CML Microsystems Plc

Preliminary results for the year ended 31 March 2016

CHAIRMAN'S STATEMENT

Introduction
The CML Group is a business based upon world class products, an inherent knowledge of the markets it addresses and growing global coverage. This is all supported by a strong balance sheet that includes significant cash reserves. These factors give CML the ability to stay focused on its strategic goals in the knowledge that the fundamental business stability is intact, allowing investment today where the return on those investments can be some way in the future.

The need to improve market coverage in the Far East and more specifically in China to drive growth in that market, coupled with the opportunity to acquire a company with complementary solutions, led to the identification of Sicomm and the recently announced intended acquisition. Although I expect this acquisition will enhance the Group's performance in the coming year I must also stress that this is an important strategic move targeted to give a long term benefit. Sicomm brings improved market access and customer support geographically whilst also increasing our product range. This acquisition builds on our existing resources in the region and provides an established Chinese trading operation with an instant impact. Coupling these benefits with those of the complimentary product line, which has yet to be fully marketed globally, demonstrates the compelling nature of this acquisition.

Results and dividend
Revenues increased 5% to £22.83m (2015: £21.80m) marginally ahead of market expectations, profit before taxation increased by 4% to £3.32m (2015: £3.18m) and basic EPS increased 8% to 18.03p (2015: 16.71p). Importantly, in a year of significant development expenditure, cash increased to £13.60m (2015: £13.19m) and net assets moved up to a record £32.58m (2015: £28.97m).

The need for strong cash reserves in the business is important in fulfilling the expansion strategy and so, as always, there is a requirement to balance the needs of the Group whilst also being mindful that shareholder return expectations are met in both the short and long term. In light of the progress made this year, coupled with the continued confidence in the Group's financial position and future prospects the Board is pleased to recommend a slightly increased dividend to 7.0p (2015: 6.9p). If approved, this dividend will be paid on 29 July 2016 to shareholders whose names appear on the register at the close of business on 24 June 2016.

Management
With the reorganisation and strengthening of the Group's senior management team in 2015 we have had the opportunity through this year to focus on improving operational effectiveness globally. This process, though started, is ongoing and is expected to be enhanced still further with the technical capabilities and market knowledge of the new Sicomm team. Product innovation, focussed sales efforts and driving efficiency are all priorities for the management team.

Prospects and outlook
The Board's core strategy of sustainable growth remains paramount and as stated in my report last year we will pursue this strategy utilising our strong balance sheet to invest in growth, both organically and through targeted acquisitions. Through this year we expect to be integrating Sicomm but this will not detract from pursuing appropriate opportunities should they be presented.

What must not be forgotten is that the key to moving forward in any business is the contribution from the workforce and our employees across the world, as always, have been crucial to achieving our goals. They have consistently met the demands placed on them with innovation, passion and commitment which is much appreciated and I would like to place on record the Board's appreciation and gratitude for this.

In summary we start this year with a clear direction but still have much to do. We have returned to growth and I am confident CML is well positioned for further progress in the year ahead on the back of our innovative products and market traction gained, but as always, there will likely be challenges. What is pleasing is that the fundamentals of the business remain sound, and my confidence this year is underpinned by the positive trend in order bookings in the second half of the year just finished coupled with the strong and enthusiastic management team.

N G Clark
Group Non-Executive Chairman

OPERATING AND FINANCIAL REVIEW

Introduction

At the beginning of the financial year under review we predicted revenue and profits growth, high levels of engineering investment, and expansion of our marketing and customer facing resources. It is pleasing to report that we have made firm progress in each of those areas placing the business in a stronger position than it was one year ago.

Total sales for the period moved higher, key new product launches occurred within both the Storage and Wireless semiconductor categories, additional selling and support resources were added in each major region and the number of meaningful customer opportunities grew.

Towards the end of the financial year we also took the decision to re-organise our operational structure in the Americas region. The changes made, once fully enacted, will enhance our focus within this important market region and also provide a scalable structure that better suits the Group's multi-faceted growth strategy.

Results

Group turnover for the year to 31 March 2016 amounted to £22.83m representing an increase of 5% against the prior full year (2015: £21.80m). The growth was driven by advances in Storage and Wireline Telecom revenues whilst geographically, improvements were recorded in each of the main territories addressed; namely the Far East, Americas and Europe. That said, it is important to note that annual revenue comparisons by region can be misleading as some customers can and do alter their manufacturing locations periodically. Revenue analysis at a market sector level is covered later in this report.

