

delivering innovative
semiconductor solutions
to our customers

Introduction

CML designs, manufactures and markets a range of semiconductors for global industrial, professional and consumer applications within the wireless communications, storage and wireline communications market areas. Founded in 1968, CML now operates internationally with subsidiaries across the UK, the US, Germany, Singapore and Taiwan.

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

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Business highlights

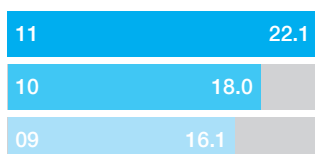
Our results

Financial highlights

Revenue (£m)

£22.1m

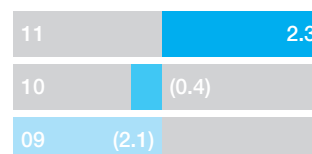
2010: £18.0m



Pre-tax profit/(loss) (£m)

£2.3m

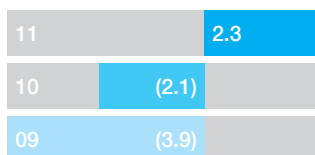
2010: (£0.4m)



Net cash/(debt) (£m)

£2.3m

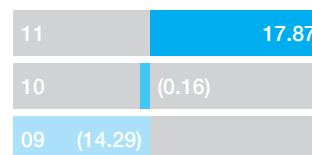
2010: (£2.1m)



Basic earnings/(loss) per share (p)

17.87p

2010: (0.16p)



Operational highlights

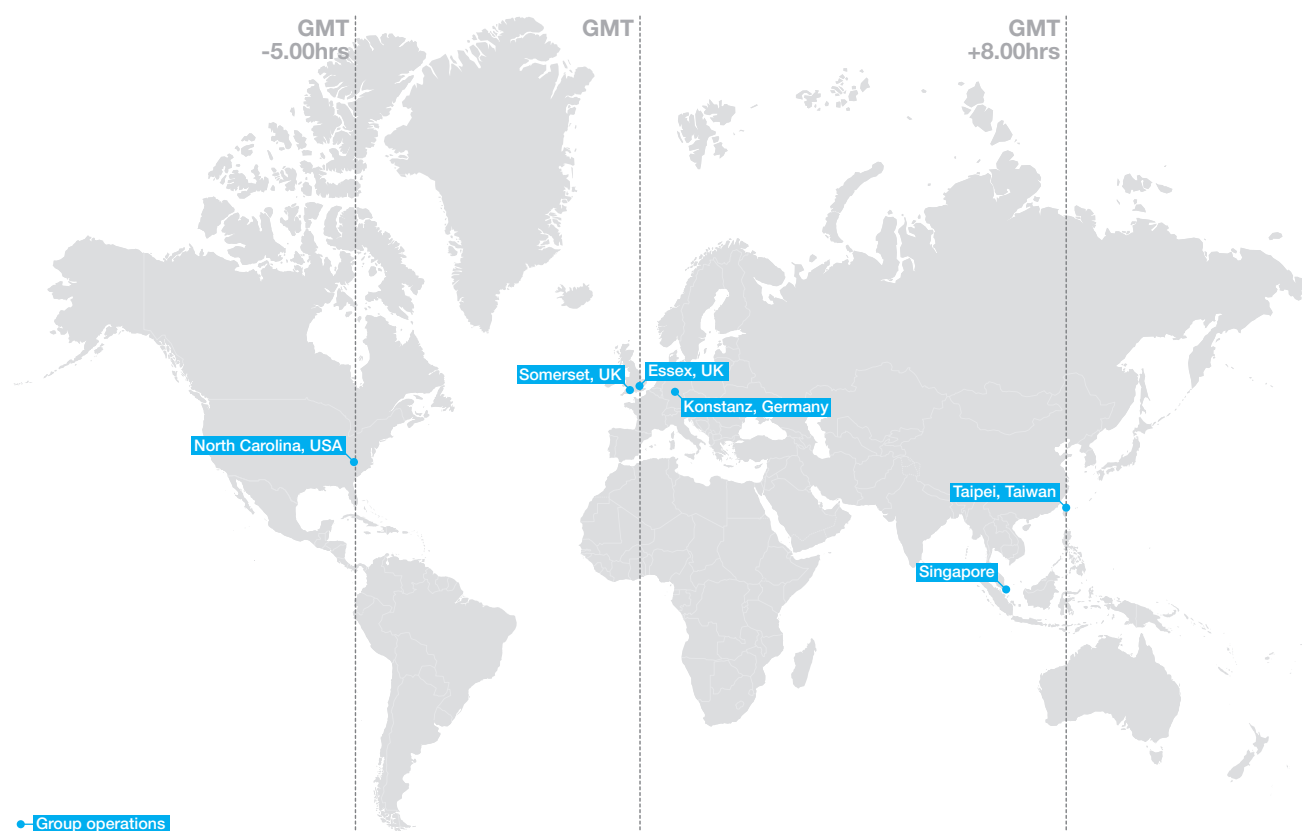
- Strong revenue growth globally (23%) in all major application areas
- Stable cost base and margins within targets
- Solid cash flow, achieved net cash position
- Maintained investment levels for key new product development programs

CML at a glance

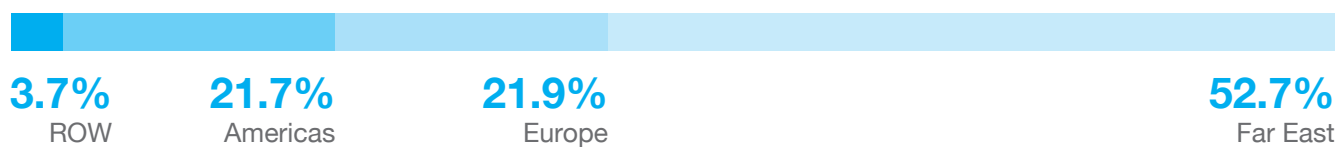
Who we are

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

Where we operate



Geographical analysis of business performance



Our market focus

Today, Group semiconductor products focus on three main areas of the global semiconductor market:

Wireless

Application areas:

- Professional, military and recreational/leisure radios (voice centric)
- Wireless data products (proprietary radio modems, pagers, telemetry, marine safety)



43%

Group revenue

2010: 41%

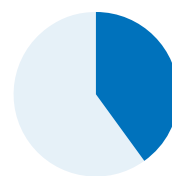
+28%

[Read more on page 7](#)

Storage

Application areas:

- Industrial flash-memory cards (CompactFlash, SD card, multimediacard)
- Solid State Drives (SSDs), embedded storage, "Special Function" cards



40%

Group revenue

2010: 40%

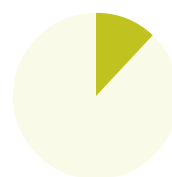
+22%

[Read more on page 8](#)

Wireline telecom

Application areas:

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



12%

Group revenue

2010: 13%

+13%

[Read more on page 9](#)

Other

Application areas:

- Networking, SoC
- Equipment segment



5%

Group revenue

2010: 6%

+7%

[Read more on page 10](#)

Chairman's statement

A good year

To summarise the results, Group revenues for the year just ended were £22.12m (2010: £18.02m) while gross profit was £15.37m (2010: £12.49m). A profit before tax of £2.32m, which is arrived at after a £400k reduction in the estimated value of investment properties, compares with a loss the previous year (2010: loss of £386k).

Introduction

These results for the full trading year provide satisfying further evidence of the clear improvement in performance that your Company is achieving.

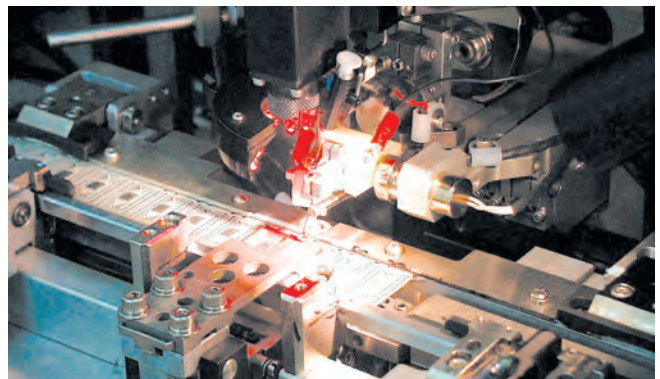
Particular encouragement can be drawn from the positive sales gains that were posted in all principal Group product areas and also in most major market territories, as the operating and financial review makes clear.

The achievement of a return to trading profitability provided opportunities for your management to reduce Group borrowings from an opening net debt position to a net cash position by the financial year end.

Results

To summarise the results, Group revenues for the year just ended were £22.12m (2010: £18.02m) while gross profit was £15.37m (2010: £12.49m). A profit before tax of £2.32m, which is arrived at after a £400k reduction in the estimated value of investment properties, compares with a loss the previous year (2010: loss of £386k).

Earnings per share of 17.64p diluted (2010: loss of 0.16p) reflect the benefit of an income tax credit that raised the Company's post-tax profit to £2.68m.



Gross profit (£m)

£15.4m

2010: £12.5m

+ 23%

11	15.4
10	12.5
09	10.2

Shareholders' equity (£m)

£17.5m

2010: £12.1m

+ 45%

11	17.5
10	12.1
09	14.8

Dividend

Your Directors believe that shareholders should receive appropriate benefit according to the performance of their Company. For the year ended 31 March 2008 the Board took the difficult but necessary decision to cease payment of a dividend for the first time since becoming a publicly listed company in 1984. I am pleased to report that in the present circumstances, the Directors are recommending payment of a final dividend of 3.5p per ordinary share to be paid on 5 August 2011 to all shareholders whose names appear on the register at close of business on 24 June 2011.

As mentioned at the interim stage, your Company transitioned to Standard Listing status during the year. It is the view of your Board that this is the most appropriate listing for your Company given the rising administrative demands of a Premium Listing. This does not prevent your Board electing to observe selected Premium Listing rules that it deems appropriate.

Prospects

I see evidence for further progress by your Company in its aim of continuing future growth. Subject to unforeseen circumstances, I have confidence that my expectations will be realised.

Once again, I cannot conclude my report to you without expressing the Board's thanks to your Company's employees for their skills and commitment towards its success.

G. W. Gurry

Chairman

1

2

1 Group headquarters located at Langford, Essex, UK.

2 Bonding machine used to ultrasonically attach silicon die to a lead frame using gold wire one-third of the thickness of human hair. Lead frames are subsequently encapsulated in plastic.

Sustainable growth

Overview

Over the course of the year under review, we experienced the very positive effects from the ongoing execution of our sustainable growth strategy.

The consistent objective has been to combine our resources, proprietary technology and system-level understanding to develop and successfully market class-leading semiconductor products that solve real-world customer problems.

Our progress is highlighted by the material increase in revenue levels that contained a solid and growing contribution from products that were conceived and launched more recently.

The level of new product development activities remained healthy through the year with engineering resources being strengthened to address the higher number of market opportunities that materialised.

Trading for the full year matched expectations for a traditionally slightly weaker second half and an encouraging full year return to profit was recorded.

Financial results

Group revenues for the year ended 31 March 2011 increased to £22.12m representing a 23% improvement over the prior year (2010: £18.02m). This increase was broad based reflecting higher semiconductor sales into all major geographical locations and across the three main market areas; namely wireless, storage and wireline telecom.

The majority of customer transactions were denominated in US Dollars leading to a slightly positive but immaterial effect on Group consolidated revenues. No one customer accounted for more than 9% of total sales.

Gross profit for the year was £15.37m equating to a 23% increase against the prior year (2010: £12.49m). The gross margin remained stable at 69%.

The Group's distribution and administration expenses fell by 2% to £12.73m (2010: 13.03m). Although direct staffing costs increased year on year, lower depreciation and amortisation charges coupled with a £124k foreign exchange benefit (2010: £318k loss) resulted in an overall positive effect.

At the operating level, prior to other operating income, the result was a £2.64m profit highlighting a £3.18m positive swing from the previous year (2010: £0.54m loss).

