CML Microsystems Plc

ANNUAL REPORT AND ACCOUNTS 2014

Celebrating 30 years as a public company

During the 30 years since CML became a publicly quoted company (8 February 1984) it has:

Paid over

£23m

in dividends to shareholders

Cumulative pre-tax profit

£67m

Returned nearly

£6m

cash to shareholders by way of share buy back

Cumulative revenues reported

£500m

and over 80% of this was export

Of the

121 people

who were employees of the Group on 8 February 1984, 19 are still employed

CML Microsystems Plc

Looking to the future

CML Microsystems Plc designs, manufactures and markets a range of semiconductors for global industrial and professional 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.

Visit us online at cmlmicroplc.com

Contents

Our results

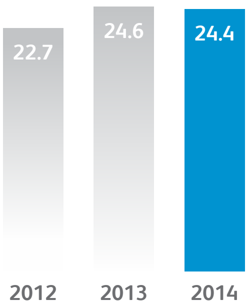
(CONTINUING OPERATIONS)

Revenue

£24.4m

£m

1%

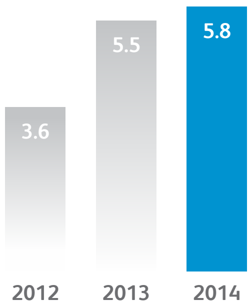


Pre-tax profit

£5.8m

£m

6%

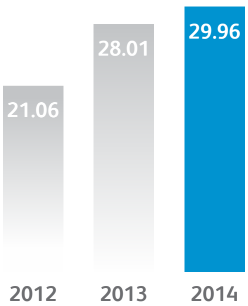


Basic earnings per share

29.96p

p

7%

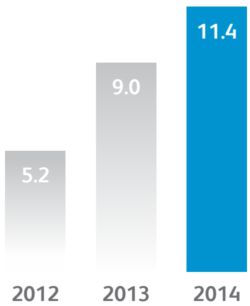


Net cash

£11.4m

£m

27%

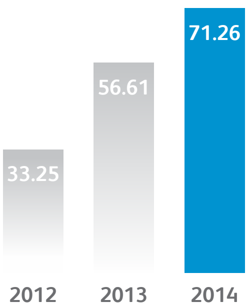


Net cash per share

71.26p

p

26%

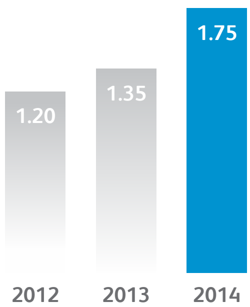


Net assets per share

£1.75

£m

30%



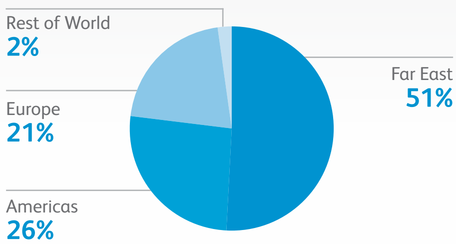
The Group's wide-ranging design skills, diversified technology portfolio and system-level understanding, coupled with market leading product functionality and an extensive selling network are key factors in the Company's success.

Where we operate

2014 REVENUE SPLIT BY REGION (CONTINUING BUSINESS)

	2014 £	2013 £
Far East	**12,386,107**	12,932,301
Americas	**6,263,037**	6,383,848
Europe	**5,148,972**	4,565,508
Rest of World	**595,543**	766,363
Total	**24,393,659**	24,648,020

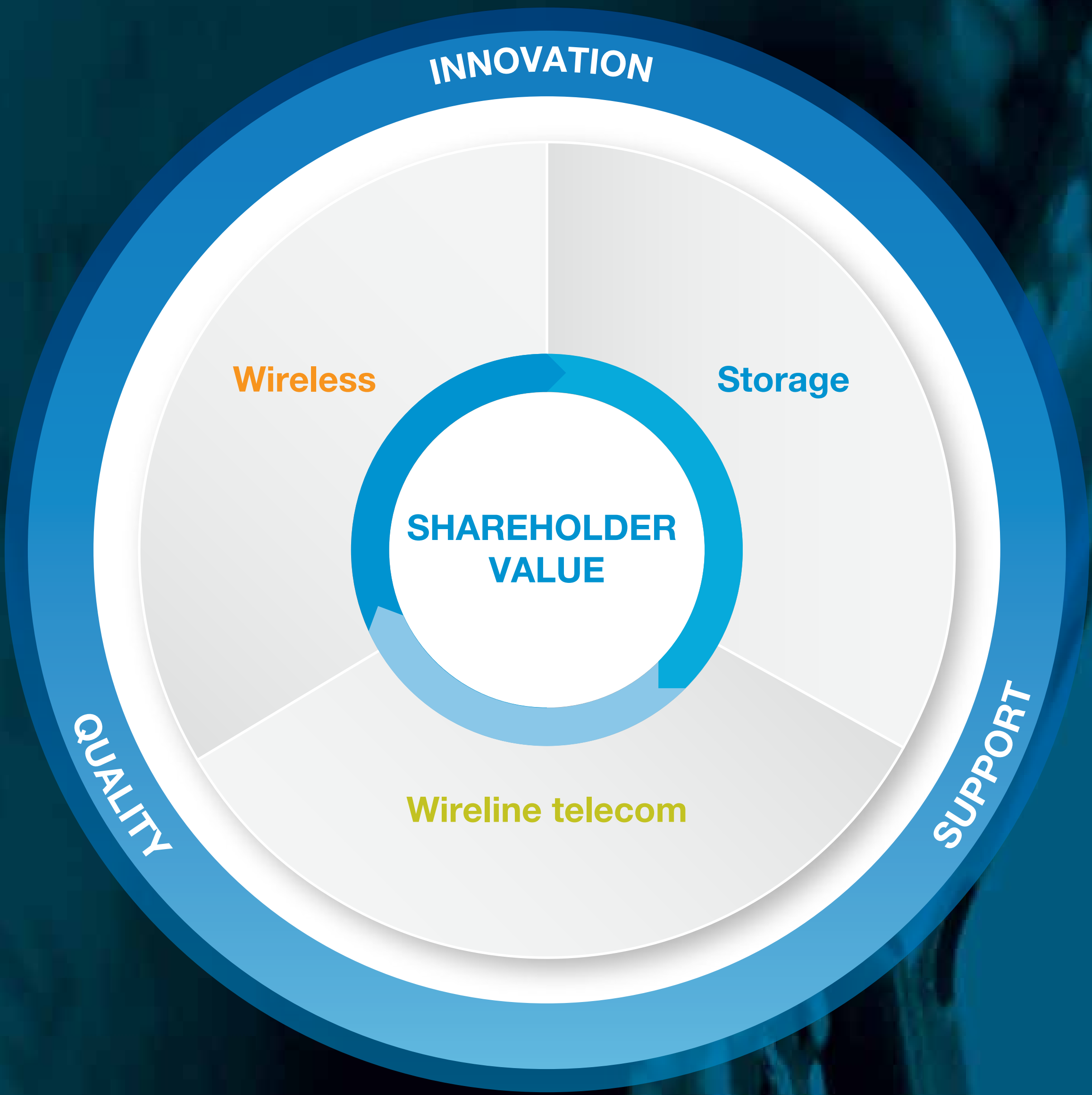
BUSINESS PERFORMANCE %



Business model

The business model is to design, manufacture and market a range of semiconductors for global industrial and professional applications within the storage, wireless communications and wireline communications market areas.

The Group operates with four design centres based at Langford (near Maldon, Essex), Shepton Mallet (Somerset), Sheffield (Yorkshire) and Konstance, Germany. Manufacturing is conducted on site at Langford or sub-contracted to third parties throughout the world. Sales and marketing resources operate internationally through subsidiaries based in the UK, USA, Germany, Singapore and Taiwan backed up by an extensive distribution and representative network.



With the equipment segment being exited in the first half of the financial year, CML is now focused purely on one operating segment, being the semiconductor segment. The semiconductor segment focuses on three main market areas: storage, wireless and wireline telecom.

Percentage of Group revenue (continuing business)

Semiconductor	%
Storage	48
Wireless	37
Wireline telecom	12
Other	3

Storage

Read more on page 11

APPLICATION AREAS

- Industrial flash-memory cards (CompactFlash, SD card, multi-media card)
- Solid State Drives (SSDs), embedded storage, “special function” cards

Wireless

Read more on page 12

APPLICATION AREAS

- Professional and industrial analogue/digital radios (voice centric)
- Wireless data products (proprietary radio modems, pagers, telemetry, marine safety)

Wireline telecom

Read more on page 13

APPLICATION AREAS

- Security alarm panels, point-of-sale, health monitors
- Meter reading, telephone exchange (PABX)

Our objectives

Our strategy

Our long term plan is underpinned by three strategic pillars:

1:

define, develop and deliver high-quality, innovative semiconductor solutions, enabling our customers to produce world-class products for global communications and data storage applications

2:

focus on sub-markets and applications that have significant expertise barriers to entry and are not well served by competitors

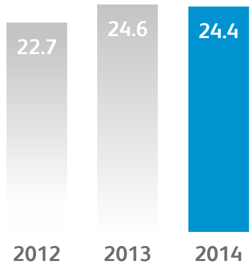
3:

offer **superior** levels of technical support

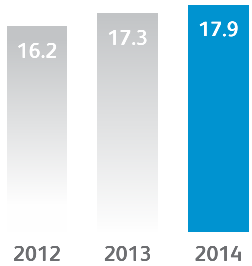
Key performance indicators

A range of performance measures to monitor and manage the business are used, some of which are considered key performance indicators (KPIs). These KPIs include revenue, gross profit, profit from operations, basic earnings per share and cash, summary details of which are shown below and discussed within the Chairman and Managing Director's operating and financial review on page 9.

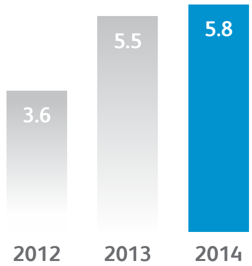
Revenue
(continuing operations)
£m



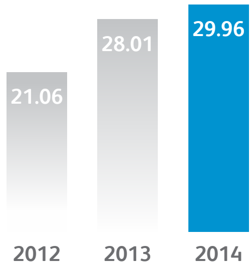
Gross profit
(continuing operations)
£m



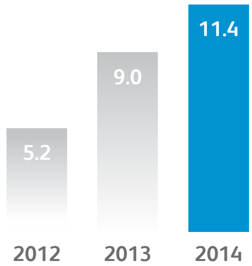
Profit from operations
(continuing operations)
£m



Earnings per share
(continuing operations)
p



Net cash
£m



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 sectors, 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. Further details of risks, uncertainties and financial instruments are contained in note 19.

Key risks of non-financial nature

The Group is a small player operating in a highly-competitive global market that 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.

Understanding of the development, performance or position of the Company's business

For financial years ending on or after 30 September 2013, all companies must prepare a stand-alone strategic report in addition to their directors' report (Section 414C (7) of The Companies Act 2006 Strategic Report and Directors' Report). The Directors do not believe that environmental matters (including the impact of the Company's business on the environment), the Company's employees and social, community and human rights issues are needed for an understanding of the development, performance or position of the Company's business and accordingly have not included this within the strategic report but have added these to the Directors' report.

Our timeline

1968
Company formation

1972
Moved to Witham, Essex

1980
Formation of CML USA

1984
Listed on the USM

1990
Formation of Equipment segment

1994
Formation of CML Singapore

Acquisition of Integrated Micro Systems Ltd

1996
Moved to the Full List of the London Stock Exchange

1999
Move to new corporate headquarters at Langford, Essex

2002
Formation of the Systems Group

2003
Acquisition of Hyperstone GmbH

Formation of Hyperstone Taiwan

2004
Formation of Hyperstone USA

2013
Formation of design centre in Sheffield

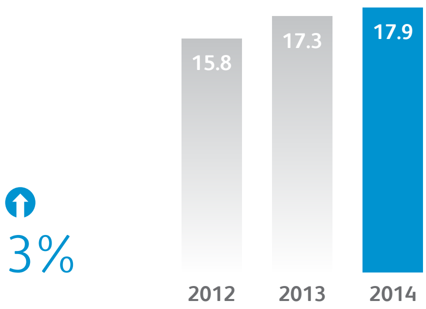
Exit of Equipment segment

Looking to the future

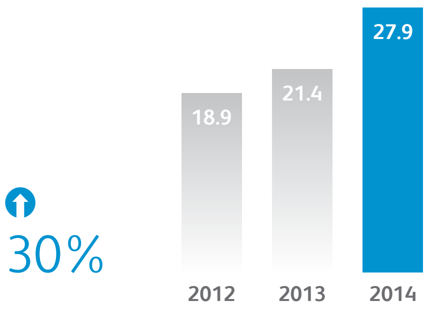
Chairman and Managing Director's operating and financial review

The significant investment in research and development being made is delivering a growing product range that will broaden the Group's addressable market areas.

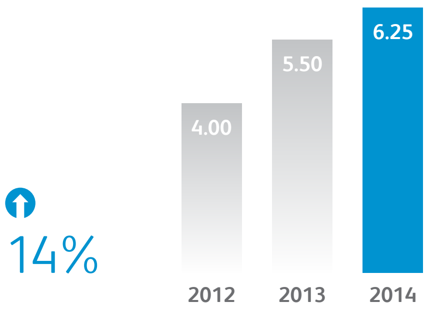
Gross profit
£m



Shareholders' equity
£m



Dividend
pence



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 benefited 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.

Chairman and Managing Director's operating and financial review continued

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.

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 twelve 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 (ICs) for storage and wireless markets while continuing to develop strategic technologies that are focused 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).

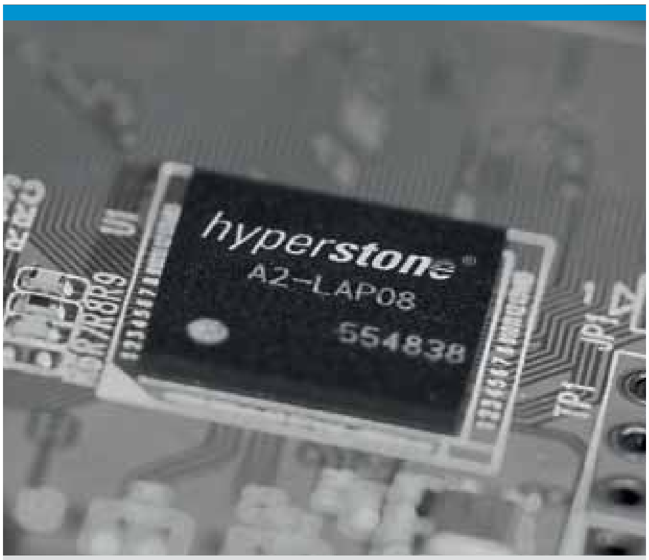
The Group has a retirement benefit obligation in respect of its UK final salary pension scheme that has been closed to new members and future accruals for some years. A general improvement in the economic climate was reflected in the actuarial assumptions used in calculating the scheme deficit. At the 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 IAS 19 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.

STORAGE



Group revenue

48%

2%

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 focused 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 twelve 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 these 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

Group revenue

37% ↓ 7%

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 under way 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 market 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 focused 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

Group revenue

12%

8%

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 sales 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.