Sales in the second half of the year improved by 8% compared to the first six-month period and new order bookings in the final months of the year were notably stronger.

Stable gross margins delivered a gross profit for the period of £16.25m (2015: £15.47m).

Distribution and administration (D&A) costs rose to £13.27m (2015: £12.78m) due partly to an increase in staff costs, associated with the investment in sales, marketing and engineering support resources (£0.29m) but also resulting from the lack of the prior year IAS19 pension credit (£0.22m). The overall amortisation level was higher at £3.33m (2015: £3.22m), with the positive effect of aligning amortisation and capitalisation procedures across the Group cancelled out by a £0.58m negative swing in foreign exchange benefit compared to the previous year.

R&D costs for the year were markedly higher, as expected. Total expenditure for the year amounted to £6.09m and represents an increase of 16% (2015: £5.21m). Of this total, £0.73m was expensed and is included within the D&A figure (2015: £0.85m).

Other income consists of amounts received from the commercial rental of Group-owned property assets that are now surplus to operational requirements and from the award of EU grants associated with specific engineering development activities. The amount recorded this year was £0.41m (2015: £0.42m). Rental income increased through the year and EU funding decreased.

Profit from operations increased by 9% to £3.39m compared to a figure of £3.11m for the prior year. Despite healthy cash balances, finance income reflected the low prevailing interest rates that exist globally. After accounting for share-based payments and finance income, a profit before tax of £3.32m was posted (2015: £3.18m) representing growth of 4%.

The Group continued to benefit from UK tax credits associated with some of its R&D activities and that is the primary driver behind the lower than average tax rate achieved. An income tax expense of £0.40m was posted against a prior year expense of £0.48m.

Profit after tax amounted to £2.93m (2015: £2.70m).

The Group's cash reserves at 31 March 2016 stood at £13.60m, representing an increase of £0.41m when compared to the same cut-off date one year earlier (31/3/15: £13.19m). The balance reported follows a record spend on R&D (£6.09m), payment of a dividend in respect of the prior financial year (£1.12m), capital expenditure of £0.44m and the payment of an escrow deposit in respect of the Sicomm acquisition that was announced on 27 May 2016 (£0.33m).

Included in the cash balance is a conditional customer prepayment of approximately £1.39m (2015: £0.67m) against future product purchases. Initial deliveries to the customer in question commenced in the final months of the financial year.

Inventory levels at the year-end totalled £1.57m (2015: £1.76m) and comprised slightly higher raw material levels and lower finished goods stock levels when compared to the previous year.

Pension scheme

The Group operates a number of pension schemes globally which are generally money purchase type schemes with a minimum employee contribution level required in order to trigger a company contribution. The one exception is an historic UK final salary scheme that has been closed to both new members and future accruals for a number of years. At the time of publishing the 2015 Annual Report, the Group was taking professional advice relating to this scheme with the objective of achieving the right balance between adequate scheme funding and business growth objectives. As a result, the scheme funding position has improved and, with a higher discount rate of 3.8% (2015: 3.6%) being applied for the IAS19 accounting standard, a net deficit of £2.07m has been recorded (2015: net deficit of £3.62m). The pension assets increased through the year and the liabilities decreased. The company also benefited from a reduction in annual contributions to clear the deficit.

Customer dependency

There was relatively little movement through the year in terms of customer dependency. Only two customers contributed greater than 10% to Group turnover. These customers each purchase Storage semiconductors from us and then manufacture and supply a storage module/product to a wide range of end-customers. Together, these two customers have a combined contribution of approximately 27% of overall revenues. Customer number three contributed approximately 6% and all remaining customers are below the 4% threshold.

Property

The Group headquarters is located on a 28 acre freehold site in Essex with existent planning permission for additional commercial space. A residential planning application directed at a separate part of the site is currently awaiting determination following an appeal inquiry in October 2015.

STORAGE

The contribution to Group turnover from Storage products rose by 8% to £11.65m (2015: £10.82m) representing 51% of total Group revenues. Sales into Europe and the Far East were responsible for the gain with the Americas posting a flat year. As mentioned earlier, revenue at a geographical level is attributed to the territory in which the goods are actually sold (e.g. the customers own manufacturing location or the customers sub-contract location) and does not necessarily relate to the region in which the original design win was recorded.

