CML Microsystems Plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2015

Storage

Wireless

Wireline telecom

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CHAIRMAN'S STATEMENT

Introduction

It is most pleasing to be delivering my first statement on the Group's progress through the last year with results surpassing market expectations, though this must be tempered with the fact that expectations were disappointingly downgraded at the start of the year. However, I can say it has been a year where we have moved from not only addressing the issues that led to last year's downgrade, but also putting procedures in place that will help ensure the Group returns to a growth path that is sustainable over the long term.

Results and dividend

In summary, revenues declined 11% to £21.80m (2014: £24.39m), profit before taxation declined 45% to £3.18m (2014: £5.79m) and basic EPS declined 44% to 16.71p (2014: 29.96p). On a more positive note, cash increased to £13.19m (2014: £11.37m) and net assets moved up to £28.97m (2014: £27.93m).

As a board we must always be mindful of the cash needs of the business and ensure that the Group has appropriate resources available, not only for the daily running of the business and the on-going product development programme, but also to capitalise on any potential opportunities that may arise. Additionally it is clear that geographically the markets we address are in a period of change and I expect some of that change to put demands on our cash resources. That said, the Board remains focused on delivering consistent and growing returns to shareholders in both the short and the long term. Despite these results not delivering a year-on-year improvement, the Board is confident that your Company will return to a growth path through the current financial year. This belief, coupled with a progressive dividend policy, means that the Board is recommending the dividend increase by just over 10% to 6.9p (2014: 6.25p). If approved, the proposed dividend will be paid on 3 August 2015 to all shareholders whose names appear on the register at the close of business on 3 July 2015.

Management

One of the keys to ensuring sustainable growth is having the right management in place and through the last year we have strengthened the Group's management team both at the main board level and at an operational level. Hugh Rudden was appointed Group Sales and Marketing Director in June 2014 and in January 2015, Neil Pritchard joined as Group Financial Director and Company Secretary. Following these appointments it has enabled me, as previously announced, to transition to the role of Chairman and also permitted Chris Gurry to focus exclusively on the role of Managing Director, relinquishing the post of Chairman he had held on an interim basis following the death of our previous Chairman. This has strengthened the Board's expertise, broadened its experience and added extra impetus. At the operational level this has also meant change, which is always challenging, but I am pleased to say that this has been managed professionally and embraced enthusiastically by the staff.

Prospects and outlook

Today CML is a semiconductor Group with a strong desire for growth. We have world-class products, significant market knowledge, a highly skilled engineering team and a strong balance sheet giving us the ability to capitalise on the opportunities we see to grow both organically and by other means. The Board's core strategy of sustainable growth remains paramount and to that end we continue to look at where we are, where we want to be and then assess what we need to do to achieve our objectives. Over the last five years the Group has grown organically and, although we are confident this will continue to fuel significantly more growth, we are constantly reviewing options for non-organic expansion that complement our skills, market knowledge and geographical reach. In an ever-changing environment your Board is very much aware of the need to have multiple growth options.

Right now the Group is at a very exciting time in its development and has a strong management team in place supported by our dedicated employees. This last year has seen a firm foundation put in place for the achievement of long term sustainable growth over a multi-year period. Bearing this in mind I have confidence, subject to unforeseen circumstances, that the Company should move back to a positive growth path over this coming year and beyond.

In closing I should like to point out that for the success of any company it is vital for its employees to be talented, committed, hardworking and enthusiastic. At CML we are very lucky to have a team of loyal and dedicated employees fulfilling that criteria and the Board wish to extend their thanks and appreciation to each and every employee.

N. G. Clark
Non-Executive Chairman

OPERATING AND FINANCIAL REVIEW

Results

For the 2015 financial year, the Group delivered solid progress against its medium-term growth objectives. Whilst revenue of £21.80m was below the prior year (2014: £24.39m), it was slightly ahead of earlier expectations. Sales in the second half were 13% higher than the first half, serving to demonstrate that the disruptive events of the previous year had less influence as the year progressed.

