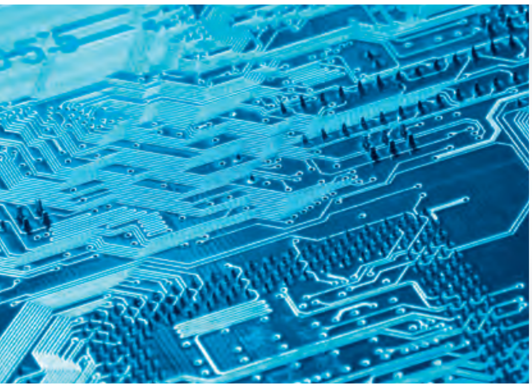
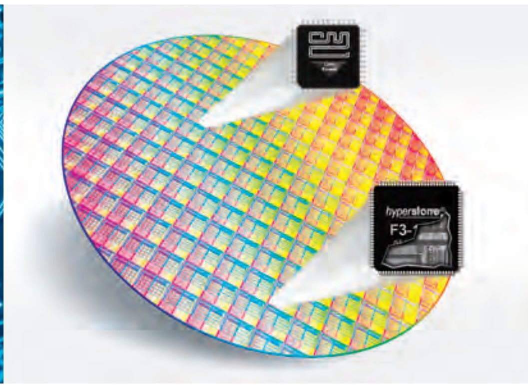
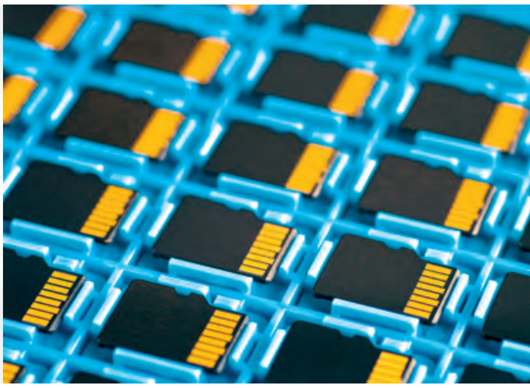
CML Microsystems Plc

delivering innovative semiconductor solutions

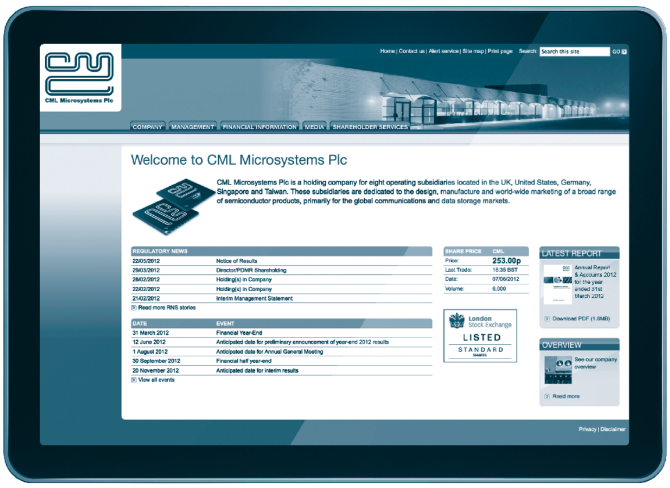
CML Microsystems Plc

Annual Report & Accounts 2012

Introduction

CML Microsystems Plc 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 USA, Germany, Singapore and Taiwan.

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



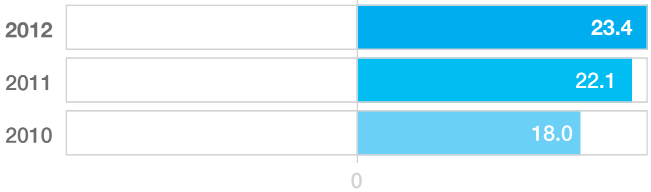
Find out more online
www.cmlmicroplc.com

Business highlights

Our results

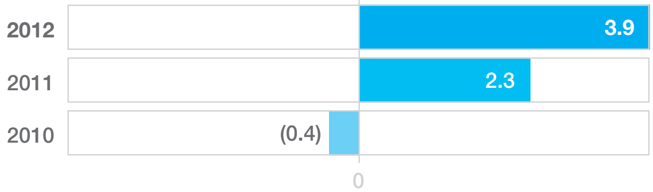
Revenue (£m)

£23.4m +5.8%



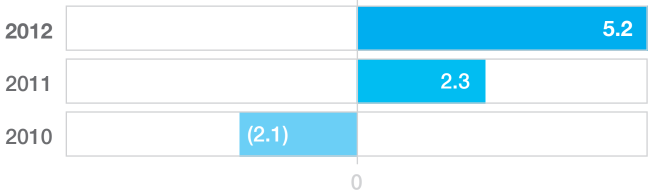
Pre-tax profit/(loss) (£m)

