CML Microsystems Plc

Half Yearly Financial Report for the six months ended 30 September 2010

Contents

Chairman's Statement

I take pleasure in reporting that your Company has demonstrated continuing improvement in its performance through its results for the opening six months period of the current trading year.

The figures posted for group sales and gross profits are higher than those recorded for either of the half-year trading periods of the previous year, following clear gains posted in important product sectors and geographic market areas.

Attention towards operating efficiencies has remained a focus throughout the period for the Group's operating companies, which has contributed to the posting of a firm pre-tax profit for the opening trading period.

In summary, group sales show a rise to £11.2m (2009 H1 £7.2m), gross profit improved to £7.8m (2009 H1 £5.2m) while pre-tax profit came out at £1.27m (2009 H1 loss £1.13m). Earnings per share improved to 6p per share (2009 H1 loss of 7p per share) on a materially unchanged number of shares.

The Company took the opportunity to reduce bank borrowing during the reporting period, moving from an opening net debt position to a net cash position by the period end.

The formalities connected with changing the listing status of the Company from Premium Listing to Standard Listing have been completed.

I am encouraged by the progress your Company is making and its plans for future growth. Subject to unforeseen circumstances, my expectations are for a profitable current trading period.

As always, I am aware that your Company's fortunes are indelibly linked to the performance and dedication of its employees everywhere, and on behalf of your Board I would like to again thank them for all that they do.

G W Gurry
Chairman

22nd November 2010

Operating and Financial Review

Group revenues for the period under review increased to £11.21m representing a 56% increase over the comparable half year (2009: £7.18m). Semiconductor shipments grew in all major market application areas and in all major reportable geographical regions, with the Far East and the Americas recording the largest gains.

Group products for use within wireless and storage applications contributed approximately 80% of Group revenues. For wireless the dominant end applications included analogue and digital two-way radio, data transfer and control for certain national and regional power supply grids and marine communications for the automatic identification of ships. NAND flash memory controller chips for use within industry standard and proprietary solid state storage devices dominated revenues from the storage sector. Group semiconductor products for telecom applications experienced double-digit percentage sales growth for the first time in a number of years. Sales at the Group's equipment division, RDT, were maintained at last year's levels representing close to 3% of Group sales.

The gross profit margin reflected a more normalised 69% against the 72% posted for the same period one year ago. This is largely due to product mix within the semiconductor segment and the higher margins associated with lower unit volumes at that time.

The Group continued to benefit from and build upon the cost structure and operational efficiencies that were initiated over the last two years whilst having due regard for the lifeblood that is the successful development and market introduction of new products. Operating costs were slightly up at £6.64m (2009: £6.42m).

Net finance costs amounted to £68k (2009: £92k) and a profit before tax of £1.27m was recorded (2009: Loss of £1.13m).

Healthy positive cash flows resulted in the Group moving to a net cash position of £553k at the period end against a net debt position of -£2.09m at 31 March 2010.

Summary & Outlook

For some time the Group has stated it is well positioned to take advantage of economic improvements in the target end markets once they materialised. The sales revenue increase for the opening six months was encouraging and underpins the Group's long-standing strategic focus to build upon firm foundations and achieve sustainable business growth.

Important new engineering development activities and partnership programs are expected to yield a number of new products over the next twelve months that will build further upon the success of the current product range and address additional market and customer base expansion targets. Where necessary the Group's numerous routes to market are being enhanced in support of expansion objectives.

Following the period end, order book levels have remained healthy and the Board currently anticipates positive trading conditions to prevail through what is traditionally a slightly weaker second half.

C A Gurry
Managing Director

22nd November 2010

CML Microsystems Plc
Condensed Consolidated Income Statement

Continuing operations	Unaudited 6 months End 30/09/10 £'000	*Unaudited 6 months End 30/09/09 £'000*	Audited Year End 31/03/10 £'000
Revenue	11,209	*7,181*	18,023
Cost of sales	(3,380)	*(2,034)*	(5,533)
Gross Profit	7,829	*5,147*	12,490
Distribution and administration costs	(6,641)	*(6,415)*	(13,032)
	1,188	*(1,268)*	(542)
Other operating income	169	*281*	563
Profit/(loss) before share based payments	1,357	*(987)*	21
Share based payments	(22)	*(52)*	(104)
Profit/(loss) after share based payments	1,335	*(1,039)*	(83)
Finance costs	(74)	*(94)*	(307)
Finance income	6	*2*	4
Profit/(loss) before taxation	1,267	*(1,131)*	(386)
Income tax (expense)/credit	(363)	*76*	363
Profit/(loss) after taxation attributable to equity owners of the parent	904	*(1,055)*	(23)
Earnings/(loss) per share			
Basic	6.05p	*(7.06)p*	(0.16)p
Diluted	5.99p	*(7.06)p*	(0.16)p