Our objectives for the year were to increase sales, commence initial revenues from the new products that were recently launched and to execute our engineering developments on-time and to budget. The level of achievement against these objectives was good.

Product shipments for the year went into a variety of end-customer products across a range of application areas. Within telecoms/Infrastructure markets, historically our largest sub-market, our Storage IC's were used within equipment for internet switching and routing and within wireless base stations for mobile connectivity. Our Hyperstone brand is becoming well known in these markets and associated with high quality and reliability; two essential pre-requisites for being accepted in the market.

Within the automotive market, our sales into in-vehicle infotainment (IVI) applications progressed well with multiple car manufacturers utilising Hyperstone-driven solutions and additional manufacturers entering the qualification process. Our customised automotive solution provides application-specific features that maximise the life of the solid state drive itself and delivers class leading reliability and recovery in the event of power supply interruptions. Other end-applications served through the year included industrial automation and embedded computing for licensed Gaming machines.

The outlook at the interim stage was for automotive revenue growth and an expansion of our market and customer share in the telecoms/infrastructure and Industrial/embedded areas. The sales levels reported coupled with the progress made with new customer opportunities and qualification activities means that we are on track.

In previous reporting we have commented on our strategy to expand the product portfolio to fill the gaps that we saw in order to maximise growth in our chosen end-markets. We have made good progress with that strategy and now have a product range that includes flash memory controllers equipped with CompactFlash, SATA, SD and USB2/USB3 interface technologies.

The new USB3 product was announced to the market in February 2016 at the Embedded World show in Nuremburg, Germany, and, together with the hyMap technology that has further evolved since being launched in the prior year, we are building an impressive platform portfolio that we can leverage well into the future. The engineering team continue to excel and, as with the hyMap development, the USB3 project was an impressive achievement. It uses 65nm process geometry and resulted in right first time silicon being sampled to customers on schedule.

Through the year, we continued to invest in the technology we will need in the future to be able to maximise growth in the markets we are working hard to penetrate. Trends in flash memory technology are one important consideration and our expanding relationships with tier 1 flash memory providers are key supporting factors.

We made specific investments in marketing and field-based application engineering roles during the year to ensure we continue to capitalise on the customer opportunities that the enlarged product portfolio is uncovering. Additional investments were made in customer facing tools and internal testing environments all ultimately expected to improve the customer experience and enhance our product performance and quality even further.

WIRELESS

Revenues received from the shipment of semiconductors into wireless end-applications were marginally down against the prior year at £8.21m (2015: £8.28m) but broadly in line with expectations that were set following the delays to one or two customer product launches, as communicated at the interim stage. By financial year end shipments into these customer projects had commenced.

Regionally the business mix was a little different for the year as a whole. Good growth was seen in the Americas as customer production schedules began to ramp whilst in the Far East, China was adversely affected by weaker local manufacturing and to some extent by reduced government spending on infrastructure-related projects such as power networks and railways. Europe also posted a weaker performance, partly due to the one or two project delays that have previously been communicated.

Wireless goals for the year were underpinned by a focus on securing significant chip-set design-wins, in all regions, capable of driving sustainably higher business levels. Continuing effort was put into positioning the Group to participate in the growth expected to come from voice-centric markets as they transition from analogue technology to the newer digital standards. Within wireless data, additional revenues from chip-set solutions for satellite M2M applications made a meaningful contribution.

The majority of IC shipments categorised as Wireless were delivered to customers who manufactured professional voice communication terminals and industrial quality radio equipment for the transmission and reception of data. Customers deployed varying combinations of our baseband, modem and RF IC's into these applications and particularly pleasing was the strong performance from our RF product portfolio. Evolving from a pure baseband/modem semiconductor supplier, CML is now an established provider of complementary high performance RF IC's to a growing number of the leading companies in each of the chosen target markets.

Our strategy within Wireless communications application areas has been to continue evolving the product range so that we can target new end-applications and expand the total available market. We progressed well with this strategy through the year, releasing two new RF products; one of which raised the bar in terms of direct conversion receiver performance, and one which offered the customer base greater flexibility in reducing power consumption within applications that are not as technically demanding. We launched a baseband processor IC specifically targeted at the DMR standard which is predicted to be the dominant choice for non-public safety applications as customers replace currently installed analogue terminals and base stations.