£3.9m +69.9%



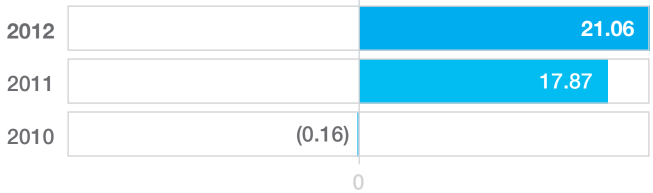
Net cash/(debt) (£m)

£5.2m +125.3%



Basic earnings/(loss) per share (p)

21.06p +17.9%



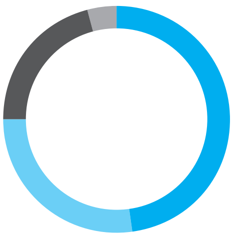
Contents

Where we operate

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 success.

This map is illustrative, but not fully definitive of our locations. For a full list of our locations please visit our website.

2012 revenue split by region



Far East **48%**
Americas **27%**
Europe **21%**
Rest of world **4%**

	2012 £m	2011 £m
Far East	11,273,902	11,660,650
Americas	6,298,963	4,801,036
Europe	5,013,285	4,832,848
Rest of world	823,252	827,112
Total	**23,409,402**	22,121,646

Key statistics

Established in
1968

Offices
7

Staff
173

CML serves international markets via its operations in the UK, the US, Germany, Singapore and Taiwan.

Our products are used for industrial, professional and consumer applications within data storage, and wireless and wireline communications market areas.

Our market focus

CML has two operating segments: semiconductor and equipment. The semiconductor segment focuses on three main market areas: wireless, storage and wireline telecom.

Semiconductor

Wireless

Application areas

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

Read more on page 10

Semiconductor

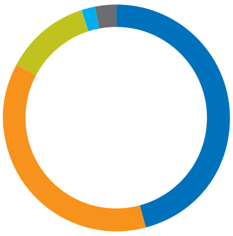
Storage

Application areas

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

Read more on page 11

Percentage of Group revenue



Semiconductor

Storage
46%

Wireless
37%

Wireline telecom
12%

Miscellaneous
2%

Equipment

Equipment
3%

Semiconductor

Wireline telecom

Application areas

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

Read more on page 12

Equipment

Equipment

Application areas

- Radio modems
- Wireless telemetry
- Wireless video

Read more on page 13

Continued progress

"...the results for the year to 31 March 2012 reflect a further full year of solid growth in both sales revenues and profitability amidst the backdrop of a challenging world economic environment."

Introduction

I am pleased to report that the results for the year to 31 March 2012 reflect a further full year of solid growth in both sales revenues and profitability amidst the backdrop of a challenging world economic environment.

Within the November 2011 half-year statement I commented on my belief that the Group's results for the full trading year were expected to meet expectations and I am satisfied to convey that those expectations have subsequently been exceeded.

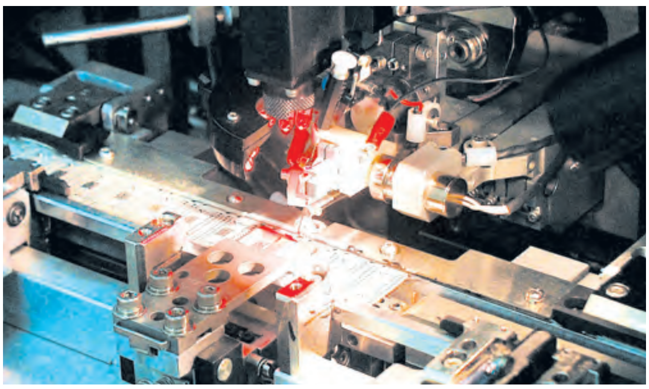
Particularly pleasing growth from the storage product area was recorded across all major market territories and an underlying positive trend within the wireless product area was evident, as highlighted in the operating and financial review that follows.

Another year of improved trading profitability permitted your management to lower Group borrowings further and additional focus on maximising the use of cash balances resulted in a significant reduction in interest charges.

Results

Group revenues for the year just ended were £23.41m (2011: £22.12m) while gross profit was £16.21m (2011: £15.37m). Profit before tax of £3.95m (2011: £2.32m) was assisted by the £328k net gain from a property transaction and revaluation of commercial development land in the USA.

The Group generated close to £3m of cash and reported an earnings per share increase of almost 19% to 20.94p diluted (2011: 17.64p).

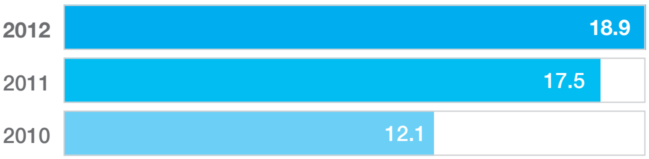


Gross profit (£m)

£16.2m +5.5%

Shareholders' equity (£m)

£18.9m +7.9%



Dividend

Since re-instating the dividend during the prior financial year, the Group has continued to enhance its trading position. The Board has considered the improvements made along with the developing prospects for the business and are recommending payment of a final dividend of 4p per ordinary share (2011: 3.5p). This represents a 14% increase and is to be paid on 3 August 2012 to all shareholders whose names appear on the register at close of business on 22 June 2012.

