levels. The overall annual reduction reflected a combination of the volatility within end markets that rely on governmental spend, along with weaker demand for certain higher priced legacy products. The underlying trend remains one of steady growth.

The Group’s wireless product sales can generally be divided into voice centric and data centric end-application areas. For voice sectors, our semiconductors provide baseband processing and signalling functionality for standards-based two-way radio systems. The global installed base is currently dominated by equipment that communicates using traditional analogue techniques however, the process of transition to newer digital standards is underway and through the year under review our digital baseband product sales experienced double digit percentage growth.

Group products offering high-performance wireless data functionality are used within narrowband radio terminals across a whole host of proprietary machine to machine (M2M) applications within our target industrial end-markets. One growth driver within these markets is the need to transfer relatively high data rates across bandwidth-limited RF channels. Through the year a number of important customer projects continued progressing towards production status, some of which are with key new customers in accordance with our strategy to align with the major players in our chosen markets areas.

Another solid year of growth was recorded from the sale of RF semiconductors. Sales advanced by a double digit percentage and contributed over 20% to total wireless revenues. The product range is developing such that each new product release forms a compelling chip-set solution when used in conjunction with our baseband or data modem ICs. This simplifies the design-in process for the customer, lowers his overall bill of material cost and increases Group revenue from each customer design.

As stated earlier, part of the contribution to weaker wireless revenues this year can be attributed to a reduction in the sale of certain legacy parts. It is noteworthy to report that contribution from more recent product introductions, internally referred to as ‘focus products’, represented over 80% of wireless revenues. The proportionate contribution from focus products has risen each year since 2010, at which time a figure of 60% was recorded.

Following the expansion and enhancement of our engineering capabilities in the UK, and the operational management changes that followed, the integration of the teams has progressed well. The enlarged resources are focussed on key new product activities that will allow us to capitalise on a number of opportunities that have traditionally been closed to us.

Customer dependency from wireless revenues remains low. No single wireless customer accounts for more than 5% of Group revenues.

TELECOM

Sales revenues from wireline telecom end markets were at the higher end of expectations and finished the year at £2.92m, posting an 8% improvement against the comparative period (2013: £2.68m). The majority of the increase came from customers located in Europe.

This advance in sales follows the healthy levels of customer design-in activity that were reported one year ago. At that time, annual revenues were reported as being slightly down due to saturation within the Chinese point of payment terminal market but the remaining customer projects have proven to be more resilient. At the same time, new customer projects for low-speed modem ICs continue to be discovered, and additional benefit is being derived from the fact that one or two larger competitors withdrew support for a selection of their legacy modem products in the wireline sub-markets we address. The Group as a whole has a long-standing reputation for product longevity.

Our established IC range for the traditional analogue telecom market remains price and function competitive within the application areas being targeted. While the sector does not have the compelling growth opportunities associated with the storage and wireless markets, it remains an important focus area contributing 12% to overall Group sales revenues.

Customer dependency in this sector is very low with all customers well below 2% of Group revenues.

Summary and Outlook

The year began with expectations that shareholder value would be driven by an increase in revenues and profits on the back of growing adoption of Group products for the storage and wireless market areas, with telecom IC shipments providing stable revenues across a diversified end customer base.

Ultimately, the Company was able to deliver on market expectations for a firm full year improvement in profitability although, as evidenced through the period under review, it was record first half revenues and profits that drove performance. Second half sales were affected by the previously explained and unforeseen customer events within storage markets and this, coupled with the cyclical volatility from wireless, created a headwind for revenues that will also impact the current year.

The key end markets for storage and wireless each exhibit exciting growth opportunities. Within storage, the gradual increase in adoption for the SATA interface products will be augmented this year by the addition of SD controller sales taking us into complementary market areas, such as automotive infotainment and media card security. Sampling of the USB controller will commence during the first half and should serve to provide a further growth platform.

In the wireless sub-markets addressed, multiple growth drivers exist, including the transition from analogue to digital radio technology, the need for higher data rates within narrowband data application areas and the catalyst of our RF IC solutions increasing the adoption of Group chip-set solutions.

Longer term we intend to introduce new products with price and performance characteristics that will enhance and supplement the existing product range across all key markets. With our engineering resources and capabilities stronger than ever, we intend to capitalise on the growing number of opportunities we see to drive shareholder value over the medium term.