Overall gross profit margin returned to a more typical level of 71% (2014: 73%). This was largely due to the combined effects of product mix and lower levels of customer non-refundable engineering (NRE) income as related engineering projects began the transition to commercial product sales. Actual gross profit was £15.46m (2014: £17.88m).

A rise in amortisation charges associated with increased development spend contributed to higher distribution and administration costs of £12.78m (2014: £12.47m). R&D costs for the year were £5.21m (2014: £4.80m) with an amount of £0.85m being written off through the income statement (2014: £0.66m). The total increase would have been higher except for a meaningful benefit on foreign exchange being recorded, totalling £0.84m.

The Group received a total of £0.42m (2014: £0.47m) which was classified as other income, with the majority contributors being rents received from non-operational commercial property assets along with EU grants received towards specific engineering activities.

Profit from operations fell to £3.11m (2014: £5.89m) however, the twin positive effects of finance income and a £0.10m lift in the value of the Group's commercial property assets outweighed share based payment charges leading to a profit before tax of £3.18m (2014: £5.79m).

An income tax expense of £0.48m was recorded (2014: £1.02m) which is below the standard UK rate, assisted by higher R&D tax credits and a reduced deferred tax charge.

Profit after tax fell 44% to £2.70m (2014: £4.77m).

Despite strong levels of R&D investment, the Group once again increased its cash balances. At the period end, following a dividend payment of £1.01m (2014: £0.87m) in respect of the previous year, cash reserves advanced by 16% to £13.19m (2014: £11.37m). Included within this balance is a conditional customer prepayment of £0.67m against a key new product development.

The end of year inventory level was higher at £1.76m (2014: £1.13m) which is closer to the typical value expected for the revenue levels being achieved through the end of the period.

The Group historically operated a defined benefit final salary scheme in the UK that has been closed to new members and future accruals for some years. The deficit for the year, calculated under accounting rule IAS19, amounted to £3.62m (2014: £2.70m). The deterioration in the funding position was primarily due to changes in market conditions which determine the financial assumptions used, predominantly lower discount rates due to lower corporate bond yields. We continue to take professional advice targeted at achieving the right balance between adequate scheme funding and the Group's trading objectives.

In terms of customer dependency, the reduction in total sales combined with the effect of a key customer exit during the prior year moved one additional customer above the 10% contribution threshold. Only two customers contributed greater than 10% to Group revenue for the year, one at 14% and one at 11%.

In March 2015 a planning application for residential development on part of the site forming the Company's Oval Park headquarters was refused at local council level. A subsequent appeal was lodged post the financial year end.

Operational review

STORAGE

The shipment of semiconductors into solid state storage applications accounted for 50% of Group revenues. To 31 March 2015, sales fell 9% to £10.82m (2014: £11.80m) with the overall reduction primarily due to prior year customer disruption that was previously flagged. Revenue for the second six month period was ahead on both a sequential and comparable basis serving to underpin expectations for a return to growth.

We began the year with a product range weighted towards compact flash card controller technology. Over recent years, research and development has been targeted at adding SATA, SD, eMMC and USB interface technology to our proprietary core architecture with the vision of providing a full portfolio of interface options to our customers. They in turn, need to offer a wide selection of storage solutions to the demanding end-customer base. I am pleased to report that we made good progress in that regard.

Shipments of SD controllers grew strongly year-on-year as full production silicon became available and the year-end pipeline of new design-in opportunities, with both existing and new customers, was at a healthy stage. The high level of interest in our industrial-class USB solution has already begun to translate into design wins and should start to deliver revenue through the year ahead.

Our engineering teams continue to innovate with the announcement in February 2015, at Embedded World, Germany, of our ground breaking hyMap™ technology. Amongst many other things, hyMap™ enables our customers to utilise high capacity, cost-effective flash memory technology within some of their application areas while still meeting the stringent requirements of the industrial end markets. Other features offered by hyMap™ include extended flash life, high-speed small-file transfer performance and improved power-fail robustness - all without the cost of additional external memory.

Ongoing product developments are focused on enhancing and expanding the controller product range to ensure we are able to either maintain or achieve a leadership position depending upon the stage of development we are at in the particular end-market.