Property

I have previously highlighted that the Group continues to devote appropriate resources to realising capital value from its non-operational property assets and the year under review demonstrates the effects of that. Efforts continue in this regard and have the potential to contribute meaningfully to cash reserves and enhance the Group's growth objectives.

Prospects

Your Company continues to operate in a challenging global environment but, subject to unforeseen circumstances, I have confidence that the full year ahead will see your Company deliver further growth.

The Group's worldwide employee base is fundamental to the success being achieved and I cannot conclude my report to you without expressing the Board's recognition of the vital role that they play and thank them for their ongoing contribution and commitment towards its success.

G. W. Gurry
Chairman

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.

Increased revenues

"A steady increase in revenue levels amidst the uncertainties that affected many business areas throughout the year led to a good rise in operating profit that was further enhanced by the sale of a non-operational property asset."

Operational highlights

- storage sales grew 24% with double digit growth in the Americas, Europe and Far East
- leading position achieved in industrial PATA controller market
- in wireless, four year compund annual growth rate of 8%
- wireline telecom focused on ensuring product range price and performance competitive
- R&D increased to £4.6m (2011: £3.4m)

Overview

The year to 31 March 2012 saw the Group deliver solid further progress in pursuit of our consistent growth strategy. A steady increase in revenue levels amidst the uncertainties that affected many business areas throughout the year led to a good rise in profit from operations that was further enhanced by the sale of a non-operational property asset.

Through the period under review, we continued to leverage our proprietary technology and system-level understanding to develop and market class-leading semiconductor products to solve real world problems for our customers. Research and development ("R&D") expenditure rose as a result of actions taken to ensure the timely availability of products aimed at nearer term windows of opportunity whilst we also acquired intellectual property and made use of external services to complement and enhance our own engineering activities.

The majority of our major customers increased their expenditure with the Group and satisfactory progress was made with seeding a number of new prospects that are expected to drive revenues higher over the coming years.

Financial results

Total Group revenues for the year climbed by almost 6% to £23.41m (2011: £22.12m). This increase was driven by strong growth from the storage sector resulting in it representing the largest of the three principal semiconductor markets addressed. The sales from ICs shipped into the wireless market areas were lower year on year due to one customer undertaking unusually high levels of contract-related spending during the prior year. The weakening of the US Dollar against Sterling negatively impacted the reported sales levels by approximately £400k.

Our strategy

define, develop and deliver high-quality, innovative semiconductor solutions, enabling our customers to produce world-class products for global communications and data storage applications

focus on sub-markets and applications that have significant expertise barriers to entry and are not well served by competitors

offer superior levels of **technical support**

Gross profit for the year amounted to £16.21m (2011: £15.37m), an increase of 5% and the overall gross margin was stable against the comparable year at 69%.

Distribution and administration costs increased to £13.05m (2011: £12.73m) due mainly to a higher level of R&D expenditure being written off through the income statement along with a generally greater proportion of staff costs. The effects of this increase were partially mitigated by lower amortisation and depreciation charges.

At the operating level, and prior to other operating income, the Group posted a £3.16m profit (2011: £2.64m) representing growth of 20%.

The Group owns a number of non-operational commercial properties that provide rental income. Lower occupancy through the year led to a reduced income level being posted, however, the effects of this were outweighed by higher EU grants being received. The net effect to other operating income was an increase of £70k to £459k (2011: £389k).

As reported at the half-year stage, the Group sold its vacant and non-operational North American commercial property asset and received close to US$700k net of costs and taxes. Additionally, the Group owns commercial land in the US which had its value reduced by £70k. The combined effect of these two events resulted in a net profit of £328k being recorded within the consolidated income statement.

The improved cash reserves of the Group enabled us to reduce finance costs by a material amount. A contributing factor was the practice of periodically offsetting loans against cash reserves leading to net finance costs (excluding pension effects) reducing to £30k against a prior year net cost of £133k.

Profit before taxation amounted to £3.95m (2011: £2.32m) representing a 70% increase on the prior year. After adjusting out the exceptional property sale and revaluation elements, profit before tax increased by 33% and totalled £3.62m (2011: £2.72m).

Net cash inflow for the year was £2.92m (2011: £4.41m) following payment of a £550k dividend (2011: £Nil) in respect of the prior financial year. Cash reserves at 31 March 2012 were £7.74m (2011: £6.25m) and bank loans and overdrafts reduced by £1.4m to £2.50m (2011: 3.92m).

