

CML Microsystems Plc
HALF YEARLY REPORT

2014

CML Microsystems Plc designs, manufactures and markets a broad range of semiconductor products, primarily for the global communication and data storage markets. Founded in 1968, CML operates internationally with subsidiaries across the UK, the USA, Germany, Singapore and Taiwan.

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

Visit us online at
cmlmicroplc.com

Contents

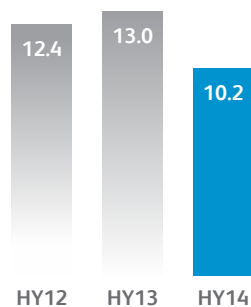
Highlights	1
Chairman and Chief Executive's statement and operational and financial review	2
Condensed consolidated income statement	3
Condensed consolidated statement of comprehensive income	3
Condensed consolidated statement of financial position	4
Condensed consolidated cash flow statements	5
Condensed consolidated statement of changes in equity	6
Notes to the condensed consolidated financial statements	7



Our results

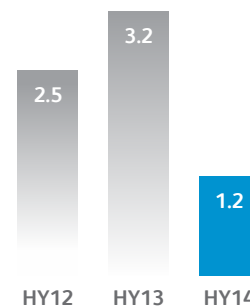
Revenue

£10.2m
£m



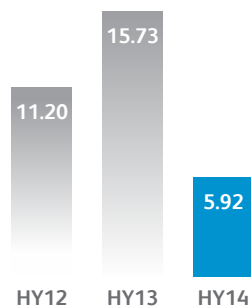
Pre-tax profit

£1.2m
£m



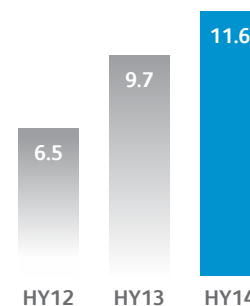
Basic earnings per share

5.92p
p



Net cash

£11.6m
£m



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

The Group continues to make good progress with its numerous engineering, selling and market related activities that are directed at widening the product range, the customer base and the addressable market areas.

OVERVIEW

As anticipated, the results for the opening six months of the financial year saw revenue from continuing operations down 21% to £10.21m (2013: £12.99m), underlying profit before tax reduce by 62% to £1.24m (2013: £3.21m) and basic earnings per share fall 62% to 5.92p (2013: 15.73p). This performance arises from the combined effects of previously communicated prior-year events within our storage market along with some cyclical volatility within wireless centred on regional government spending.

The results were in line with management budgets and, notably, the outstanding order book at the end of September 2014 was meaningfully ahead of the prior half year, supporting expectations for a firmer second half performance.

The sale of semiconductors into industrial solid state storage and removable card applications improved as the half year progressed. Good advances were made with expanding future revenue potential through a combination of new customer growth and a broader product portfolio. Shipments of flash memory controller integrated circuits ("ICs") for use within the automotive infotainment market grew strongly and early interest shown in the Group's new industrial class USB controller has been encouraging.

The shipment of ICs into Wireless voice and data application areas also improved towards the period end after commencing the year at a relatively low level. The number of customers designing end products that contain Group chip-set solutions increased and it was particularly pleasing that initial orders were received from two new customers who each serve differing machine-to-machine ("M2M") application areas.

Revenue from the sale of Telecom ICs into traditional analogue telephony applications was lower and reflected a general weakness across all of the major regions served.

FINANCIAL SUMMARY

Revenue of £10.21m combined with stable gross margin delivered gross profit of £7.22m (2013: £9.21m). Distribution and administration costs were flat at £6.17m (2013: £6.16m) with an operating profit of £1.06m being recorded (2013: £3.06m). The Group benefited from other operating income of £221k (2013: £192k), principally EU grants and the rental income on group-owned industrial properties. Finance income fell to £22k (2013: £35k) as a result of lower interest rates on cash reserves. Profit before tax amounted to £1.24m (2013: £3.21m).