Engineering capabilities within the baseband and modem teams were enhanced through the year with specific investments being made in prototyping systems and, more generally for enhanced internal information systems. We have a multi-site, multi-disciplinary engineering team and these investments will help minimise the risks and costs associated with developing new products on increasingly lower geometry silicon processes.

Current R&D programmes are focussed on being able to offer the customers elements of our existing RF product portfolio across a wider range of radio frequencies and to ensure our baseband and modem platforms are suitably advanced to cope with the demanding performance requirements that our customers need in the future.

As with our Storage resource levels, we made specific investments in customer-facing application engineering roles during the year to provide key support to our customers and help to minimise their development timelines. CML is renowned for the superior levels of technical support we provide and it is important to maintain that reputation as we grow.

WIRELINE TELECOM

Revenues from the Wireline Telecom product portfolio delivered a pleasing growth rate of 13% following a somewhat weaker previous year. A full year figure £2.57m was posted (2015: £2.28m).

Each major region saw advances for the full year. Within China, shipments into higher speed point of payment terminals were stronger and the Group reaped the rewards from design-wins secured for our higher data rate modem IC's. In North America, sales improved for telephone signalling and data transfer IC's used within residential and commercial alarm communicators. These products typically have dual mode telephone line & 3G/4G wireless connectivity capabilities and Group products handle the wireline communications functionality.

We are one of a reducing number of semiconductor companies supplying dedicated solutions for inclusion within equipment intended for operation on analogue telephony networks. This continues to present us with new design-in opportunities and customers value the longevity of product supply the Group typically offers. This is an important advantage when dealing with multi-national industrial organisations who are constantly concerned about component level product obsolescence.

Aside from the Storage, Wireless and Wireline Telecom revenue generating markets already reviewed, the Group received additional revenue from the sale of miscellaneous semiconductor products and services derived from historic operational activities. The sale of products classified under this category amounted to £0.40m (2015: £0.43m) for the year under review.

SUMMARY AND OUTLOOK

Financial year 2016 represented a steady period of organic progress and delivered a return to sales and profit growth, as expected. It was a record year of R&D investment, with an amount equal to 27% of Group turnover invested in new products that will ultimately position the Group to increase its market share. New IC's that were launched during the year offered either enhanced performance or closed a gap in the existing product range.

Operationally, important investments were made in sales, marketing and engineering support resources to handle the increasing customer engagement levels that an expanding product range demands.

Internally, structural changes took place that will maximise efficiency, increase productivity and provide a scalable operating structure in anticipation of focussed bolt-on acquisitions.

For the 2017 financial year, we currently expect a firmer revenue contribution from those customer projects that have already commenced meaningful shipments in the last twelve months or so. Our customer facing resources will be supporting our more recent product introductions through the promotion, sampling and multiple qualification processes that are required prior to end-customers launching their own products to market.

Taking a medium term view, it is important to mention that the gestation period from initial customer contact through to shipping production quantities against a specific customer project typically exceeds one year and, for some industrial markets, can extend beyond three. Although this lengthy gestation period can sometimes be frustrating, we are not at the start of the process and have been seeding a number of customer projects for some time. Conversely, typical Group customers do not rapidly re-design their own products which usually results in a multi-year revenue generating period for us.

Our main market areas for Storage and Wireless continue to offer compelling growth opportunities. For Storage, we are making steady progress within the automotive market and for telecoms/infrastructure applications, the product range we have is well suited to the needs of the customer base. The number of top tier equipment manufacturers approving our IC's for use within their own products is increasing.

In Wireless end-markets, the transition from analogue voice to digital is now gathering pace and for our data communication solutions, the chip-set design wins that we have already secured are now beginning to contribute revenues. Within our industrial markets, the move by some regulatory authorities to increase RF performance requirements should play to our strengths.

Over the current year, the Board expects a further advance in revenues and profitability and a continuing pipeline of new semiconductor solutions that address a wider range of end-customer requirements and additional market areas. Our goal is to be the first choice key component supplier within our chosen end-markets.