Inventory levels at the year end had increased to £1.78m (2011: £1.67m) in line with the higher revenues that were recorded. Capital expenditure remained at a relatively low level of £145k (2011: £253k).

Income tax expense amounted to £633k against a prior year credit of £360k. A movement in the Group's deferred tax asset accounted for £320k of this expense.

Total research and development expenses increased to £4.59m (2011: £3.36m) and represented close to 20% of revenues. Of this total, £1.07m was written off to the consolidated income statement (2011: £574k). This higher expenditure reflected the combined effects of key intellectual property purchases and services relating to new product development programmes in both the wireless and storage market sectors.

This year there were no material adverse effects on the income statement relating to the Group's defined benefit pension scheme that has been closed to new entrants and future accruals for some years. There was however a material effect on the Group's balance sheet accounted for under IAS 19. The financial and demographic actuarial assumptions used, which are in keeping with current practices, had the effect of increasing the scheme liability to £4.54m (2011: £2.61m). In addition, the mandatory triennial actuarial valuation was conducted and the Company subsequently agreed a multi-year deficit reduction programme with the scheme trustees that is expected to eliminate the deficit over a 15 year period.

Wireless

During the period, wireless product shipments accounted for close to 37% of Group sales. It is noteworthy that throughout the final six months of the comparable year we shipped a large single contract order to a long standing Far Eastern customer that was not repeated in the year under review. The underlying trend within the wireless product arena is one of steady growth and the compound annual growth rate ("CAGR") for this sector over the last four years, by revenue, has been 8%.

In the two-way radio sub-market, shipments were dominated by baseband processing ICs for the major producers of analogue portable (handheld) and mobile (in car) products. The end market transition from analogue to recent new digital radio standards remained at relatively low levels although customer design activity increased as the year progressed. Global shipments of ICs into the more mature TETRA digital radio standard were robust.

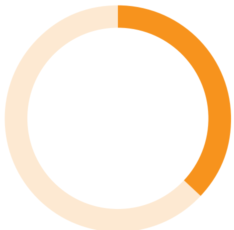
Narrowband wireless data ICs were sold into a variety of standardised and proprietary customer solutions. Within China, the marine AIS safety systems market contributed significantly driven by the government's subsidisation programme.

From an engineering perspective, the investment in new developments continued to be focused on those areas that are expected to drive growth for some years to come. Key low bit rate vocoder technology was acquired during the first six months of the year and new IC releases included a QAM modem for narrowband wireless data, full production release of a direct conversion RF receiver and continued expansion of the RF building block range of products.

Group revenue

37%

2011: 41%



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.

Typical customers include many of the major communications equipment manufacturers worldwide who demand class-leading quality and performance while needing the right level of function integration at commercially competitive prices.

Storage

Revenue growth from the shipment of flash memory controller ICs dominated the year under review. Sales into this market sector grew by 24% and resulted in it representing the single largest market for the Group for the first time. A CAGR of 29% over the last four years drove storage to account for 46% of Group revenues this year.

Most major existing customers increased their spend with us and there were pleasing contributions made from a selection of new customers who were previously evaluating or qualifying their flash memory based storage products containing our semiconductors.

We achieved double digit percentage revenue growth in each of the major geographical regions addressed, namely the Americas, Europe and the Far East. This overall growth came from a combination of increased shipments and higher average selling prices from our newer controller products that by necessity are becoming increasingly complex in order to maintain the level of reliability that our customers and their respective customers demand within the industrial markets served.

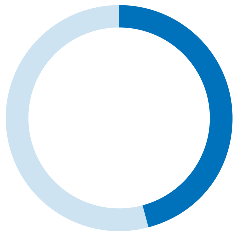
Engineering activities were primarily focused on production release of the Group's first SATA interface controller. During the final quarter of the year early samples were provided to our customer base and, following a number of lengthy customer qualification activities, meaningful production shipments are expected to commence in the second half of the financial year to 31 March 2013.

Engineering resource levels continued to be expanded and, aside from entry into the SATA market, key programmes operated that should maintain the Group's leading position in the numerous industrial markets for removable media cards, solid state drives and embedded storage applications.

Group revenue

46%

2011: 40%



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.

Typical end customers for solid state storage products containing Hyperstone ICs include many of the major networking, telecommunications and factory automation equipment manufacturers worldwide who demand class-leading durability under arduous operating conditions.

Wireline telecom

The sales from semiconductors into the wireline telecom sector grew by approximately 6% and represented just under 12% of total Group revenues.

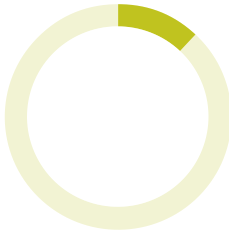
Customer design-in activity with the more recent, lower cost products was healthy through the year and unit shipments grew strongly. The products were typically used to send small amounts of data across traditional analogue telephone lines and are compatible with global international communication standards. Major customers through the year produced electronic payment terminals, medical home care systems and security alarm panels.