At the period end, cash reserves stood at £11.59m (31 March 2014: £11.37m) after payment of a £1.01m dividend in respect of the prior year. Working capital was better controlled and further enhanced by the receipt of a conditional customer-prepayment of US\$600k against a key new product development. The Group has no borrowings.

SUMMARY AND OUTLOOK

Whilst it is disappointing to report interim results that interrupt the Group's sustained growth record over recent years, operating performance through the opening six-month period has progressively improved and the results delivered meet both management and market expectations.

In addition to a promising order book at 30 September 2014, new order bookings since that date serve to reinforce expectations that second half revenue should exceed the first.

The Group continues to make good progress with its numerous engineering, selling and market-related activities that are directed at widening the product range, the customer base and the addressable market areas. Whilst these activities are not expected to contribute meaningfully to the current year, I am confident that the product and management strategies being followed should allow the Group to return to growth beyond this financial year.

C. A. GURRY

Chairman and
Chief Executive

17 November 2014

Condensed consolidated income statement

for the six months ended 30 September 2014

CML Microsystems Plc
Half Yearly Report 2014

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
Continuing operations			
Revenue	10,209	12,989	24,393
Cost of sales	(2,986)	(3,777)	(6,511)
Gross profit	7,223	9,212	17,882
Distribution and administration costs	(6,168)	(6,156)	(12,470)
	1,055	3,056	5,412
Other operating income	221	192	474
Profit before share-based payments	1,276	3,248	5,886
Share-based payments	(61)	(69)	(156)
Profit after share-based payments	1,215	3,179	5,730
Finance costs	—	—	—
Finance income	22	35	62
Profit before taxation	1,237	3,214	5,792
Income tax expense	(281)	(710)	(1,024)
Profit after taxation from continuing operations	956	2,504	4,768
Profit/(loss) from discontinued operations (see note 4)	—	—	—
Profit for period attributable to equity owners of the parent	956	2,504	4,768
Basic earnings per share			
From continuing operations	5.92p	15.73p	29.96p
From profit for the year	5.92p	15.73p	29.96p
From discontinued operations	—	—	—
Diluted earnings per share			
From continuing operations	5.84p	15.73p	29.20p
From profit for the year	5.84p	15.73p	29.20p
From discontinued operations	—	—	—

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2014

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
Profit for the period	956	2,504	4,768
Other comprehensive income:			
Foreign exchange differences	(258)	(214)	(302)
Actuarial loss on retirement benefit obligations	—	—	3,393
Income tax on actuarial loss	—	—	(678)
Other comprehensive income for the period net of tax	(258)	(214)	2,413
Total comprehensive income for the period net of tax attributable to equity owners of the business	698	2,290	7,181

Condensed consolidated statement of financial position

as at 30 September 2014

CML Microsystems Plc
Half Yearly Report 2014

	Unaudited 30/09/14 £'000	Unaudited 30/09/13 £'000	Audited 31/03/14 £'000
Assets			
Non-current assets			
Property, plant and equipment	5,040	5,025	4,937
Investment properties	3,450	3,450	3,450
Development costs	7,258	5,611	6,188
Goodwill	3,512	3,512	3,512
Deferred tax asset	1,238	2,242	1,271
	20,498	19,840	19,358
Current assets			
Inventories	1,456	1,536	1,129
Trade receivables and prepayments	2,777	4,187	3,388
Current tax assets	191	—	283
Cash and cash equivalents	11,586	9,737	11,373
	16,010	15,460	16,173
Non-current assets classified as held for sale – properties	—	103	100
Total assets	36,508	35,403	35,631
Liabilities			
Current liabilities			
Trade and other payables	2,845	3,863	2,509
Current tax liabilities	446	422	274
	3,291	4,285	2,783
Non-current liabilities			
Deferred tax liabilities	2,291	2,058	2,224
Retirement benefit obligation	2,698	6,122	2,698
	4,989	8,180	4,922
Total liabilities	8,280	12,465	7,705
Net assets	28,228	22,938	27,926
Capital and reserves attributable to equity owners of the parent			
Share capital	811	798	798
Share premium	5,614	5,060	5,070
Share-based payments reserve	388	240	327
Foreign exchange reserve	(47)	299	211
Accumulated profits	21,462	16,541	21,520
Shareholders' equity	28,228	22,938	27,926