Other operating income fell from £0.56m (2010) to £0.39m as a direct result of lower EU grant monies and a reduction in rental income from certain of the Group's investment property assets.

The Board decided to act prudently in the face of a difficult commercial property environment and, after seeking appropriate advice, reduced the value of its investment properties by £400k.

Net finance costs amounted to £260k (2010: £303k).

The firm sales growth coupled with stable margins and tight cost control enabled a profit before tax of £2.32m to be recorded (2010: £0.39m loss).

The Group made solid progress with its cash position. Net cash inflow for the year was £4.41m (2010: £1.78m) facilitating the transition from a net debt position of £2.09m at 1 April 2010 into a net cash situation of £2.33m at 31 March 2011.

Inventory levels at the year end were slightly up at £1.67m (2010: £1.49m) and well within expectations given the strong revenue increase reported.

An income tax credit of £360k was received (2010: £363k) mainly as a result of deferred tax on prior year losses and development expenditure incurred.

During the year capitalised development expenses amounted to £2.79m (2010: £2.82m) whilst a further amount of £574k (2010: £563k) was written off to research and development. Total development costs represented 15% of sales. The Group maintained its focus on proprietary intellectual property development whilst also partnering with key complementary technology leaders where appropriate. Internal resources were strengthened as a result of the increased number of opportunities that were presented.

Net assets rose to £17.52m (2010: £12.12m) largely assisted by the increase in profitability and a reduced liability in respect of the defined benefit pension scheme. The scheme was closed in prior years in respect of new entrants and future accruals.

Market review

Wireless

Key highlights

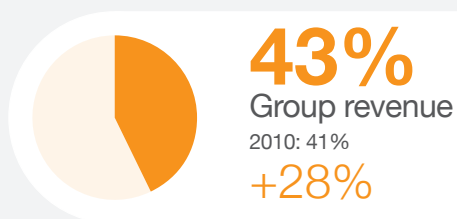
- Revenues up 28%
- Key drivers:
 - analogue two-way radio
 - digital two-way radio
 - public utility telemetry
 - speech privacy
- Customer base expanded
- Widened product functionality scope

During the period, wireless product shipments accounted for close to 43% of Group sales and also represented the largest growth percentage year on year at approximately 28%. This solid increase was posted across a wide customer base and consisted of gains from a number of existing customers coupled with new revenue streams emanating from more recent design wins.

The resulting product mix included a healthy contribution from the RF portfolio along with our now established silicon platform technology, FirmASIC.

From a development perspective, the Group continued to widen the scope of functionality offered by its semiconductor products. Through the year this led to the release of a number of new ICs for analogue and digital two-way radio markets along with data-centric application areas such as industrial radio data modems and marine safety (AIS) transponders.

Our development strategy to further expand the product range continued and we made good progress with evolving towards a comprehensive device portfolio consisting of RF, baseband and voice coding ICs.



Typical applications:



CML semiconductors

ICs marketed under the CML Microcircuits brand cover voice, data, signalling and radio frequency (RF) requirements within established and emerging markets for military communications, professional radio (PMR/LMR), marine radio, leisure radio, paging and voice privacy application areas.

Operational and financial review continued

Market review continued

Storage

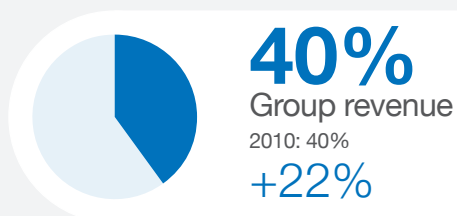
Key highlights

- Revenues up 22%
- Key driver: increased demand across all major customers
- Strong position within industrial CF card (iCF) applications

The shipment of flash memory controller ICs into the storage market grew by more than 22% against the prior year culminating in a total contribution to Group revenues from this category of 40%. Gains were achieved at the majority of our main customers whilst certain embryo level customers began to ramp their production output. Improved trading was evident across each of the major geographical regions served.

Throughout the year customers utilised our flash memory controller ICs within a variety of removable media card and solid state drive applications predominantly targeted at the very robust storage requirements of the global telecom, networking and embedded computing markets.

Research and development activities were focused around maintaining a leading position in the growing sub-markets already addressed together with expanding the semiconductor portfolio to embrace similar application areas and opportunities. In this respect, we sampled first silicon from an announced co-operation with Toshiba Electronics Europe by the end of the year.



Typical applications:



Hyperstone semiconductors

ICs marketed under the Hyperstone brand provide the functionality required to successfully utilise third-party flash memory technology within high reliability applications for the industrial and embedded markets.

Wireline telecom

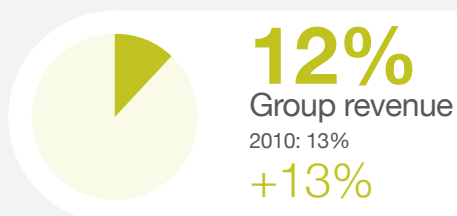
Key highlights

- Revenues up 13%
- Key driver: Chinese “Pay Easy” electronic payment service
- Focused product range
- Design-win momentum

The sale of semiconductors into the wireline telecom arena posted a double-digit increase and reversed the annual trend of the prior two years. Shipments amounted to just under 12% of Group revenues. The encouraging signs seen at the end of the previous year, where newer devices were starting to create design-win momentum, translated to real gains as customer end products achieved market acceptance.

A major contributor to the growth achieved was the sale of modem ICs to customers who manufacture payment terminals for China's recently established self-service electronic payment service, “Pay Easy”. Traditional applications such as security alarm panels continued to contribute meaningful revenues.

Development activities were centred on ensuring that the telecom product range remained price and performance competitive for the sub-markets addressed. The level of customer design-in activity continued to be healthy.



Typical applications:



CML semiconductors

Wireline ICs marketed under the CML brand provide voice, data and signalling functionality for “wired” telephony and machine to machine (M2M) applications such as telephony exchanges, point of sale/service terminals and alarm panels.

Operational and financial review continued

Markets review

Equipment

The Group's equipment division, RDT, posted a 7% revenue increase to £769k (2010: £722k) as a consequence of the higher demand for wireless telemetry products from public utility companies located in the UK. The UK commercial CCTV market continued to be quite stagnant from a wireless video product perspective. Overall contribution to Group sales was just under 4%.

Just prior to the year end the Company signed an agreement with a large UK water company for the continued supply of telemetry and data transmission products as part of a multi-year programme.

A new product development project that will permit entry into the GPRS M2M market neared completion during the final quarter.

Approximately 1% of Group revenues were derived from the sale of products or services that are categorised outside of the market areas highlighted in this report.

Summary and outlook

This was an important year in the Group's objective for sustainable business growth and a much improved trading performance was posted. General conditions within the majority of our focus market and application areas improved, following the healthier visibility seen towards the end of the prior year.

Products that emerged from the comparatively high levels of development expenditure in recent times enabled our global sales teams and sales channel partners to address a wider scope of opportunities. As we go forward, that continuing strategy is expected to drive consistent growth.

There are a number of clear drivers within our wireless semiconductor markets that should generate a further increase in sales. These include the gradual analogue to digital migration from the two-way radio users, expansion of the available market for the more mature TETRA digital radio standard and continuing escalation of the mandated use of certain marine safety products (AIS). The Company has evolved to offer a range of semiconductors with complementary functionality into each of these sub-sectors and is well positioned to benefit as the markets advance.

For the storage markets, our expectations are that the majority of existing customers will continue to grow their business levels and that we will also continue to expand our customer base. To date, Group semiconductor solutions for storage markets have been focused on the mature interface standards used within industrial and commercial high-reliability application areas. Through this coming year we will start to deliver flash memory controller ICs that address complementary areas of the wider market that demand alternative standard interfaces. These products will be based upon an evolution of our patented proprietary technology that was first launched in 1999. This should increase the total available market noticeably.

The objectives for the year to March 2012 are to maintain a robust level of appropriate new product development activities while continuing to expand our global customer base, both directly and in conjunction with our extensive sales channels. The escalating product portfolio should enable us to penetrate customers and secure market opportunities that were previously closed to us. The overriding objective is to field class-leading semiconductors by having a thorough system-level understanding of the customer's application.

The Board is pleased with the progress made throughout the period and looks forward to the further advances that are expected to materialise over the year ahead.

C. A. Gurry

Managing Director

Directors and advisors

George Gurry

Chairman

Aged 79, is Non-Executive Chairman. He is a founder of the Company.

Chris Gurry

Managing Director

Aged 47, he joined the Group in 1994, was appointed to the Board in 2000 as Business Development Director and became Managing Director in October 2007. Prior to joining CML, he worked within the electronics industry and has over 25 years' experience within communications markets.

Nigel Clark

Financial Director and Company Secretary

Aged 57, he joined the Group in 1980. He was appointed Company Secretary in 1983 and Financial Director in 1985. Prior to joining CML, he was with Touche Ross & Co. and is a qualified Chartered Accountant.

George Bates

Non-Executive Director

Aged 64, he became a Non-Executive Director of the Company in 2006. Prior to this, George was Group Director of Engineering. He joined CML in 1971 from GEC and was appointed Director of Engineering in 1994.

Ronald Shashoua

Non-Executive Director

Aged 77, he joined the Company in 1996. Formerly of Casson Beckman, Chartered Accountants, Ron was a corporate finance specialist partner and also held a number of management positions within the partnership, including Chief Executive.

Registered office

Oval Park
Langford
Maldon
Essex CM9 6WG

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Auditors

Baker Tilly UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Stockbrokers

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Financial public relations

Walbrook PR Limited
4 Lombard Street
London EC3V 9HD

Report of the Directors

The Directors submit their report and Group financial statements for the year ended 31 March 2011.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the report of the Directors, the Directors' remuneration report, the separate corporate governance statement on pages 19 and 20 and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Each of the Directors, whose names and functions are listed on page 11 confirm that, to the best of each person's knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the CML Microsystems Plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Group's business activities, performance, position and risks are set out in this report. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and the use of financial instruments and policies relating thereto are detailed in the appropriate sections on pages 22 to 50 and elsewhere in the notes on financial statements. The report also includes details of the Group's risk mitigation and management. The Group has considerable financial resources, and the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Principal activities

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

Business review and future developments

The Chairman's statement on pages 4 and 5 and the operating and financial review on pages 6 to 10 give a detailed review of the business of the Group along with the development and performance of the business during the year and the position at the year end along with future developments. A range of performance measures to monitor and manage the businesses are used, some of which are considered key performance indicators (KPIs). These KPIs include revenue, gross profit and profit from operations, summary details of which are shown on pages 1 and 55 and discussed within the operating and financial review on pages 6 to 10.

The operating and financial review does not contain information on the impact of the business on the environment and other environmental issues nor information about social and community issues.

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

Key risks of non-financial nature

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

Results

The results for the year are set out in the consolidated income statement on page 22. The Group's pre-tax profit was £2,324,610 (2010: loss £386,112) and the profit attributable to ordinary shareholders was £2,684,510 (2010: loss £23,414).

Dividends

The Directors are proposing a dividend in respect of the year end 31 March 2011 of 3.5p per 5p ordinary share (2010: year end 31 March 2010 of £Nil per 5p ordinary share).

Research and development

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

Share capital

The Company's authorised and issued ordinary share capital as at 31 March 2011 comprised a single class of ordinary shares. Details of movements in the issued share capital can be found in note 23 to the financial statements. Each share carries the right to one vote at general meetings of the Company. During the period, 759,070 ordinary shares in the Company were issued under the terms of the various share option schemes.

Restrictions on transfer of securities

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

Variation of rights

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

Rights and obligations attaching to shares

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

Powers for the Company issuing or buying back its own shares

The Company was authorised by shareholders, at the 2010 AGM, to purchase in the market up to 2,145,595 of the Company's issued share capital, as permitted under the Company's Articles. No shares have been bought back under this authority. This standard authority is renewable annually; the Directors will seek to increase the authority to 2,356,004 5p ordinary shares at the 2011 AGM. It is the Company's present intention to cancel any shares it buys back, rather than hold them in treasury.