From an engineering perspective, we focused on ensuring that the telecom product range remained price and performance competitive for the sub-markets addressed.

Group revenue

12%

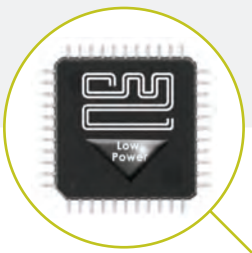
2011: 13%



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.



Typical customers include many of the major telecommunications, security and industrial/commercial equipment manufacturers worldwide who require low-power, commercially competitive semiconductors that offer functionality which meets or exceeds many international standards.

Equipment

Radio Data Technology ("RDT"), which represents the Group's equipment segment, recorded stable annual revenues of £759k (2011: £769k) making a 3% contribution to Group sales.

RDT's traditional wireless SCADA market remained quite resilient through the year although the geographical mix changed with export sales accounting for a larger proportion.

In a similar way, revenues from the sale of wireless video transmission products for use predominantly within the UK CCTV market were weighted in favour of the newer digital systems for the first time.

During the year, RDT launched its first M2M wireless product that operates using national and international GSM/GPRS networks. The combined modem and router was developed in conjunction with a lead customer and is specifically targeted at the industrial customer base for connecting remote pieces of equipment to the internet or to each other.

Summary and outlook

Important financial targets this year were to grow revenues, maintain costs and drive profitable growth. The trading performance recorded is evidence of those achievements despite the global uncertainty that existed throughout the period. The rise in net cash levels came after higher levels of R&D investment, the reinstatement of an annual dividend and a meaningful reduction in Group loans.

The underlying customer design-in activity level for the wireless product range is confirmation that our RF strategy is gaining momentum. The adoption of the Group's FirmASIC technology is increasing as customers realise the tremendous benefits of using a standard product offering that can be customised in rapid time and at reduced cost when compared to competing technologies.

The drivers within our wireless markets remain the migration from analogue voice-centric technology to the newer digital standards; the global adoption of AIS products and the trend to higher data rates within the narrowband wireless data end markets. Coupled with this, we are focused on growing the number of customers using Group products for separate baseband and RF functions which in turn increases the total silicon value within each customer end product.

The flash memory controller market is growing as solid state storage technology gathers momentum. The year under review reflects the growth achieved in shipping controllers that have either a parallel (PATA) or SD/MMC interface. We have achieved a leading position in the industrial PATA controller market and through the year ahead we expect to secure additional revenue from the new SATA products. We believe the number of design-win opportunities within the industrial SATA market to be larger than the existing markets addressed whilst the average selling price of SATA controller products is expected to be higher.

For the year ahead we intend to drive increased sales revenues through the ongoing adoption of Group semiconductor products across a growing customer base. Our priority is to focus on multi-year sustainable end market opportunities. We expect to keep engineering development activities at similar levels and to maintain our strategy to deliver innovative products that provide compelling solutions to real world customer problems.

Our clearly stated goal is for consistent growth and current economic uncertainties have the potential to negatively affect this objective. Nevertheless, given the largely industrial and somewhat diverse market areas served, we are relatively well placed to achieve further progress.

The Board is pleased with the operational and financial achievements made over the course of the year and expects further advances for the year to 31 March 2013.

C. A. Gurry
Managing Director

Directors and advisors

George Gurry
Chairman
Aged 80, he is Non-Executive Chairman and a founder of the Company.

Chris Gurry
Managing Director
Aged 48, 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 58, 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 65, 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 78, 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 CM9 6WG

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

Auditor
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 2012.

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 23 and 24 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 14 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 profit 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 26 to 57 and elsewhere in the notes in the 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 6 and 7 and the operating and financial review on pages 8 to 13 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 63 and discussed within the operating and financial review on pages 8 to 13.

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.

Report of the Directors continued

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 26. The Group's pre-tax profit was £3,949,529 (2011: profit £2,324,610) and the profit attributable to equity owners of the parent was £3,316,278 (2011: profit £2,684,510).

Dividends

The Directors are proposing a dividend in respect of the year end 31 March 2012 of 4p per 5p ordinary share (2011: 3.5p 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 2012 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, 55,645 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 2011 AGM, to purchase in the market up to 2,356,004 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 2,364,351 5p ordinary shares at the 2012 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 2011 AGM to allot relevant securities up to a nominal amount of £525,410. 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 £525,410.