In reporting on a year when we have delivered record profits, it is disappointing to now convey short-term caution but, beyond this year, the board is confident of delivering a return to revenue growth. Our underlying strategy remains valid and we obtained a number of important design wins through the year, some of which are contractual and some of which take us into new sub-market areas. Those design wins are expected to generate meaningful additional revenues over a number of years commencing in calendar year 2015.

The progress of the business depends upon the quality and dedication of the people it employs. On behalf of the Board, I would like to acknowledge the crucial role our employees play and convey sincere thanks for their efforts and commitment to the success of the Group.

C. A. Gurry

Chairman and
Managing Director

CML Microsystems Plc
Consolidated income statement
for the year ended 31 March 2014

	Unaudited 2014 £	Restated Audited 2013 £
Continuing operations		
Revenue	**24,393,659**	24,648,020
Cost of sales	**(6,511,437)**	(7,312,786)
Gross profit	**17,882,222**	17,335,234
Distribution and administration costs	**(12,469,963)**	(12,130,157)
	5,412,259	5,205,077
Other operating income	**473,613**	296,097
Profit from operations	**5,885,872**	5,501,174
Share-based payments	**(155,931)**	(101,525)
Profit after share-based payments	**5,729,941**	5,399,649
Finance costs	**—**	(34)
Finance income	**61,764**	54,594
Profit before taxation from continuing operations	**5,791,705**	5,454,209
Income tax expense	**(1,023,069)**	(1,018,246)
Profit after taxation from continuing operations	**4,768,636**	4,435,963
Profit/(loss) after taxation from discontinued operations	**2**	(381,782)
Profit after taxation attributable to equity owners of the parent	**4,768,638**	4,054,181
Basic Earnings per share		
From continuing operations	**29.96p**	28.01p
From profit for year	**29.96p**	25.59p
From discontinued operations	**—**	(2.42p)
Diluted Earnings per share		
From continuing operations	**29.20p**	27.56p
From profit for year	**29.20p**	25.18p
From discontinued operations	**—**	(2.38p)

Consolidated statement of comprehensive income
for the year ended 31 March 2014

	Unaudited 2014 £	Unaudited 2014 £	Audited 2013 £	Audited 2013 £
Profit for the year		**4,768,638**		4,054,181
Other comprehensive income, net of tax				
Foreign exchange differences	**(301,900)**		180,620	
Actuarial profit/(loss) on retirement benefit obligations	**3,393,000**		(1,768,000)	
Deferred tax on actuarial (profits)/losses	**(678,600)**		406,640	
Other comprehensive income for the year net of taxation attributable to equity owners of the parent		**2,412,500**		(1,180,740)
Total comprehensive income for the year		**7,181,138**		2,873,441

CML Microsystems Plc
Consolidated statement of financial position
for the year ended 31 March 2014

	Unaudited 2014 £	**Unaudited 2014 £**	Audited 2013 £	Audited 2013 £
Assets				
Non-current assets				
Property, plant and equipment		**4,936,710**		5,094,035
Investment properties		**3,450,000**		3,450,000
Development costs		**6,188,255**		4,674,421
Goodwill		**3,512,305**		3,512,305
Deferred tax asset		**1,270,976**		2,737,409
		19,358,246		19,468,170
Current assets				
Inventories	**1,129,051**		1,692,599	
Trade receivables and prepayments	**3,388,003**		2,522,168	
Current tax assets	**282,667**		138,720	
Cash and cash equivalents	**11,373,483**		9,322,957	
		16,173,204		13,676,444
Non-current assets classified as held for sale properties		**100,168**		109,977
Total assets		**35,631,618**		33,254,591
Liabilities				
Current liabilities				
Bank loans and overdrafts		**—**		338,267
Trade and other payables		**2,508,599**		3,308,282
Current tax liabilities		**274,129**		56,851
		2,782,728		3,703,400
Non-current liabilities				
Deferred tax liabilities	**2,224,517**		2,063,299	
Retirement benefit obligation	**2,698,000**		6,122,000	
		4,922,517		8,185,299
Total liabilities		**7,705,245**		11,888,699
Net assets		**27,926,373**		21,365,892
Capital and reserves attributable to equity owners of the parent				
Share capital		**798,046**		793,630
Share premium		**5,069,921**		4,977,531
Share-based payments reserve		**327,130**		171,199
Foreign exchange reserve		**211,632**		513,532
Accumulated profits		**21,519,644**		14,910,000
Total shareholders' equity		**27,926,373**		21,365,892