The Directors were granted authority at the 2010 AGM to allot relevant securities up to a nominal amount of 498,250. That authority will apply until the conclusion of this year's AGM. At this year's AGM shareholders will be asked to grant an authority to allot relevant securities up to a nominal amount of £523,556.

Report of the Directors continued

Interests in voting rights

Information provided to the Company pursuant to the Financial Services Authority's (FSA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 10 June 2011, the Company had been notified under DTR 5 of the following significant holdings of voting rights in its shares.

Registered holder	Type of investor	% of issued share capital
Legal and General Investment Management Limited	Institutional investor	8.18%
Herald Investment Management	Institutional investor	6.02%
M. I. Gurry	Private investor	5.67%
T. M. R. Dean	Private investor	5.14%
M & G Investment Management Limited	Institutional investor	5.35%
Prudential Portfolio Managers Limited	Institutional investor	5.09%
Hargreave Hale Limited	Institutional investor	5.05%
J. M. Finn Nominees Limited	Institutional investor	4.16%
H. J. Gover	Private investor	3.23%

Deadlines for exercising voting rights

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

Significant agreements – change of control

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

Payment of payables

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

Market value of land and buildings

The Directors are of the opinion that the market value of operational properties at 31 March 2011 would exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the Group's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

Directors and their interests

The Directors of the Company at 31 March 2011, all of whom have served throughout the year unless otherwise stated, together with their interests in the shares of the Company were:

	Ordinary shares of 5p each	
	31 March 2011	31 March 2010
G. W. Gurry	2,679,862	2,769,262
C. A. Gurry	833,404	848,936
N. G. Clark	230,599	142,407
G. J. Bates	81,813	81,813
R. J. Shashoua	130,270	130,270

The above interests in the ordinary share capital of the Company are beneficial other than G. W. Gurry's holding which includes 300,000 (2010: 300,000) shares held by him as trustee in a non-beneficial capacity. Details of the Directors' interests in options granted over ordinary shares are disclosed in the Directors' remuneration report. There have been no changes in the Directors' interests in shares between 1 April 2011 and 10 June 2011. With the exception of Directors' service contracts there are no contracts of significance in which the Directors have an interest.

Annual General Meeting

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

Special resolutions

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

Capital risk management

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

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

Disabled employees

The Group makes every reasonable effort to ensure that disabled employees receive equal opportunities and are not discriminated against on the grounds of their disability.

Employee involvement

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

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

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

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

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

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

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they believe they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

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

By order of the Board

N. G. Clark

Company Secretary
24 June 2011

Directors' remuneration report

Introduction

This report has been prepared in accordance with Part 15 Chapter 6 of the Companies Act 2006. As required a resolution to approve the Directors' remuneration report will be proposed at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

Remuneration committee

The Board has established a remuneration committee comprising of one Non-Executive Director G. W. Gurry (Chairman) and two Executive Directors being C. A. Gurry and N. G. Clark. The Executive Directors do not participate in meetings concerning their personal remuneration package.

Executive remuneration policy

The Group aims to ensure that the executive remuneration arrangements are in line with the Group's overall practice on pay and benefits and having regard to the size and nature of the business, are competitive and designed to attract, retain and motivate Executive Directors of high calibre.

Basic annual salary

The basic salary of each Director is determined by taking into account the Director's experience, responsibility and value to the organisation. In deciding appropriate levels, the Committee takes account of information from various sources, both internal and external, to ensure that the level of basic salary is appropriate.

Annual bonus

The Committee establishes the objectives for each financial year where a cash bonus might be paid. The Committee believes that any incentive should be tied to the overall profitability and progress of the Group. The Committee has this year approved the bonuses as set out in the remuneration table as being in accordance with the objectives set.

Long-term incentive plans

The Company has no long-term incentive plans for Executive Directors.

Benefits in kind

The Directors receive certain benefits in kind, principally a car and private medical insurance.

Pension arrangements

All Executive Directors are members of the Company's defined benefit pension scheme that was closed in respect of future benefit accruals on 31 March 2009. Life insurance cover and widows death in service cover is provided under this scheme. Company contributions of £50,183 (2010: £46,871) were made towards the defined contribution scheme during the year in respect of the Executive Directors as detailed later in this report.

Share options

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

Remuneration (audited)

Individual Director's remuneration was as follows:

	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
2011						
G. W. Gurry	32,500	—	—	32,500	—	32,500
C. A. Gurry	190,000	33,250	19,537	242,787	18,600	261,387
N. G. Clark	180,000	31,500	14,394	225,894	31,583	257,477
G. J. Bates	25,000	—	1,078	26,078	—	26,078
R. J. Shashoua	25,000	—	—	25,000	—	25,000
	452,500	64,750	35,009	552,259	50,183	602,442
	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
2010						
G. W. Gurry	32,500	—	—	32,500	—	32,500
C. A. Gurry	190,000	—	7,869	197,869	15,288	213,157
N. G. Clark	180,000	—	20,651	200,651	31,583	232,234
G. J. Bates	25,000	—	1,090	26,090	—	26,090
R. J. Shashoua	25,000	—	—	25,000	—	25,000
	452,500	—	29,610	482,110	46,871	528,981

Share options (audited)

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

	Number of options at 1 April 2010	Options exercised in year	Gain on options exercised in year	Options granted in year	Number of options at 31 March 2011	Exercise price	Exercise date
C. A. Gurry	24,250	(24,250)	£21,825	—	—	£1.16	18 June 2010 to 17 June 2017
N. G. Clark	24,250	(24,250)	£21,825	—	—	£1.16	18 June 2010 to 17 June 2017
	153,846	(153,846)	£263,077	—	—	£0.05	31 March 2011 to 31 March 2018
	30,883	—	—	—	30,883	£0.86	28 July 2011 to 27 July 2018
	58,140	—	—	—	58,140	£0.86	28 July 2012 to 27 July 2018
	58,139	—	—	—	58,139	£0.86	28 July 2013 to 27 July 2018
G. J. Bates	19,750	(19,750)	£17,775	—	—	£1.16	18 June 2010 to 17 June 2017
	369,258	(222,096)	£324,502	—	147,162		

On 10 February 2011 C. A. Gurry exercised 24,250 options at the exercise price of £1.16 and sold the shares at the market price of £2.06, N. G. Clark exercised 24,250 options at the exercise price of £1.16 and sold the shares at the market price of £2.06 and G. J. Bates exercised 19,750 options at the exercise price of £1.16 and sold the shares at the market price of £2.06. On 31 March 2011 N. G. Clark exercised 153,846 options at the exercise price of £0.05 retaining the shares, the market price on that day was £1.76.

Apart from the EMI scheme, options are granted at an exercise price not less than the market price on the last dealing day prior to the date of grant and, under normal circumstances, remain exercisable between the third and tenth anniversaries of the date of grant. The share option schemes cover all Group employees, not just the Directors. The share options have no performance conditions attached. Further details are provided in note 23 to the financial statements. The market price of the Company's shares on 31 March 2011 was 1.76p (2010: 56.5p) and the range for the year was 49.5p to 213.5p.

Pensions (audited)

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

	2011 Number	2010 Number
Money purchase scheme	3	3
Defined benefit scheme	3	3

The following Directors were members of the defined benefit scheme operated by the Company during the year. Pension entitlements and corresponding transfer values were as follows during the year:

	Total accrued pension at 31 March 2011 £	Decrease in accrued pension excluding inflation £	Transfer value (less Directors' contributions) of net increase in accrual over period £	Transfer value of accrued pension at 31 March 2010 £	Transfer value of accrued pension at 31 March 2011 £	Total change in transfer value during period (less Directors' contributions) £
C. A. Gurry	28,704	(459)	16,828	235,140	251,968	16,828
N. G. Clark	41,285	(656)	30,804	488,150	518,954	30,804

The increase in accrued pension including inflation would be £925 for C. A. Gurry and £1,335 N. G. Clark. Subsequent to 31 March 2011 N. G. Clark has transferred entitlement within the defined benefit scheme into a personal pension plan.

G. J. Bates is a pension member of the defined benefit scheme.

Directors' remuneration report continued

Non-Executive Directors

The fees payable to Non-Executive Directors are determined by the remuneration committee and designed to recognise the responsibility and reward the expertise and ability of the individual.

Directors' service contracts

Each Executive Director is employed by the Company under a written contract of employment that provides for termination by either party giving twelve-months' notice. No other Director has a service contract with the Company nor are they appointed for a specific term of office. Directors are subject to re-appointment at the first Annual General Meeting after their appointment and thereafter, apart from the Managing Director, one third of the remaining Directors shall retire by rotation at the Annual General Meeting.

Company's performance

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



On behalf of the Board of Directors

N. G. Clark

Director and Company Secretary
24 June 2011

Corporate governance

Statement of the application of principles in the June 2008 Combined Code on Corporate Governance (the “Code”)

The Board acknowledge the importance of the UK Code on Corporate Governance (the “Code”) issued in June 2008. Companies that have a standard listing on the London Stock Exchange are not required to comply with the Code under the listing rules however there is a requirement to comply with certain disclosure and transparency rules, specifically DTR 7.2, relating to corporate governance statements.

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

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

Directors

The Group is led and controlled by an effective board that comprises two Executive Directors and three Non-Executive Directors. Details of the Directors can be found on page 11. The Chairman is primarily responsible for the running of the Board and the Managing Director is the Chief Operating Decision Maker (“CODM”) with responsibility for the day-to-day running of the Group and for implementing Group strategy.

The Board meets formally a minimum of four times per year. During 2011, five Board meetings were held where all Directors participated.

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

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

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

Accountability

In the report of the Directors on pages 12 to 15 of this Annual Report there are details of the Group’s internal financial control procedures and risk management practices. The Group has a long-established framework of internal financial controls and the Board recognises that the Group operates in highly competitive markets that can be affected by factors and events outside its control. Accordingly, an annual review of the material controls, including financial, operational, compliance and risk management systems is undertaken during the year by the internal audit function.

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

Audit

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

Corporate governance continued

General

The Board is of the opinion that the Company has applied such provisions of the Code that are appropriate for a Company of its size and nature. Whilst the Board considers this appropriate, it should be noted that the Company does not fully comply with the Code in a number of areas, including but not limited to:

- Code Provisions A.3.2 & A.3.3 in respect of quantity and job title of Independent Directors;
- Code Provisions A.4.1, A.4.2, A.4.3, A.4.4 and A.4.6 in respect of the absence of a formal nominations committee;
- Code Provision A.7.1 & A.7.2 in that under the Articles of Association the Managing Director does not have to submit himself for re-election;
- Code provision B.2.1 in that there are no independent Non-Executive Directors on the remuneration committee; and
- Code Provision C.2.1 in respect of the annual review of internal controls not being fully compliant with guidance published by the Turnbull Committee.