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 8 June 2012, 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	9.42%
Slater Investments Limited	Institutional investor	6.05%
Herald Investment Management	Institutional investor	6.00%
M. I. Gurry	Private investor	5.59%
T. M. R. Dean	Private investor	5.12%
Hargreave Hale Limited	Institutional investor	5.10%
J. M. Finn Nominees Limited	Institutional investor	4.14%
Prudential Portfolio Managers Limited	Institutional investor	3.97%

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 2012 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 2012, 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 2012	31 March 2011
G. W. Gurry	**2,671,869**	2,679,862
C. A. Gurry	**822,874**	833,404
N. G. Clark	**90,000**	230,599
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 75,000 (2011: 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 2012 and 8 June 2012. With the exception of Directors' service contracts there are no contracts of significance in which the Directors have an interest.

Third party indemnity provision for Directors

The Company currently has in place, and has done for the whole of the year ended 31 March 2012, Directors' and officers' liability insurance for the benefit of all Directors of the Company.

Report of the Directors continued

Annual General Meeting
The notice of the Annual General Meeting sets forth resolutions for the customary ordinary business resolutions 1 to 6 and also special business comprising of one ordinary resolution 7 and two special resolutions 8 and 9 relating to the following matters:

Special business ordinary resolution

7 To renew the authority for the Company to allot relevant securities.

Special business 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 auditor's report and meetings held to discuss them.

Statement as to disclosure of information to the auditor
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 auditor is 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 auditor.

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

By order of the Board

N. G. Clark
Company Secretary
22 June 2012

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
Two 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 £64,283 (2011: £50,183) 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.

Directors’ remuneration report continued

Remuneration (audited)

Individual Director’s remuneration was as follows:

2012	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
G. W. Gurry	**32,500**	**—**	**—**	**32,500**	**—**	**32,500**
C. A. Gurry	**190,000**	**38,000**	**20,533**	**248,533**	**32,700**	**281,233**
N. G. Clark	**180,000**	**36,000**	**15,187**	**231,187**	**31,583**	**262,770**
G. J. Bates	**25,000**	**—**	**1,100**	**26,100**	**—**	**26,100**
R. J. Shashoua	**25,000**	**—**	**—**	**25,000**	**—**	**25,000**
	452,500	**74,000**	**36,820**	**563,320**	**64,283**	**627,603**

2011	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
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

Share options (audited)

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

	Number of options at 1 April 2011	Options exercised in year	Gain on options exercised in year	Options granted in year	Number of options at 31 March 2012	Exercise price	Exercise date
C. A. Gurry	—	—	—	20,000	**20,000**	£2.20	15 June 2014 to 14 June 2021
N. G. Clark	—	—	—	20,000	**20,000**	£2.30	15 June 2014 to 14 June 2021
	30,883	(30,883)	£40,457	—	**—**	£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
	147,162	(30,883)	£40,457	40,000	**156,279**		

On 29 July 2011 N. G. Clark exercised 30,883 options at the exercise price of £0.86 and sold the shares at the market price of £2.17.

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 2012 was £2.84 (2011: £1.76) and the range for the year was £1.76 to £2.85.

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:

	2012 Number	2011 Number
Money purchase scheme	**2**	2
Defined benefit scheme	**2**	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 2012 £	Increase 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 2011 £	**Transfer value of accrued pension at 31 March 2012 £**	Total change in transfer value during period (less Directors' contributions) £
C. A. Gurry	**29,625**	921	81,377	251,968	**333,345**	81,377

The increase in accrued pension including inflation would be £1,544 for C. A. Gurry. G. J. Bates is a pension member of the defined benefit scheme. During the year N. G. Clark transferred his entitlement within the defined benefit scheme into a personal pension plan.

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.

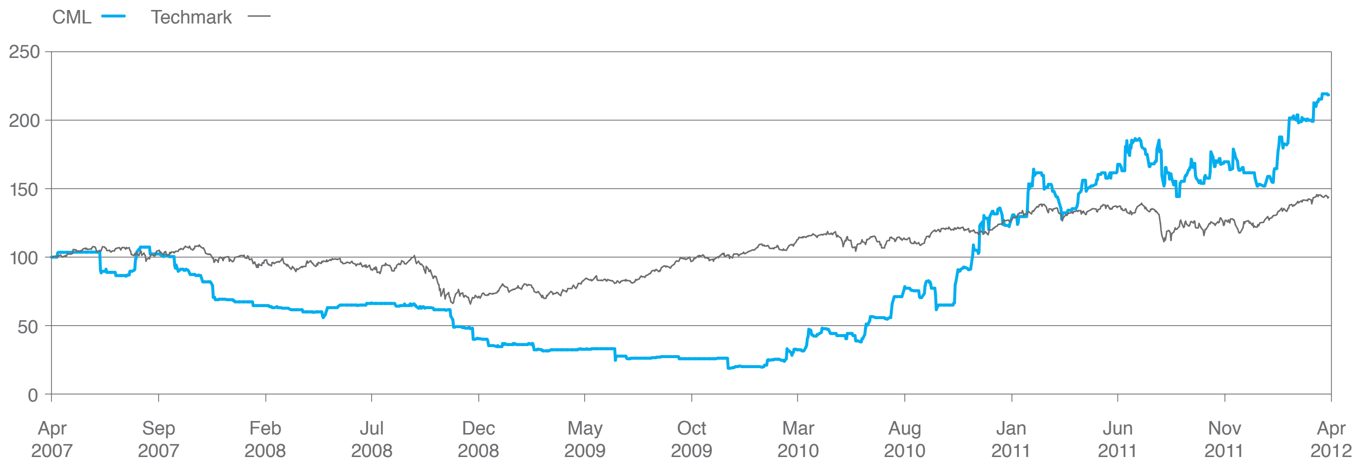
Directors' service contracts

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.