By order of the Board

C. A. GURRY
Chairman and
Managing Director

20 June 2014

Directors and advisors

CHRIS GURRY

Chairman and Managing Director

Aged 50, he joined the Group in 1994, was appointed to the Board in 2000 as Business Development Director and became Managing Director in October 2007. Prior to joining CML, he worked within the electronics industry and has over 25 years' experience within communications markets.

NIGEL CLARK

Financial Director and Company Secretary

Aged 60, he joined the Group in 1980. He was appointed Company Secretary in 1983 and Financial Director in 1985. Prior to joining CML, he was with Touche Ross & Co. Chartered Accountants, and is a qualified Chartered Accountant.

HUGH FRANCIS RUDDEN (APPOINTED 16 JUNE 2014)

Sales and Marketing Director

Aged 54, Hugh has over 25 years' sales and marketing experience in the semiconductor industry. Most recently he has divided his time between leading a VC-backed photovoltaic start-up company through early stage financing and providing business and management consultancy services across a number of sectors. Prior to this, he was CEO at Bede Plc (acquired by Jordan Valley Semiconductors in 2008), and also spent 14 years at Memec Group (acquired by Avnet in 2005), a global semiconductor distribution and designs services organisation where his roles included product marketing manager, regional CEO and VP global design services solutions. Hugh speaks German and holds a BSc in Physics from the University of Durham.

RONALD SHASHOUA

Non-Executive Director

Aged 80, he joined the Company in 1996. Formerly of Casson Beckman, Chartered Accountants, Ron was a corporate finance specialist partner and also held a number of management positions within the partnership, including Managing Director. The Board consider Ron to be an independent director though this does not comply with the definition in the UK Corporate Governance Code 2012. Ron is Chairman of the Remuneration Committee.

JIM LINDOP

Non-Executive Director

Aged 57, Jim joined the Company in April 2013 and has extensive innovative leadership experience in the technology and engineering sectors, having spent over thirty years in the industry. Most recently he was founder and CEO of Jennic Ltd, a privately held semiconductor company established in 1996 and subsequently acquired by NXP Semiconductors in 2010. Prior to Jennic, he consulted to companies in Cambridge, UK, including Symbionics, building and leading project teams in new wireless technologies. Earlier experience includes working at Rolls Royce designing electronic instrumentation for aero-engines and as a director of engineering at Simmons Limited. Jim holds a BSc and MSc in Electronics from the University of Nottingham.

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Walbrook PR Limited

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London EC3V 9HD

Report of the Directors

The Directors submit their report and Group financial statements for the year ended 31 March 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the strategic report, the report of the Directors, the Directors' remuneration report, the separate corporate governance statement on page 24 and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required under the Listing Rules of the Financial Conduct Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on page 14 confirm that, to the best of each person's knowledge:

- the 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 Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report contained in the Annual Report and Accounts 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 responsible for the maintenance and integrity of the corporate and financial information included on the CML Microsystems Plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

The Group's business activities, performance, position and risks are set out in this Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and the use of financial instruments and policies relating thereto are detailed in the appropriate sections on pages 25 to 56 and elsewhere in the notes to the financial statements. The report also includes details of the Group's risk mitigation and management. The Group has considerable financial resources, and the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts and financial statements.

PRINCIPAL ACTIVITIES

The Group designs, manufactures and markets a range of semiconductor products for use in communications and data storage industries.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The strategic report on pages 2 to 13 provides an analysis of the business of the Group along with the development and performance of the business during the year and the position at the year end along with future developments. A range of performance measures to monitor and manage the business are discussed within the strategic report on pages 2 to 13.

RESULTS

The results for the year are set out in the consolidated income statement on page 26. The Group's pre-tax profit was £5,791,705 (2013: profit £5,454,209) and the profit attributable to equity owners of the parent was £4,768,638 (2013: profit £4,054,181).

DIVIDENDS

The Directors are proposing a dividend in respect of the year end 31 March 2014 of 6.25p per 5p ordinary share (2013: 5.5p per 5p ordinary share).

RESEARCH AND DEVELOPMENT

The Group actively reviews developments in its markets with a view to taking advantage of the opportunities available to maintain and improve its competitive position. This action involves the design and development of hardware and firmware for the semiconductor environment.

STRATEGIC REPORT

In accordance with S414C (11) of the Companies Act 2006; included in the strategic report is the review of the business and future developments, principal risks and uncertainties, key performance indicators and carbon dioxide emissions. This information would have otherwise been required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' report.

SHARE CAPITAL

The Company's authorised and issued ordinary share capital as at 31 March 2014 comprised a single class of ordinary shares. Details of movements in the issued share capital can be found in note 23 to the financial statements. Each share carries the right to one vote at general meetings of the Company. During the period, 88,329 ordinary shares (2013: 110,257 ordinary shares) in the Company were issued under the terms of the various share option schemes.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no specific restrictions on the transfer of securities in the Company, which is governed by the Articles and prevailing legislation. Nor is the Company aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Variation of rights

Subject to applicable statutes, rights attached to any class of shares may be varied with the written consent of the holders of at least 75% in nominal value of the issued shares of that class, or by a special resolution passed at a separate general meeting of the shareholders.

Rights and obligations attaching to shares

Subject to the provisions of the Companies Act 2006, any resolution passed by the Company under the Companies Act 2006 and other shareholder rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles) may decide. Subject to the Articles, the Companies Act 2006 and other shareholder rights, unissued shares are at the disposal of the Board.

POWERS FOR THE COMPANY ISSUING OR BUYING BACK ITS OWN SHARES

The Company was authorised by shareholders, at the 2013 AGM, to purchase in the market up to 2,380,889 of the Company's issued share capital, as permitted under the Company's Articles. No shares have been bought back under this authority. This standard authority is renewable annually; the Directors will seek to increase the authority to 2,394,139 5p ordinary shares at this year's AGM.

The Directors were granted authority at the 2013 AGM to allot relevant securities up to a nominal amount of £529,086. That authority will apply until the conclusion of this year's AGM. At this year's AGM shareholders will be asked to grant an authority to allot relevant securities up to a nominal amount of £532,030.

INTERESTS IN VOTING RIGHTS

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 6 June 2014, the Company had been notified under DTR 5 of the following significant holdings of voting rights in its shares.

Registered holder	Type of investor	% of issued share capital
Miton Group	Institutional investor	12.08%
Cazenove Capital Management Limited	Institutional investor	11.91%
J. M. Gurry	Private investor	9.87%
Legal and General Investment Management Limited	Institutional investor	7.42%
M. I. Gurry	Private investor	6.12%
T. M. R. Dean	Private investor	5.64%
Hargreave Hale Limited	Institutional investor	5.04%
Herald Investment Management	Institutional investor	4.77%
J. M. Finn Nominees Limited	Institutional investor	4.09%
Prudential Portfolio Managers Limited	Institutional investor	3.92%
Slater Investments Limited	Institutional investor	3.85%

DEADLINES FOR EXERCISING VOTING RIGHTS

Votes are exercisable at a General Meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, or corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

There are no agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

PAYMENT OF PAYABLES

It is the Company's policy to negotiate payment terms with its suppliers in all sectors and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. The Company has no trade payables outstanding at the end of the financial year and therefore the Company's practice in respect of the year with regard to its payment of creditors has been zero days. The Group's general policy is to pay all creditors in a period between 30 and 45 days.

MARKET VALUE OF LAND AND BUILDINGS

The Directors are of the opinion that the market value of operational properties at 31 March 2014 would exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the Group's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company at 31 March 2014, all of whom have served throughout the year unless otherwise stated, together with their interests in the shares of the Company were:

	Ordinary shares of 5p each	
	31 March 2014	31 March 2013
G. W. Gurry (deceased 5 October 2013)	**—**	1,575,869
C. A. Gurry	**917,567**	922,874
N. G. Clark	**4,600**	77,100
G. J. Bates (deceased 21 October 2013)	**—**	81,813
R. J. Shashoua	**143,500**	143,500
J. A. Lindop (appointed 1 April 2013)	**—**	—

The above interests in the ordinary share capital of the Company are beneficial. Details of the Directors' interests in options granted over ordinary shares are disclosed in the Directors' remuneration report. There have been no changes in the Directors' interests in shares between 1 April 2014 and 6 June 2014. With the exception of Directors' service contracts there are no contracts of significance in which the Directors have an interest.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The Company currently has in place, and has done for the whole of the year ended 31 March 2014, Directors' and officers' liability insurance for the benefit of all Directors of the Company.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting sets forth resolutions for the customary ordinary business resolutions 1 to 7 and also special business comprising of one ordinary resolution, 8 and two special resolutions, 9 and 10 relating to the following matters:

Special business ordinary resolution

8. To renew the authority for the Company to allot relevant securities.

Special business special resolutions

9. To disapply the pre-emption provisions of the Companies Act 2006.
10. To renew the authority to the Company to make market purchases of its own shares.

CAPITAL RISK MANAGEMENT

The Company only has one class of share as detailed in note 23. Though no specific basis, such as the gearing ratio is used to monitor the capital, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Internal control and risk management systems in relation to the process of preparing consolidated accounts

The elements of the internal control system are aimed at ensuring the accuracy and reliability of consolidated financial reporting and guarantee that business transactions are recognised in full and at the proper time in accordance with statutory regulations and CML Microsystems Plc's Articles of Association. Furthermore, they ensure that inventory counts are carried out correctly and that assets and liabilities are accurately recognised, measured and disclosed in the consolidated financial statements. The systems also ensure that the accounting documents provide reliable, comprehensible information.

The controlling activities to ensure the accuracy and reliability of the accounting include analytical reviews as well as the execution and control of important and complex transactions by different people. The separation of administrative, executive, accounting and authorisation functions and their performance by different individuals (dual signatures) reduces the risk of fraud.

Internal guidelines also govern specific formal requirements made of the consolidated financial statements. Establishing the group of consolidated companies is defined in detail, as are the components of the reports to be drawn up by the Group companies and their transmission to the central consolidation system. The formal requirements relate to the mandatory use of a standardised and complete set of reporting forms and a uniform account framework for the Group. The internal guidelines also include concrete instructions on presenting and carrying out netting procedures within the Group and confirming the resulting account balances.

At Group level the specific control activities to ensure the accuracy and reliability of consolidated financial reporting include the analysis and if necessary restatement of separate financial statements prepared by Group companies, taking into account the auditor's report and meetings held to discuss them.

EMPLOYEES

The Group's employees are its greatest asset and ultimately are the key factor in determining the long term success of the business.

The Board aims to ensure that all employees work in an environment that supports diversity and fosters a culture of dignity and respect. We are committed to supporting employment policies and practices that support equal opportunities, non-discrimination, and that comply with relevant local legislation and accepted employment practice codes. Policies and practices of equal opportunities and non-discrimination will ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities rather than on the grounds of age, beliefs, disability, ethnic origin, gender, marital status, race, religion or sexual orientation.

Breakdown of employees as at 31 March by gender and management

	2014			2013		
	Male	Female	Total	Male	Female	Total
Directors	4	—	4	5	—	5
Senior management	14	1	15	13	1	14
Staff	119	45	164	114	43	157
Total	137	46	183	132	44	176

Senior management is per the definition in Section 414C of the UK Companies Act 2006.

The Group encourages employees to participate directly in the success of the business through a free flow of information and ideas along with Company share ownership.

POST BALANCE SHEET EVENT

On the 16 June 2014 Hugh Francis Rudden was appointed to the Board as Sales and Marketing Director and will be offering himself for re-election at the Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware.

AUDITOR

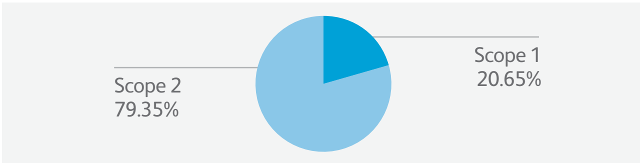
A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor of the Company will be put to the members at the Annual General Meeting.

ENVIRONMENTAL ISSUES AND GREENHOUSE GAS EMISSIONS

The Board recognises its responsibility as a manufacturing concern to reduce, where economically sound, the energy it uses and where possible take advantage of recycling opportunities, complying with local laws as a minimum standard. The direct impact of the Company's own business on the environment is little more than that of a normal office environment so has minimal effect. This is due to the fact that the Company mainly uses a sub-contractor model for the manufacture of its products. The mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the Regulations") requires we report the data shown below. The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food and Rural Affairs ("DEFRA"). We have also utilised DEFRA's 2013 conversion factors within this report. We have not extrapolated figures where the data is not available, such as power consumption when it is included within a lease cost.

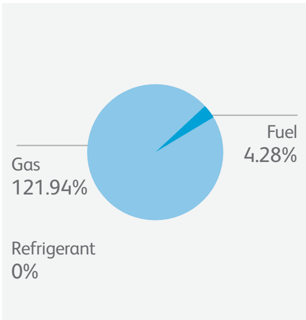
Greenhouse gases emissions in tonnes of CO_2 equivalents

Tonnes of CO_2e	2014	% of total emissions
Scope 1	153.88	20.65%
Scope 2	591.30	79.35%
Total controlled emissions	**745.18**	100.00%

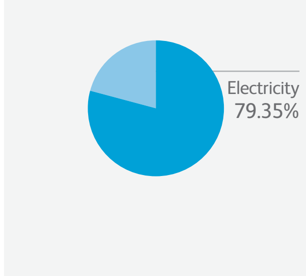


Emissions source

Tonnes of CO_2e	2014	% of total emissions
Scope 1		
Fuel – Company owned vehicles	31.93	4.28%
Gas – heating	121.94	16.37%
Refrigerant	0.01	0.0%
Total scope 1 emissions	**153.88**	20.65%
Scope 2		
Electricity – office and manufacturing	591.30	79.35%
Total scope 2 emissions	**591.30**	79.35%

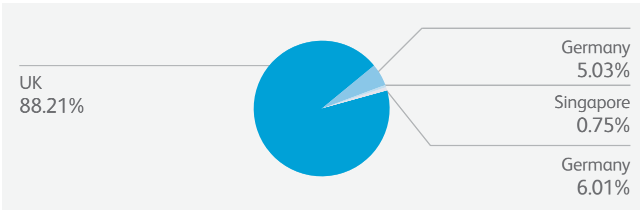


Scope 2 breakdown



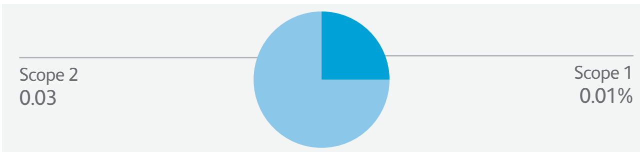
Geographical breakdown

Tonnes CO_2e	Scope 1	Scope 2	Total	Percentage
UK	128.33	529.01	657.34	88.21%
Taiwan	13.46	31.32	44.78	6.01%
Singapore	—	5.57	5.57	0.75%
Germany	12.09	25.40	37.49	5.03%
Total emissions	153.88	591.30	**745.18**	100.00%



Emission's intensity

Tonnes of CO_2e/£ turnover	2014
Scope 1	0.01
Scope 2	0.03
Total	**0.04**



The above greenhouse gas emissions data is reported using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible. This includes all material emission sources which we deem ourselves to be responsible for. These sources are within our organisational boundary and align with our own internal and financial control. We do not have responsibility for any emission sources outside this boundary such as commercial flights (scope 3) since they are not within our control and therefore are not considered to be our responsibility.