Relations with shareholders

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

By order of the Board

N. G. Clark

Company Secretary
24 June 2011

Independent auditors' report

Independent auditors' report to the members of CML Microsystems Plc

We have audited the Group and parent company financial statements (the "financial statements") on pages 22 to 50. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As more fully explained in the Directors' responsibilities statement set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Euan Banks

Senior Statutory Auditor

For and on behalf of Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

24 June 2011

Consolidated income statement

for the year ended 31 March 2011

	Notes	2011 £	2010 £
Continuing operations			
Revenue	3	22,121,646	18,023,139
Cost of sales	4	(6,754,114)	(5,533,377)
Gross profit		15,367,532	12,489,762
Distribution and administration costs	4	(12,728,955)	(13,031,511)
		2,638,577	(541,749)
Other operating income	4	388,712	562,889
Profit from operations		3,027,289	21,140
Share-based payments	24	(43,134)	(103,937)
Profit/(loss) after share-based payments		2,984,155	(82,797)
Revaluation of investment properties	12	(400,000)	—
Finance costs	7	(270,834)	(307,344)
Finance income	7	11,289	4,029
Profit/(loss) before taxation		2,324,610	(386,112)
Income tax credit	8	359,900	362,698
Profit/(loss) after taxation attributable to equity owners of the parent	10	2,684,510	(23,414)
Profit/(loss) per share)			
Basic	10	17.87p	(0.16)p
Diluted	10	17.64p	(0.16)p

Consolidated statement of comprehensive income

for the year ended 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Profit/(loss) for the year			2,684,510		(23,414)
Other comprehensive income					
Foreign exchange differences		(47,869)		(68,940)	
Actuarial gain/(loss) on retirement benefit obligations	11	2,811,000		(3,726,000)	
Income tax on actuarial gain/(loss)	22	(800,120)		1,043,280	
Net profit/(loss) for the year directly recognised in equity/other comprehensive income			1,963,011		(2,751,660)
Total comprehensive income for the year			4,647,521		(2,775,074)

Consolidated statement of financial position

as at 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Assets					
Non-current assets					
Property, plant and equipment	12		5,230,759		5,303,868
Investment properties	12		3,450,000		3,850,000
Development costs	12		3,624,105		4,189,081
Goodwill	12		3,512,305		3,512,305
Deferred tax asset	22		2,534,390		3,096,635
			18,351,559		19,951,889
Current assets					
Inventories	15	1,665,529		1,488,839	
Trade receivables and prepayments	16	1,513,209		2,802,359	
Current tax assets	21	5,581		141,468	
Cash and cash equivalents	17	6,245,694		3,883,238	
			9,430,013		8,315,904
Non-current assets classified as held for sale properties	12		419,773		441,408
Total assets			28,201,345		28,709,201
Liabilities					
Current liabilities					
Bank loans and overdrafts	18		3,919,411		5,968,290
Trade and other payables	20		2,524,534		2,679,145
Current tax liabilities	21		49,244		38,064
			6,493,189		8,685,499
Non-current liabilities					
Deferred tax liabilities	22	1,577,253		2,172,206	
Retirement benefit obligation	11	2,607,000		5,728,000	
			4,184,253		7,900,206
Total liabilities			10,677,442		16,585,705
Net assets			17,523,903		12,123,496
Capital and reserves attributable to equity owners of the parent					
Share capital	23		785,335		747,381
Share premium	24		4,820,086		4,148,288
Share-based payments reserve	24		297,886		254,752
Foreign exchange reserve	24		326,480		374,349
Accumulated profits	24		11,294,116		6,598,726
Shareholders' equity			17,523,903		12,123,496

The financial statements on pages 22 to 50 were approved and authorised for issue by the Board on 24 June 2011 and signed on its behalf by:

G. W. Gurry
Director

N. G. Clark
Director

Registered in England and Wales: 944010

Consolidated and Company cash flow statements

for the year ended at 31 March 2011

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Operating activities					
Net profit/(loss) for the year before taxation		2,324,610	(386,112)	(342,600)	511,099
Adjustments for:					
Depreciation		321,579	660,488	74,937	74,937
Amortisation of development costs		3,276,015	3,750,089	—	—
Revaluation of investment properties		400,000	—	400,000	—
Movement in pensions deficit		(437,000)	(105,000)	—	—
Share-based payments		43,134	103,937	43,134	103,937
Finance costs		143,834	307,344	7,263	285,223
Finance income		(11,289)	(4,029)	(88)	(115,790)
Decrease in working capital	27	926,184	183,122	229,125	4,265,539
Cash flows from operating activities		6,987,067	4,509,839	411,771	5,124,945
Income tax (paid)/refunded		(328,310)	237,441	—	—
Net cash flows from operating activities		6,658,757	4,747,280	411,771	5,124,945
Investing activities					
Purchase of property, plant and equipment		(253,035)	(49,065)	—	(24,350)
Investment in development costs		(2,786,386)	(2,815,066)	—	—
Disposal of property, plant and equipment		31,665	9,199	—	—
Finance income		11,289	4,029	88	115,790
Net cash flows from investing activities		(2,996,467)	(2,850,903)	88	91,440
Financing activities					
Issue of ordinary shares		709,752	—	709,752	—
Finance costs		(143,834)	(307,344)	(7,263)	(285,223)
Decrease in bank loans and short-term borrowings		(2,048,879)	(61,705)	(1,062,393)	(4,937,607)
Net cash flows from financing activities		(1,482,961)	(369,049)	(359,904)	(5,222,830)
Increase in cash and cash equivalents		2,179,329	1,527,328	51,955	(6,445)
Movement in cash and cash equivalents:					
At start of year	17	3,883,238	2,191,960	74,696	81,141
Increase/(decrease) in cash and cash equivalents		2,179,329	1,527,328	51,955	(6,445)
Effects of exchange rate changes		183,127	163,950	—	—
At end of year		6,245,694	3,883,238	126,651	74,696

Consolidated statement of changes in equity

for the year ended 31 March 2011

	Share capital £	Share premium £	Share-based payments £	Foreign exchange reserve £	Accumulated profits £	Total £
At 31 March 2009	747,381	4,148,288	150,815	443,289	9,304,860	14,794,633
Loss for year					(23,414)	(23,414)
Other comprehensive income						
Foreign exchange differences				(68,940)		(68,940)
Net actuarial losses recognised directly to equity					(3,726,000)	(3,726,000)
Deferred tax on actuarial losses					1,043,280	1,043,280
Total comprehensive income for the year	—	—	—	(68,940)	(2,706,134)	(2,775,074)
	747,381	4,148,288	150,815	68,940	6,598,726	12,019,559
Transactions with owners in their capacity as owners						
Share-based payments			103,937			103,937
At 31 March 2010	747,381	4,148,288	254,752	374,349	6,598,726	12,123,496
Profit for year					2,684,510	2,684,510
Other comprehensive income						
Foreign exchange differences				(47,869)		(47,869)
Net actuarial profits recognised directly to equity					2,811,000	2,811,000
Deferred tax on actuarial losses					(800,120)	(800,120)
Total comprehensive income for the year	—	—	—	(47,869)	4,695,390	4,647,521
	747,381	4,148,288	254,752	326,480	11,294,116	16,771,017
Transactions with owners in their capacity as owners						
Issue of ordinary shares	37,954	671,798				709,752
Share-based payments in year			43,134			43,134
At 31 March 2011	785,335	4,820,086	297,886	326,480	11,294,116	17,523,903

Company statement of financial position

as at 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Assets					
Non-current assets					
Property, plant and equipment	12		4,973,067		5,048,004
Investment properties	12		3,450,000		3,850,000
Investments	13		6,607,149		6,620,474
Deferred tax asset	22		38,000		80,821
			15,068,216		15,599,299
Current assets					
Trade receivables and prepayments	16	38,770		1,266	
Cash and cash equivalents	17	126,651		74,696	
			165,421		75,962
Total assets			15,233,637		15,675,261
Liabilities					
Current liabilities					
Bank loans and overdrafts	18		—		1,062,393
Trade and other payables	20		374,669		121,365
			374,669		1,183,758
Non-current liabilities					
Deferred tax liabilities	22		671,477		992,817
Total liabilities			1,046,146		2,176,575
Net assets			14,187,491		13,498,686
Equity					
Share capital	23		785,335		747,381
Share premium	24		4,820,086		4,148,288
Share-based payments reserve	24		297,886		254,752
Merger reserve	24		315,800		315,800
Accumulated profits	24		7,968,384		8,032,465
Total shareholders' equity			14,187,491		13,498,686

The financial statements on pages 22 to 50 were approved and authorised for issue by the Board on 24 June 2011 and signed on its behalf by:

G. W. Gurry
Director

N. G. Clark
Director

Registered in England and Wales: 944010

Company statement of changes in equity

as at 31 March 2011

	Share capital £	Share premium £	Share-based payments £	Merger reserve £	Accumulated profits £	Total £
At 31 March 2009	747,381	4,148,288	150,815	315,800	7,524,021	12,886,305
Profit for year					508,444	508,444
Total comprehensive income for year	—	—	—	—	508,444	508,444
	747,381	4,148,288	150,815	315,800	8,032,465	13,394,749
Transactions with owners in their capacity as owners						
Share-based payments			103,937			103,937
At 31 March 2010	747,381	4,148,288	254,752	315,800	8,032,465	13,498,686
Loss for year					(64,081)	(64,081)
Total comprehensive income for year	—	—	—	—	(64,081)	(64,081)
Transactions with owners in their capacity as owners						
Issue of ordinary shares	37,954	671,798				709,752
Share-based payments in year			43,134			43,134
At 31 March 2011	785,335	4,820,086	297,886	315,800	7,968,384	14,187,491

Notes to the financial statements

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the historical cost convention with the exception of investment properties that are carried at valuation. This is done on a going concern basis as the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. See page 12 for further detail.

b) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiary undertakings using the purchase method of accounting. The results of acquired subsidiary undertakings are included from the date of acquisition. No income statement is presented for CML Microsystems Plc as provided by Section 408 of the Companies Act 2006. Dormant subsidiaries are not included in the consolidated financial statements on the basis that they are not material to the Group.

c) Segmental reporting

The Group's primary reporting format is in two segments being semiconductor components and equipment. These individual segments are engaged in separate business sectors and are subject to different risks and returns.

d) Revenue

The Group recognises revenues from the sale of semiconductor products or services when the significant risks and rewards of ownership have passed to the customer. This is generally when goods have been despatched to the customer and the revenues can be measured reliably. Revenue is measured at the fair value of the consideration receivable excluding discounts, rebates, Value Added Tax and other sales taxes or duties.

e) Goodwill

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

f) Research and development

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

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

g) Property, plant and equipment and investment property

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

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

Investment properties are stated at their fair values and are revalued annually by the Directors and every third year by an independent Chartered Surveyor on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement.

h) Taxation

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

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

i) Inventories

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

j) Foreign currencies

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

k) Investments

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

l) Cash and cash equivalents

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

m) Employee benefits – pension obligations

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

n) Employee benefits – share-based payments

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

o) EU Grants

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

p) Leases

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

q) Dividends

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

Notes to the financial statements continued

1 Accounting policies (continued)

r) Critical accounting estimates and judgements

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

s) Borrowing cost

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

t) Non-current assets held for sale

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

u) Financial instruments

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

v) Impairment of property, plant and equipment and intangible assets

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

w) Provisions

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

x) Adoption of International Accounting Standards

During the year the following standards have now been adopted in these financial statements:

IFRS 2	Share-Based Payments – Amendment: Cash-settled Share-based Payment Transactions
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRS
IFRS 8	Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 32	Financial Instruments Presentation – Amendments relating to classification of rights issues
IAS 36	Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRS

The above standards have not led to material adjustments in the presentation of the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 3	Business Combinations – Amendment resulting from May 2010 Annual Improvements to IFRS
IFRS 7	Financial Instruments Disclosures – Amendments enhancing disclosure about transfers of financial assets
IFRS 9	Financial Instruments – Classification and Measurement
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRS
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)
IAS 24	Related Party Disclosures – Revised definition of related parties
IAS 27	Consolidated and Separate Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRS
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRS
IFRIC 13	Customer Loyalty Programmes – Amendments resulting from May 2010 Annual Improvements to IFRS
IFRIC 14	Amendments with respect to voluntary prepaid contributions
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

2 Segmental analysis

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

Information about revenue, profit/loss, assets and liabilities

	2011			2010		
	Equipment £	Semiconductor components £	Group £	Equipment £	Semiconductor components £	Group £
Revenue						
By origination	769,067	34,997,570	35,766,637	721,945	28,256,969	28,978,914
Inter-segmental revenue	—	(13,644,991)	(13,644,991)	—	(10,955,775)	(10,955,775)
Total segmental revenue	769,067	21,352,579	22,121,646	721,945	17,301,194	18,023,139
Profit/(loss)						
Segmental result	7,015	2,977,140	2,984,155	(11,483)	(71,314)	(82,797)
Revaluation of investment properties			(400,000)			—
Finance expense			(270,834)			(307,344)
Finance income			11,289			4,029
Income tax			359,900			362,698
Profit/(loss) after taxation			2,684,510			(23,414)
Assets and liabilities						
Segmental assets	686,913	21,104,688	21,791,601	641,418	20,538,272	21,179,690
Unallocated corporate assets						
Investment properties			3,450,000			3,850,000
Properties held for sale		419,773	419,773		441,408	441,408
Deferred taxation			2,534,390			3,096,635
Current tax receivable			5,581			141,468
Consolidated total assets			28,201,345			28,709,201
Segmental liabilities	113,073	2,411,461	2,524,534	22,232	2,656,913	2,679,145
Unallocated corporate liabilities						
Deferred taxation			1,577,253			2,172,206
Current tax liability			49,244			38,064
Bank loans and overdrafts			3,919,411			5,968,290
Retirement benefit obligation			2,607,000			5,728,000
Consolidated total liabilities			10,677,442			16,585,705

Notes to the financial statements continued

2 Segmental analysis (continued)

Other segmental information

	2011			2010		
	Equipment £	Semiconductor components £	Group £	Equipment £	Semiconductor components £	Group £
Property, plant and equipment additions	—	253,036	253,036	415	48,650	49,065
Development cost additions	70,724	2,715,662	2,786,386	71,931	2,743,135	2,815,066
Depreciation	8,123	313,456	321,579	7,870	652,618	660,488
Amortisation	72,337	3,203,678	3,276,015	72,202	3,677,887	3,750,089
Other significant non-cash (income)/expenses	—	(37,000)	(37,000)	—	(105,000)	(105,000)

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.