Condensed consolidated cash flow statements

for the six months ended 30 September 2014

CML Microsystems Plc
Half Yearly Report 2014

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
Continuing operations			
Operating activities			
Net profit for the period before income taxes	1,237	3,217	5,792
Adjustments for:			
Depreciation	110	124	255
Amortisation of development costs	1,408	1,109	2,588
Movement in pensions deficit	—	—	31
Share-based payments	61	69	156
Finance income	(22)	(35)	(62)
Decrease/(increase) in working capital	608	(959)	(1,109)
Cash flows from operating activities	3,402	3,525	7,651
Income tax refunded/(paid)	151	65	(202)
Net cash flows from operating activities	3,553	3,590	7,449
Investing activities			
Purchase of property, plant and equipment	(256)	(58)	(103)
Investment in development costs	(2,672)	(2,067)	(4,139)
Disposals of property, plant and equipment	52	4	5
Finance income	22	35	62
Net cash flows from investing activities	(2,854)	(2,086)	(4,175)
Financing activities			
Issue of ordinary shares	557	87	97
Decrease in bank loans and short-term borrowings	—	(338)	(338)
Dividend paid to Group shareholders	(1,014)	(873)	(873)
Net cash flows from financing activities	(457)	(1,124)	(1,114)
Increase in cash and cash equivalents	242	380	2,160
Movement in cash and cash equivalents:			
At start of period/year	11,373	9,323	9,323
Increase in cash and cash equivalents	242	380	2,160
Effects of exchange rate changes	(29)	34	(110)
At end of period/year	11,586	9,737	11,373

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2014

CML Microsystems Plc
Half Yearly Report 2014

Unaudited	Share capital £'000	Share premium £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits £'000	Total £'000
At 31 March 2013	794	4,977	171	513	14,910	21,365
Profit for period					2,504	2,504
Other comprehensive income:						
Foreign exchange differences				(214)		(214)
Total comprehensive income for the period	—	—	—	(214)	2,504	2,290
Transactions with owners in their capacity as owners:						
Dividend paid					(873)	(873)
Issue of ordinary shares	4	83				87
Total of transactions with owners in their capacity as owners:	4	83	—	—	(873)	(786)
Share-based payments			69			69
At 30 September 2013	798	5,060	240	299	16,541	22,938
Profit for period					2,264	2,264
Other comprehensive income:						
Foreign exchange differences				(88)		(88)
Actuarial loss on retirement benefit obligation					3,393	3,393
Deferred tax on actuarial losses					(678)	(678)
Total comprehensive income for the period	—	—	—	(88)	4,979	4,891
Transactions with owners in their capacity as owners:						
Issue of ordinary shares		10				10
Total of transactions with owners in their capacity as owners:	—	10	—	—	—	10
Share-based payments			87			87
At 31 March 2014	798	5,070	327	211	21,520	27,926
Profit for period					956	956
Other comprehensive income:						
Foreign exchange differences				(258)		(258)
Total comprehensive income for the period	—	—	—	(258)	956	698
Transactions with owners in their capacity as owners:						
Dividend paid					(1,014)	(1,014)
Issue of ordinary shares	13	544				557
Total of transactions with owners in their capacity as owners	13	544	—	—	(1,014)	(457)
Share-based payments			61			61
At 30 September 2014	811	5,614	388	(47)	21,462	28,228