Each of the Directors have confirmed that they have taken all the steps that they believe they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board

N. G. CLARK
Company Secretary
20 June 2014

Directors' remuneration report

INTRODUCTION

This report has been prepared in accordance with the new regulations regarding the Directors' remuneration report (Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 as amended in 2013). As in previous years the shareholders will be asked to approve the Directors' remuneration report at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. Approval sought for this will have advisory status. Additionally this report details the remuneration policy for Directors and this policy will be subject to a binding vote at the forthcoming Annual General Meeting, and if approved will apply for a three-year period commencing 30 July 2014. The policy is very much in line with the previous policy although the level of disclosure has increased in line with the new regulations. The remuneration committee reviewed the existing policy and deemed no change necessary to the current arrangements. There have been no substantial changes in the Directors' remuneration between 2013 and 2014.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

In setting the policy for Directors, the remuneration committee has been mindful of the Group's objective to reward all employees fairly according to their role, experience and performance. In setting the policy for Directors' remuneration the committee has considered the pay and employment conditions of the other employees within the Group. No formal consultation has been undertaken with the employees in drawing up this policy. The committee has not used formal comparison measures.

REMUNERATION COMMITTEE

The Board has established a remuneration committee that comprises of R. J. Shashoua (committee Chairman), C. A. Gurry and N. G. Clark. The Executive Directors do not participate in deciding their personal remuneration package.

REMUNERATION POLICY

Set out in the table below is the future Group policy on Directors' remuneration. This will be proposed for a binding vote at the 2014 Annual General Meeting. If approved the policy will take effect from 30 July 2014. In setting the policy, the remuneration committee has taken into account:

- the need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company;
- the Group's general aim in seeking to reward all employees fairly according to the nature of their role;
- the need to align the interests of the shareholders as a whole with the long-term growth of the Group;
- the need to be flexible and adjust with operational changes throughout the term of this policy;
- the size and nature of the business; and
- knowledge of general pay levels within the Company's peer group and similar size companies.

The remuneration of the Non-Executive Directors is determined by the Board and takes into account additional remuneration for services outside the scope of the ordinary duties of Non-Executive Directors.

Executive Directors

Element	Purpose	Policy	Operation	Performance conditions
Base salary	To recognise skills, responsibility, accountability, experience and value.	Set at a level considered appropriate to attract, retain, motivate and reward the right individual.	Reviewed annually by the remuneration committee. Paid monthly.	No specific performance conditions, no maximum salary and no minimum or maximum rate of increase.
Pension	To provide competitive retirement benefits.	Fixed percentage of base salary.	Paid monthly into the Group defined contribution scheme.	No specific performance conditions.
Benefits*	To provide a competitive benefits package.	Include car or car allowance, health cover and death in service.	As defined in the employment contract.	No specific performance conditions.
Annual bonus	To reward and incentivise.	Tied to the overall profit and performance of the business as well as the individual in that period.	Assessed annually on both a financial and non-financial basis.	The maximum bonus will not exceed 50% of base salary and is totally at the discretion of the remuneration committee.
Share options	To provide Executive Directors with a long-term interest in the Company.	Granted under general group-wide schemes.	Offered at appropriate times by the remuneration committee.	No minimum or maximum levels set and no performance criteria specified.

Non-Executive Directors

Element	Purpose	Policy	Operation	Performance conditions
Base salary	To recognise skills, experience and value.	Set at a level considered appropriate to attract, retain, motivate the individual.	Reviewed periodically as needed.	No specific performance conditions, no maximum salary and no minimum or maximum rate of increase.
Pension	None offered.	None offered.	None offered.	None offered.
Benefits	Health cover when employed under PAYE.	Health cover where appropriate up to the age of 75.	Group organised.	No specific performance conditions.
Share options	None offered.	None offered.	None offered.	None offered.

* Principally a car and private medical insurance. The contracts of the Executive Directors allow the provision of company car to be exchanged for a car allowance and where this is done, this allowance is added to the benefits in kind figure.

The Company has no long-term incentive plans for Directors and no separate share option scheme exists solely for Executive Directors and they therefore only participate in share option plans that are eligible to all employees. The committee believes that share option schemes for all employees maximise shareholder value over time and therefore no specific performance conditions attach to the number of options granted to Executive Directors on an individual basis.

POLICY ON PAYMENT FOR LOSS OF OFFICE

There are no contractual provisions that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the remuneration committee to issue employment contracts to Executive Directors with normal commercial terms and without extended terms of notice which could give rise to an extraordinary termination payment.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

Individual Director's remuneration was as follows:

2014	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
G. W. Gurry	18,958	—	611	19,569	—	19,569
C. A. Gurry	201,400	40,280	23,144	264,824	28,728	293,552
N. G. Clark	190,800	42,930	19,226	252,956	31,583	284,539
G. J. Bates	14,583	—	665	15,248	—	15,248
R. J. Shashoua	25,000	—	—	25,000	—	25,000
J. A. Lindop	20,000	—	—	20,000	—	20,000
	470,741	83,210	43,646	597,597	60,311	657,908

2013	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
G. W. Gurry	32,500	—	—	32,500	—	32,500
C. A. Gurry	201,400	45,315	21,719	268,434	25,650	294,084
N. G. Clark	190,800	42,930	13,180	246,910	31,583	278,493
G. J. Bates	25,000	—	1,226	26,226	—	26,226
R. J. Shashoua	25,000	—	—	25,000	—	25,000
	474,700	88,245	36,125	599,070	57,233	656,303

See remuneration policy for types of benefits in kind. No formal performance measures are considered relevant due to the size and nature of the Board and therefore bonuses and share options granted are entirely at the discretion of the remuneration committee.

Remuneration of the Managing Director over the last five years:

Year	Managing Director	Total remuneration including bonus £'000	Annual bonus payout/ maximum opportunity %	Long-term incentive vesting rates against maximum opportunity* %
2014	C. A. Gurry	294	20.0% / 50%	n/a
2013	C. A. Gurry	294	22.5% / 50%	n/a
2012	C. A. Gurry	281	20.0% / 50%	n/a
2011	C. A. Gurry	261	17.5% / 50%	n/a
2010	C. A. Gurry	198	00.0% / 50%	n/a

Percentage change in Managing Director's Remuneration:

The table below shows the percentage change in Managing Director's total remuneration for the prior year compared to the total remuneration for the Group.

	2014 £	2013 £	Change %
Basic salary	201,400	201,400	—
Taxable benefits and pension	51,872	47,369	9.5
Annual bonus	40,280	45,315	(11.11)
Total remuneration of Managing Director	293,552	294,084	(0.18)
Total remuneration of employees	9,609,246	9,375,854	2.49

SHARE OPTIONS (AUDITED)

The following Directors had interests in options to subscribe for ordinary shares as follows:

	Number of options at 1 April 2013	Options exercised in year	Gain on options exercised in year	Options granted in year	**Number of options at 31 March 2014**	Exercise price	Exercise date
C. A. Gurry	20,000	—	—	—	**20,000**	£2.20	15 June 2014 to 14 June 2021
N. G. Clark	20,000	—	—	—	**20,000**	£2.30	15 June 2014 to 14 June 2021
	58,139	(58,139)	£255,230	—	**—**	£0.86	28 July 2013 to 27 July 2018
	98,139	(58,139)	£255,230	—	**40,000**		

On 17 September 2013 N. G. Clark exercised 58,139 options at the exercise price of £0.86 and sold the shares at the market price of £5.25.

Options are granted at an exercise price not less than the market price on the last dealing day prior to the date of grant and, under normal circumstances, remain exercisable between the third and tenth anniversaries of the date of grant. The share option schemes cover all Group employees, not just the Directors. The share options have no performance conditions attached. Further details are provided in note 23 to the financial statements. The market price of the Company's shares on 31 March 2014 was 572.5p (2013: 417.5p) and the range for the year was 381.5p to 615p.

PENSIONS (AUDITED)

The Group operates several pension schemes throughout the United Kingdom and overseas in which some of the Directors are included. Full details of these schemes are given in note 11 to the financial statements. The number of Directors who were members of pension schemes operated by the Company (where a member is defined as a current member, deferred member or pension member) was:

	2014 Number	2013 Number
Defined contributions scheme	**2**	2
Defined benefit scheme	**1**	2

C. A. Gurry is the only Director who was a member of the defined benefit scheme operated by the Company during the year. Pension entitlements and corresponding transfer values were as follows during the year:

	Total accrued pension at 31 March 2014 £	Increase in accrued pension excluding inflation £	Transfer value (less Directors' contributions) of net increase in accrual over period £	Transfer value of accrued pension at 31 March 2013 £	**Transfer value of accrued pension at 31 March 2014 £**	Total change in transfer value during period (less Directors' contributions) £
C. A. Gurry	**32,715**	1,193	2,954	342,481	345,435	2,954

The increase in accrued pension including inflation would be £1,749 for C. A. Gurry.

The Company's defined benefit pension scheme was closed in respect of future benefit accruals on 31 March 2009. Life assurance cover and widows death in service cover is still provided under this scheme.

Company contributions of £60,311 (2013: £57,233) were made towards the defined contribution scheme during the year in respect of the Executive Directors as detailed later in this report.

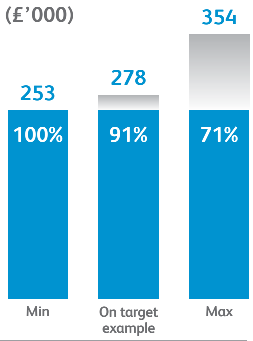
Normal retirement date for all Company pension schemes is 65. There are no additional benefits that will become receivable by a Director in the event of early retirement.

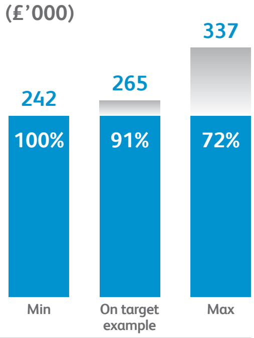
APPROACH TO RECRUITMENT REMUNERATION

All appointments to the Board are made on merit. The components of the remuneration package (for a new Director recruited within the life of the approved remuneration policy) would comprise of a base salary, pension, benefits, annual bonus and an opportunity to be granted share options. The approach with any appointment is detailed in the policy table. The Company aims to attract appropriately skilled and experienced individuals offering a level of remuneration that, in the opinion of the remuneration committee, is not excessive but fair.

REMUNERATION SCENARIOS

An indication of the possible level of remuneration that would be received by each Executive Director in the year commencing 1 April 2014 in accordance with the Directors' remuneration policy is shown below:





The "minimum" remuneration consists of the base salary, benefits and pension as disclosed in the remuneration table for 2014 contained within this report. The "on target" remuneration is the minimum remuneration figure plus, as an example, a 12.5% bonus paid on the base salary element part of the minimum remuneration. There are no contractual targets set for Directors' bonuses and in the last five years bonus levels have ranged from zero to 22.5% of the base salary element. The maximum remuneration assumes a 50% bonus paid on the base salary element part of the minimum remuneration.

NON-EXECUTIVE DIRECTORS

The fees payable to Non-Executive Directors are determined by the Board and designed to recognise the experience and responsibility whilst rewarding the expertise and ability of the individual.

DIRECTORS' SERVICE CONTRACTS

C. A. Gurry and N. G. Clark are employed by the Company under a written contract of employment that provides for termination by either party giving twelve-months' notice.

R. J. Shashoua does not have a service contract with the Company nor was he appointed for a specific term of office. J. A. Lindop has a three-year service contract that commenced on 1 April 2013. All Directors are subject to re-appointment at the first Annual General Meeting after their appointment and thereafter, apart from the Managing Director, one third of the remaining Directors shall retire by rotation at the Annual General Meeting.

Directors notice periods are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a Director leave the Company.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The remuneration committee considered the Executive Directors remuneration and the Board considered the Non-Executive Directors remuneration in the year ended 31 March 2014. No increases were awarded to salary and no external advice was taken in reaching this decision.

RELATIVE IMPORTANCE OF SPEND ON PAY

The total expenditure of the Group on remuneration to all employees (note 5) is shown below

	2014 £	2013 £	Movement £
Employee remuneration	**10,910,967**	10,567,958	343,009
Distributions to shareholders	**873,394**	630,584	242,810

SHAREHOLDER VOTING

At the Annual General Meeting on 31 July 2013, there was an advisory vote on the resolution to approve the remuneration report the result of which is detailed below:

	% of votes for	% of votes against	Number of votes withheld
Resolution to approve the remuneration report	99.99	0.01	—

CONSIDERATION OF SHAREHOLDER VIEWS

No shareholder views have been taken into account when formulating this policy. In accordance with the new regulations, an ordinary resolution for approval of this policy will be put to the shareholders at the Annual General Meeting in July 2014.

COMPANY’S PERFORMANCE

The graph below shows the total shareholder return on a holding of shares in the Company as against the average total shareholder return (TSR) of the companies comprising the TechMark 100 Index for the last five years. The TechMark 100 Index was selected because in the opinion of the Board it is the most appropriate for benchmarking the Company.

On behalf of the Board of Directors

R. J. SHASHOUA

Director and Chairman of the remuneration committee

20 June 2014

Corporate governance

STATEMENT OF THE APPLICATION OF PRINCIPLES IN THE UK CORPORATE GOVERNANCE CODE 2012 (THE "CODE")

The Board acknowledge the importance of the UK Corporate Governance Code 2012 (the "Code") revised in September 2012. Companies that have a standard listing on the London Stock Exchange are not required to comply with the Code under the Listing Rules. However there is a requirement to comply with certain disclosure and transparency rules, specifically DTR 7.2, relating to corporate governance statements.

The Company is committed to high standards of corporate governance and has sought to comply with those aspects of the Code that are considered by the Board to be practical and appropriate for an organisation of its size and nature and where, in the Board's opinion, are of material benefit to the Company and/or its stakeholders. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk/corporate/ukcgcode.cfm.

In particular, the Company places a high degree of importance on corporate governance issues relating to internal financial control, accountability and the ability of its Directors to behave independently and appropriately. Consequently, consideration of the Code has been weighted towards these issues whilst also having due regard for the size and nature of the Group.

DIRECTORS

The Group is led and controlled by an effective board that comprises two Executive Directors and two Non-Executive Directors. Details of the Directors can be found on page 14. The Chairman is primarily responsible for the running of the Board and the Managing Director is the Chief Operating Decision Maker ("CODM") with responsibility for the day-to-day running of the Group and for implementing Group strategy. Following the death of the Chairman during the year, the Board elected the Managing Director to the additional position of Chairman on an interim basis.

The Board meets formally a minimum of four times per year. During 2014, nine Board meetings were held where all Directors participated.

All Board members have full access to the Group's advisors for seeking professional advice at the Company's expense and the Group's culture is to openly discuss any important issues. New appointments are led by the Managing Director and considered by the whole Board acting as the nominations committee.

The Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board. The CODM monitors operating performance through the regular review of financial reports and by holding regular formal discussions with senior managers and their respective senior personnel.

In accordance with the Articles of Association one third of the Board excluding the Managing Director is subject to re-election by rotation annually.

ACCOUNTABILITY

In the report of the Directors on pages 15 to 18 of this Annual Report and Accounts there are details of the Group's internal financial control procedures and risk management practices. The Group has a long-established framework of internal financial controls and the Board recognises that the Group operates in highly competitive markets that can be affected by factors and events outside its control. Accordingly, an annual review of the material controls, including financial, operational, compliance and risk management systems is undertaken during the year by the internal audit function.

In accordance with the objectives of the Code, the Board reviews the results of the review and takes necessary actions where required. The Board is satisfied there is an ongoing process in place for identifying, evaluating and managing the Group's significant risks.

AUDIT

The Financial Director is responsible for the appointment of the external auditor; reviewing the scope and results of the audit; its cost effectiveness; the independence and objectivity of the auditor and the supply of non-audit services. Additionally, an Independent Non-Executive Director (as defined by the Board) carries out an independent review with the auditor.

RELATIONS WITH SHAREHOLDERS

The Managing Director and the Financial Director are the Group's principal spokesmen with investors, fund managers, the press and other interested parties. They hold briefings with institutional fund managers and analysts primarily following the announcement of half-year and preliminary results along with other ad-hoc meetings throughout the year. The Board also welcomes all shareholders at the Annual General Meeting where they are able to question the full Board and meet with them afterwards. Details of all briefings and meetings are communicated to the full Board.

By order of the Board

N. G. CLARK

Company Secretary

20 June 2014

Independent auditor's report

to the members of CML Microsystems Plc

We have audited the Group and parent company financial statements (the "financial statements") on pages 26 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Directors' responsibilities statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

OPINION ON THE FINANCIAL STATEMENTS

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

EUAN BANKS
(Senior Statutory Auditor)
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

20 June 2014

Consolidated income statement
for the year ended 31 March 2014

	Notes	2014 £	Restated 2013 £
Continuing operations			
Revenue	3	**24,393,659**	24,648,020
Cost of sales	4	**(6,511,437)**	(7,312,786)
Gross profit		**17,882,222**	17,335,234
Distribution and administration costs	4	**(12,469,963)**	(12,130,157)
		5,412,259	5,205,077
Other operating income	4	**473,613**	296,097
Profit from operations		**5,885,872**	5,501,174
Share-based payments	24	**(155,931)**	(101,525)
Profit after share-based payments		**5,729,941**	5,399,649
Finance costs	7	**—**	(34)
Finance income	7	**61,764**	54,594
Profit before taxation from continuing operations		**5,791,705**	5,454,209
Income tax expense	8	**(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	28	**2**	(381,782)
Profit after taxation attributable to equity owners of the parent	10	**4,768,638**	4,054,181
Basic earnings per share			
From continuing operations	10	**29.96p**	28.01p
From profit for year	10	**29.96p**	25.59p
From discontinued operations	10	**—**	(2.42p)
Diluted earnings per share			
From continuing operations	10	**29.20p**	27.56p
From profit for year	10	**29.20p**	25.18p
From discontinued operations	10	**—**	(2.38p)

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

	Notes	2014 £	2014 £	2013 £	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	11	**3,393,000**		(1,768,000)	
Deferred tax on actuarial (profits)/losses	22	**(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

Consolidated statement of financial position
as at 31 March 2014

	Notes	2014 £	2014 £	2013 £	2013 £
Assets					
Non-current assets					
Property, plant and equipment	12		4,936,710		5,094,035
Investment properties	12		3,450,000		3,450,000
Development costs	12		6,188,255		4,674,421
Goodwill	12		3,512,305		3,512,305
Deferred tax asset	22		1,270,976		2,737,409
			19,358,246		19,468,170
Current assets					
Inventories	15	1,129,051		1,692,599	
Trade receivables and prepayments	16	3,388,003		2,522,168	
Current tax assets	21	282,667		138,720	
Cash and cash equivalents	17	11,373,483		9,322,957	
			16,173,204		13,676,444
Non-current assets classified as held for sale properties	12		100,168		109,977
Total assets			35,631,618		33,254,591
Liabilities					
Current liabilities					
Bank loans and overdrafts	18		—		338,267
Trade and other payables	20		2,508,599		3,308,282
Current tax liabilities	21		274,129		56,851
			2,782,728		3,703,400
Non-current liabilities					
Deferred tax liabilities	22	2,224,517		2,063,299	
Retirement benefit obligation	11	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	23		798,046		793,630
Share premium	24		5,069,921		4,977,531
Share-based payments reserve	24		327,130		171,199
Foreign exchange reserve	24		211,632		513,532
Accumulated profits	24		21,519,644		14,910,000
Total shareholders' equity			27,926,373		21,365,892

The financial statements on pages 26 to 56 were approved and authorised for issue by the Board on 20 June 2014 and signed on its behalf by:

C. A. GURRY
Director

N. G. CLARK
Director

Registered in England and Wales: 944010

Consolidated and Company cash flow statements

for the year ended 31 March 2014

	Notes	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Operating activities					
Net profit before taxation (continuing operations)		5,791,705	5,454,209	279,721	204,421
Net profit before taxation (discontinuing operations)		2,787	(383,133)	—	—
Net profit for the year before taxation		5,794,492	5,071,076	279,721	204,421
Adjustments for:					
Depreciation		255,358	241,546	87,301	87,301
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	155,931	101,525
Dividend received from Group companies		—	—	519,367	456,026
Finance costs		—	34	—	—
Finance income		(61,773)	(24,668)	(15,578)	(186)
Increase/(decrease) in working capital	27	(1,109,739)	(163,686)	2,045,716	(1,064,385)
Cash flows from operating activities		7,653,332	7,555,201	3,072,458	(215,298)
Income tax paid		(204,593)	(70,620)	—	—
Net cash flows from operating activities		7,448,739	7,484,581	3,072,458	(215,298)
Investing activities					
Purchase of property, plant and equipment		(102,995)	(179,448)	—	(21,152)
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	15,578	186
Net cash flows from investing activities		(4,174,272)	(3,202,811)	15,578	(20,966)
Financing activities					
Issue of ordinary shares		96,806	110,457	96,806	110,456
Dividend paid to shareholders		(873,394)	(630,584)	(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)	(776,588)	(520,128)
Increase/(decrease) in cash and cash equivalents		2,159,612	1,599,445	2,311,448	(756,392)
Movement in cash and cash equivalents:					
At start of year	17	9,322,957	7,742,038	46,115	802,507
Increase/(decrease) in cash and cash equivalents		2,159,612	1,599,445	2,311,448	(756,392)
Effects of exchange rate changes		(109,086)	(18,526)	—	—
At end of year		11,373,483	9,322,957	2,357,563	46,115

Group 2013 figures have been restated.

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**

Company statement of financial position

as at 31 March 2014

	Notes	2014 £	2014 £	2013 £	2013 £
Assets					
Non-current assets					
Property, plant and equipment	12		4,765,909		4,853,210
Investment properties	12		3,450,000		3,450,000
Investments	13		5,806,353		7,763,290
Deferred tax asset	22		144,413		153,313
			14,166,675		16,219,813
Current assets					
Trade receivables and prepayments	16	8,458		45,499	
Cash and cash equivalents	17	2,357,563		46,115	
			2,366,021		91,614
Total assets			16,532,696		16,311,427
Liabilities					
Current liabilities					
Trade and other payables	20		486,417		434,679
			486,417		434,679
Non-current liabilities					
Deferred tax liabilities	22		669,208		787,190
Total liabilities			1,155,625		1,221,869
Net assets			15,377,071		15,089,558
Equity					
Share capital	23		798,046		793,630
Share premium	24		5,069,921		4,977,531
Share-based payments reserve	24		327,130		171,199
Merger reserve	24		315,800		315,800
Accumulated profits	24		8,866,174		8,831,398
Total shareholders' equity			15,377,071		15,089,558

The financial statements on pages 26 to 56 were approved and authorised for issue by the Board on 20 June 2014 and signed on its behalf by:

C. A. GURRY
Director

N. G. CLARK
Director

Registered in England and Wales: 944010

Company statement of changes in equity

for the year ended 31 March 2014

	Share capital £	Share premium £	Share-based payments £	Merger reserve £	Accumulated profits £	Total £
At 31 March 2012	788,117	4,872,587	108,085	315,800	8,773,720	14,858,309
Profit for year					649,851	649,851
Total comprehensive income for year	—	—	—	—	649,851	649,851
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	315,800	8,831,398	15,089,558
Profit for year					**908,170**	**908,170**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**908,170**	**908,170**
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**	**315,800**	**8,866,174**	**15,377,071**

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act applicable to companies reporting under IFRS. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention with the exception of investment properties that are carried at valuation. This is done on a going concern basis as the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. See page 15 for further detail.

The Group's presentational currency is Pounds Sterling since that is the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Pounds Sterling.

b) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiary undertakings using the purchase method of accounting. The results of acquired subsidiary undertakings are included from the date of acquisition. No income statement is presented for CML Microsystems Plc as provided by Section 408 of the Companies Act 2006. Dormant subsidiaries are not included in the consolidated financial statements on the basis that they are not material to the Group. A subsidiary is defined within these accounts to mean a company, over which the Group has control. The Group controls an entity where the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

c) Segmental reporting

The Group's primary reporting format was, until the liquidation during the year of Radio Data Technology Ltd, in two segments being semiconductor components and equipment. These individual segments were engaged in separate business sectors and are subject to different risks and returns.

d) Revenue

The Group recognises revenues from the sale of equipment and semiconductor products or services when the significant risks and rewards of ownership have passed to the customer. This is generally when goods have been despatched to the customer and the revenues can be measured reliably. Revenue is measured at the fair value of the consideration receivable excluding discounts, rebates, Value Added Tax and other sales taxes or duties. Other income such as interest earned and property income is recognised as earned. Warranty for all product sold or any loss or damage suffered by a purchaser only extends to the refund of the purchase price or replacement of the product originally sold regardless of how the claim has arisen therefore only accounted for on an actual identified potential liability.

e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Under IFRS 1 the Group elected to adopt the 31 March 2005 balance sheet amortised value prepared under UK GAAP for goodwill and carry out annual impairment reviews as required under IAS 36 and in accordance with IAS 38. Goodwill is reviewed annually for impairment by comparing its carrying value to the net selling price of the cash generating unit; any resultant loss being charged through the consolidated income statement. Net selling price is determined using a five-year average of projected future earnings as applied to the price earnings ratio for the technology sector. No impairments are reversed.

f) Research and development

Development expenditures that satisfy the recognition criteria as set out in IAS 38 are shown at historical cost less accumulated amortisation since they have a definite useful life. In determining the period over which the carrying value of the intangible fixed assets are amortised, the Group is required to consider the likely period over which the developed products are likely to generate economic benefits. Amortisation is calculated using the straight-line method to allocate the cost of the development over a period of two to four years, representing the period over which economic benefit is derived from developed products and is charged to administration costs in the income statement. Research and other development expenditures that fall outside the scope of IAS 38 are charged to the income statement when incurred. An internally-generated intangible asset arising from the Group's business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of an asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

g) Property, plant and equipment and investment property

All property, plant and equipment, other than investment properties, are stated at historical cost. Depreciation is provided on all property, plant and equipment other than freehold land and investment properties at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Freehold and long leasehold premises	2% straight line
Short leasehold improvements	period of the lease
Plant and equipment	25% straight line
Motor vehicles	25% straight line

Investment properties are stated at their fair values and are revalued annually by the Directors and every third year by an independent chartered surveyor 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.

h) Taxation

The tax expense represents the sum of the tax currently payable, adjustments in respect of prior years and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the year end.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the year end. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

i) Inventories

Inventories are valued on a first-in, first-out basis and are stated at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost comprises direct materials, direct labour and a proportion of overhead expenses appropriate to the business.

j) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the income statement. The financial statements of the overseas subsidiaries are translated into Sterling at the average rate of exchange for the period for the income statement and at the closing rate for the statement of financial position. Translation differences are dealt with through the foreign exchange reserve in shareholders' equity. The Group decided to deem the cumulative amount of exchange differences arising on consolidation of the net investments in subsidiaries at 1 April 2004 to be zero.

k) Investments

Investments are stated at cost less any provision for diminution in value.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly-liquid investments with original maturities of three months or less and bank overdrafts where there is a set-off arrangement with the bank. Other bank overdrafts are shown within borrowings of the current liabilities on the statement of financial position.

m) Employee benefits – pension obligations

Group companies operate both defined benefit and defined contribution pension schemes. The schemes are funded through payments to funds administered by trustees and these are determined by periodic actuarial calculations in respect of the defined benefit pension schemes. The liability recognised in the statement of financial position in respect of the defined pension schemes is the present value of the defined benefit obligation at the year end less the fair value of the scheme assets. Independent actuaries using the projected unit method calculate the defined benefit obligation annually. Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity. For defined contribution schemes, contributions are recognised as an employee benefit expense when they are due.

Amendment to IAS 19 Employee Benefits: The amendments require immediate recognition of actuarial gains and losses in other comprehensive income. The principle amendment that affects the Group is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation. The new standard requires retrospective application and impacts the Group's income statements and statement of comprehensive income as a result of the changes in assessing the return on pension scheme assets. A prior year restatement has been made to reflect these changes.

n) Employee benefits – share-based payments

Share options which are equity settled are valued using the Black-Scholes model. This fair value at the date of the grant is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in the profit or loss in the year that the options are cancelled or settled.

o) EU grants

EU grants receivable to assist the Group with costs in respect of development work are credited against capitalised development costs so as to match them with the expenditure to which they relate. Other grants that are not of a capital nature are credited to the income statement as part of other operating income. Grants are only recognised when all conditions of the grant have been complied with and are matched to the expenditure to which they relate.

p) Leases

Leases of property, plant and equipment where the Group has substantially all the risk and rewards of ownership are classified as finance leases. Leases in which a significant number of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis. Rental income under operating leases is credited to the income statement on a straight-line basis and any contingent rents are recognised as income in the period to which they relate.

q) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

r) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual result. The amortisation period of development costs, the valuation of investment properties and the impairment of goodwill are considered to be critical accounting estimates and judgements; details of which are referred to in accounting policies, sections e, f and g. Deferred tax assets are only recognised when there is a reasonable expectation of recovery.

s) Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

1 ACCOUNTING POLICIES CONTINUED

t) Non-current assets held for sale

Non-current assets held for sale are investment properties and freehold land and buildings and they have been valued at the lower of carrying value and fair value less costs to sell. The reclassification takes place when the sale is highly probable and the assets are available for immediate sale in their present condition.

u) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group has become a party to the contractual provision of the instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Trade receivables are classified as loans and receivables and are initially recognised at fair value then amortised cost using the effective interest method. They are subsequently measured at their amortised cost less any provision for impairment. An impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of impairment is the difference between the asset's carrying amount and the present value of its estimated future cash flows. The amount of the impairment is recognised in the consolidated income statement. Trade payables are not interest bearing and are initially stated at their fair value then amortised cost using the effective interest method. Cash and cash equivalents include cash in hand, deposits held on call with banks or legal bodies, other short-term highly-liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within current liabilities on the consolidated statement of financial position. Borrowings are recognised initially at their fair value. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the year end. Finance charges are accounted for on an accruals basis and are added to the carrying amount to the extent that they are not settled in the period in which they arise.

v) Impairment of property, plant and equipment and intangible assets other than goodwill

At each year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that an asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

w) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

x) Adoption of International Accounting Standards

The Group has adopted the following new and amended IFRS from their effective date:

IAS 1 Presentation of Financial Statements (amendment). Applicable for periods beginning on or after 1 January 2013. IAS 1 specifies requirements for comparative information when an entity provides more than the minimum required, plus additional disclosures required on a change of accounting policy or retrospective restatement or reclassification.