Geographical information

	UK £	Germany £	Americas £	Far East £	Total £
Year ended 31 March 2011					
Revenue by origination	13,089,263	8,480,848	5,088,589	9,107,937	35,766,637
Inter-segmental revenue	(6,262,733)	(7,374,429)	—	(7,829)	(13,644,991)
Revenue to third parties	6,826,530	1,106,419	5,088,589	9,100,108	22,121,646
Property, plant and equipment	5,109,717	81,001	20,920	19,121	5,230,759
Investment properties	3,450,000	—	—	—	3,450,000
Property held for sale	—	—	419,773	—	419,773
Goodwill	—	3,512,305	—	—	3,512,305
Development cost	2,029,012	1,595,093	—	—	3,624,105
Total assets	21,273,261	4,364,616	1,572,651	1,236,758	28,447,282
Year ended 31 March 2010					
Revenue by origination	11,003,298	7,174,100	4,373,550	6,427,966	28,978,914
Inter-segmental revenue	(4,809,162)	(6,138,276)	—	(8,337)	(10,955,775)
Revenue to third parties	6,194,136	1,035,824	4,373,550	6,419,629	18,023,139
Property, plant and equipment	5,111,636	114,945	58,610	18,677	5,303,868
Investment property	3,850,000	—	—	—	3,850,000
Property held for sale	—	—	441,408	—	441,408
Goodwill	—	3,512,305	—	—	3,512,305
Development cost	2,661,499	1,527,582	—	—	4,189,081
Total assets	21,221,729	4,644,453	1,565,384	1,277,635	28,709,201

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.

3 Revenue

	2011 £	2010 £
Geographical classification of turnover (by destination):		
United Kingdom	1,396,231	1,256,706
Rest of Europe	3,436,617	3,395,269
Far East	11,660,650	7,857,746
Americas	4,801,036	4,323,710
Others	827,112	1,189,708
	22,121,646	18,023,139

4 Profit/(loss) from operations

	2011 £	2011 £	2010 £	2010 £
Profit/(loss) from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation		54,844		337,299
Amount of inventories written down		93,114		—
Cost of inventories recognised as expense		5,884,108		4,551,645
Distribution costs (mainly staff costs)		2,837,517		2,939,194
Administrative expenses:				
Amortisation	3,276,015		3,750,089	
Depreciation	266,735		323,189	
Audit fees	119,753		91,505	
Auditors' non-audit fees	65,337		43,221	
Rentals under operating leases:				
Land and buildings	365,236		357,831	
Other operating leases	116,338		34,763	
Research and development	573,942		562,902	
Other expenses (mainly staff costs)	5,108,082		4,928,817	
		9,891,438		10,092,317
		12,728,955		13,031,511

Notes to the financial statements continued

4 Profit/(loss) from operations (continued)

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

	2011 £	2010 £
Audit services		
Statutory audit of Company's annual accounts and Group consolidation	61,000	56,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside Great Britain)		
This includes:		
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	20,384	17,703
Audit of associated pension schemes	12,750	12,750
Other services supplied pursuant to such legislation	23,364	12,619
Tax services		
Tax compliance services	25,951	13,771
Advisory services	18,885	—
	162,334	112,843
Amounts payable to other auditors in respect of both audit and non-audit services		
Statutory audit services	16,785	17,802
Tax compliance services	3,419	2,597
Other services	2,552	1,484
	22,756	21,883
Other operating income:		
Rental income	219,892	275,263
Profit on sale of property, plant and equipment	31,665	5,350
EU grants and consulting	136,476	281,953
Other income	679	323
	388,712	562,889

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

5 Employees

	2011 £	2010 £
Staff costs, including Directors, during the year amounted to:		
Wages and salaries	7,851,701	7,579,721
Social security costs	872,548	804,475
Other pension and health care costs	961,666	550,231
Share-based payments	43,134	103,937
	9,729,049	9,038,364
	2011 £	2010 £
The average number of employees, including Directors, during the year was:		
Administration	33	33
Engineering	71	68
Manufacturing	41	41
Selling	28	27
	173	169

6 Directors' emoluments

	2011 £	2010 £
Remuneration (including fees)	602,442	528,981
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	261,387	232,234

Further details on Directors' emoluments can be found in the Directors' remuneration report on pages 16 to 18.

7 Finance income and costs

	2011 £	2010 £
Bank interest receivable	11,289	4,029
Bank interest payable	143,834	190,344
Pension finance cost	127,000	117,000
	270,834	307,344

8 Income tax (credit)/expense

a) Analysis of tax credit in period

	2011 £	2010 £
Current tax		
UK corporation tax on results of the period	—	(140,807)
Adjustment in respect of previous periods	293,656	(927)
	293,656	(141,734)
Foreign tax on results of the period	182,696	131,877
Foreign tax – adjustment in respect of previous periods	4,211	—
Total current tax	480,563	(9,857)
Deferred tax		
Current period movement	(218,862)	(352,841)
Benefit from a previously unrecognised tax loss	(621,601)	—
Total deferred tax	(840,463)	(352,841)
Tax credit on profit on ordinary activities (note 8b)	(359,900)	(362,698)

b) Factors affecting tax credit for period

Tax assessed for the period is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2011 £	2010 £
Profit/(loss) before tax	2,324,610	(386,112)

Notes to the financial statements continued

8 Income tax (credit)/expense (continued)

b) Factors affecting tax credit for period

	2011 £	2010 £
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	650,891	(108,111)
Effects of:		
Capital allowances in excess of depreciation	7,199	7,752
Expenses not deductible for tax purposes	149,772	21,897
Share-based payments	(174,158)	29,102
Research and development tax credits	(398,810)	(278,703)
Different tax rates in countries in which the Group operates	13,545	10,083
Movement from IBAs being phased out	(3,060)	(6,119)
Adjustments to current tax charge in respect of previous periods	297,867	(5,650)
Adjustments to deferred tax charge in respect of previous periods	(621,601)	—
Losses on which assets not recognised	(203,497)	(12,424)
Effect of reduction in deferred tax rate	(57,343)	—
Non-taxable income	(20,705)	(20,525)
Tax credit for period (note 8a)	(359,900)	(362,698)

9 Dividend – proposed

It is proposed to pay a dividend of 3.5p per ordinary share of 5p in respect of the year end 31 March 2011 (2010: £Nil per ordinary share of 5p in respect of the year end 2010).

10 Profit/(loss) per ordinary 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.

	Profit 2011 £	Weighted average number of shares 2011 Number	Profit per share 2011 p	Loss 2010 £	Weighted average number of shares 2010 Number	Loss per share 2010 p
Basic profit/(loss) per share	2,684,510	15,023,279	17.87	(23,414)	14,947,626	(0.16)
Diluted profit/(loss) per share						
Basic profit/(loss) per share	2,684,510	15,023,279	17.87	(23,414)	14,947,626	(0.16)
Dilutive effect of share options	—	194,177	(0.23)	—	21,332	—
Diluted profit/(loss) per share	2,684,510	15,217,456	17.64	(23,414)	14,968,958	(0.16)

11 Retirement benefit obligations

The Group operates several pension schemes in the UK and the US. The majority of the Group's employees in the UK were members of a defined benefit scheme that was closed to new members on 1 April 2002 and with effect from 31 March 2009 future pension accrual ceased for the remaining active members. The majority of the Group's employees in the UK are members of a defined contribution scheme that has been in operation since 2001. The majority of the Group's employees in the US are members of a 401(k) trustee profit sharing plan. All schemes are administrated by trustees and are independent of the Group's finances. The latest triennial actuarial valuation of the defined benefit scheme in the UK at 1 April 2008, using the attained age method, disclosed assets with a market value of £13,714,000, equivalent to 89% of the accrued liabilities, after allowing for expected future increases in earnings. The main actuarial assumptions used were: investment return 7% p.a. pre-retirement, 5.5% p.a. post retirement; general growth in salaries 2.5% p.a.; pensions accrued prior to 6 April 1997 will increase in payment at 3% p.a. compound; limited price indexation 3% p.a. with a minimum of 3%; early leaver indexation 3% p.a. As at 1 April 2008 the calculation carried out in accordance with Section 143 of the Pension Act 2004 showed a funding level of 86%. The Group makes a contribution of 4% of eligible salary subject to the employee doing the same for the defined contribution scheme operated in the UK. The scheme operated in the US is the equivalent of a money purchase scheme. The Group made a contribution of 3% of each eligible employees salary and a matching contribution of 3% for each 1% contributed by the employee up to a maximum Group contribution of 6%.

The total contributions to the schemes over the year was:

	2011 £	2010 £
Pension costs		
UK defined benefit pension cost	504,200	110,280
UK defined contribution pension cost	117,770	128,664
US 401(k) profit sharing plan	90,340	85,602
	712,310	324,546

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

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

a) Financial assumptions

	2011	2010
Discount rate	5.6%	5.7% p.a.
Expected return on plan assets	7.27% p.a.	7.18% p.a.
Future salary increases	N/A	N/A
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	3.0% p.a.	3.4% p.a.
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	3.5% p.a.	3.5% p.a.
Proportion of employees opting for early retirement	0% p.a.	0% p.a.
Inflation assumption	3.5% p.a.	3.5% p.a.

b) Demographic assumptions

	2011	2010
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	24.0	23.8
Females	26.0	25.9
Retiring in 20 years		
Males	26.0	25.9
Females	27.1	27.1

On the basis of the above assumptions, the amounts that have been charged to administration expenses within the income statement and the statement of comprehensive income and expense for the year to 31 March 2011 and 31 March 2010 are as follows:

	2011 £	2010 £
The amounts recognised in the income statement are as follows:		
Current service cost	79,000	109,000
Interest on obligations	1,055,000	904,000
Expected return on plan assets	(928,000)	(787,000)
Losses on curtailments and settlements	—	—
Total	206,000	226,000
Statement of comprehensive income		
Actual return less expected return on pension scheme assets	1,837,000	1,396,000
Experience gains and losses arising on the scheme liabilities	313,000	(18,000)
Changes in assumptions underlying the present value of scheme liabilities	661,000	(5,104,000)
	2,811,000	(3,726,000)
Surplus considered as not recoverable through reduction of future contributions or a refund from the scheme	—	—
Net actuarial loss recognised in statement of comprehensive income	2,811,000	(3,726,000)
Cumulative amount of actuarial gains and losses recognised in other comprehensive income	140,000	(2,671,000)

Notes to the financial statements continued

11 Retirement benefit obligations (continued)

b) Demographic assumptions

	2011 £	2010 £
Amounts recognised in the statement of financial position:		
Present value of funded obligations	(17,930,000)	(19,017,000)
Fair value of plan assets	15,323,000	13,289,000
Deficit as reported by the actuary	(2,607,000)	(5,728,000)

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

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

	2011 £	2010 £
Opening defined benefit obligation	19,017,000	13,102,000
Current service cost	79,000	109,000
Member contributions	—	—
Interest cost	1,055,000	904,000
Actuarial (gains)/losses	(974,000)	5,122,000
Losses on curtailments	—	—
Benefits paid	(1,247,000)	(220,000)
Closing defined benefit obligation	17,930,000	19,017,000

The projected unit valuation method has been used to arrive at the above service cost. The use of this method is prescribed in IAS 19.