Significant progress with our various engineering and selling related activities was made through the year as we continued steering a course that is intended to widen the size and scope of the markets open to us.

WIRELESS

Revenue from the sale of semiconductors into industrial and professional wireless applications fell 10% to £8.28m (2014: £9.12m). As communicated at the half year stage, and following on from the prior year in which some end-market applications suffered from a lack of government spend, order bookings and shipments improved as the year progressed. Sales in the second six month period were almost 20% ahead on a sequential basis.

For the wireless end-markets that we target, our product range has been evolving over recent years. Coming from the position of providing relatively simple function baseband processing, signalling and low data-rate modem ICs, the transition is towards a significantly expanded product portfolio. This includes baseband processors with higher levels of protocol handling, sophisticated and flexible wireless modem solutions coupled with class-leading RF semiconductors for stringent global communications standards.

In the second half of the year under review we reached the important strategic milestone of having a number of customers commence manufacturing of their new wireless products containing Group chip-set solutions. This underpins our expectations for future growth and, with the continued expansion of the chip-set customer base, six monthly revenue volatility is expected to give way to sequential growth.

New product introductions during the year included a single common platform product capable of delivering key functionality for use in a number of digital radio standards, including DMR, NXDN, dPMR and various country-specific equivalents, along with a high-performance analogue front end (AFE) IC that bridges the gap between a digital radio's RF section and the DSP/FPGA. Importantly, the latter product meets the needs of Software Defined Radio (SDR) architectures.

Existing wireless product developments are focused on growing the functionality we can absorb within our customer's end-product, raising the bar in terms of performance and widening our addressable markets through the expanded resources and technical capabilities that we now have in place.

The transition from legacy lower-function products to compelling chip-set solutions started and was evidenced through higher second half revenues. Our R&D activities continue to be directed at cementing our position with continual roadmap developments whilst also pushing into new areas that will bring incremental revenue opportunities. Whilst the gestation period from customer engagement to order shipment is sometimes frustrating, the pipeline of meaningful opportunities is growing.

TELECOM

Shipments into wireline telecom markets were disappointing, despite the end-application areas being viewed as somewhat of a sunset market. Revenue of £2.28m was recorded (2014: £2.92m) equating to 10% of total Group sales (2014: 12%).

The reduction was geographically broad based and across a number of specific products reflecting a general weakness across the existing customer base and delays in the expected uplift from more recently secured design wins.

The current product range for traditional analogue telecom markets continues to be competitive within the application areas targeted.

In addition to the three main market areas already reviewed, the Group received additional revenue from the sale of miscellaneous semiconductor products and services derived from historic operational activities. In the year under review, the sale of products classified under this category amounted to £0.43m (2014: £0.56m).

Summary and outlook

Despite record profits to March 2014, trading through the opening months of the period under review was characterised by revenue headwinds that emerged as a consequence of prior year disturbances.

Management objectives over the twelve months were typically multifaceted. Operationally, new product introductions that generated good levels of design-in activity amongst the customer base needed to convert into meaningful production orders. The recent expansion and amalgamation of the Group's R&D resources required appropriate focus to ensure that we continue to develop market leading semiconductor solutions. Importantly, and fundamentally, we needed to demonstrate our belief that the volatility was temporary and our underlying growth strategy remained valid.

With the benefit of hindsight, it is good to have the disruption largely behind us and report that we were able to deliver against those management objectives while at the same time making satisfying progress with our medium term growth plans.

For the current financial year, a number of significant customer end-products have entered the production phase and are expected to ramp as the year progresses. To improve our success rate further and to capitalise on the growing number of opportunities that the expanded product range is enabling, we have decided to make significant investments in our marketing, sales and support resources.

Our R&D teams are working hard at developing innovative products that should allow us to reach market leader status in our chosen markets. In that respect, we will be maintaining the high levels of R&D investment that have been a hallmark of recent years.

The key end markets for storage and wireless each continue to exhibit exciting growth opportunities. Within storage, we start the year with a flash memory controller range that includes the majority of the major interface standards that are used within our target markets and those controllers interoperate with state of the art flash memory technologies from the major suppliers.