IAS 12 Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets. Applicable for EU companies for periods beginning in or after 1 January 2013. Introduces a rebuttable presumption that an investment property measured using the fair value model is recovered entirely through sale.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. Applicable for periods beginning on or after 1 January 2013. Provides guidance on classification of servicing equipment, spare parts and stand-by equipment as property, plant and equipment or inventory.

IAS 19 Employee Benefits (amended). Applicable for periods beginning on or after 1 January 2013. IAS 19 requires actuarial gains and losses to be recognised immediately in other comprehensive income and applies the same discount rate to the defined benefit obligation and the plan assets. Changes the accounting for past service costs, which are no longer deferred and restricts the recognition of a defined benefit surplus to the present value of any economic benefits.

IAS 32 Financial Instruments: Presentation. Applicable for periods beginning on or after 1 January 2013. Clarifies that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Reporting. Applicable for periods beginning on or after 1 January 2013. Requires disclosure of total assets and liabilities for a reportable segment if regularly provided to the chief operating decision maker and there has been a material change for that segment since the last annual financial statements.

IFRS 7 Financial Instruments – Disclosure – Amendment; Offsetting Financial Assets and Financial Liabilities. Applicable for periods beginning on or after 1 January 2013. Provides guidance on the meaning of "a legally enforceable right of set off" and situations where gross settlement systems may be considered equivalent to net settlement.

IFRS 13 Fair Value Measurement. Applicable for periods beginning on or after 1 January 2013. Provides a definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Applicable for periods beginning on or after 1 January 2013. Addresses the recognition of production stripping costs as an asset and the initial and subsequent measurement of the stripping activity asset.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IAS 19 Employee Benefits – Amendment; Defined Benefit Plans: Employee Contributions. Applicable for periods beginning on or after 1 July 2014. Simplifies the accounting for contributions to defined benefit plans from employees or third parties that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IAS 27 Separate Financial Statements (amended 2011). Applicable for periods beginning on or after 1 January 2013. Largely replaced by IFRS 10 but retains existing guidance on group reorganisations where a new parent entity is established and sets out disclosure requirements in separate financial statements.

IAS 28 Interests in Associates and Joint Ventures. The amendments to this standard provide that the equity method of accounting should be used to account for investments in associates and joint ventures in consolidated financial statements and this, eliminates the choice to proportionately consolidate joint ventures that was previous available under IAS 31 (revised 2008). In addition, the equity method must also be used in the individual financial statements of an investor that does not have any subsidiaries. Applicable for periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities. Applicable for periods beginning on or after 1 January 2014. Provides guidance on the meaning of "a legally enforceable right of set off" and situations where gross settlement systems may be considered equivalent to net settlement.

IAS 36 Impairment of Assets – Amendment; Recoverable Amount Disclosures for Non-Financial Assets. Applicable for periods beginning on or after 1 January 2014. Now only requires disclosure of recoverable amount when an impairment loss is recognised or reversed in the period in respect of an individual asset or CGUs, and requires disclosure of the fair value hierarchy levels and, for levels 2 and 3, the valuation technique and key assumptions used, when that recoverable amount is based on fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement – Amendment: Novation of Derivatives and Continuation of Hedge Accounting. Applicable for periods beginning on or after 1 January 2014. Narrow-scope amendment to allow hedge accounting to continue when a derivative designated as a hedging instrument is novated from one party to a central counterparty as a result of laws or regulation.

IFRS 10 Consolidated Financial Statements. Applicable for periods beginning on or after 1 January 2013. Replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Retains the principle of control, but redefines control and provides further guidance on how to apply the control principle.

IFRS 11 Joint Arrangements. Applicable for periods beginning on or after 1 January 2013. Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers and establishes consistent principles for all types of jointly controlled arrangements. Retains a similar definition of joint control but clarifies that a joint arrangement will be either a "joint operations" or a "joint venture".

IFRS 12 Disclosure of Interests in Other Entities. Applicable for periods beginning on or after 1 January 2013. Applies to entities with interests in subsidiaries, joint arrangements, associates and other unconsolidated structured entities and sets out disclosures in respect of such entities.

Amendments to IFRS 10 Consolidated Financial Statements: Transition Guidance. Applicable for periods beginning on or after 1 January 2013. The amendments to IFRS 10 clarify the date of initial application and reliefs from the presentation or adjustment of comparative information.

Amendments to IFRS 11 Joint Arrangements: Transition Guidance. Applicable for periods beginning on or after 1 January 2013. The amendments to IFRS 11 clarify reliefs from the presentation or adjustment of comparative information.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Transition Guidance. Applicable for periods beginning on or after 1 January 2013. The amendments to IFRS 12 clarify reliefs from the presentation or adjustment of comparative information.

IFRS 14 Regulatory Deferral Accounts. Applicable for periods beginning on or after 1 January 2016. Enhances comparability of financial reporting by entities that are engaged in rate-regulated activities.

Permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, the effect of rate regulation must be presented separately from other items. Entities already preparing IFRS financial statements are not eligible to apply the standard.

IFRIC 21 Levies. Applicable for periods beginning on or after 1 January 2014. Clarifies that the obligating event that gives rise to a liability is the activity (as described in the relevant legislation) that triggers the payment of the levy.

IFRS 2 Share-based Payment – amendment. Applicable for periods beginning on or after 1 July 2014 but not yet endorsed by the EU. The amendments to IFRS 2 clarifies and separates certain definitions.

IFRS 3 Business Combinations – amendment. Applicable for periods beginning on or after 1 July 2014 but not yet endorsed by the EU. IFRS 3 was amended so all non-equity contingent consideration is measured at fair value at each reporting date with fair value changes recognised in profit or loss. Includes consequential amendments to exclude contingent consideration in a business combination from other measurement bases in IFRS 9, IAS 39 and IAS 37.

IFRS 8 Operating Segments – amendment. Applicable for periods beginning on or after 1 July 2014 but not yet endorsed by the EU. The amendments to IFRS 8 require disclosure of the judgements made in aggregating operating segments including a description of the aggregated operating segments and economic indicators assessed. Clarifies that the reconciliation of total reportable segments' assets to the entity's assets is only required when segment assets are regularly provided to the chief operating decision maker.

IAS 24 Related Party Disclosures – amendment. Applicable for periods beginning on or after 1 July 2014 but not yet endorsed by the EU. The amendment to IAS 24 extends the definition of a related party to include entities that provide key management personnel services. Clarifies that key management personnel compensation excludes compensation from a management entity to its employees or Directors, and that key management services obtained from a separate management entity must be disclosed.

IAS 40 Investment Property – amendment. Applicable for periods beginning on or after 1 January 2014 but not yet endorsed by the EU. The amendment to IAS 40 clarifies that the IFRS 3 is applied in determining whether the acquisition of a property is a business combination or note. Includes a consequential amendment to IFRS 3. Interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Whilst the IASB effective dates for IFRS 10, 11 and 12 and amended IAS 27 and 28 is periods beginning on or after 1 January 2013, EU companies are permitted an extra year before they are required to apply them.

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group, subject to any future business combinations.

2 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

	2014			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

Other segmental information

	2014			2013		
	Equipment £	Semiconductor components £	Group £	Equipment £	Semiconductor components £	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					
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					
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	5,135,199	1,404,040	1,626,891	33,254,591

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.

3 REVENUE

Continuing business	**2014 £**	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

4 PROFIT FROM CONTINUING OPERATIONS

	2014		2013	
	£	£	£	£
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation		65,259		67,248
Amount of inventories written down		19,820		48,247
Cost of inventories recognised as expense		5,521,485		6,206,454
Distribution costs (mainly staff costs)		2,372,931		2,782,665
Administration costs:				
Amortisation	2,588,063		2,346,301	
Depreciation	189,845		173,178	
Auditor's fees	161,928		139,302	
Rentals under operating leases:				
Land and buildings	329,190		325,790	
Other operating leases	94,101		103,134	
Research and development	661,907		698,134	
Other expenses (mainly staff costs)	6,071,998		5,561,653	
		10,097,032		9,347,492
		12,469,963		12,130,157

Amounts payable to Baker Tilly UK Audit LLP, Chartered Accountants and its associates in respect of both audit and non-audit services:

	2014 £	2013 £
Audit services		
Statutory audit of Company's annual accounts and Group consolidation	55,000	51,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom)		
This includes:		
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	13,500	11,000
Audit of associated pension schemes	11,000	9,500
Other services supplied pursuant to such legislation	23,213	5,098
Tax services		
Tax compliance services	15,750	22,250
Advisory services	2,000	2,000
	120,463	100,848
Amounts payable to other auditors in respect of both audit and non-audit services		
Statutory audit services	32,792	30,084
Tax compliance services	5,427	4,129
Other services	3,246	4,241
	41,465	38,454
Other operating income (continuing businesses):		
Rental income	227,332	117,072
Profit on sale of property, plant and equipment	2,050	—
EU grants and consulting	109,611	70,620
Other income	134,620	108,405
	473,613	296,097

All conditions relating to the EU grants have been fulfilled and there are no other contingencies.

5 EMPLOYEES

	2014 £	2013 £
Staff costs, including Directors, during the year amounted to:		
Wages and salaries	**8,792,240**	8,420,850
Social security costs	**1,145,790**	1,090,579
Other pension and health care costs	**817,006**	955,004
Share-based payments	**155,931**	101,525
	10,910,967	10,567,958

	2014 Number	2013 Number
The average number of employees, including Directors, during the year was:		
Administration	**33**	36
Engineering	**82**	76
Manufacturing	**36**	41
Selling	**27**	26
	178	179

6 DIRECTORS' EMOLUMENTS

	2014 £	2013 £
Remuneration (including fees)	**657,908**	656,303
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**293,552**	294,084

Further details on Directors' emoluments can be found in the Directors' remuneration report on pages 19 to 23.

7 FINANCE INCOME AND COSTS (CONTINUING BUSINESSES)

	2014 £	2013 £
Bank interest receivable	**61,764**	24,594
Pension finance income	**—**	30,000
	61,764	54,594
Bank interest payable	**—**	34

8 INCOME TAX EXPENSE

a) Analysis of tax expense in period (continuing businesses)

	2014 £	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 (note 8b)	1,023,069	1,018,246

b) Factors affecting tax expense for period (continuing business)

Tax assessed for the period is lower than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £	2013 £
Profit before tax (continuing businesses)	5,791,705	5,454,209

	2014 £	2013 £
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	1,332,092	1,309,010
Effects of:		
Capital allowances (in excess of)/less than depreciation	(14,615)	(10,902)
Expenses not deductible for tax purposes	37,340	20,520
Share-based payments	(79,784)	(34,887)
Research and development tax credits	(542,088)	(468,170)
Different tax rates in countries in which the Group operates	267,148	195,660
Adjustments to current tax charge in respect of previous periods	(51,318)	(24,129)
Adjustments to deferred tax charge in respect of previous periods	(5,180)	44,108
Losses on which assets no longer recognised/(losses utilised on which no assets recognised)	2,144	2,109
Effect of reduction in deferred tax rate	(6,314)	35,323
Non-taxable income	83,644	(50,396)
Tax expense for period (note 8a)	1,023,069	1,018,246

9 DIVIDEND – PROPOSED

It is proposed to pay a dividend of 6.25p per ordinary share of 5p in respect of the year ended 31 March 2014. During the year a dividend of 5.5p per ordinary share of 5p was paid in respect of the year ended 2013.

10 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.

	2014			2013		
	Profit £	Weighted average number of shares Number	Profit per share p	Profit £	Weighted average number of shares Number	Profit per share p
Basic earnings per share	**4,768,638**	**15,917,895**	**29.96**	4,054,181	15,841,435	25.59
Diluted earnings 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

11 RETIREMENT BENEFIT OBLIGATIONS

The Group operates several pension schemes. Historically the majority of the Group's employees in the UK were members of a defined benefit scheme (which is governed by the UK Pensions Regulator) that was closed to new members on 1 April 2002 and with effect from 31 March 2009 future pension accrual ceased for the remaining active members. Today the majority of the Group's employees are members of defined contribution type schemes. All schemes are independent of the Group's finances.

The latest triennial actuarial valuation of the defined benefit scheme in the UK at 1 April 2011, using the attained age method, disclosed assets with a market value of £14,856,000, equivalent to 87% of the accrued liabilities, after allowing for expected future increases in earnings. The main actuarial assumptions used were: investment return 6% p.a. pre-retirement, 5.0% p.a. post retirement; general growth in salaries is not applicable; pensions accrued prior to 6 April 1997 will increase in payment at 3% p.a. compound; limited price indexation 3.2% p.a. with a minimum of 3%; early leaver indexation 3% p.a. As at 1 April 2011 the calculation carried out in accordance with Section 143 of the Pension Act 2004 showed a funding level of 91%. Funding of the defined benefit scheme is agreed with the Trustees following each triennial actuarial valuation and the current funding agreement expires 31 March 2015. Under the scheme trust deed the Company has the authority to appoint up to two thirds of the trustees. Currently there are two member-appointed Trustees and two Company-appointed Trustees.

For the defined contribution schemes operated throughout the Group the employer contributions are generally up to 6% of eligible salary but are subject to minimum employee contributions.

The total contributions to the schemes over the year were:

	2014 £	2013 £
Pension contributions		
UK defined benefit pension	**242,400**	242,400
Defined contribution pension schemes	**374,790**	361,252
	617,190	603,652

Details from this point to the end of this note (note 11) relate to the UK defined benefit scheme only.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

a) Financial assumptions

	2014	2013
Discount rate	**4.7%**	4.25%
Expected return on plan assets	**7.0% p.a.**	6.34% p.a.
Future salary increases	**N/A**	N/A
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.1%**	2.6%
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.0%**	3.4%
Proportion of employees opting for early retirement	**0%**	0%
Inflation assumption	**3.1%**	3.4%

11 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

b) Demographic assumptions

	2014	2013
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	24.7	24.5
Females	26.6	26.4
Retiring in 20 years		
Males	27.9	27.8
Females	29.7	29.6

On the basis of the above assumptions, the amounts that have been charged to administration expenses within the income statement and the statement of comprehensive income and expense for the year to 31 March 2014 and 31 March 2013 are as follows:

	2014 £	2013 £
Amounts recognised in the income statement are as follows:		
Administration expense	102,000	84,000
Net interest on deficit	260,000	218,000
Total	362,000	302,000
Amounts recognised in the statement of other comprehensive income (OCI)		
Actual return on assets less return implied by net interest income	200,000	1,098,000
Experience gains/(losses) on liabilities	1,108,000	(50,000)
Change in assumptions		
Discount rate	1,256,000	(2,258,000)
Inflation rate	829,000	(315,000)
Net actuarial gain/(loss) recognised in OCI/remeasurement	3,393,000	(1,346,000)
Cumulative gains/(losses) in OCI	(197,000)	(3,590,000)

	2014 £	2013 £
Amounts recognised in the statement of financial position:		
Present value of funded obligations	(18,473,000)	(21,679,000)
Fair value of plan assets	15,775,000	15,557,000
Deficit as reported by the actuary	(2,698,000)	(6,122,000)

The pension plan assets do not include ordinary shares issued by the sponsoring employer nor do they include property occupied by the sponsoring employer.