To produce a stable future contribution rate this valuation method assumes that the average age of the scheme membership will remain broadly constant in future due to a flow of new entrants to the scheme. If a scheme is closed to new members this will not be the case and the costs of benefits accruing, as a percentage of pensionable salaries, will be expected to increase over time.

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

	2011 £	2010 £
Opening fair value of plan assets	13,289,000	11,112,000
Expected return	928,000	787,000
Actuarial gains	1,837,000	1,396,000
Contributions by employer	516,000	214,000
Benefits paid	(1,247,000)	(220,000)
Member contributions	—	—
Closing fair value of plan assets	15,323,000	13,289,000

The actual return on plan assets was £2,765,000 (2010: £2,183,000). The expected return on plan assets is calculated using the assets, market conditions, and the long-term expected rate of interest set at the start of the accounting period. The Company expects to contribute £Nil (2010: £Nil) to the CML Microsystems Plc Retirements Scheme in the next accounting year.

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

	2011		2010	
	% total plan assets	Expected return	% total plan assets	Expected return
Equities	74.7%	8.0%	70.0%	8.0%
Bonds	10.5%	5.0%	12.7%	5.5%
Property	8.4%	6.5%	8.0%	7.0%
Cash	6.4%	3.5%	9.3%	3.5%

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

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

	2011 £	2010 £	2009 £	2008 £	2007 £
Defined benefit obligation	17,930,000	19,017,000	13,102,000	13,297,000	16,356,000
Plan assets	15,323,000	13,289,000	11,112,000	13,756,000	14,067,000
(Deficit)/surplus	(2,607,000)	(5,728,000)	(1,990,000)	459,000	(2,289,000)
Experience adjustments on plan liabilities	313,000	(18,000)	715,000	35,000	(91,000)
Experience adjustments on plan assets	1,837,000	1,396,000	(3,570,000)	(1,508,000)	(1,018,000)

12 Non-current assets

Property, plant and equipment

Group	Investment properties £	Freehold land and buildings £	Short leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
Cost/valuation						
At 1 April 2009	3,850,000	5,824,252	53,369	11,028,441	369,903	21,125,965
Additions	—	24,350	—	24,715	—	49,065
Disposals	—	—	—	(2,839)	(59,527)	(62,366)
Foreign exchange difference	—	—	501	(109,337)	—	(108,836)
At 31 March 2010	3,850,000	5,848,602	53,870	10,940,980	310,376	21,003,828
Additions	—	—	12,451	226,035	14,550	253,036
Disposals	—	—	(7,352)	(82,101)	(211,463)	(300,916)
Revaluation	(400,000)	—	—	—	—	(400,000)
Foreign exchange difference	—	—	295	(59,001)	—	(58,706)
At 31 March 2011	3,450,000	5,848,602	59,264	11,025,913	113,463	20,497,242
Depreciation						
At 1 April 2009	—	660,748	53,277	10,301,061	329,747	11,344,833
Charge for the year	—	74,937	—	568,703	16,848	660,488
Relating to disposals	—	—	—	(2,839)	(55,678)	(58,517)
Foreign exchange difference	—	—	593	(97,437)	—	(96,844)
At 31 March 2010	—	735,685	53,870	10,769,488	290,917	11,849,960
Charge for the year	—	139,853	1,348	166,921	13,457	321,579
Relating to disposals	—	—	(7,352)	(82,101)	(211,463)	(300,916)
Foreign exchange difference	—	—	255	(54,395)	—	(54,140)
At 31 March 2011	—	875,538	48,121	10,799,913	92,911	11,816,483
Net book value						
At 31 March 2011	3,450,000	4,973,064	11,143	226,000	20,552	8,680,759
At 31 March 2010	3,850,000	5,112,917	—	171,492	19,459	9,153,868

Investment properties in both the Group and Company comprise £3,450,000 (2010: £3,850,000) of freehold and leasehold land and buildings and it is from the operating leases on these properties that the Group's rental income is generated. Everett Newlyn, Chartered Surveyors and Commercial Property Consultants professionally valued the investment properties on the basis of open market value as at 31 March 2009 but in view of the current market and economic conditions the Directors considered it prudent to reduce the value of the properties by £400,000.

During the year end 31 March 2010 a full review was carried out of the plant and equipment which resulted in a need to accelerate the depreciation since a significant proportion of this asset category had reached the end of its economic life. This resulted in an additional depreciation charge of £344,109. Following this review it was decided to depreciate all plant and equipment on a 25% straight-line basis (previously various rates between 20% and 25% straight-line and reducing-balance methods) as this is considered to be a more accurate reflection of the life of the assets.

Notes to the financial statements continued

12 Non-current assets (continued)

Property, plant and equipment (continued)

	Investment properties £	Freehold land and buildings £	Total £
Company			
Cost/valuation			
At 1 April 2009	3,850,000	5,824,255	9,674,255
Additions	—	24,350	24,350
At 31 March 2010	3,850,000	5,848,605	9,698,605
Revaluation	(400,000)	—	(400,000)
At 31 March 2011	3,450,000	5,848,605	9,298,605
Depreciation			
At 1 April 2009	—	725,664	725,664
Charge for the year	—	74,937	74,937
At 31 March 2010	—	800,601	800,601
Charge for the year	—	74,937	74,937
At 31 March 2011	—	875,538	875,538
Net book value			
At 31 March 2011	3,450,000	4,973,067	8,423,067
At 31 March 2010	3,850,000	5,048,004	8,898,004
At 31 March 2009	3,850,000	5,098,591	8,948,591

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Non-current assets classified as held for sale – properties				
At 1 April	441,408	467,491	—	—
Foreign exchange movement	(21,635)	(26,083)	—	—
	419,773	441,408	—	—

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

Intangible assets

	2011 £	2010 £
Group – goodwill		
Cost and net book value		
At 1 April and at 31 March	3,512,305	3,512,305

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

	2011 £	2010 £
Group – development costs		
Cost		
As at 1 April	28,540,546	29,608,492
Additions:		
Internal sources	2,359,978	2,211,467
External sources	426,408	603,599
Disposals	(5,049,133)	(3,815,007)
Foreign exchange difference	(75,347)	(68,005)
As at 31 March	26,202,452	28,540,546
Amortisation		
As at 1 April	24,351,465	24,416,383
Charged in the period	3,276,015	3,750,089
Relating to disposals	(5,049,133)	(3,815,007)
As at 31 March	22,578,347	24,351,465
Net book value		
As at 31 March	3,624,105	4,189,081
As at 31 March 2009		5,192,109

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

13 Non-current assets – investments

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Cost of investment in subsidiary undertakings:				
As at 1 April and 31 March	—	—	4,959,658	4,959,658
Advances to subsidiary undertakings				
As at 1 April	—	—	1,660,816	6,006,307
(Reduction)/increase in advances	—	—	(13,325)	(4,345,491)
As at 31 March	—	—	1,647,491	1,660,816
Net book value				
As at 31 March	—	—	6,607,149	6,620,474

Details of the principal subsidiary undertakings of the Company are as follows:

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

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

Notes to the financial statements continued

14 Related party transactions

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

Company	2011 £	2010 £
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	600,000	584,840
CML Microcircuits (USA) Inc.	64,058	60,708
Hyperstone GmbH	51,109	52,730
	715,167	698,278
Interest on loans was charged to subsidiary undertakings by parent:		
Hyperstone GmbH	—	115,779
Dividends paid to parent:		
Received from CML Microsystems Inc.	—	232,280
Received from CML Microcircuits (Singapore) Pte Ltd	214,172	484,464
	214,172	716,744
Advances to subsidiary undertakings:		
CML Microcircuits (UK) Ltd	1,483,286	1,496,611
Hyperstone GmbH	—	—
Hyperstone Asia Pacific Ltd	—	—
Applied Technology (UK) Ltd	8,498	8,498
Radio Data Technology Ltd	155,707	155,707
	1,647,491	1,660,816

The outstanding amounts at the year end are unsecured.

Group and Company

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

	2011 £	2010 £
Short-term employee benefits	618,248	541,346
Pension contributions	50,183	46,871
Share-based payments	43,134	42,534
	711,565	630,751

15 Inventories

	Group	
	2011 £	2010 £
Raw materials	795,607	627,228
Work in progress	315,100	247,043
Finished goods	554,822	614,568
	1,665,529	1,488,839

The amount of inventory written down in the year was £93,114 (2010: £Nil).

16 Trade receivables and prepayments

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Amounts falling due within one year:				
Trade receivables	1,159,881	2,378,432	—	—
Other receivables	173,335	336,095	38,683	1,266
Prepayments and accrued income	179,993	87,832	87	—
	1,513,209	2,802,359	38,770	1,266

17 Cash and cash equivalents

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Bank and certificates of deposit	1,807,861	2,226,243	—	—
Cash at bank	4,437,833	1,656,995	126,651	74,696
	6,245,694	3,883,238	126,651	74,696

18 Bank loans and overdrafts

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Bank loans	3,541,077	5,968,290	—	1,062,393
Bank overdrafts	378,334	—	—	—
	3,919,411	5,968,290	—	1,062,393

The principal financial liabilities is a €4,000,000 bank loan expiring on 31 August 2011, which bears an interest rate of 2.00% above Euro LIBOR and LIBOR secured on the buildings and part of the land at Oval Park and the land and buildings at Witham and Fareham. The liability is repayable upon receipt of three months' notice but the Directors are confident that this facility can be replaced or renewed. The carrying value of the whole of the freehold land and buildings at Oval Park is £4,973,064 (2010: £5,112,917) but the value of the part used to secure the bank loan is not separately identified. The carrying value of the land and buildings at Witham and Fareham is £2,900,000 (2010: £3,300,000).

19 Derivatives and other financial instruments

Financial instruments

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

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

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

Interest rate/liquidity risk

Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances. A significant movement in LIBOR would be required to have a material impact on the cash flow of the Group. The gross overdraft facility provided by the Group's principal bankers is £750,000 (2010: £750,000); US\$1,100,000 (2010: US\$Nil); €250,000 (2010: €Nil) that is subject to renewal annually.

Foreign currency risk

The Group has overseas operations in Germany, the USA, Taiwan and Singapore. As a result, the Group's Sterling statement of financial position could be affected by movements in the Euro, US Dollar, Singapore Dollar and Taiwan Dollar to Sterling exchange rates. At 31 March 2011, the Group had monetary assets denominated in foreign currencies of £3.125m (2010: £1.578m), of which approximately 39% (2010: 78%) was denominated in US Dollars and 2% (2010: 16%) was denominated in Euros. It also had monetary liabilities denominated in foreign currencies of £3.2m (2010: £5.5m) wholly denominated in Euros. The gains/(losses) on foreign exchange recognised in the income statement amounted to a profit of £123,565 (2010: loss £318,458).

Notes to the financial statements continued

19 Derivatives and other financial instruments (continued)

Financial instruments recognised in the consolidated statement of financial position

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

	Group		Company	
	2011 Loans and receivables £	2010 Loans and receivables £	2011 Loans and receivables £	2010 Loans and receivables £
Current financial assets				
Trade and other receivables	1,333,216	2,714,527	38,683	1,266
Cash and cash equivalents	6,245,694	3,883,238	126,651	74,696
Total	7,578,910	6,597,765	165,334	75,962

Trade and other receivables are all due within six months.