C A Gurry
Group Managing Director

Consolidated income statement for the year ended 31 March 2016

	Unaudited 2016 £'000	Audited 2015 £'000
Continuing operations		
Revenue	**22,833**	21,804
Cost of sales	**(6,580)**	(6,339)
Gross profit	**16,253**	15,465
Distribution and administration costs	**(13,272)**	(12,777)
	2,981	2,688
Other operating income	**405**	419
Profit from operations	**3,386**	3,107
Share-based payments	**(117)**	(95)
Profit after share-based payments	**3,269**	3,012
Revaluation of investment properties	**—**	100
Finance income	**55**	66
Profit before taxation from continuing operations	**3,324**	3,178
Income tax expense	**(399)**	(476)
Profit after taxation from continuing operations	**2,925**	2,702
Profit after taxation attributable to equity owners of the parent	**2,925**	2,702
Basic earnings per share		
From profit for year	**18.03p**	16.71p
Diluted earnings per share		
From profit for year	**17.94p**	16.51p

Consolidated statement of total comprehensive income for the year ended 31 March 2016

	Unaudited 2016 £'000	Unaudited 2016 £'000	Audited 2015 £'000	Audited 2015 £'000
Profit for the year		**2,925**		2,702
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on retirement benefit obligations	**1,570**		(1,133)	
Deferred tax on actuarial (gains)/losses	**(283)**		227	
Items reclassified subsequently to profit or loss upon derecognition				
Foreign exchange differences	**584**		(477)	
Other comprehensive income/(expense) for the year net of taxation attributable to equity owners of the parent		**1,871**		(1,383)
Total comprehensive income for the year attributable to the equity holders of the parent		**4,796**		1,319

Consolidated statement of financial position as at 31 March 2016

	Unaudited 2016 £'000	Unaudited 2016 £'000	Audited 2015 £'000	Audited 2015 £'000
Assets				
Non-current assets				
Property, plant and equipment		**5,171**		4,976
Investment properties		**3,550**		3,550
Development costs		**9,292**		6,984
Goodwill		**3,512**		3,512
Deferred tax asset		**893**		1,310
		22,418		20,332
Current assets				
Inventories	**1,571**		1,763	
Trade receivables and prepayments	**3,458**		2,864	
Current tax assets	**830**		628	
Cash and cash equivalents	**13,596**		13,188	
		19,455		18,443
Total assets		**41,873**		38,775
Liabilities				
Current liabilities				
Trade and other payables		**4,190**		3,471
Current tax liabilities		**39**		196
		4,229		3,667
Non-current liabilities				
Deferred tax liabilities	**3,001**		2,513	
Retirement benefit obligation	**2,067**		3,624	
		5,068		6,137
Total liabilities		**9,297**		9,804
Net assets		**32,576**		28,971
Capital and reserves attributable to equity owners of the parent				
Share capital		**813**		813
Share premium		**5,700**		5,700
Treasury shares – own share reserve		**(190)**		—
Share-based payments reserve		**388**		287
Foreign exchange reserve		**318**		(266)
Accumulated profits		**25,547**		22,437
Total shareholders' equity		**32,576**		28,971

Consolidated cash flow statement for the year ended 31 March 2016

	Unaudited 2016 £'000	Audited 2015 £'000
Operating activities		
Net profit for the year before taxation	**3,324**	3,178
Adjustments for:		
Depreciation	**254**	267
Amortisation of development costs	**3,330**	3,224
Revaluation of investment properties	**—**	(100)
Movement in pensions net costs	**13**	(207)
Share-based payments	**117**	95
Profit on sale of plant and equipment	**—**	(4)
Finance income	**(55)**	(66)
Movement in working capital	**317**	852
Cash flows from operating activities	**7,300**	7,239
Income tax received/(paid)	**279**	(270)
Net cash flows from operating activities	**7,579**	6,969
Investing activities		
Purchase of property, plant and equipment	**(443)**	(318)
Investment in development costs	**(5,356)**	(4,363)
Payment of escrow cash deposit	**(331)**	—
Disposal of property, plant and equipment	**—**	12
Finance income	**55**	66
Net cash flows from investing activities	**(6,075)**	(4,603)
Financing activities		
Issue of ordinary shares	**—**	645
Purchase of treasury shares	**(190)**	—
Dividend paid to shareholders	**(1,118)**	(1,013)
Net cash flows from financing activities	**(1,308)**	(368)
Increase/(decrease) in cash and cash equivalents	**196**	1,998
Movement in cash and cash equivalents:		
At start of year	**13,188**	11,373
Increase/(decrease) in cash and cash equivalents	**196**	1,998
Effects of exchange rate changes	**212**	(183)
At end of year	**13,596**	13,188