Sensitivity to key assumptions

	Defined benefit obligation (DBO) £'000	Change in DBO compared to assumptions %
Main assumptions	18,473	n/a
Discount rate + 0.5%	16,845	(9%)
RPI + 0.5%	19,139	4%
Mortality for individuals one year older than calendar age	18,001	(3%)

Changes in the present value of the defined benefit obligation are as follows:

	2014 £	2013 £
Opening defined benefit obligation	21,679,000	18,565,000
Expenses incurred	102,000	84,000
Interest cost	921,000	891,000
Actuarial (gain)/losses	(3,193,000)	2,702,000
Benefits paid	(1,036,000)	(563,000)
Closing defined benefit obligation	18,473,000	21,679,000
Deferred members	14,365,000	16,403,000
Pension members	4,108,000	5,276,000

The projected unit valuation method has been used to arrive at the above service cost. The use of this method is prescribed in IAS 19. To produce a stable future contribution rate this valuation method assumes that the average age of the scheme membership will remain broadly constant in future due to a flow of new entrants to the scheme. If a scheme is closed to new members this will not be the case and the costs of benefits accruing, as a percentage of pensionable salaries, will be expected to increase over time.

Changes in the fair value of the plan assets are as follows:

	2014 £	2013 £
Opening fair value of plan assets	15,557,000	14,023,000
Expected return on assets	661,000	673,000
Actuarial gain/(loss) on assets	200,000	1,098,000
Contributions by employer	393,000	326,000
Benefits paid	(934,000)	(479,000)
Expenses paid	(102,000)	(84,000)
Member contributions	—	—
Closing fair value of plan assets	15,775,000	15,557,000

The actual return on plan assets was £861,000 (2013: £1,771,000). The expected return on plan assets is calculated using the assets, market conditions and the long-term expected rate of interest set at the start of the accounting period. The Company expects to contribute £242,400 (2013: £242,400) to the CML Microsystems Plc Retirements Scheme in the next accounting year.

The major categories of plan assets as a percentage of total plan assets, and expected return are as follows:

	2014		2013	
	% total plan assets	Expected return	% total plan assets	Expected return
Equities	62.0%	8.0%	66.7%	8.0%
Bonds	24.4%	3.5%	17.7%	3.5%
Property	4.4%	6.25%	3.3%	6.25%
Cash	9.2%	3.5%	12.3%	1.5%

The expected returns have been based on the current split by investment sector of the assets of the scheme, using average expected returns on each sector.

As with all defined benefit schemes the sponsor is exposed to various risks as there are a significant number of variables that can affect the value of the assets and the extent of the liabilities at any one time. Fundamentally the main risks are the mortality of the members and the return achieved on the scheme assets by the trustees since the Company is liable to make good any deficit. In assessing the risk before the scheme reaches its conclusion the actuary uses various assumptions (as shown in this report) but these are only assumptions based on what is considered good practice at the time. These assumptions whether reflecting a deficit or surplus are assumptions and hence can only be relied on as estimates but are used to base the contributions payable by the Company. These contributions are agreed with the trustees of the scheme on a triennial basis with the next review to be agreed by 31 March 2015.

Amounts for the current and previous four periods are as follows:

	2014 IAS 19(r) £	2013 IAS 19(r) £	2012 IAS 19 £	2011 IAS 19 £	2010 IAS 19 £
Defined benefit obligation	18,473,000	21,679,000	18,565,000	17,930,000	19,017,000
Plan assets	15,775,000	15,557,000	14,023,000	15,323,000	13,289,000
Deficit	(2,698,000)	(6,122,000)	(4,542,000)	(2,607,000)	(5,728,000)
Experience adjustments on plan liabilities	1,108,000	129,000	240,000	313,000	(18,000)
Experience adjustments on plan assets	200,000	1,098,000	(915,000)	1,837,000	1,396,000

12 NON-CURRENT ASSETS

Property, plant and equipment and investment properties

	Investment properties £	Freehold land and buildings £	Short leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
Group						
Cost/valuation						
At 1 April 2012	3,450,000	5,848,602	59,290	10,676,419	95,483	20,129,794
Additions	—	—	—	179,448	—	179,448
Disposals	—	—	(12,062)	(5,984)	(11,300)	(29,346)
Foreign exchange difference	—	—	1,929	46,891	—	48,820
At 31 March 2013	3,450,000	5,848,602	49,157	10,896,774	84,183	20,328,716
Additions	—	—	—	80,695	22,300	102,995
Disposals	—	—	—	(298,493)	(25,584)	(324,077)
Foreign exchange difference	—	—	(4,803)	(85,288)	-	(90,091)
At 31 March 2014	**3,450,000**	**5,848,602**	**44,354**	**10,593,688**	**80,899**	**20,017,543**
Depreciation						
At 1 April 2012	—	950,475	52,302	10,441,535	79,769	11,524,081
Charge for the year	—	74,937	—	166,609	—	241,546
Relating to disposals	—	—	(12,062)	(5,984)	(11,300)	(29,346)
Foreign exchange difference	—	—	1,564	46,836	—	48,400
At 31 March 2013	—	1,025,412	41,804	10,648,996	68,469	11,784,681
Charge for the year	—	74,936	2,810	165,901	11,711	255,358
Relating to disposals	—	—	—	(296,713)	(25,584)	(322,297)
Foreign exchange difference	—	—	(4,673)	(82,236)	—	(86,909)
At 31 March 2014	**—**	**1,100,348**	**39,941**	**10,435,948**	**54,596**	**11,630,833**
Net book value						
At 31 March 2014	**3,450,000**	**4,748,254**	**4,413**	**157,740**	**26,303**	**8,386,710**
At 31 March 2013	3,450,000	4,823,190	7,353	247,778	15,714	8,544,035

Investment properties in both the Group and Company comprise £3,450,000 (2013: £3,450,000) of freehold and leasehold land and buildings and it is from the operating leases on these properties that the Group's rental income is generated. Everett Newlyn, Chartered Surveyors and Commercial Property Consultants professionally valued the investment properties on the basis of open market value as at 31 March 2012. The Directors do not consider that the present valuation has materially changed as at 31 March 2014 having considered the local property market.

	Equipment £	Investment properties £	Freehold land and buildings £	Total £
Company				
Cost/valuation				
At 1 April 2012	28,305	3,450,000	5,848,605	9,326,910
Additions	21,152	—	—	21,152
At 31 March 2013	49,457	3,450,000	5,848,605	9,348,062
Additions	—	—	—	—
At 31 March 2014	**49,457**	**3,450,000**	**5,848,605**	**9,348,062**
Depreciation				
At 1 April 2012	7,076	—	950,475	957,551
Charge for the year	12,364	—	74,937	87,301
At 31 March 2013	19,440	—	1,025,412	1,044,852
Charge for the year	12,365	—	74,936	87,301
At 31 March 2014	**31,805**	**—**	**1,100,348**	**1,132,153**
Net book value				
At 31 March 2014	**17,652**	**3,450,000**	**4,748,257**	**8,215,909**
At 31 March 2013	30,017	3,450,000	4,823,193	8,302,210
At 31 March 2012	21,229	3,450,000	4,898,130	8,369,359

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Non-current assets classified as held for sale – properties				
At 1 April	**109,977**	104,519	**—**	—
Disposal	**—**	—	**—**	—
Revaluation	**—**	—	**—**	—
Foreign exchange movement	**(9,809)**	5,458	**—**	—
	100,168	109,977	**—**	—

The US-owned land in Winston-Salem classified as held for sale is still on the market for sale. This land held for sale is unoccupied and surplus to the needs of the Group therefore available for immediate sale in its present condition and the expected timing of disposal will be within twelve months.

Intangible assets

	2014 £	2013 £
Group – goodwill		
Cost and net book value		
At 1 April and at 31 March	**3,512,305**	3,512,305

The goodwill arose on the acquisition of Hyperstone GmbH that was amortised under UK GAAP until 31 March 2004. An annual impairment test is carried out in accordance with the accounting policies set out in note 1 and the Directors consider no impairment is required.

	2014 £	2013 £
Group – development costs		
Cost		
As at 1 April	**23,702,963**	25,020,281
Additions:		
Internal sources	**3,277,168**	2,746,746
External sources	**861,872**	301,735
Disposals	**(3,460,446)**	(4,355,454)
Foreign exchange difference	**(37,143)**	(10,345)
As at 31 March	**24,344,414**	23,702,963
Amortisation		
As at 1 April	**19,028,542**	20,866,622
Charged in the period	**2,588,063**	2,517,374
Relating to disposals	**(3,460,446)**	(4,355,454)
As at 31 March	**18,156,159**	19,028,542
Net book value		
As at 31 March	**6,188,255**	4,674,421
As at 31 March 2012		4,153,659

No EU grants have been credited to the cost of development in arriving at the net book value at the year end.

12 NON-CURRENT ASSETS CONTINUED

Investment properties fair value

The investment properties are measured at fair value. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use the Directors will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and likelihood of achieving and implanting this change in arriving at its valuation.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

Level 1: valuation based on inputs on quoted market prices in active markets

Level 2: valuation based on inputs other than quoted prices included within level 1 that maximise the use of observable data directly or from market prices or indirectly derived from market prices.

Level 3: where one of more inputs to valuations are not based on observable market data.

	Carrying/fair value £	Valuation technique	Key observable inputs	Range (weighted average) 2014
Investment properties (Directors' valuation)	3,450,000	Income capitalisation	Estimated rental value Per sq ft p.a. Equivalent yield	£5 – £9 per sq ft 10% – 11% 9%
Non-current assets held for sale	100,168	Market value of current properties in same area	n/a	n/a
	3,550,168			

All values used above are level 2.

13 NON-CURRENT ASSETS – INVESTMENTS

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Cost of investment in subsidiary undertakings:				
As at 1 April	—	—	4,959,658	4,959,658
Disposal of Radio Data Technology Limited	—	—	(100)	—
As at 1 April and 31 March	—	—	4,959,558	4,959,658
Advances to subsidiary undertakings				
As at 1 April	—	—	2,803,290	1,720,367
(Decrease)/increase in advances	—	—	(1,956,495)	1,083,265
As at 31 March	—	—	846,795	2,803,632
Net book value				
As at 31 March	—	—	5,806,353	7,763,290

Details of the principal subsidiary undertakings excluding dormant companies of the Company are as follows:

Name	Country of incorporation	Percentage held		Holding
CML Microsystems Inc.	USA	100%	Trading in USA	Direct
CML Microcircuits (UK) Ltd	England	100%	Trading in England	Direct
CML Microcircuits (USA) Inc.	USA	100%	Trading in USA	Indirect
CML Microcircuits (Singapore) Pte Ltd	Singapore	100%	Trading in Singapore	Direct
Applied Technology (UK) Ltd	England	100%	Trading in England	Direct
Hyperstone GmbH	Germany	100%	Trading in Germany	Direct
Hyperstone Inc.	USA	100%	Trading in USA	Indirect
Hyperstone Asia Pacific Ltd	Taiwan	100%	Trading in Taiwan	Direct

All of the above companies are involved in the design, manufacture and marketing of specialised electronic devices for use in the telecommunications, radio and data communications industries. The above all share the same reporting date as the Company.

14 RELATED PARTY TRANSACTIONS

Transactions and balances with operating companies that were eliminated in the consolidation consist of:

Company	2014 £	2013 £
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	1,000,000	1,000,000
CML Microcircuits (USA) Inc.	125,319	127,112
Hyperstone GmbH	210,850	203,823
Radio Data Technology Ltd	38,500	—
	1,374,669	1,330,935
Dividends paid to parent:		
Received from CML Microsystems Inc.	283,126	260,586
Received from Radio Data Technology Ltd	47,490	—
Received from CML Microcircuits (Singapore) Pte Ltd	188,751	195,440
	519,367	456,026
Advances to subsidiary undertakings:		
CML Microcircuits (UK) Ltd	846,795	2,795,134
Applied Technology (UK) Ltd	—	8,498
	846,795	2,803,632

The outstanding amounts at the year end are unsecured.

Group	2014 £	2013 £
Inter group sales:		
CML Microcircuits (UK) Ltd:		
To CML Microcircuits (Singapore) Pte Ltd	3,952,780	4,157,760
To CML Microcircuits (USA) Ltd		
Hyperstone GmbH:	1,306,308	1,418,956
To Hyperstone USA	4,236,763	4,368,986
To Hyperstone Asia Pacific Ltd	5,301,227	5,230,999
To CML Microcircuits (UK) Ltd	170	1,031
Applied Technology (UK) Ltd:		
To CML Microcircuits (UK) Ltd	567,000	668,000
	15,364,248	15,845,732

Group and Company

Key management personnel consists of the Board of Directors and transactions during the year were as follows:

Group and Company	2014 £	2013 £
Short-term employee benefits	699,234	670,169
Pension contributions	60,311	57,233
Share-based payments	7,864	9,606
	767,409	737,008

15 INVENTORIES

	Group 2014 £	Group 2013 £
Raw materials	465,581	644,767
Work in progress	132,515	203,952
Finished goods	530,955	843,880
	1,129,051	1,692,599

Notes to the financial statements continued
for the year ended 31 March 2014

16 TRADE RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts falling due within one year:				
Trade receivables	3,037,960	2,237,981	—	—
Other receivables	167,555	172,679	6,533	45,499
Prepayments and accrued income	182,488	111,508	1,925	—
	3,388,003	2,522,168	8,458	45,499

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Cash on deposit	6,840,304	3,550,462	2,013,640	—
Cash at bank	4,533,179	5,772,495	343,923	46,115
	11,373,483	9,322,957	2,357,563	46,115

18 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Bank overdrafts	—	338,267	—	—

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial instruments

The Group's financial instruments comprise cash balances, bank loan, overdraft facilities and items such as trade receivables and trade payables that arise directly from its operations. The Group has little exposure to credit and cash flow risk. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The maximum credit exposure of financial instruments within the scope of IAS 39, without taking account of collateral, is represented by the carrying amount for trade receivables, other receivables and cash and cash equivalents included in the statement of financial position.

The risks arising from the Group's financial instruments are interest rate/liquidity risk and foreign currency risk.

The policies for managing these risks are summarised below and have been applied throughout the year.

Interest rate/liquidity risk

Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances. A significant movement in LIBOR would be required to have a material impact on the cash flow of the Group. The gross overdraft facility provided by the Group's principal bankers is £750,000 (2013: £750,000); US$100,000 (2013: US$1,200,000); €Nil (2012: €2,600,000) that is subject to renewal annually.