Condensed Statement of Comprehensive Income

	Unaudited 6 months End 30/09/10 £'000	*Unaudited 6 months End 30/09/09 £'000*	Audited Year End 31/03/10
Profit/(loss) for the year	904	*(1,055)*	(23)
Other comprehensive income:			
Foreign exchange differences	(11)	*(188)*	(69)
Actuarial loss on retirement benefit obligations		*-*	(3,726)
Income tax on actuarial loss		*-*	1,043
Net loss for the year directly recognised in equity/other comprehensive income	(11)	*(188)*	(2,752)
Total comprehensive income for the year	893	*(1,243)*	(2,775)

CML Microsystems Plc
Condensed Consolidated Statement of Financial Position

	Unaudited 30/09/10 £'000	*Unaudited 30/09/09 £'000*	Audited 31/03/10 £'000
Assets			
Non current assets			
Property, plant and equipment	5,266	*5,781*	5,304
Investment properties	3,850	*3,850*	3,850
Development costs	3,820	*4,910*	4,189
Goodwill	3,512	*3,512*	3,512
Deferred tax asset	2,920	*2,000*	3,097
	19,368	*20,053*	19,952
Current assets			
Inventories	1,689	*1,100*	1,489
Trade receivables and prepayments	2,833	*2,121*	2,802
Current tax assets	5	*98*	142
Cash and cash equivalents	5,101	*2,537*	3,883
	9,628	*5,856*	8,316
Non current assets classified as held for sale - properties	426	*420*	441
Total assets	29,422	*26,329*	28,709
Liabilities			
Current liabilities			
Bank loans and overdrafts	4,548	*6,200*	5,968
Trade and other payables	3,799	*2,078*	2,680
Current tax liabilities	149	*5*	38
	8,496	*8,283*	8,686
Non current liabilities			
Deferred tax liabilities	2,160	*2,453*	2,172
Retirement benefit obligation	5,728	*1,990*	5,728
	7,888	*4,443*	7,900
Total liabilities	16,384	*12,726*	16,586
Net Assets	**13,038**	***13,603***	**12,123**
Capital and reserves attributable to equity owners of the Parent			
Share capital	747	*747*	747
Share premium	4,148	*4,148*	4,148
Share based payments reserve	277	*203*	255
Foreign exchange reserve	363	*255*	374
Accumulated profits	7,503	*8,250*	6,599
Shareholders' equity	**13,038**	***13,603***	**12,123**

CML Microsystems Plc
Condensed Consolidated Cash Flow Statement

	Unaudited 6 months End 30/09/10 £'000	*Unaudited 6 months End 30/09/09 £'000*	Audited Year End 31/03/10 £'000
Operating activities			
Net profit/(loss) for the period before income taxes	1,267	*(1,131)*	(386)
Adjustments for:			
Depreciation	101	*161*	661
Amortisation of development costs	1,557	*1,792*	3,750
Movement in pensions deficit	-	*-*	(105)
Share based payments	22	*52*	104
Interest expense	74	*94*	307
Interest income	(6)	*(2)*	(4)
Decrease in working capital	1,049	*657*	183
Cash flows from operating activities	4,064	*1,623*	4,510
Income tax refunded	43	*320*	237
Net cash flows from operating activities	4,107	*1,943*	4,747
Investing activities			
Purchase of property, plant and equipment	(69)	*(22)*	(49)
Investment in development costs	(1,253)	*(1,563)*	(2,815)
Disposals of property, plant and equipment	30	*-*	9
Interest income	6	*2*	4
Net cash flows from investing activities	(1,286)	*(1,583)*	(2,851)
Financing activities			
(Decrease)/increase in short term borrowings	(1,273)	*138*	(62)
Interest expense	(74)	*(94)*	(190)
Net cash flows from financing activities	(1,347)	*44*	(252)
Increase in cash and cash equivalents	1,474	*404*	1,644
Movement in cash and cash equivalents:			
At start of year	3,883	*2,192*	2,192
Increase in cash and cash equivalents	1,474	*404*	1,644
Effects of exchange rate changes	(256)	*(59)*	47
At end of year	5,101	*2,537*	3,883