The trend for hard disk drives to migrate to solid state technology in industrial and embedded application areas continues and our alignment with a wide customer base through standard semiconductor products is expected to see us strengthen our position.

Our wireless semiconductor range now includes RF and baseband processing silicon platform solutions for use within almost all of the major professional and industrial standards that are expected to achieve highest market share over time. Through the year ahead another major standard will be added and new high performance RF solutions are scheduled to be introduced that will increase the addressable market size.

To continue being successful, the Group must define, develop and deliver technically compelling, commercially viable semiconductor products to market and offer levels of support that make us the first choice key component supplier within our chosen end-markets. This is our overriding objective.

The Board is confident that the Group will continue to be prosperous and that a meaningful advance in revenue and profitability is likely to be made over the coming year.

C. A. Gurry
Managing Director

Consolidated income statement for the year ended 31 March 2015

	Unaudited 2015 £	Audited 2014 £
Continuing operations		
Revenue	**21,803,713**	24,393,659
Cost of sales	**(6,338,749)**	(6,511,437)
Gross profit	**15,464,964**	17,882,222
Distribution and administration costs	**(12,776,694)**	(12,469,963)
	2,688,270	5,412,259
Other operating income	**418,989**	473,613
Profit from operations	**3,107,259**	5,885,872
Share-based payments	**(95,405)**	(155,931)
Profit after share-based payments	**3,011,854**	5,729,941
Revaluation of investment properties	**100,000**	—
Finance income	**65,651**	61,764
Profit before taxation from continuing operations	**3,177,505**	5,791,705
Income tax expense	**(475,724)**	(1,023,069)
Profit after taxation from continuing operations	**2,701,781**	4,768,636
Profit after taxation from discontinued operations	—	2
Profit after taxation attributable to equity owners of the parent	**2,701,781**	4,768,638
Basic earnings per share		
From continuing operations	**16.71p**	29.96p
From profit for year	**16.71p**	29.96p
From discontinued operations	—	—
Diluted earnings per share		
From continuing operations	**16.51p**	29.20p
From profit for year	**16.51p**	29.20p
From discontinued operations	—	—

Consolidated statement of total comprehensive income for the year ended 31 March 2015

	Unaudited 2015 £	Unaudited 2015 £	Audited 2014 £	Audited 2014 £
Profit for the year		**2,701,781**		4,768,638
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss)/profit on retirement benefit obligations	**(1,133,000)**		3,393,000	
Deferred tax on actuarial losses/(profits)	**226,600**		(678,600)	
Items reclassified subsequently to profit or loss upon derecognition				
Foreign exchange differences	**(477,497)**		(301,900)	
Other comprehensive (expense)/income for the year net of taxation attributable to equity owners of the parent		**(1,383,897)**		2,412,500
Total comprehensive income for the year attributable to the equity holders of the parent		**1,317,884**		7,181,138

Consolidated statement of financial position as at 31 March 2015

	Unaudited 2015 £	Unaudited 2015 £	Audited 2014 £	Audited 2014 £
Assets				
Non-current assets				
Property, plant and equipment		**4,975,835**		4,936,710
Investment properties		**3,550,000**		3,450,000
Development costs		**6,983,619**		6,188,255
Goodwill		**3,512,305**		3,512,305
Deferred tax asset		**1,310,289**		1,270,976
		20,332,048		19,358,246
Current assets				
Inventories	**1,762,845**		1,129,051	
Trade receivables and prepayments	**2,864,534**		3,388,003	
Current tax assets	**628,006**		282,667	
Cash and cash equivalents	**13,187,718**		11,373,483	
		18,443,103		16,173,204
Non-current assets classified as held for sale properties		**—**		100,168
Total assets		**38,775,151**		35,631,618
Liabilities				
Current liabilities				
Trade and other payables		**3,471,194**		2,508,599
Current tax liabilities		**195,888**		274,129
		3,667,082		2,782,728
Non-current liabilities				
Deferred tax liabilities	**2,512,736**		2,224,517	
Retirement benefit obligation	**3,624,000**		2,698,000	
		6,136,736		4,922,517
Total liabilities		**9,803,818**		7,705,245
Net assets		**28,971,333**		27,926,373
Capital and reserves attributable to equity owners of the parent				
Share capital		**812,827**		798,046
Share premium		**5,700,344**		5,069,921
Share-based payments reserve		**287,366**		327,130
Foreign exchange reserve		**(265,865)**		211,632
Accumulated profits		**22,436,661**		21,519,644
Total shareholders' equity		**28,971,333**		27,926,373