Foreign currency risk

The Group has overseas operations in Germany, the USA, Taiwan and Singapore. As a result, the Group's Sterling statement of financial position could be affected by movements in the Euro, US Dollar, Singapore Dollar and Taiwan Dollar to Sterling exchange rates. At 31 March 2014, the Group had monetary assets denominated in foreign currencies of £8.6m (2013: £2.9m), of which approximately 55% (2013: 90%) was denominated in US Dollars and 38% (2013: 7%) was denominated in Euros. It also had monetary liabilities denominated in foreign currencies of £Nil (2013: £0.3m) wholly denominated in Euros. The effects of foreign exchange recognised in the income statement amounted to a loss of £145,997 (2013: profit £218,602).

Financial instruments recognised in the consolidated statement of financial position

All financial instruments are recognised initially at their fair value and subsequently measured at amortised cost see note 1u.

	Group		Company	
	2014 Loans and receivables £	2013 Loans and receivables £	2014 Loans and receivables £	2013 Loans and receivables £
Current financial assets				
Trade and other receivables	3,205,515	2,410,660	6,533	45,499
Cash and cash equivalents	11,373,483	9,322,957	2,357,563	46,115
Total	14,578,998	11,733,617	2,364,096	91,614

Trade and other receivables are all due within six months.

	Group		Company	
	2014 Other financial liabilities £	2013 Other financial liabilities £	2014 Other financial liabilities £	2013 Other financial liabilities £
Current financial liabilities				
Trade and other payables	1,088,322	917,127	229,337	190,606
Accruals	1,044,461	1,999,794	116,281	160,243
Bank loans and overdrafts	—	338,267	—	—
Total	2,132,783	3,255,188	345,618	350,849

Trade receivables are as follows:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade receivables	3,037,960	2,237,981	—	—
Allowance accounts for trade receivables	—	—	—	—
	3,037,960	2,237,981	—	—

The average credit period taken by the Group on sale of goods is 32 days (2013: 32 days). The allowance made for estimated irrecoverable amounts from the sale of goods was reduced by £Nil (2013: reduced by £1,860). This allowance has been based on the knowledge of the financial circumstances of individual debtors at the year end.

At 31 March 2014, £Nil (2013: £Nil) of trade receivables were impaired in relation to customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

The Group holds no collateral against these receivables at the year end.

The following table provides analysis of trade and other receivables that were past due at 31 March, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2014 £	2013 £
Up to 90 days	26,465	142,217
Up to 150 days	—	—
	26,465	142,217

The Group only has an allowance account for trade receivables.

	2014 £	2013 £
Opening balance as at 1 April	—	1,860
Unused amounts reversed	—	(1,860)
Closing balance as at 31 March	—	—

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

At 31 March 2014, £465,842 (2013: £486,635) of receivables was denominated in Sterling, £1,993,615 (2012: £1,594,039) in US Dollars and £578,503 (2013: £157,307) in Euros. The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £11,373,483 (2013: £9,322,957) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair values.

19 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

Sensitivity analysis

Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period. A 100 basis point change has been used. At the reporting date if the interest rate had been 100 basis:

- higher and all other variables were constant the Group's profit before taxation would have increased by £65,000 (2013: decreased/increased by £36,743); and
- lower and all other variables were constant the Group's profit before taxation would have decrease by £61,773 (2013: decreased/increased by £36,743); and
- higher and all other variables were constant the Group's other equity and reserves would increase by £50,050 (2013: decrease/increased £28,520); and
- lower and all other variables were constant the Group's other equity and reserves would decrease by £47,565 (2013: decrease/increased £28,520).

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% change in exchange rates against the Sterling equivalents. The sensitivity analysis of the Group's exposure to foreign exchange risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

	US$ impact		Euro impact	
	2014 £	2013 £	**2014 £**	2013 £
10% movement in rates will have an impact on:				
Profit before tax	**1,536,555**	1,109,656	**254,912**	264,174
Equity	**1,455,300**	1,158,100	**178,439**	184,922

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular forecasts that estimate the cash flows over the next twelve months, so that management can ensure that sufficient financing is in place as it is required. Detailed analysis of the debt facilities taken out and available to the Group are disclosed in note 18.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £	2013 £	**2014 £**	2013 £
Amounts falling due within one year:				
Trade payables	**841,583**	714,638	**—**	—
Other taxation and social security costs	**375,816**	391,361	**70,799**	83,830
Other payables and deferred income	**246,739**	202,489	**229,337**	190,606
Accruals	**1,044,461**	1,999,794	**186,281**	160,243
	2,508,599	3,308,282	**486,417**	434,679

In relation to the defined contribution scheme and included within accruals, the Group had outstanding contributions of £Nil (2013: £Nil) and the Company had £Nil (2013: £Nil).

21 CURRENT TAX LIABILITIES/ASSETS

	Group		Company	
	2014 £	2013 £	**2014 £**	2013 £
Current tax liabilities	**274,129**	56,851	**—**	—
Current tax assets	**282,667**	138,720	**—**	—

£255,646 (2013: £127,203) of the current tax asset is an R & D claim that is subject to HMRC approval.

22 DEFERRED TAX

	Group		Company	
	2014 **£**	2013 £	**2014** **£**	2013 £
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(631,751)**	(773,608)	**(669,208)**	(787,190)
Tax losses carried forward	**572,271**	1,190,628	**78,987**	113,937
Pensions	**539,600**	1,408,060	**—**	—
Share-based payments	**65,426**	39,376	**65,426**	39,376
Research and development	**(1,547,523)**	(1,260,493)	**—**	—
Provisions	**20,000**	23,000	**—**	—
Other	**28,436**	47,147	**—**	—
	(953,541)	674,110	**(524,795)**	(633,877)
Deferred tax asset	**1,270,976**	2,737,409	**144,413**	153,313
Deferred tax liability	**(2,224,517)**	(2,063,299)	**(669,208)**	(787,190)
	(953,541)	674,110	**(524,795)**	(633,877)
At 1 April	**674,110**	1,058,794	**(633,877)**	(623,282)
Foreign exchange difference	**13,906**	(14,429)	**—**	—
Deferred tax (charged)/credited in income statement for year (note 8)	**(960,172)**	(776,895)	**109,082**	10,595
Deferred tax relating to discontinued activities	**(2,785)**	—	**—**	—
Deferred tax credited to statement of comprehensive income	**(678,600)**	406,640	**—**	—
At 31 March	**(953,541)**	674,110	**(524,795)**	(633,877)

The financial statements include a deferred tax asset of £1,270,976 (2013: £2,737,408) of which £572,271 (2013: £1,190,628) arises as a result of trading losses. In accordance with the requirement of IAS 12 Income taxes, the Directors have considered the likely recovery of this deferred tax asset. The Directors have taken into account expected future taxable profits and expect an improvement in profitability and profits in future periods and that this will be sustained. Accordingly the Directors have satisfied themselves that it is appropriate to recognise the above deferred tax asset. The deferred tax charge of £678,600 (2013: deferred tax credit of £406,640) relates to the retirement benefit obligation see note 11. The Directors consider that the deferred tax asset relating to the retirement benefit obligation to be recoverable on the basis that the deficit is a long-term liability that will be satisfied from future profitability.

In the Government's Budget announcement on 18 March 2014, it was stated that the main rate of corporation taxation was to fall to 21% until 31 March 2015 and then 20% thereafter. Therefore, the Directors consider it appropriate to use 20% as the rate at which deferred tax assets and liabilities should be provided for in the accounts and the above figures reflect this.

Deferred tax assets recoverable/liabilities expected to be settled under twelve months are £254,000 and £25,000 respectively. Deferred tax assets recoverable/liabilities expected to be settled over twelve months are £1.017m and £2.200m respectively.

23 SHARE CAPITAL

	2014 £	2013 £	2012 £
Authorised			
25,000,000 ordinary shares of 5p each (2013: 25,000,000 ordinary shares of 5p each)	**1,250,000**	1,250,000	1,250,000
Issued			
At 1 April 2013			
15,872,598 ordinary shares of 5p each	**793,630**	788,117	785,335
Issued in year	**4,416**	5,513	2,782
88,329 ordinary shares (2013: 110,257) of 5p were issued in the year as a result of employees exercising their options			
At 31 March 2014			
15,960,927 ordinary shares of 5p	**798,046**	793,630	788,117

Share options

On the 2 August 2000 the Company approved at the Annual General Meeting a scheme, which was United Kingdom Revenue & Customs Approved. This scheme was amended and reapproved at the Extraordinary General Meeting held on 10 February 2004. At the 2008 Annual General Meeting a new Enterprise Management Incentive share option plan was approved. On 18 November 2011 a further scheme was approved which is United Kingdom Revenue & Customs approved and has an addendum for issuing unapproved options. The Company has the authority to grant options up to a limit, at any time, such that no more than 10% of the issued share capital is available under option.

The number of shares over which options remained in force at the year end along with a reconciliation of option movements and their exercise period and price is shown below:

	Ordinary shares of 5p each				
	2013 Number	Granted Number	Exercised Number	Forfeited Number	**2014 Number**
From 18 June 2010 to 17 June 2017 at £1.16	27,571	—	(19,568)	—	**8,003**
From 28 July 2013 to 27 July 2018 at £0.86	58,139	—	(58,139)	—	**—**
From 16 June 2014 to 15 June 2021 at £2.20	374,957	—	(9,897)	(11,152)	**353,908**
From 16 June 2014 to 15 June 2021 at £2.30	40,000	—	—	—	**40,000**
From 2 September 2015 to 1 September 2022 at £2.84	20,000	—	—	—	**20,000**
From 2 October 2015 to 1 October 2022 at £3.22	322,353	—	(725)	(11,890)	**309,738**
From 2 October 2015 to 1 October 2022 at £3.34	5,000	—	—	—	**5,000**
From 1 May 2016 to 1 May 2023 at £3.84	—	31,220	—	—	**31,220**
From 1 July 2014 to 1 July 2023 at £0.00	—	5,311	—	—	**5,311**
From 6 January 2017 to 6 January 2024 at £5.53	—	20,000	—	—	**20,000**
	848,020	56,531	(88,329)	(23,042)	**793,180**

The weighted average exercise price of those options exercised in the year was 109.6p (2013: 100.2p). The 11,152 options exercisable from June 2014 and 11,890 options exercisable from October 2015 were forfeited due to the employee's concerned leaving employment with the Group.

The detail of options exercised is shown below:

Date of exercise of option	Number of options exercised	Market price at exercise date
21 June 2013	7,294	470.0p
7 June 2013	6,827	471.5p
8 July 2013	2,415	475.0p
30 July 2013	4,455	479.0p
8 August 2013	281	527.5p
2 September 2013	225	538.0p
18 September 2013	58,139	541.0p
1 October 2013	7,293	529.0p
22 November 2013	500	558.0p
18 January 2014	900	573.0p
	88,329	

The weighted average exercise market price of the share options granted in the year is £5.24 (2013: £3.20).

24 OTHER SHAREHOLDERS' FUNDS

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Share premium				
At 1 April	**4,977,531**	4,872,587	**4,977,531**	4,872,587
Issued in year	**92,390**	104,944	**92,390**	104,944
88,329 (2013: 110,257) ordinary shares of 5p were issued in the year as a result of employees exercising their options				
At 31 March	**5,069,921**	4,977,531	**5,069,921**	4,977,531

This reserve is a result of the premium being paid for the issue of shares over their par value.

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Share-based payments				
At 1 April	**171,199**	108,085	**171,199**	108,085
Options exercised or released	**—**	(38,411)	**—**	(38,411)
Charged in year	**155,931**	101,525	**155,931**	101,525
At 31 March	**327,130**	171,199	**327,130**	171,199

Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. The contractual life of an option is ten years. Awards under the share option scheme are typically for all employees throughout the Group. Options granted under the share option scheme become exercisable on the third anniversary of the grant date. Options were valued using the Black-Scholes model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	06/01/14	01/07/13	01/05/13	01/10/12	01/10/12	01/09/12	15/06/11	15/06/11	18/06/07
Share price at grant date	£5.53	£4.80	£3.88	£3.34	£3.34	£2.84	£2.20	£2.20	£1.16
Exercise price	£5.53	£0.00	£3.84	£3.34	£3.22	£2.84	£2.30	£2.20	£1.16
Number of employees	1	2	7	1	164	1	2	156	14
Shares under option	20,000	5,311	31,220	5,000	309,738	20,000	40,000	353,908	8,003
Vesting period (years)	3	1	3	3	3	3	3	3	3
Expected volatility	21.34%	n/a	43.30%	29.36%	29.36%	29.36%	35.70%	35.70%	24.60%
Option life (years)	10	10	10	10	10	10	10	10	10
Expected life (years)	3	1	3	3	3	3	3	5	3
Risk-free rate	2.71%	n/a	3.60%	3.09%	3.09%	3.09%	4.28%	4.28%	5.78%
Expected dividend yield	1.12%	n/a	1.20%	1.49%	1.49%	1.49%	1.50%	1.50%	2.79%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.50%	4.5%
Fair value per option	£0.90	£4.80	£0.71	£0.67	£0.67	£0.67	£0.58	£0.58	£0.22

The weighted average exercise price and the weighted average expected remaining contractual life are £2.71 (2013: £2.49) and three years (2013: three years) respectively.

The expected volatility is based on 90 days' trading prior to the grant date. The expected life is the average expected period to exercise. The risk free rate of returns is the yield to redemption on UK gilt strips with four-year maturity.

Merger reserve

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
At 1 April and 31 March	**—**	—	**315,800**	315,800

This reserve relates to the acquisition in 1995 of Integrated Micro Systems Limited. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company transferred to merger reserve the premium arising on shares issued as part of the acquisition.

24 OTHER SHAREHOLDERS' FUNDS CONTINUED

Foreign exchange reserve

	2014 £	2013 £
At 1 April	513,532	332,912
Retranslation of overseas subsidiaries	(301,900)	180,620
At 31 March	211,632	513,532

This reserve represents the foreign exchange differences arising from the retranslation of financial statements of foreign subsidiaries.

Accumulated profits

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
At 1 April	14,910,000	12,809,352	8,831,398	8,773,720
Profit for the year	4,768,638	4,054,181	978,170	649,851
Dividend paid	(873,394)	(630,584)	(873,394)	(630,584)
Cancellation/transfer of share-based payments	—	38,411	—	38,411
Net actuarial profit/(loss)	3,393,000	(1,768,000)	—	—
Deferred tax on actuarial profit/(loss)	(678,600)	406,640	—	—
At 31 March	21,519,644	14,910,000	8,936,174	8,831,398

25 CAPITAL COMMITMENTS

Capital commitments which have been contracted for but for which no provision has been made in these financial statements are £406,850 (2013: £338,266).

26 OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2014 £	2013 £
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	329,190	325,790

At the year end, the Group had future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £	2013 £
Within one year	276,389	287,586
In the second to fifth year inclusive	860,173	850,322
After five years	164,903	348,176
	1,301,465	1,486,084

Operating lease payments represent rentals payable by the Group for some of its office properties. Leases are normally negotiated for a term of three years and rentals are fixed for that period, apart from the property in the US that was for a twelve-year period.