CML Microsystems Plc

Consolidated cash flow statement
for the year ended 31 March 2014

	Unaudited 2014 £	Restated Audited 2013 £
Operating activities		
Net profit before taxation (continuing operations)	**5,791,705**	5,454,209
Net profit/(loss) before taxation (discontinued operations)	**2,787**	(383,133)
Net profit for the year before taxation	**5,794,492**	5,071,076
Adjustments for:		
Depreciation	**255,358**	241,546
Amortisation of development costs	**2,588,063**	2,517,374
Movement in pensions deficit	**31,000**	(188,000)
Share-based payments	**155,931**	101,525
Finance costs	—	34
Finance income	**(61,773)**	(24,668)
Decrease in working capital	**(1,109,739)**	(163,686)
Cash flows from operating activities	**7,653,332**	7,555,201
Income tax paid	**(204,593)**	(70,620)
Net cash flows from operating activities	**7,448,739**	7,484,581
Investing activities		
Purchase of property, plant and equipment	**(102,995)**	(179,448)
Investment in development costs	**(4,139,040)**	(3,048,481)
Disposal of property, plant and equipment	**5,990**	450
Finance income	**61,773**	24,668
Net cash flows from investing activities	**(4,174,272)**	(3,202,811)
Financing activities		
Issue of ordinary shares	**96,806**	110,457
Dividend paid to shareholders	**(873,394)**	(630,584)
Finance costs	**—**	(34)
Decrease in bank loans and short-term borrowings	**(338,267)**	(2,162,164)
Net cash flows from financing activities	**(1,114,855)**	(2,682,325)
Increase/(decrease) in cash and cash equivalents	**2,159,612**	1,599,445
Movement in cash and cash equivalents:		
At start of year	**9,322,957**	7,742,038
Increase in cash and cash equivalents	**2,159,612**	1,599,445
Effects of exchange rate changes	**(109,086)**	(18,526)
At end of year	**11,373,483**	9,322,957

CML Microsystems Plc

Consolidated statement of changes in equity for the year ended 31 March 2014

	Share capital £	Share premium £	Share-based payments £	Foreign exchange reserve £	Accumulated profits £	Total £
At 31 March 2012	788,117	4,872,587	108,085	332,912	12,809,352	18,911,053
Profit for year					4,054,181	4,054,181
Other comprehensive income net of taxes						
Foreign exchange differences				180,620		180,620
Net actuarial loss recognised directly to equity					(1,768,000)	(1,768,000)
Deferred tax on actuarial losses					406,640	406,640
Total comprehensive income for year	—	—	—	180,620	(1,361,360)	(1,180,740)
	788,117	4,872,587	108,085	513,532	15,502,173	21,784,494
Transactions with owners in their capacity as owners						
Issue of ordinary shares	5,513	104,944				110,457
Dividend paid					(630,584)	(630,584)
Total transactions with owners in their capacity as owners	5,513	104,944	—	—	(630,584)	(520,127)
Share-based payments in year			101,525			101,525
Cancellation/transfer of share-based payments			(38,411)		38,411	—
At 31 March 2013	793,630	4,977,531	171,199	513,532	14,910,000	21,365,892
Profit for year					**4,768,638**	**4,768,638**
Other comprehensive income net of taxes						
Foreign exchange differences				**(301,900)**		**(301,900)**
Net actuarial profit recognised directly to equity					**3,393,000**	**3,393,000**
Deferred tax on actuarial profit					**(678,600)**	**(678,600)**
Total comprehensive income for year	**—**	**—**	**—**	**(301,900)**	**7,483,038**	**7,181,138**
	793,630	**4,977,531**	**171,199**	**211,632**	**22,393,038**	**28,547,030**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**4,416**	**92,390**				**96,806**
Dividend paid					**(873,394)**	**(873,394)**
Total transactions with owners in their capacity as owners	**4,416**	**92,390**	**—**	—	**(873,394)**	**(776,588)**
Share-based payments in year			**155,931**			**155,931**
At 31 March 2014	**798,046**	**5,069,921**	**327,130**	**211,632**	**21,519,644**	**27,926,373**