Notes to the condensed consolidated financial statements

CML Microsystems Plc
Half Yearly Report 2014

1 SEGMENTAL ANALYSIS

Business segments

	Unaudited 6 months end 30/09/14			Unaudited 6 months end 30/09/13			Audited Year end 31/03/14		
	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000	Discontinued Equipment £'000	Semi- conductor components £'000	Group £'000
Revenue									
By origination	—	15,842	15,842	282	21,497	21,779	282	39,758	40,040
Inter-segmental revenue	—	(5,633)	(5,633)	—	(8,508)	(8,508)	—	(15,365)	(15,365)
Segmental revenue	—	10,209	10,209	282	12,989	13,271	282	24,393	24,675
Profit/(loss)									
Segmental result	—	1,215	1,215	3	3,179	3,182	3	5,729	5,732
Net financial income			22			35			62
Income tax			(281)			(713)			(1,026)
Profit after taxation			956			2,504			4,768
Assets and liabilities									
Segmental assets	—	31,629	31,629	—	29,608	29,608	—	30,527	30,527
Unallocated corporate assets									
Investment property (including held for sale)			3,450			3,553			3,550
Deferred taxation			1,238			2,242			1,271
Current tax receivable			191			—			283
Consolidated total assets			36,508			35,403			35,631
Segmental liabilities	—	2,845	2,845	—	3,863	3,863	—	2,509	2,509
Unallocated corporate liabilities									
Deferred taxation			2,291			2,058			2,224
Current tax liability			446			422			274
Retirement benefit obligation			2,698			6,122			2,698
Consolidated total liabilities			8,280			12,465			7,705
Other segmental information									
Property, plant and equipment additions	—	256	256	—	58	58	—	103	103
Development cost additions	—	2,672	2,672	—	2,067	2,067	—	4,139	4,139
Depreciation	—	110	110	—	124	124	—	255	255
Amortisation	—	1,408	1,408	—	1,109	1,109	—	2,588	2,588
Other significant non-cash income	—	—	—	—	—	—	—	31	31

Notes to the condensed consolidated financial statements continued

CML Microsystems Plc
Half Yearly Report 2014

Geographical segments

	UK £'000	Germany £'000	Americas £'000	Far East £'000	Total £'000
Unaudited					
Six months ended 30 September 2014					
Revenue by origination	4,865	5,282	2,001	3,694	15,842
Inter geographical segmental revenue	(2,170)	(3,463)	—	—	(5,633)
Revenue to third parties	2,695	1,819	2,001	3,694	10,209
Property, plant and equipment	4,909	114	14	3	5,040
Investment properties including held for sale	3,450	—	—	—	3,450
Goodwill	—	3,512	—	—	3,512
Development cost	2,655	4,603	—	—	7,258
Total assets	24,991	8,131	1,473	1,913	36,508
Unaudited					
Six months ended 30 September 2013					
Revenue by origination	6,610	6,956	2,981	5,232	21,779
Inter geographical segmental revenue	(2,870)	(5,638)	—	—	(8,508)
Revenue to third parties	3,740	1,318	2,981	5,232	13,271
Property, plant and equipment	4,826	70	123	6	5,025
Investment properties including held for sale	3,450	—	103	—	3,553
Goodwill	—	3,512	—	—	3,512
Development cost	2,148	3,463	—	—	5,611
Total assets	23,918	7,134	1,930	2,421	35,403
Audited					
Year ended 31 March 2014					
Revenue by origination	12,574	11,930	5,856	9,680	40,040
Inter geographical segmental revenue	(5,827)	(9,538)	—	—	(15,365)
Revenue to third parties	6,747	2,392	5,856	9,680	24,675
Property, plant and equipment	4,752	68	115	2	4,937
Investment properties including held for sale	3,450	—	100	—	3,550
Goodwill	—	3,512	—	—	3,512
Development cost	2,376	3,812	—	—	6,188
Total assets	25,273	6,926	1,491	1,941	35,631

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

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

Revenue

Geographical classification of continuing business turnover (by destination)

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
United Kingdom	473	357	823
Rest of Europe	2,640	2,197	4,325
Far East	4,538	6,732	12,386
Americas	2,336	3,396	6,263
Others	222	307	596
	10,209	12,989	24,393

2 DIVIDEND PAID AND PROPOSED

A dividend of 6.25p per 5p ordinary share in respect of the year ended 31 March 2014 was paid on 1 August 2014 (2013: 5.5p per ordinary share of 5p in respect of the year ended 31 March 2013). No dividend is proposed in respect of the six months period ended 30 September 2014 (2013: £nil per ordinary share of 5p in respect of the period ended 30 September 2013).