Consolidated statement of changes in equity for the year ended 31 March 2016

	Share capital	Share premium	Treasury shares	Share – based payments	Foreign exchange reserve	Acc-umulated profits	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2014 - audited	798	5,070	—	327	211	21,519	27,925
Profit for year						2,702	2,702
Other comprehensive income net of taxes							
Foreign exchange differences					(477)		(477)
Net actuarial loss recognised directly to equity						(1,133)	(1,133)
Deferred tax on actuarial loss						227	227
Total comprehensive income for year	—	—	—	—	(477)	1,796	1,319
	798	5,070		327	(266)	23,315	29,244
Transactions with owners in their capacity as owners							
Issue of ordinary shares	15	630					645
Dividend paid						(1,013)	(1,013)
Total transactions with owners in their capacity as owners	15	630	—	—	—	(1,013)	(368)
Share-based payments in year				95			95
Cancellation/transfer of share-based payments				(135)		135	—
At 31 March 2015 - audited	813	5,700	—	287	(266)	22,437	28,971
Profit for year						**2,925**	**2,925**
Other comprehensive income net of taxes							
Foreign exchange differences					**584**		**584**
Net actuarial gain recognised directly to equity						**1,570**	**1,570**
Deferred tax on actuarial gain						**(283)**	**(283)**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**584**	**4,212**	**4,796**
	813	**5,700**	**—**	**287**	**318**	**26,649**	**33,767**
Transactions with owners in their capacity as owners							
Dividend paid						**(1,118)**	**(1,118)**
Purchase of treasury shares			**(190)**				**(190)**
Total transactions with owners in their capacity as owners	**—**	**—**	**(190)**	**—**	**—**	**(1,118)**	**(1,308)**
Share-based payments in year				**117**			**117**
Cancellation/transfer of share-based payments				**(16)**		**16**	—
At 31 March 2016 - unaudited	**813**	**5,700**	**(190)**	**388**	**318**	**25,547**	**32,576**

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 2016		Audited 2015	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Revenue				
By origin	**35,924**	**35,924**	34,031	34,031
Inter-segmental revenue	**(13,091)**	**(13,091)**	(12,227)	(12,227)
Total segmental revenue	**22,833**	**22,833**	21,804	21,804
Segmental result	**3,269**	**3,269**	3,012	3,012
Revaluation of investment properties		**—**		100
Finance income		**55**		66
Income tax expense		**(399)**		(476)
Profit after taxation		**2,925**		2,702
Assets and liabilities				
Segmental assets	**36,600**	**36,600**	33,287	33,287
Unallocated corporate assets				
Investment properties		**3,550**		3,550
Deferred tax assets		**893**		1,310
Current tax assets		**830**		628
Consolidated total assets		**41,873**		38,775
Segmental liabilities	**4,190**	**4,190**	3,471	3,471
Unallocated corporate liabilities				
Deferred tax liabilities		**3,001**		2,513
Current tax liabilities		**39**		196
Retirement benefit obligation		**2,067**		3,624
Consolidated total liabilities		**9,297**		9,804

Other segmental information:

	Unaudited 2016		Audited 2015	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Property, plant and equipment additions	**443**	**443**	318	318
Development cost additions	**5,356**	**5,356**	4,363	4,363
Depreciation	**254**	**254**	267	267
Amortisation	**3,330**	**3,330**	3,224	3,224
Other non-cash (expense)/income	**(13)**	**(13)**	307	307

Geographical information:

	UK £'000	Rest of Europe £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2016 - Unaudited					
Revenue by origination	**10,563**	**11,647**	**4,858**	**8,856**	**35,924**
Inter-segmental revenue	**(5,526)**	**(7,565)**	**—**	**—**	**(13,091)**
Revenue to third parties	**5,037**	**4,082**	**4,858**	**8,856**	**22,833**
Property, plant and equipment	**4,997**	**143**	**12**	**19**	**5,171**
Investment properties	**3,550**	**—**	**—**	**—**	**3,550**
Development costs	**3,121**	**6,171**	**—**	**—**	**9,292**
Goodwill	**3,512**	**—**	**—**	**—**	**3,512**
Total assets	**28,281**	**10,100**	**1,412**	**2,080**	**41,873**
Year ended 31 March 2015 - Audited					
Revenue by origination	10,134	10,627	4,688	8,582	34,031
Inter-segmental revenue	(5,036)	(7,190)	—	(1)	(12,227)
Revenue to third parties	5,098	3,437	4,688	8,581	21,804
Property, plant and equipment	4,849	104	14	9	4,976
Investment properties	3,550	—	—	—	3,550
Development costs	2,440	4,544	—	—	6,984
Goodwill	3,512	—	—	—	3,512
Total assets	27,060	8,388	1,370	1,957	38,775