	Group		Company	
	2011 Other financial liabilities £	2010 Other financial liabilities £	2011 Other financial liabilities £	2010 Other financial liabilities £
Current financial liabilities				
Trade and other payables	1,072,711	1,661,508	114,226	113,303
Accruals (excluding deferred income)	1,196,829	773,482	190,346	30,430
Bank loans and overdrafts	3,919,411	5,968,290	—	1,062,393
Total	6,188,951	8,403,280	304,572	1,206,126

Further details of the bank loans and overdrafts are included in note 18.

Trade receivables are as follows:

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade receivables	1,164,581	2,381,212	—	—
Allowance accounts for trade receivables	(4,700)	(2,780)	—	—
	1,159,881	2,378,432	—	—

The average credit period taken by the Group on sale of goods is 34 days (2010: 48 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1,920 (2010: £1,440). This allowance has been based on the knowledge of the financial circumstances of individual debtors at the year end.

At 31 March 2011, £Nil (2010: £Nil) of trade receivables were impaired in relation to customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

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

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

	2011 £	2010 £
Up to 90 days	128,204	136,646
Up to 150 days	—	—
	128,204	136,646

The Group only has an allowance account for trade receivables.

	2011 £	2010 £
Opening balance as at 1 April	2,780	1,340
Provision for receivables impairment	1,920	1,440
Receivables written off during the year	—	—
Unused amounts reversed	—	—
Closing balance as at 31 March	4,700	2,780

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

At 31 March 2011, £119,344 (2010: £647,417) of receivables was denominated in Sterling, £846,742 (2010: £1,477,749) in US Dollars and £193,795 (2010: £253,266) in Euros. The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £6,245,694 (2010: £3,883,238) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair values.

The Group's activities expose the Group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk as disclosed in the report of the Directors. The Group manages these risks through an effective risk management program. The Board provides policies and procedures with regards to managing currency and interest rate exposure, liquidity and credit risk.

Sensitivity analysis

Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period. A 100 basis point change has been used. At the reporting date, if the interest rate had been 100 basis points higher/lower and all other variables were constant the Group's:

- 1 profit before taxation would have increased/decreased by £39,491 (2010: £59,679); and
- 2 other equity and reserves would increase/decrease by £23,695 (2010: £37,082).

Foreign currency sensitivity

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

	US\$ impact		Euro impact	
	2011 £	2010 £	2011 £	2010 £
10% movement in rates will have an impact on:				
Profit/(loss) before tax	1,280,246	847,666	441,642	425,649
Equity	1,034,288	574,978	309,149	255,390

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

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

20 Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Amounts falling due within one year:				
Trade payables	1,057,152	1,245,998	—	—
Other taxation and social security costs	254,994	244,155	70,097	24,623
Other payables and deferred income	15,559	415,510	114,226	66,312
Accruals	1,196,829	773,482	190,346	30,430
	2,524,534	2,679,145	374,669	121,365

21 Current tax liabilities/assets

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Current tax liabilities	49,244	38,064	—	—
Current tax assets	5,581	141,468	—	—

Notes to the financial statements continued

22 Deferred tax

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Provision for deferred taxation is:				
Accelerated capital allowances	(865,254)	(887,102)	(917,415)	(992,817)
Tax losses carried forward	1,956,754	1,348,574	193,500	80,821
Other temporary differences				
Pensions	677,820	1,603,840	—	—
Share-based payments	77,450	—	77,450	—
Research and development	(953,517)	(1,174,424)	—	—
Provisions	38,987	—	—	—
Other	24,897	33,541	12,988	—
	957,137	924,429	(633,477)	(911,996)
Deferred tax asset	2,534,390	3,096,635	38,000	80,821
Deferred tax liability	(1,577,253)	(2,172,206)	(671,477)	(992,817)
	957,137	924,429	(633,477)	(911,996)
At 1 April	924,429	(439,431)	(911,996)	(909,341)
Foreign exchange difference	(7,635)	(32,261)	—	—
Deferred tax credited/(charged) in income statement for year (note 8)	840,463	352,841	278,519	(2,014)
Deferred tax charged to statement of comprehensive income	(800,120)	1,043,280	—	—
At 31 March	957,137	924,429	(633,477)	(911,996)

The financial statements include a deferred tax asset of £2,534,390 (2010: £3,096,635), of which £1,956,754 (2010: £1,245,537) arises as a result of trading losses. In accordance with the requirement of IAS 12 "Income taxes", the Directors have considered the likely recovery of this deferred tax asset. The Directors have taken into account expected future taxable profits and expect an improvement in profitability and sufficient taxable profits in future periods and that this will be sustained. Accordingly the Directors have satisfied themselves that it is appropriate to recognise the above deferred tax asset. The deferred tax debit of £800,120 (2010: deferred tax credit of £1,043,280) relates to the retirement benefit obligation actuarial loss (see note 11). The Directors consider that the deferred tax asset relating to the retirement benefit obligation to be recoverable on the basis that the deficit is a long-term liability that will be satisfied from future profitability.

In the Government's Budget announcement on 23 March 2011, it was stated that the main rate of corporation tax was to fall to 26% with effect from 1 April 2011. Therefore, the Directors consider it appropriate to use 26% as the rate at which deferred tax assets and liabilities should be provided for in the accounts and the above figures reflect this.

Deferred tax assets recoverable/liabilities expected to be settled under twelve months are £454,088 and £Nil respectively. Deferred tax assets recoverable/liabilities expected to be settled over twelve months are £2,329,576 and £1,826,527 respectively.

23 Share capital

	2011 £	2010 £	2009 £
Authorised			
25,000,000 ordinary shares of 5p each (2010: 25,000,000 ordinary shares of 5p each)	1,250,000	1,250,000	1,250,000
Issued			
At 1 April 2010			
14,947,626 ordinary shares of 5p each	747,381	747,381	747,381
Issued in year	37,954	—	—
759,070 ordinary shares of 5p were issued in the year as a result of employees exercising their options			
At 31 March 2011			
15,706,696 ordinary shares of 5p	785,335	747,381	747,381

Share options

On the 2 August 2000 the Company approved at the Annual General Meeting a scheme, which was United Kingdom Inland Revenue Approved. This scheme was amended and re-approved at the Extraordinary General Meeting held on 10 February 2004. Additionally at the 2008 Annual General Meeting a new Enterprise Management Incentive share option plan was approved. The Company has the authority to grant options up to 10% of the issued share capital in any ten-year period under the Revenue Approved Scheme that was amended in February 2004.

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

	Ordinary shares of 5p each				2011 Number
	2010 Number	Granted Number	Exercised Number	Forfeited Number	
From 14 June 2003 to 13 June 2010 at £2.925	1,310	—		(1,310)	—
From 18 March 2007 to 17 March 2014 at £3.35	2,430	—		(2,430)	—
From 18 June 2010 to 17 June 2017 at £1.16	722,480	—	(605,224)	(12,806)	104,450
From 1 April 2011 to 31 March 2018 at £0.05	153,846	—	(153,846)		—
From 28 July 2011 to 27 July 2018 at £0.86	30,883	—			30,883
From 28 July 2012 to 27 July 2018 at £0.86	58,140	—			58,140
From 28 July 2013 to 27 July 2018 at £0.86	58,139	—			58,139
	1,027,228	—	(759,070)	(16,546)	251,612

The weighted average exercise price of those options exercised in the year was 93.5p (2010: £Nil). 605,224 options were exercised on 10 February 2011 at a price of £1.16 when the market price was £2.06 and 153,846 options were exercised on 31 March 2011 at a price of 5p when the market price was £1.76.

The options granted on 14 June 2003 at £2.925 and 18 March 2004 at £3.35 all lapsed. There has been no movement on the options granted on 29 July 2008 at £0.88 that are exercisable July 2011, 2012 and 2013.

24 Other shareholders' funds

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Share premium				
At 1 April	4,148,288	4,148,288	4,148,288	4,148,288
Issued in year	671,798	—	671,798	—
759,070 ordinary shares of 5p were issued in the year as a result of employees exercising their options				
At 31 March	4,820,086	4,148,228	4,820,086	4,148,228

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

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Share-based payments				
At 1 April	254,752	150,815	254,752	150,815
Charged in year	43,134	103,937	43,134	103,937
At 31 March	297,886	254,752	297,886	254,752

Notes to the financial statements continued

24 Other shareholders' funds (continued)

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

Grant date	29/07/08	29/07/08	29/07/08	18/06/07
Share price at grant date	£0.86	£0.86	£0.86	£1.16
Exercise price	£0.86	£0.86	£0.86	£1.16
Number of employees	1	1	1	18
Shares under option	58,139	58,140	30,883	104,450
Vesting period (years)	5	4	3	3
Expected volatility	25.0%	25.0%	25.0%	24.6%
Option life (years)	10	10	10	10
Expected life (years)	5	4	3	3
Risk-free rate	5.39%	5.39%	5.39%	5.78%
Expected dividend yield	1.85%	1.85%	1.85%	2.79%
Possibility of ceasing employment before vesting	0.0%	0.0%	0.0%	4.50%
Fair value per option	£0.23	£0.21	£0.18	£0.22

The weighted average exercise price and the weighted average expected remaining contractual life are £0.98 (2010: £0.96) and three years (2010: three years) respectively.

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

Merger reserve

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
At 1 April and 31 March	—	—	315,800	315,000

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

Foreign exchange reserve

	2011 £	2010 £
At 1 April	374,349	443,289
Retranslation of overseas subsidiaries	(47,869)	(68,940)
At 31 March	326,480	374,349

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

Accumulated profits

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
At 1 April	6,598,726	9,304,860	8,032,465	7,524,021
Profit/(loss) for the year	2,684,510	(23,414)	(64,081)	508,444
Net actuarial profit/(loss)	2,811,000	(3,726,000)	—	—
Deferred tax on actuarial profit/(loss)	(800,120)	1,043,280	—	—
At 31 March	11,294,116	6,598,726	7,968,384	8,032,465

25 Capital commitments

Capital commitments which have been contracted for but for which no provision has been made in these financial statements are £Nil (2010: £Nil).

26 Operating lease arrangements

The Group as a lessee

	2011 £	2010 £
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	365,236	357,831

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

	2011 £	2010 £
Within one year	318,217	330,085
In the second to fifth year inclusive	629,126	665,631
After five years	631,898	832,778
	1,579,241	1,828,494

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

	2011 £	2010 £
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	116,338	34,763

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

	2011 £	2010 £
Within one year	97,948	59,325
In the second to fifth year inclusive	93,163	72,459
	191,111	131,784

The Group as a lessor

Property rental income earned during the year was £219,892 (2010: £275,263). Under the current market conditions and with the majority of the leases with the current contracted tenants terminating within twelve months it is impractical to estimate what the estimated yields will be for the foreseeable future.