CML Microsystems Plc
Condensed Consolidated Statement of Changes in Equity

Unaudited	Share Capital £'000	Share Premium £'000	Share Based Payments £'000	Foreign Exchange Reserve £'000	Accumulated Profits £'000	Total £'000
At 1 April 2009	***747***	***4,148***	***151***	***443***	***9,305***	***14,794***
Loss for period					*(1,055)*	*(1,055)*
Other comprehensive income:						
Foreign Exchange differences				*(188)*		*(188)*
Total comprehensive income for the period	*-*	*-*	*-*	*(188)*	*(1,055)*	*(1,243)*
Transactions with owners in their capacity as owners:						
Share based payments			*52*			*52*
At 30 September 2009	***747***	***4,148***	***203***	***255***	***8,250***	***13,603***
Profit for period					*1,032*	*1,032*
Other comprehensive income:						
Foreign Exchange differences				*119*		*119*
Defined benefit pension scheme					*(3,726)*	*(3,726)*
Tax on defined benefit pension scheme					*1,043*	*1,043*
Total comprehensive income for the period	*-*	*-*	*-*	*119*	*(1,651)*	*(1,532)*
Transactions with owners in their capacity as owners:						
Share based payments			*52*			*52*
At 31 March 2010	***747***	***4,148***	***255***	***374***	***6,599***	***12,123***
Profit for period					904	904
Other comprehensive income:						
Foreign Exchange differences				(11)		(11)
Total comprehensive income for the period	-	-	-	(11)	904	893
Transactions with owners in their capacity as owners:						
Share based payments			22			22
At 30 September 2010	**747**	**4,148**	**277**	**363**	**7,503**	**13,038**

CML Microsystems Plc
Notes to the condensed financial statements

1. Segmental Analysis

Business segments

	Unaudited 6 Months End 30/09/10			Unaudited 6 Months End 30/09/09			Audited Year End 31/03/10		
	Equipment	Semi-conductor components	Group	Equipment	Semi-conductor components	Group	Equipment	Semi-conductor components	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue									
By origination	354	18,141	18,495	332	11,043	11,375	722	28,257	28,979
Inter-segmental revenue	-	(7,286)	(7,286)	-	(4,194)	(4,194)	-	(10,956)	(10,956)
Segmental revenue	354	10,855	11,209	332	6,849	7,181	722	17,301	18,023
Profit/(Loss)									
Segmental result	(12)	1,347	1,335	(34)	(1,005)	(1,039)	(12)	(71)	(83)
Net financial income/(expense)			(68)			(92)			(303)
Income tax			(363)			76			363
Profit/(Loss) after taxation			904			(1,055)			(23)
Assets and Liabilities									
Segmental assets	626	21,595	22,221	606	19,355	19,961	641	20,538	21,179
Unallocated corporate assets									
Investment property (Including held for sale)			4,276			4,270			4,291
Deferred taxation			2,920			2,000			3,097
Current tax receivable			5			98			142
Consolidated total assets			29,422			26,329			28,709
Segmental liabilities	39	3,760	3,799	76	2,002	2,078	23	2,657	2,680
Unallocated corporate liabilities									
Deferred taxation			2,160			2,453			2,172
Current tax liability			149			5			38
Bank loans and overdrafts			4,548			6,200			5,968
Retirement benefit obligation			5,728			1,990			5,728
Consolidated total liabilities			16,384			12,726			16,586
Other segmental information									
Property, plant and equipment additions	-	69	69	-	22	22	-	49	49
Development cost additions	33	1,220	1,253	1,527	36	1,563	72	2,743	2,815
Depreciation	4	97	101	157	4	161	8	653	661
Amortisation	32	1,525	1,557	1,760	32	1,792	72	3,678	3,750