1. Segmental analysis

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

Information about revenue, profit/loss, assets and liabilities

	Unaudited 2014			Audited 2013		
	Equipment	**Semiconductor components**	**Group**	Equipment	Semiconductor components	Group
	£	**£**	**£**	£	£	£
Revenue						
By origination	**282,275**	**39,757,907**	**40,040,182**	589,919	40,493,752	41,083,671
Inter-segmental revenue	—	**(15,364,248)**	**(15,364,248)**	—	(15,845,732)	(15,845,732)
Total segmental revenue	**282,275**	**24,393,659**	**24,675,934**	589,919	24,648,020	25,237,939
Segmental result	**2,778**	**5,729,941**	**5,732,719**	(383,207)	5,399,649	5,016,442
Finance expense			**—**			(34)
Finance income			**61,773**			54,668
Income tax			**(1,025,854)**			(1,016,895)
Profit after taxation			**4,768,638**			4,054,181
Assets and liabilities						
Segmental assets	**—**	**30,527,807**	**30,527,807**	273,128	26,545,357	26,818,485
Unallocated corporate assets						
Investment properties			**3,450,000**			3,450,000
Properties held for sale			**100,168**			109,977
Deferred taxation			**1,270,976**			2,737,409
Current tax receivable			**282,667**			138,720
Consolidated total assets			**35,631,618**			33,254,591
Segmental liabilities	**—**	**2,508,599**	**2,508,599**	228,325	3,079,957	3,308,282
Unallocated corporate liabilities						
Deferred taxation			**2,224,517**			2,063,299
Current tax liability			**274,129**			56,851
Bank loans and overdrafts			—			338,267
Retirement benefit obligation			**2,698,000**			6,122,000
Consolidated total liabilities			**7,705,245**			11,888,699

1. Segmental analysis (continued)

Other segmental information

	Unaudited 2014 Equipment	Unaudited 2014 Semiconductor components	Unaudited 2014 Group	Audited 2013 Equipment	Audited 2013 Semiconductor components	Audited 2013 Group
	£	£	£	£	£	£
Property, plant and equipment additions	—	102,995	102,995	—	179,448	179,448
Development cost additions	—	4,139,040	4,139,040	58,964	2,989,517	3,048,481
Depreciation	254	255,104	255,358	1,120	240,426	241,546
Amortisation	—	2,588,063	2,588,063	171,073	2,346,301	2,517,374
Other non-cash income	—	31,000	31,000	—	188,000	188,000

Inter-segmental transfers or transactions are entered into under commercial terms and conditions appropriate to the location of the business entity whilst considering that the parties are related. On 13 August 2013 Radio Data Technology Limited which represents 100% of the equipment segment went into voluntary liquidation and consequently after that date the Group has only one segment.

Geographical information

	UK	Germany	Americas	Far East	Total
	£	£	£	£	£
Year ended 31 March 2014 - unaudited					
Revenue by origination	12,573,992	11,929,768	5,856,202	9,680,220	40,040,182
Inter-segmental revenue	(5,826,088)	(9,538,160)	—	—	(15,364,248)
Revenue to third parties	6,747,904	2,391,608	5,856,202	9,680,220	24,675,934
Property, plant and equipment	4,751,764	67,876	114,550	2,520	4,936,710
Investment properties	3,450,000	—	—	—	3,450,000
Property held for sale	—	—	100,168	—	100,168
Goodwill	—	3,512,305	—	—	3,512,305
Development cost	2,376,561	3,811,694	—	—	6,188,255
Total assets	25,273,155	6,926,066	1,491,191	1,941,206	35,631,618
Year ended 31 March 2013 - audited					
Revenue by origination	13,383,113	11,402,649	6,258,588	10,039,321	41,083,671
Inter-segmental revenue	(6,244,716)	(9,601,016)	—	—	(15,845,732)
Revenue to third parties	7,138,397	1,801,633	6,258,588	10,039,321	25,237,939
Property, plant and equipment	4,887,586	60,187	136,348	9,914	5,094,035
Investment properties	3,450,000	—	—	—	3,450,000
Property held for sale	—	—	109,977	—	109,977
Goodwill	—	3,512,305	—	—	3,512,305
Development cost	1,960,306	2,714,115	—	—	4,674,421
Total assets	25,088,461	5,135,191	1,404,040	1,626,891	33,254,591