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

	2011 £	2010 £
Within one year	42,588	176,886
In the second to fifth year inclusive	3,000	26,250
After five years	—	—
	45,588	203,136

27 Notes to the cash flow statement

	2011 £	2010 £
Group		
Decrease in working capital:		
Profit on sale of property, plant and equipment	(31,665)	(5,350)
Increase in inventories	(176,690)	(122,672)
Decrease/(increase) in receivables	1,289,150	(298,329)
(Decrease)/increase in payables	(154,611)	609,473
	926,184	183,122

Notes to the financial statements continued

27 Notes to the cash flow statement (continued)

Analysis of changes in net debt:

	Net debt at 1 April 2010 £	Cash flow £	Exchange movement £	Net cash at 31 March 2011 £
Cash and cash equivalents	3,883,238	2,179,329	183,127	6,245,694
Bank loans and overdrafts	(5,968,290)	2,048,879	—	(3,919,411)
	(2,085,052)	4,228,208	183,127	2,326,283

	2011 £	2010 £
Company		
Decrease in working capital:		
Decrease in advance to subsidiary undertaking	13,325	4,345,491
Increase in receivables	(37,504)	(1,266)
Increase/(decrease) in payables	253,304	(78,686)
	229,125	4,265,539

Analysis of changes in net debt:

	Net debt at 1 April 2010 £	Cash flow £	Net debt at 31 March 2011 £
Cash and cash equivalents	74,696	51,955	126,651
Bank loans and overdrafts	(1,062,393)	1,062,393	—
	(987,697)	1,114,348	126,651

28 Listings

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

29 Approval of financial statements

These financial statements were formally approved by the Board of Directors on 24 June 2011.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of CML Microsystems Plc (the “Company”) will be held at Layer Marney Tower, near Colchester, Essex CO5 9US, on Wednesday 3 August 2011 at 11am to transact the following business:

Ordinary business

Ordinary resolutions

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

- 1 To receive and adopt the Group’s consolidated financial statements and the reports of the Directors and auditors for the year ended 31 March 2011.
- 2 To receive and approve the Directors’ remuneration report for the year ended 31 March 2011.
- 3 To declare a final dividend of 3.5p per 5p ordinary share for the year end 31 March 2011 to be paid on 5 August 2011 to shareholders whose names appear on the register at the close of business on 24 June 2011.
- 4 To re-appoint G. J. Bates, who retires by rotation, as a Director of the Company.
- 5 To re-appoint Baker Tilly UK Audit LLP as auditors of the Company.
- 6 To authorise the Directors to determine the remuneration of the auditors.
- 7 That pursuant to Section 551 of the Companies Act 2006 (the “Act”), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
 - a) comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £523,556 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph b) of this resolution) in connection with a rights issue:
 - i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - b) otherwise than pursuant to paragraph a) of this resolution, up to an aggregate nominal amount of £261,778 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £261,778, provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this resolution, “Relevant Securities” means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right. These authorities are in substitution for all existing authorities under Section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special business

Special resolutions

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

- 8 That, subject to the passing of resolution 6 and pursuant to Sections 570 and 573 of the Companies Act 2006 (the “Act”), the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authorities granted by resolution 7 and to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
 - a) the allotment of equity securities or sale of treasury shares in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph a) of resolution 7, such power shall be limited to the allotment of equity securities in connection with a rights issue):
 - i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary;

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

Notice of Annual General Meeting continued

- b) the allotment of equity securities pursuant to the authority granted by paragraph b) of resolution 7 or sale of treasury shares (in each case, otherwise than pursuant to paragraph a) of this resolution) up to an aggregate nominal amount of £39,266, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Sections 570 and 573 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).
- 9 That, pursuant to Section 701 of the Companies Act 2006 (the “Act”), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company (“Shares”), provided that:
 - a) the maximum aggregate number of Shares which may be purchased is 2,356,004;
 - b) the minimum price (excluding expenses) which may be paid for a Share is 5p (being the nominal amount of a Share);
 - c) the maximum price (excluding expenses) which may be paid for a Share is the higher of:
 - i) an amount equal to 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and
 - ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out;
 - d) an ordinary share so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of applicable laws or regulations of the United Kingdom Listing Authority, held as a treasury share, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date which is 15 months after the date of the annual general meeting at which this resolution is passed (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

N. G. Clark
Company Secretary
24 June 2011

Registered office
Oval Park
Langford, Maldon
Essex CM9 6WG
Registered in England and Wales: 944010

General notes

1 Attending the AGM in person

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

2 Appointment of proxies

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

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

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

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

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

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

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company at 6pm on 1 August 2011.

3 Appointment of a proxy using a proxy form

A proxy form for use in connection with the AGM is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post using the postal address on the form of proxy or (during normal business hours only) by hand by the Company at its registered office at CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG not later than 11am on Monday 1 August 2011 or if the AGM is adjourned, at least 48 hours before the time of the adjourned meeting.

Proxies may also be sent by email to: proxies@cmlmicroplc.com. See the enclosed proxy card for further instructions. This email address may not be used to communicate with the Company for any purpose other than submitting proxies for the AGM. The appointment must be received not later than 11am on Monday 1 August 2011 or if the AGM is adjourned at least 48 hours before the adjourned meeting. Any electronic communication sent by a shareholder to the Company that is found to contain a virus will not be accepted by the Company, but every reasonable effort will be made by the Company to inform the shareholder of the rejected communication.

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

4 Appointment of a proxy through CREST

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the registrar (ID 7RA11) not later than 11am on Monday 1 August 2011 or if the AGM is adjourned at least 48 hours before the time of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

Notice of Annual General Meeting continued

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

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

5 Appointment of proxy by joint holders

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

6 Corporate representatives

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

7 Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6am on 1 August 2011 (or, if the AGM is adjourned, at 6pm on the day two days prior to the adjourned meeting). Changes to the Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8 Nominated persons

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

9 Website giving information regarding the AGM

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

10 Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or b) any circumstance connected with an auditors of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website.

11 Voting rights

As at 23 June 2011 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 15,706,696 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 23 June 2011 were 15,706,696 votes.

12 Payment of dividend

It is proposed to pay the dividend, if approved, on 5 August 2011 to shareholders registered on 24 June 2011.

13 Notification of shareholdings

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

14 Further questions and communication

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

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

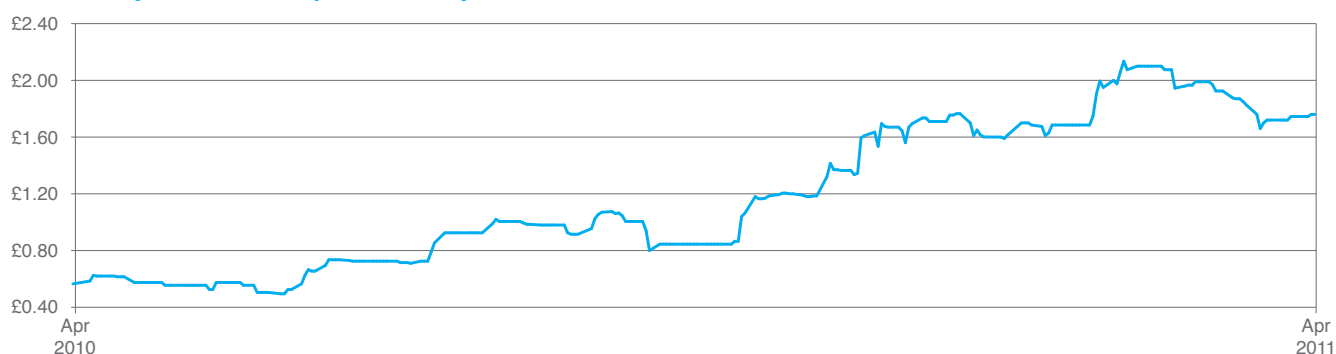
15 Documents available for inspection

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

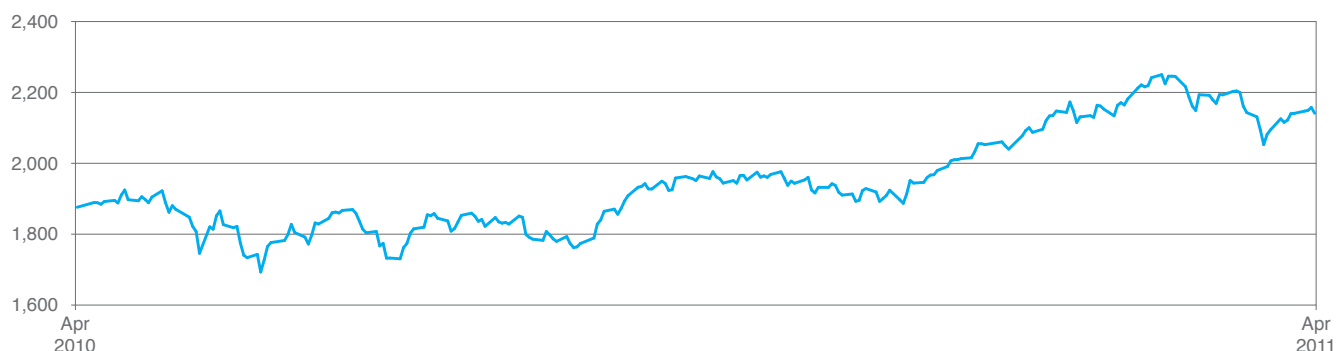
Five-year record and shareholder information

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Income statement					
Revenue	22,122	18,023	16,089	17,098	17,768
Gross profit	15,368	12,490	10,202	11,705	11,040
Gross profit percentage	68.83%	69.30%	63.41%	68.46%	62.13%
Profit/(loss) before taxation	2,324	(386)	(2,089)	(1,728)	(3,209)
Earnings per share					
Basic	17.87p	(0.16)p	(14.29)p	(4.13)p	(17.53)p
Diluted	17.64p	(0.16)p	(14.29)p	(4.13)p	(17.53)p
Balance sheet					
Shareholders' equity	17,524	12,123	14,795	17,596	17,477
	Number	Number	Number	Number	Number
Issued 5p ordinary shares	15,706,696	14,947,626	14,947,626	14,947,626	14,947,626

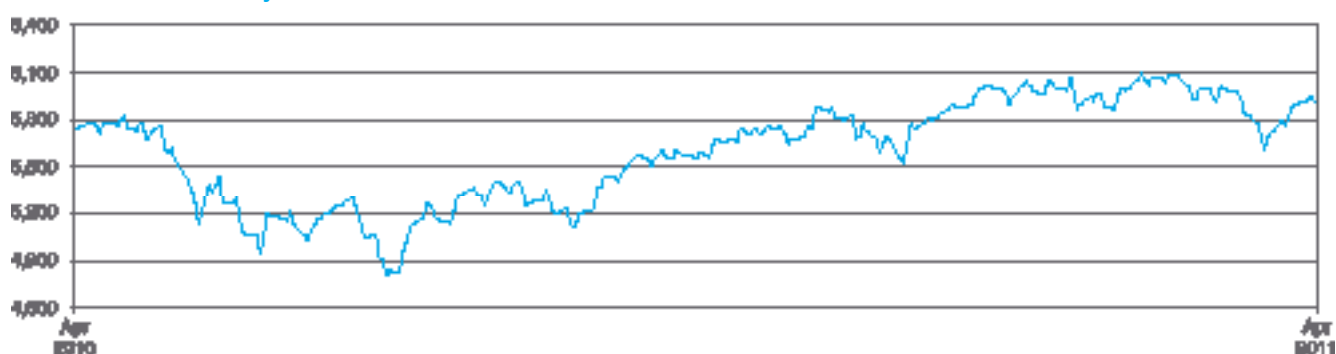
CML Microsystems Plc share price – for the year ended 31 March 2011



TechMark 100 Index – for the year ended 31 March 2011



FTSE 100 Index – for the year ended 31 March 2011



Financial calendar

2011

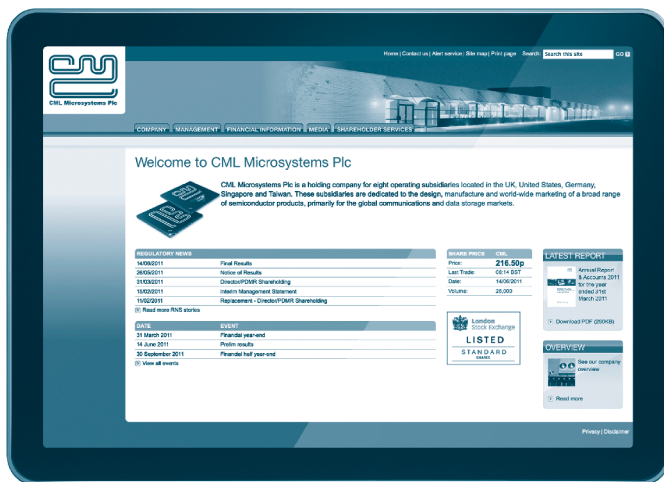
3 August	Annual General Meeting
30 September	Half-year end
22 November	Anticipated date for interim results

2012

31 March	Year end
12 June	Anticipated date for preliminary announcement of year-end 2012 results

Glossary

AIS	automatic identification system
CF	compact flash
GPRS	general packet radio service
IC	integrated circuit
iCF	industrial compact flash
LMR	land mobile radio
M2M	machine to machine
PABX	public access branch exchange
PMR	professional mobile radio
RF	radio frequency
SoC	system on chip
SSD	solid state drives



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