Consolidated cash flow statement for the year ended 31 March 2015

	Unaudited 2015 £	Audited 2014 £
Operating activities		
Net profit before taxation (continuing operations)	**3,177,505**	5,791,705
Net profit before taxation (discontinued operations)	**—**	2,787
Net profit for the year before taxation	**3,177,505**	5,794,492
Adjustments for:		
Depreciation	**266,638**	255,358
Amortisation of development costs	**3,223,983**	2,588,063
Revaluation of investment properties	**(100,000)**	—
Movement in pensions net costs	**(207,000)**	31,000
Share-based payments	**95,405**	155,931
Profit on sale of plant and equipment	**(3,770)**	(7,770)
Finance income	**(65,651)**	(61,773)
Movement in working capital	**852,270**	(1,101,969)
Cash flows from operating activities	**7,239,380**	7,653,332
Income tax paid	**(270,376)**	(204,593)
Net cash flows from operating activities	**6,969,004**	7,448,739
Investing activities		
Purchase of property, plant and equipment	**(317,602)**	(102,995)
Investment in development costs	**(4,362,929)**	(4,139,040)
Disposal of property, plant and equipment	**12,083**	5,990
Finance income	**65,651**	61,773
Net cash flows from investing activities	**(4,602,797)**	(4,174,272)
Financing activities		
Issue of ordinary shares	**645,204**	96,806
Dividend paid to shareholders	**(1,013,533)**	(873,394)
Decrease in bank loans and short-term borrowings	**—**	(338,267)
Net cash flows from financing activities	**(368,329)**	(1,114,855)
Increase in cash and cash equivalents	**1,997,878**	2,159,612
Movement in cash and cash equivalents:		
At start of year	**11,373,483**	9,322,957
Increase in cash and cash equivalents	**1,997,878**	2,159,612
Effects of exchange rate changes	**(183,643)**	(109,086)
At end of year	**13,187,718**	11,373,483

Consolidated statement of changes in equity for the year ended 31 March 2015

	Share capital £	Share premium £	Share-based payments £	Foreign exchange reserve £	Accumulated profits £	Total £
At 31 March 2013 - Audited	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 gain recognised directly to equity					3,393,000	3,393,000
Deferred tax on actuarial gain					(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 - Audited	**798,046**	**5,069,921**	**327,130**	**211,632**	**21,519,644**	**27,926,373**
Profit for year					**2,701,781**	**2,701,781**
Other comprehensive income net of taxes						
Foreign exchange differences				**(477,497)**		**(477,497)**
Net actuarial loss recognised directly to equity					**(1,133,000)**	**(1,133,000)**
Deferred tax on actuarial loss					**226,600**	**226,600**
Total comprehensive income for year	**—**	**—**	**—**	**(477,497)**	**1,795,381**	**1,317,884**
	798,046	**5,069,921**	**327,130**	**(265,865)**	**23,315,125**	**29,244,257**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**14,781**	**630,423**				**645,204**
Dividend paid					**(1,013,533)**	**(1,013,533)**
Total transactions with owners in their capacity as owners	**14,781**	**630,423**	**—**	**—**	**(1,013,533)**	**(368,329)**
Share-based payments in year			**95,405**			**95,405**
Cancellation/transfer of share-based payments			**(135,169)**		**135,169**	**—**
At 31 March 2015- Unaudited	**812,827**	**5,700,344**	**287,366**	**(265,865)**	**22,436,661**	**28,971,333**

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1 Segmental analysis

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

Information about revenue, profit/loss, assets and liabilities:

	Unaudited 2015		Audited 2014		
	Semi-conductor components	**Group**	Equipment	Semi-conductor components	Group
	£	**£**	£	£	£
Revenue					
By origin	**34,031,382**	**34,031,382**	282,275	39,757,907	40,040,182
Inter-segmental revenue	**(12,227,669)**	**(12,227,669)**	—	(15,364,248)	(15,364,248)
Total segmental revenue	**21,803,713**	**21,803,713**	282,275	24,393,659	24,675,934
Segmental result	**3,011,854**	**3,011,854**	2,778	5,729,941	5,732,719
Revaluation of investment properties		**100,000**			—
Finance income		**65,651**			61,773
Income tax expense		**(475,724)**			(1,025,854)
Profit after taxation		**2,701,781**			4,768,638
Assets and liabilities					
Segmental assets	**33,286,856**	**33,286,856**	—	30,527,807	30,527,807
Unallocated corporate assets					
Investment properties		**3,550,000**			3,450,000
Properties held for sale		**—**			100,168
Deferred tax asset		**1,310,289**			1,270,976
Current tax assets		**628,006**			282,667
Consolidated total assets		**38,775,151**			35,631,618
Segmental liabilities	**3,471,194**	**3,471,194**	—	2,508,599	2,508,599
Unallocated corporate liabilities					
Deferred tax liabilities		**2,512,736**			2,224,517
Current tax liabilities		**195,888**			274,129
Retirement benefit obligation		**3,624,000**			2,698,000
Consolidated total liabilities		**9,803,818**			7,705,245

Other segmental information:

	Unaudited 2015		Audited 2014		
	Semiconductor components	**Group**	Equipment	Semiconductor components	Group
	£	**£**	£	£	£
Property, plant and equipment additions	**317,602**	**317,602**	—	102,995	102,995
Development cost additions	**4,362,929**	**4,362,929**	—	4,139,040	4,139,040
Depreciation	**266,638**	**266,638**	254	255,104	255,358
Amortisation	**3,223,983**	**3,223,983**	—	2,588,063	2,588,063
Other non-cash income	**307,000**	**307,000**	—	31,000	31,000

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 represented 100% of the equipment segment (shown in the year ended 31 March 2014 comparative period) went into voluntary liquidation and consequently after that date the Group had only one segment, semiconductor components.

Geographical information:

	UK	Rest of Europe	Americas	Far East	Total
	£	£	£	£	£
Year ended 31 March 2015 – Unaudited					
Revenue by origination	**10,134,538**	**10,626,884**	**4,688,222**	**8,581,738**	**34,031,382**
Inter-segmental revenue	**(5,036,496)**	**(7,190,229)**	**—**	**(944)**	**(12,227,669)**
Revenue to third parties	**5,098,042**	**3,436,655**	**4,688,222**	**8,580,794**	**21,803,713**
Property, plant and equipment	**4,848,669**	**104,203**	**14,343**	**8,620**	**4,975,835**
Investment properties	**3,550,000**	**—**	**—**	**—**	**3,550,000**
Development costs	**2,439,356**	**4,544,263**	**—**	**—**	**6,983,619**
Goodwill	**3,512,305**	**—**	**—**	**—**	**3,512,305**
Total assets	**27,060,374**	**8,387,547**	**1,369,988**	**1,957,242**	**38,775,151**
Year ended 31 March 2014 - Audited					
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
Development costs	2,376,561	3,811,694	—	—	6,188,255
Goodwill	—	3,512,305	—	—	3,512,305
Total assets	25,273,155	6,926,066	1,491,191	1,941,206	35,631,618

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.

2 Revenue

	Unaudited	Audited
	2015	2014
Continuing business:	**£**	£
Geographical classification of turnover (by destination):		
United Kingdom	**852,603**	823,860
Rest of Europe	**5,219,983**	4,325,112
Far East	**10,438,093**	12,386,107
Americas	**4,803,780**	6,263,037
Other	**489,254**	595,543
	21,803,713	24,393,659

3 Dividend – paid and proposed

It is proposed to pay a dividend of 6.9p per ordinary share of 5p in respect of the year ended 31 March 2015. During the year a dividend of 6.25p per ordinary share of 5p was paid in respect of the year ended 31 March 2014.