Directors’ remuneration report continued

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
22 June 2012

Corporate governance

Statement of the application of principles in the UK Corporate Governance Code 2010 (the "Code")

The Board acknowledge the importance of the UK Corporate Governance 2010 (the "Code") revised in May 2010. 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 opted 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 14. 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 2012, seven 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 regular formal 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 15 to 18 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 Group's significant risks.

Audit

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

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.3.1 and B.1.2 in respect of quantity and job title of Independent Directors;
- Code Provisions B.2.1, B.2.2, B.2.3 and B.2.4 in respect of the absence of a formal nominations committee;
- Code Provision B.7.1 & B.7.2 in that under the Articles of Association the Managing Director does not have to submit himself for re-election;
- Code Provision D.2.1 in that there are no independent Non-Executive Directors on the remuneration committee; and
- Code Provision C.2.1 and C.3.1 to C.3.7 in respect of the annual review of internal controls not being fully compliant with guidance published by the Turnbull Committee and there is no audit 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
22 June 2012

Independent auditor's report

Independent auditor's report to the members of CML Microsystems Plc

We have audited the Group and parent company financial statements (the "financial statements") on pages 26 to 57. 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 auditor's 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 auditor

As more fully explained in the Directors' responsibilities statement set out on page 15, 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 2012 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

22 June 2012

Consolidated income statement

for the year ended 31 March 2012

	Notes	2012 £	2011 £
Continuing operations			
Revenue	3	**23,409,402**	22,121,646
Cost of sales	4	**(7,196,586)**	(6,754,114)
Gross profit		**16,212,816**	15,367,532
Distribution and administration costs	4	**(13,050,186)**	(12,728,955)
		3,162,630	2,638,577
Other operating income	4	**458,745**	388,712
Profit from operations		**3,621,375**	3,027,289
Share-based payments	24	**(63,255)**	(43,134)
Profit after share-based payments		**3,558,120**	2,984,155
Net profit/(loss) on properties sold or revalued	12	**328,143**	(400,000)
Finance costs	7	**(38,514)**	(270,834)
Finance income	7	**101,780**	11,289
Profit before taxation		**3,949,529**	2,324,610
Income tax (expense)/credit	8	**(633,251)**	359,900
Profit after taxation attributable to equity owners of the parent	10	**3,316,278**	2,684,510
Profit per share			
Basic	10	**21.06p**	17.87p
Diluted	10	**20.94p**	17.64p

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Profit for the year			**3,316,278**		2,684,510
Other comprehensive income, net of tax					
Foreign exchange differences		**6,432**		(47,869)	
Actuarial (loss)/gain on retirement benefit obligations	11	**(1,962,000)**		2,811,000	
Income tax on actuarial (loss)/gain	22	**457,840**		(800,120)	
Other comprehensive income for the year net of taxation attributable to equity owners of the parent			**(1,497,728)**		1,963,011
Total comprehensive income for the year			**1,818,550**		4,647,521

Consolidated statement of financial position

as at 31 March 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Assets					
Non-current assets					
Property, plant and equipment	12		**5,155,713**		5,230,759
Investment properties	12		**3,450,000**		3,450,000
Development costs	12		**4,153,659**		3,624,105
Goodwill	12		**3,512,305**		3,512,305
Deferred tax asset	22		**2,731,219**		2,534,390
			19,002,896		18,351,559
Current assets					
Inventories	15	**1,780,688**		1,665,529	
Trade receivables and prepayments	16	**1,566,207**		1,513,209	
Current tax assets	21	**135,241**		5,581	
Cash and cash equivalents	17	**7,742,038**		6,245,694	
			11,224,174		9,430,013
Non-current assets classified as held for sale properties	12		**104,519**		419,773
Total assets			**30,331,589**		28,201,345
Liabilities					
Current liabilities					
Bank loans and overdrafts	18		**2,500,431**		3,919,411
Trade and other payables	20		**2,603,646**		2,524,534
Current tax liabilities	21		**102,034**		49,244
			5,206,111		6,493,189
Non-current liabilities					
Deferred tax liabilities	22	**1,672,425**		1,577,253	
Retirement benefit obligation	11	**4,542,000**		2,607,000	
			6,214,425		4,184,253
Total liabilities			**11,420,536**		10,677,442
Net assets			**18,911,053**		17,523,903
Capital and reserves attributable to equity owners of the parent					
Share capital	23		**788,117**		785,335
Share premium	24		**4,872,587**		4,820,086
Share-based payments reserve	24		**108,085**		297,886
Foreign exchange reserve	24		**332,912**		326,480
Accumulated profits	24		**12,809,352**		11,294,116
Shareholders' equity			**18,911,053**		17,523,903