	2014 £	2013 £
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	94,101	103,134

At the year end, the Company had future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £	2013 £
Within one year	82,722	81,143
In the second to fifth year inclusive	68,820	87,218
	151,542	168,361

The Group and Company as a lessor

Property rental income earned during the year was £227,332 (2013: £117,072). Though current market conditions are unfavourable the Group now has the majority of the properties let albeit with fairly short leases so it is impractical to estimate what the estimated yields will be in the longer term but over the next couple of years yields are expected to be 7%.

At the year end, the Group had contracted with tenants for the following future minimum lease payments:

	2014 £	2013 £
Within one year	167,550	140,550
In the second to fifth year inclusive	319,450	517,450
After five years	122,513	167,063
	609,513	825,063

27 NOTES TO THE CASH FLOW STATEMENT

	2014 £	2013 £
Group		
Increase in working capital:		
Profit on sale of plant and equipment	(7,770)	(450)
Decrease in inventories	563,548	88,089
Increase in receivables	(865,835)	(955,961)
(Decrease)/increase in payables	(799,682)	704,636
	(1,109,739)	(163,686)

Analysis of changes in net cash:

	Net cash at 1 April 2013 £	Cash flow £	Exchange movement £	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

	2014 £	2013 £
Company		
Increase in working capital:		
Decrease/(increase) in advance to subsidiary undertaking	1,956,937	(1,083,265)
Decrease/(increase) in receivables	37,041	(33,120)
Increase in payables	51,738	52,000
	2,045,716	(1,064,385)

Analysis of changes in net debt:

	Net cash at 1 April 2013 £	Cash flow £	Net cash at 31 March 2014 £
Cash and cash equivalents	46,115	2,311,448	2,357,563

28 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:

	2014 £	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)

The net cash flows attributable to Radio Data Technology Limited are considered immaterial by the Board and hence not disclosed.

29 LISTINGS

CML Microsystems Plc ordinary shares are traded on the Official List of the London Stock Exchange and the Company is incorporated and domiciled in the United Kingdom.

30 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were formally approved by the Board of Directors on 20 June 2014

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of CML Microsystems Plc (the "Company") will be held at Layer Marney Tower, near Colchester, Essex CO5 9US, on Wednesday 30 July 2014 at 11am to transact the following business:

ORDINARY BUSINESS

Ordinary resolutions

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Group's consolidated financial statements and the reports of the Directors and auditor for the year ended 31 March 2014.
2. To receive and approve the Directors' remuneration report for the year ended 31 March 2014.
3. To declare a final dividend of 6.25p per 5p ordinary share for the year ended 31 March 2014 to be paid on 1 August 2014 to shareholders whose names appear on the register at the close of business on 4 July 2014.
4. To re-appoint N. G. Clark, who retires by rotation, as a Director of the Company.
5. To re-appoint H. F. Rudden who was appointed to the Board as a Director of the Company on 16 June 2014.
6. To re-appoint Baker Tilly UK Audit LLP as auditor of the Company.
7. To authorise the Directors to determine the remuneration of the auditor.

SPECIAL BUSINESS

Ordinary resolution

To consider, and if thought fit, to pass the following resolutions as an ordinary resolution:

8. That pursuant to Section 551 of the Companies Act 2006 (the "Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
    a) comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £532,030 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph b) of this resolution) in connection with a rights issue:
        i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
        ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
    b) otherwise than pursuant to paragraph a) of this resolution, up to an aggregate nominal amount of £266,015 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £266,015, provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

    In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right. These authorities are in substitution for all existing authorities under Section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special resolutions

To consider, and if thought fit, to pass the following resolutions as special resolutions:

9. That, subject to the passing of resolution 8 and pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act"), the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authorities granted by resolution 8 and to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
    a) the allotment of equity securities or sale of treasury shares in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph a) of resolution 8, such power shall be limited to the allotment of equity securities in connection with a rights issue):
        i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
        ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary;

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
    b) the allotment of equity securities pursuant to the authority granted by paragraph b) of resolution 8 or sale of treasury shares (in each case, otherwise than pursuant to paragraph a) of this resolution) up to an aggregate nominal amount of £39,902, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Sections 570 and 573 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

10. That, pursuant to Section 701 of the Companies Act 2006 (the "Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ("Shares"), provided that:
    a) the maximum aggregate number of Shares which may be purchased is 2,394,139;
    b) the minimum price (excluding expenses) which may be paid for a Share is 5p (being the nominal amount of a Share);
    c) the maximum price (excluding expenses) which may be paid for a Share is the higher of:
        i) an amount equal to 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and
        ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out;
    d) an ordinary share so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of applicable laws or regulations of the United Kingdom Listing Authority, held as a treasury share, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

N. G. CLARK
Company Secretary
20 June 2014

REGISTERED OFFICE
Oval Park
Langford, Maldon
Essex CM9 6WG

Registered in England and Wales: 944010

Notice of Annual General Meeting

General notes

1 ATTENDING THE AGM IN PERSON

If you wish to attend the AGM in person, you should arrive at the venue for the AGM in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's representatives prior to being admitted to the AGM.

2 APPOINTMENT OF PROXIES

Members who are entitled to attend and vote at the AGM are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If a member wishes a proxy to speak on their behalf at the meeting, the member will need to appoint their own choice of proxy (not the Chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the proxy form accompanying this notice of AGM or through CREST.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact CML Microsystems Plc, by writing to Oval Park, Langford, Maldon, Essex CM9 6WG.

A member may instruct their proxy to abstain from voting on a particular resolution to be considered at the meeting by marking the "Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company at 6pm on 28 July 2014.

3 APPOINTMENT OF A PROXY USING A PROXY FORM

A proxy form for use in connection with the AGM is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post using the postal address on the form of proxy or (during normal business hours only) by hand by the Company at its registered office at CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG not later than 11am on 28 July 2014 or if the AGM is adjourned, at least 48 hours before the time of the adjourned meeting.

Proxies may also be sent by email to: proxies@cmlmicroplc.com. See the enclosed proxy card for further instructions. This email address may not be used to communicate with the Company for any purpose other than submitting proxies for the AGM. The appointment must be received not later than 11am on Monday 28 July 2014 or if the AGM is adjourned at least 48 hours before the adjourned meeting. Any electronic communication sent by a shareholder to the Company that is found to contain a virus will not be accepted by the Company, but every reasonable effort will be made by the Company to inform the shareholder of the rejected communication.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG.

4 APPOINTMENT OF A PROXY THROUGH CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the registrar (ID 7RA11) not later than 11am on Monday 29 July 2014 or if the AGM is adjourned at least 48 hours before the time of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 APPOINTMENT OF PROXY BY JOINT HOLDERS

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6 CORPORATE REPRESENTATIVES

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7 ENTITLEMENT TO ATTEND AND VOTE

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6pm on 28 July 2014 (or, if the AGM is adjourned, at 6pm on the day two days prior to the adjourned meeting). Changes to the Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8 NOMINATED PERSONS

Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9 WEBSITE GIVING INFORMATION REGARDING THE AGM

Information regarding the AGM, including information required by Section 311A of the 2006 Act, is available from the Company's website www.cmlmicroplc.com.

10 AUDIT CONCERNS

Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website. In order to be able to exercise the members rights to require the Company to publish audit concerns the relevant request must be made by (a) a member or members having a right to vote at the meeting and holding at least 5% of the voting rights of the Company or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 11 and the website referred to in note 9. Where a member or members wishes to request the Company to publish audit concerns such request must be made in accordance with one of the following ways (a) by hard copy request which is signed by a member, states their full name and address and is sent to CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG or (b) a request which states the member's full name and address, and is sent to group@cmlmicroplc.com. Please state "AGM" in the subject line of the email.

11 VOTING RIGHTS

As at 19 June 2014 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 15,872,598 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 June 2014 were 15,960,927 votes.

12 PAYMENT OF DIVIDEND

It is proposed to pay the dividend, if approved, on 1 August 2014 to shareholders registered on 4 July 2014

13 NOTIFICATION OF SHAREHOLDINGS

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the AGM as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

14 FURTHER QUESTIONS AND COMMUNICATION

Under Section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. Members who have any general queries about the AGM should contact the Company Secretary.

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying document and proxy form) to communicate with the Company for any purpose other than those expressly stated.

15 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Directors' service contracts or letter of appointment will be available for inspection at the registered office of the Company during normal business hours on each business day (Saturdays, Sundays and public holidays excepted) from the date of this notice and on the date of the AGM at Layer Marney Tower, near Colchester, Essex CO5 9US from 10.30am until the conclusion thereof.

Five-year record

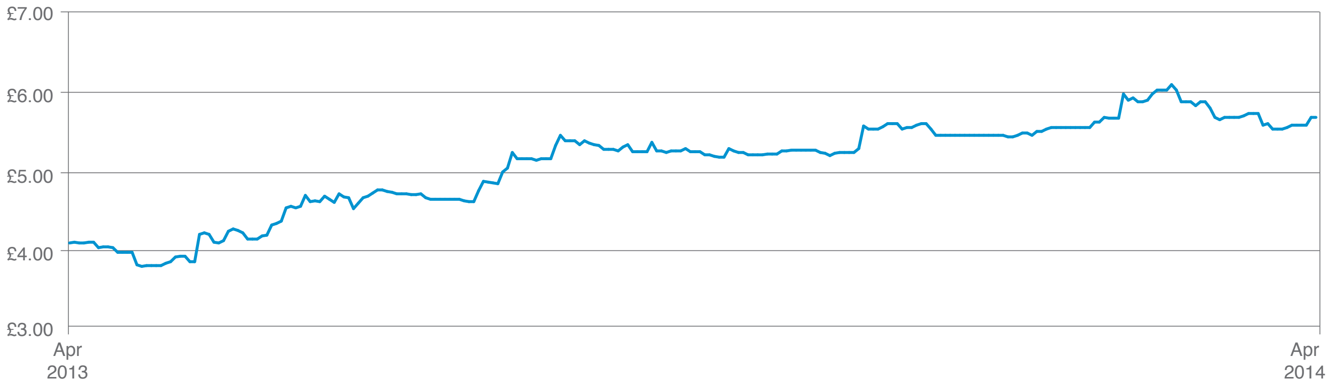
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Income statement					
Revenue (continuing operations)	**24,394**	24,648	22,651	21,353	17,301
Revenue (discontinued operations)	**282**	590	758	769	721
Total revenue [1]	**24,676**	25,238	23,409	22,122	18,023
Gross profit [1]	**17,882**	17,564	16,213	15,368	12,490
Gross profit percentage [1]	**73.31%**	69.59%	69.26%	68.83%	69.30%
Profit/(loss) before taxation [1]	**5,792**	5,071	3,950	2,324	(386)
Earnings per share [1]					
Basic	**29.96**	25.59	21.06p	17.87p	(0.16)p
Diluted	**29.20**	25.18	20.94p	17.64p	(0.16)p
Balance sheet					
Shareholders' equity	**27,926**	21,366	18,911	17,524	12,123

1 As reported in the years' annual report.

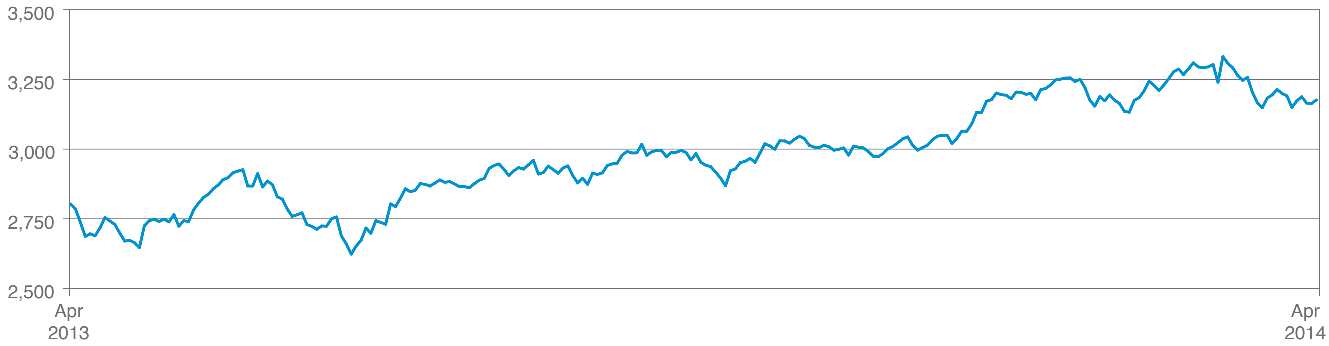
	Number	Number	Number	Number	Number
Issued 5p ordinary shares	**15,960,027**	15,872,598	15,762,341	15,706,696	14,947,626

Shareholder information

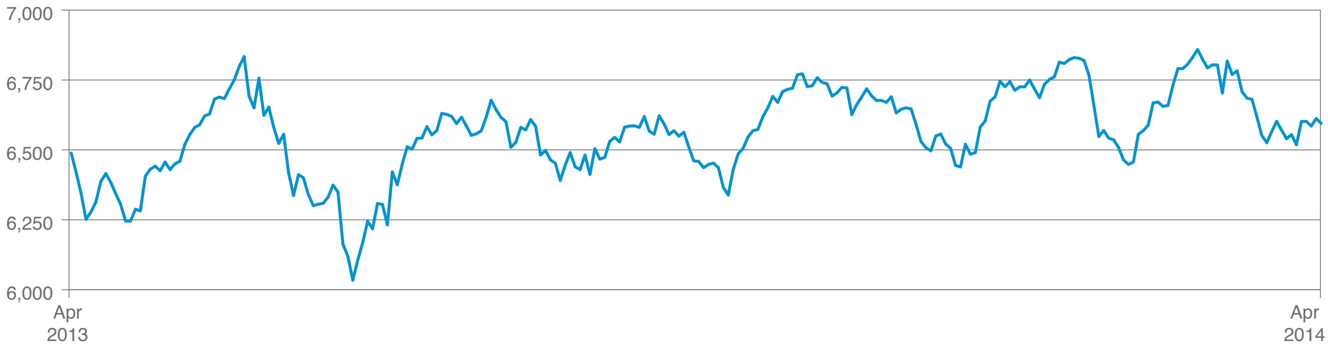
CML MICROSYSTEMS PLC SHARE PRICE – FOR THE YEAR ENDED 31 MARCH 2014



TECHMARK 100 INDEX – FOR THE YEAR ENDED 31 MARCH 2014



FTSE 100 INDEX – FOR THE YEAR ENDED 31 MARCH 2014



FINANCIAL CALENDAR

2014

30 July	Annual General Meeting
30 September	Half-year end
18 November	Anticipated date for half-year results

2015

31 March	Year end
16 June	Anticipated date for preliminary announcement of year-end 2015 results

Glossary

ASPs	average selling prices
CF	compact flash
EU	European Union
IC	integrated circuit
IFRS	International Financial Reporting Standards
IMS	interim managment statement
M2M	machine to machine
MMC	MultiMediaCard
NRE	non-refundable engineering
PABX	public access branch exchange
RF	radio frequency
SATA	serial ATA interface
SD card	secure digital card
SSD	solid state drives
USB	universal serial bus

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CML Microsystems Plc Annual Report and Accounts 2014