1. Segmental Analysis (continued)

Geographical Segments

	UK £'000	Germany £'000	Americas £'000	Far East £'000	Total £'000
Unaudited					
6 month ended 30 September 2010					
Revenue by origination	6,878	4,514	2,657	4,446	18,495
Inter-segmental revenue	(3,271)	(4,014)	-	(1)	(7,286)
Revenue to third parties	3,607	500	2,657	4,445	11,209
Property, plant and equipment	5,103	84	52	27	5,266
Investment properties	3,850	-	-	-	3,850
Goodwill	-	3,512	-	-	3,512
Development cost	2,390	1,430	-	-	3,820
Total assets	20,764	4,950	1,835	1,873	29,422
Unaudited					
6 month ended 30 September 2009					
Revenue by origination	*4,760*	*2,448*	*1,340*	*2,827*	*11,375*
Inter-segmental revenue	*(2,032)*	*(2,157)*	*-*	*(5)*	*(4,194)*
Revenue to third parties	*2,728*	*291*	*1,340*	*2,822*	*7,181*
Property, plant and equipment	*5,537*	*157*	*65*	*22*	*5,781*
Investment properties	*3,850*	*-*	*-*	*-*	*3,850*
Goodwill	*-*	*3,512*	*-*	*-*	*3,512*
Development cost	*3,453*	*1,457*	*-*	*-*	*4,910*
Total assets	*19,293*	*3,810*	*1,503*	*1,723*	*26,329*
Audited					
Year ended 31 March 2010					
Revenue by origination	11,003	7,174	4,373	6,428	28,978
Inter-segmental revenue	(4,809)	(6,138)	-	(8)	(10,955)
Revenue to third parties	6,194	1,036	4,373	6,420	18,023
Property, plant and equipment	5,111	115	59	19	5,304
Investment properties	3,850	-	-	-	3,850
Goodwill	-	3,512	-	-	3,512
Development cost	2,661	1,528	-	-	4,189
Total assets	21,222	4,644	1,565	1,278	28,709

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

2. Dividend paid and proposed

No dividend has been paid or proposed in the 6 months period ended 30 September 2009, 30 September 2010 or the year ended 31 March 2010.

3. Income tax

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

	Unaudited 6 Months End 30/09/10 £'000	***Unaudited 6 Months End 30/09/09 £'000***	**Audited Year End 31/03/10 £'000**
UK income tax charge/(credit)	83	*(125)*	(142)
Overseas income tax charge	140	*49*	132
Total current tax charge/(credit)	223	*(76)*	(10)
Deferred tax charge/(credit)	140	*-*	(353)
Reported income tax charge/(credit)	363	*(76)*	(363)

4. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit/(loss) 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
6 months end 30 September 2010	14,947,626	15,091,370
6 months end 30 September 2009	*14,947,626*	*14,947,626*
Year end 31 March 2010	14,947,626	14,968,958

5. 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 the 31 March 2009 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis.

6. Analysis of cash flow movement in net debt

	Net debt at 01/04/09	6m end 30/09/09 Cash Flow	Net debt at 30/09/09	6m end 31/03/10 Cash Flow	Net debt at 31/03/10	6m end 30/09/10 Cash Flow	Net cash at 30/09/10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and Cash equivalents	2,192	345	2,537	1,346	3,883	1,218	5,101
Bank loans and overdrafts	(6,062)	(138)	(6,200)	232	(5,968)	1,420	(4,548)
	(3,870)	207	(3,663)	1,578	(2,085)	2,638	553

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

7. 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.

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 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/(loss) of the company 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's Statement and Operating and Financial Review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

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

10. Significant accounting policies

The accounting policies used in preparation of the Half Yearly Financial Report are the same accounting policies set out in the year ended 31 March 2010 financial statements.

11. General

Other than already stated within the Chairman’s statement and the operating and financial review there have been no important events during the first six months of the financial year that have impacted this Half Yearly 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 8 above.
In the Segmental Analysis (note 1 on page 7) 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 interim management report includes a fair review of the information required by DTR 4.2.7 (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 Report does not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the consolidated Annual Financial Statements for the year ended 31 March 2010.
The financial information contained in this Half Yearly Report has been prepared using International Financial Reporting Standards as adopted by the European Union. This Half Yearly 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 2010 is based on the statutory accounts for the financial year ended 31 March 2010 that have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion. The auditors report on those accounts did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This Half Yearly Report has not been audited or reviewed by the Group Auditors.
A copy of this Half Yearly Report can be viewed on the company website http://www.cmlmicroplc.com.

12. Approval

The directors approved this Half Yearly Report on 22 November 2010.

CML Microsystems Plc

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