4 Income tax expense

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

	Unaudited 2015 £	Audited 2014 £
Current tax		
UK corporation tax on results of the period	**(596,710)**	(255,646)
Adjustment in respect of previous periods	**(1,295)**	(44,945)
	(598,005)	(300,591)
Foreign tax on results of the period	**430,247**	369,860
Foreign tax – adjustment in respect of previous periods	**(128)**	(6,372)
Total current tax	**(167,886)**	62,897
Deferred tax		
Current period movement	**651,846**	965,352
Adjustments to deferred tax charge in respect of previous periods	**(8,236)**	(5,180)
Total deferred tax	**643,610**	960,172
Tax charge on profit on ordinary activities	**475,724**	1,023,069

5 Earnings per ordinary share

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

	Unaudited 2015			Audited 2014		
	Profit £	**Weighted average Number of shares Number**	**Earnings per share p**	Profit £	Weighted average Number of shares Number	Earnings per share p
Basic earnings per share	**2,701,781**	**16,167,635**	**16.71**	4,768,638	15,917,895	29.96
Diluted earnings per share						
Basic earnings per share	**2,701,781**	**16,167,635**	**16.71**	4,768,638	15,917,895	29.96
Dilutive effect of share options	**—**	**200,100**	**(0.20)**	—	414,692	(0.76)
Diluted earnings per share	**2,701,781**	**16,367,735**	**16.51**	4,768,638	16,332,587	29.20

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. Everett Newlyn, Chartered Surveyors and Commercial Property Consultants professionally valued the investment properties on the basis of open market value as at 31 March 2015, for which a valuation of £3,550,000 has been advised.

7 Analysis of cash flow movement in net cash

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

	Audited Net cash at 1 April 2014	Cash flow	Exchange movement	**Unaudited Net cash at 31 March 2015**
	£	£	£	**£**
Cash and cash equivalents	11,373,483	1,997,878	(183,643)	**13,187,718**
	11,373,483	1,997,878	(183,643)	**13,187,718**

8. Principal risks and uncertainties

Key risks of a financial nature

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

Key risks of a non-financial nature

The Group is a small player operating in a highly competitive global market, which is undergoing continual and geographical change. The Group's ability to respond to many competitive factors including, but not limited to pricing, technological innovations, product quality, customer service, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the demand for its customers' products since the Group is a component supplier. A substantial proportion of the Group's revenue and earnings are derived from outside the UK and so the Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

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

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

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

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

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

10. Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2014 financial statements.

11. Discontinued operations

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

	Audited 2014 £
Revenue	**282,275**
Cost of sales	**(171,239)**
Gross profit	**111,036**
Distribution and administration costs	**(113,978)**
	(2,942)
Other income	**5,720**
	2,778
Finance Income	**9**
Profit before taxation	**2,787**
Taxation	**(2,785)**
Profit from discontinued operations	**2**

12. General

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

The audited financial information for the year ended 31 March 2014 is based on the statutory accounts for the financial year ended 31 March 2014 that has been filed with the Registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2015 are expected to be finalised and signed following approval by the board of directors on 19 June 2015 and delivered to the Registrar of Companies following the Company's annual general meeting on 29 July 2015.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2015 or 2014 as defined by Section 434 of the Companies Act 2006.

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

13. Approval

The Directors approved this annual results announcement on 09 June 2015.

Glossary

AFE	analogue front end
dPMR	digital private mobile radio
DMR	digital mobile radio
DSP	digital signal processor
eMMC	electronic Multimedia Card
EU	European Union
FPGA	field programmable gate array
IAS	International Accounting Standard
IC	integrated circuit
IFRS	International Financial Reporting Standards
NRE	non-refundable engineering
NXDN	a common air interface technical protocol for mobile communications
RF	radio frequency
SATA	serial ATA interface
SD card	secure digital card
SDR	software defined radio
USB	universal serial bus