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 2016 £'000	Audited 2015 £'000
Geographical classification of turnover (by destination):		
United Kingdom	**950**	853
Rest of Europe	**5,621**	5,220
Far East	**10,704**	10,438
Americas	**5,122**	4,804
Others	**436**	489
	22,833	21,804

3 Dividend – paid and proposed

It is proposed to pay a dividend of 7.0p per ordinary share of 5p in respect of the year ended 31 March 2016. During the year a dividend of 6.9p per ordinary share of 5p was paid in respect of the year ended 31 March 2015.

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 2016 £'000	Audited 2015 £'000
Current tax		
UK corporation tax on results of the period	**(501)**	(597)
Adjustment in respect of previous periods	**—**	(1)
	(501)	(598)
Foreign tax on results of the period	**433**	430
Foreign tax – adjustment in respect of previous periods	**(2)**	—
Total current tax	**(70)**	(168)
Deferred tax		
Current period movement	**453**	652
Adjustments to deferred tax charge in respect of previous periods	**16**	(8)
Total deferred tax	**469**	644
Tax charge on profit on ordinary activities	**399**	476

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 2016			Audited 2015		
	Profit £'000	**Weighted average number of shares Number**	**Profit per share p**	Profit £'000	Weighted average number of shares Number	Profit per share p
Basic earnings per share	**2,925**	**16,219,037**	**18.03**	2,702	16,167,635	16.71
Diluted earnings per share						
Basic earnings per share	**2,925**	**16,219,037**	**18.03**	2,702	16,167,635	16.71
Dilutive effect of share options	**—**	**86,877**	**(0.09)**	—	200,100	(0.20)
Diluted earnings per share	**2,925**	**16,305,914**	**17.94**	2,702	16,367,735	16.51

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. The Directors do not consider that the present valuation has materially changed as at 31 March 2016 having considered the local property market.

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 2015	Cash flow	Exchange movement	**Unaudited Net cash at 31 March 2016**
	£'000	£'000	£'000	**£'000**
Cash and cash equivalents	13,188	196	212	**13,596**
	13,188	196	212	**13,596**

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 Group Non-Executive Chairman's Statement and Group 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 2015 financial statements.

11. Post balance sheet event – Acquisition subject to regulatory clearance

On 27 May 2016 the Company announced that it has entered into a definitive agreement to acquire China-based Wuxi Sicomm Technologies Ltd ("Sicomm") and affiliated companies.

Founded in 2003, Sicomm is a fabless semiconductor company and solutions provider specialising in the development of integrated baseband processors and RF semiconductors for global wireless communication markets. Sicomm has approximately 30 employees and is headquartered in Wuxi, China, with offices in Shanghai and Quanzhou. The company's product range, which partially competes with existing CML solutions, is targeted for use within consumer, industrial and professional radio products and focusses on the customer need to achieve the right balance between cost, functionality and technical performance.

This acquisition expands the Group's product portfolio, strengthens its Far Eastern regional support resources and reinforces CML's position as a leader in the professional and industrial wireless communication semiconductor market.

The acquisition, which is subject to normal Chinese domestic regulatory clearance, has an agreed consideration of US$11m and will be funded from a mixture of existing cash resources and the issue of 774,181 new CML shares. The majority of the shares are subject to specific lock-in restrictions over a three year period and are provided under existing AGM resolution approval. The deal is expected to close during the first half of the current financial year to 31 March 2017 and a further announcement will be made at that time. Consequently, further disclosures will be made when the initial accounting of the business combination, in line with IFRS and CML Group policies, is able to be completed.

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 2015 is based on the statutory accounts for the financial year ended 31 March 2015 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 2016 are expected to be finalised and signed following approval by the Board of Directors on 24 June 2016 and delivered to the Registrar of Companies following the Company's Annual General Meeting on 27 July 2016.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2016 or 2015 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 14 June 2016.

Glossary

DMR	digital mobile radio
EU	European Union
IAS	International Accounting Standard
IC	integrated circuit
IFRS	International Financial Reporting Standards
M2M	machine to machine
R&D	research and development
RF	radio frequency
SATA	serial ATA interface
SD card	secure digital card
USB	universal serial bus