3 INCOME TAX

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

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
UK income tax credit	(160)	—	(300)
Overseas income tax charge	285	174	364
Total current tax charge	125	174	64
Deferred tax charge	156	536	960
Reported income tax charge	281	710	1,024

4 DISCONTINUED OPERATIONS

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

	Unaudited 6 months end 30/09/14 £'000	Unaudited 6 months end 30/09/13 £'000	Audited Year end 31/03/14 £'000
Revenue	—	282	282
Cost of sales	—	(171)	(171)
Gross profit	—	111	111
Distribution and administration costs	—	(108)	(108)
Profit before taxation	—	3	3
Taxation	—	(3)	(3)
Profit from discontinued operations	—	—	—

5 EARNINGS PER SHARE

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

	Ordinary 5p shares	
	Weighted average number	Diluted number
Six months ended 30 September 2014	16,152,635	16,376,911
Six months ended 30 September 2013	15,915,946	16,296,334
Year end 31 March 2014	15,917,895	16,332,587

Notes to the condensed consolidated financial statements continued

CML Microsystems Plc
Half Yearly Report 2014

6 INVESTMENT PROPERTIES

Investment properties are revalued at each discrete period end by the Directors and every third year by independent Chartered Surveyors on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. At 31 March 2012 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis.

7 ANALYSIS OF CASH FLOW MOVEMENT IN NET CASH

	Net cash at 01/04/13 £'000	6 months end 30/09/13 Cash flow £'000	Net cash at 30/09/13 £'000	6 months end 31/03/14 Cash flow £'000	Net cash at 31/03/14 £'000	6 months end 30/09/14 Cash flow £'000	Net cash at 30/09/14 £'000
Cash and cash equivalents	9,323	414	9,737	1,636	11,373	213	11,586
Bank loans and overdrafts	(338)	338	—	—	—	—	—
	8,985	752	9,737	1,636	11,373	213	11,586

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

8 RETIREMENT BENEFIT OBLIGATIONS

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

9 PRINCIPAL RISKS AND UNCERTAINTIES

Key risks of a financial nature

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

Key risks of a non-financial nature

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

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

10 DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

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

- a) the condensed financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- b) the condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting"; and
- c) the Chairman and Chief Executive's statement and operational and financial review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

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

11 BASIS OF PREPARATION

The basis of preparation and accounting policies used in preparation of the Half Yearly Financial Report are the same accounting policies set out in the year ended 31 March 2014 financial statements.

12 GENERAL

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

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

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

In the segmental analysis (note 1) inter-segmental transfers or transactions are entered into under commercial terms and conditions appropriate to the location of the entity whilst considering that the parties are related.

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

This Half Yearly Financial Report does not include all the information and disclosures required in the Annual Report, and should be read in conjunction with the consolidated Annual Report for the year ended 31 March 2014.

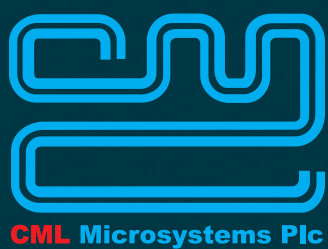
The financial information contained in this Half Yearly Financial Report has been prepared using International Financial Reporting Standards as adopted by the European Union. This Half Yearly Financial Report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2014 is based on the statutory accounts for the financial year ended 31 March 2014 that have been filed with the Registrar of Companies and on which the Auditor gave an unqualified audit opinion.

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

A copy of this Half Yearly Financial Report can be viewed on the Company website www.cmlmicroplc.com.

13 APPROVALS

The Directors approved this Half Yearly Report on 17 November 2014.



CML Microsystems Plc
Oval Park, Langford
Maldon, Essex
CM9 6WG

T: +44 (0)1621 875500
F: +44 (0)1621 875606

group@cmlmicroplc.com