2. Revenue (continuing operations)

	Unaudited 2014 £	Audited 2013 £
Geographical classification of turnover (by destination):		
United Kingdom	**823,860**	803,143
Rest of Europe	**4,325,112**	3,762,365
Far East	**12,386,107**	12,932,301
Americas	**6,263,037**	6,383,848
Others	**595,543**	766,363
	24,393,659	24,648,020

3. Dividend paid and proposed

It is proposed to pay a dividend of 6.25p per Ordinary Share of 5p in respect of the year end 31 March 2014 (2013: 5.5p per Ordinary Share of 5p).

4. Income tax (continuing operations)

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 2014 £	Audited 2013 £
Current tax		
UK corporation tax on results of the period	**(255,646)**	(127,203)
Adjustment in respect of previous periods	**(44,945)**	(15,346)
	(300,591)	(142,549)
Foreign tax on results of the period	**369,860**	391,332
Foreign tax – adjustment in respect of previous periods	**(6,372)**	(8,783)
Total current tax	**62,897**	240,000
Deferred tax		
Current period movement	**965,352**	734,138
Adjustments to deferred tax charge in respect of previous periods	**(5,180)**	44,108
Total deferred tax	**960,172**	778,246
Tax charge on profit on ordinary activities	**1,023,069**	1,018,246

5. Earnings per ordinary 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.

	Profit 2014 £	Unaudited Weighted average number of shares 2014 Number	Profit per share 2014 p	Profit 2013 £	Audited Weighted average number of shares 2013 Number	Profit per share 2013 p
Basic earnings per share	**4,768,638**	**15,917,895**	**29.96**	4,054,181	15,841,435	25.59
Diluted profit per share						
Basic earnings per share	**4,768,638**	**15,917,895**	**29.96**	4,054,181	15,841,435	25.59
Dilutive effect of share options	—	**414,692**	**(0.76)**	—	256,941	(0.41)
Diluted earnings per share	**4,768,638**	**16,332,587**	**29.20**	4,054,181	16,098,376	25.18

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. The directors do not consider that the properties require a change in valuation at 31 March 2014 having considered their fair value.

7. Analysis of cash flow movement in net debt

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

	Audited Net cash at 1 April 2013	Cash flow	Exchange movement	**Unaudited Net cash at 31 March 2014**
	£	£	£	**£**
Cash and cash equivalents	9,322,957	**2,159,612**	**(109,086)**	**11,373,483**
Bank loans and overdrafts	(338,267)	**338,267**	**—**	**—**
	8,984,690	**2,497,879**	**(109,086)**	**11,373,483**

8. 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.

Key risks of a 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.

9. Directors' statement pursuant to the disclosure and transparency rules

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

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

b. the Chairman and Managing Director'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.

10. Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2013 financial statements.

11. Discontinued operations

On 13 August 2013 Radio Data Technology Ltd went into voluntary 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:

	Unaudited 2014 £	Audited 2013 £
Revenue	**282,275**	589,919
Cost of sales	**(171,239)**	(361,066)
Gross profit	**111,036**	228,853
Distribution and administration costs	**(113,978)**	(612,510)
	(2,942)	(383,657)
Other income	**5,720**	450
	2,778	(383,207)
Finance Income	**9**	74
Profit/(loss) before taxation	**2,787**	(383,133)
Taxation	**(2,785)**	1,351
Profit/(loss) from discontinued operations	**2**	(381,782)

12. General

The results for the year have been prepared using the recognition and measurement principles of international financial reporting standards as adopted by the EU.

The audited 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. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2014 are expected to be finalised and signed following approval by the board of directors on 20 June 2014 and delivered to the Registrar of Companies following the Company's annual general meeting on 30 July 2014.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2014 or 2013 as defined by Section 434 of the Companies Act 2006.

A copy of this announcement can be viewed on the company website http://www.cmlmicroplc.com.

13. Approval

The Directors approved this annual results announcement on 09 June 2014.

CML Microsystems Plc

Oval Park – Langford – Maldon – Essex – CM9 6WG – England
Telephone +44 (0) 1621 875500- Facsimile +44 (0) 1621 875606

e-mail group@cmlmicroplc.com - http://www.cmlmicroplc.com