The financial statements on pages 26 to 57 were approved and authorised for issue by the Board on 22 June 2012 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 31 March 2012

		Group		Company	
	Notes	**2012 £**	2011 £	**2012 £**	2011 £
Operating activities					
Net profit/(loss) for the year before taxation		**3,949,529**	2,324,610	**1,092,023**	(342,600)
Adjustments for:					
Depreciation		**213,394**	321,579	**82,013**	74,937
Amortisation of development costs		**2,944,039**	3,276,015	**—**	—
Revaluation of investment properties/properties held for sale		**68,847**	400,000	**—**	400,000
Movement in pensions deficit		**66,000**	(437,000)	**—**	—
Share-based payments		**63,255**	43,134	**63,255**	43,134
Finance costs		**38,514**	143,834	**—**	7,263
Finance income		**(6,780)**	(11,289)	**(153)**	(88)
(Increase)/decrease in working capital	27	**(492,187)**	926,184	**(38,475)**	229,125
Cash flows from operating activities		**6,844,611**	6,987,067	**1,198,663**	411,771
Income tax paid		**(398,274)**	(328,310)	**—**	—
Net cash flows from operating activities		**6,446,337**	6,658,757	**1,198,663**	411,771
Investing activities					
Purchase of property, plant and equipment		**(145,077)**	(253,035)	**(28,305)**	—
Investment in development costs		**(3,518,010)**	(2,786,386)	**—**	—
Disposal of property, plant and equipment		**9,039**	31,665	**—**	—
Disposal of assets held for sale		**668,590**	—	**—**	—
Finance income		**6,780**	11,289	**153**	88
Net cash flows from investing activities		**(2,978,678)**	(2,996,467)	**(28,152)**	88
Financing activities					
Issue of ordinary shares		**55,283**	709,752	**55,283**	709,752
Dividend paid to shareholders		**(549,938)**	—	**(549,938)**	—
Finance costs		**(38,514)**	(143,834)	**—**	(7,263)
Decrease in bank loans and short-term borrowings		**(1,418,980)**	(2,048,879)	**—**	(1,062,393)
Net cash flows from financing activities		**(1,952,149)**	(1,482,961)	**(494,655)**	(359,904)
Increase in cash and cash equivalents		**1,515,510**	2,179,329	**675,856**	51,955
Movement in cash and cash equivalents:					
At start of year	17	**6,245,694**	3,883,238	**126,651**	74,696
Increase in cash and cash equivalents		**1,515,510**	2,179,329	**675,856**	51,955
Effects of exchange rate changes		**(19,166)**	183,127	**—**	—
At end of year		**7,742,038**	6,245,694	**802,507**	126,651

Consolidated statement of changes in equity

for the year ended 31 March 2012

	Share capital £	Share premium £	Share-based payments £	Foreign exchange reserve £	Accumulated profits £	Total £
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 net of taxes						
Foreign exchange differences				(47,869)		(47,869)
Net actuarial gain recognised directly to equity					2,811,000	2,811,000
Deferred tax on actuarial losses					(800,120)	(800,120)
Total comprehensive income for 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
Profit for year					**3,316,278**	**3,316,278**
Other comprehensive income net of taxes						
Foreign exchange differences				**6,432**		**6,432**
Net actuarial loss recognised directly to equity					**(1,962,000)**	**(1,962,000)**
Deferred tax on actuarial losses					**457,840**	**457,840**
Total comprehensive income for year	**—**	**—**	**—**	**6,432**	**1,812,118**	**1,818,550**
	785,335	**4,820,086**	**297,886**	**332,912**	**13,106,234**	**19,342,453**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**2,782**	**52,501**				**55,283**
Dividend paid					**(549,938)**	**(549,938)**
Total transactions with owners in their capacity as owners	**2,782**	**52,501**	**—**	**—**	**(549,938)**	**(494,655)**
Share-based payments in year			**63,255**			**63,255**
Cancellation/transfer of share-based payments			**(253,056)**		**253,056**	**—**
At 31 March 2012	**788,117**	**4,872,587**	**108,085**	**332,912**	**12,809,352**	**18,911,053**

Company statement of financial position

as at 31 March 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Assets					
Non-current assets					
Property, plant and equipment	12		**4,919,359**		4,973,067
Investment properties	12		**3,450,000**		3,450,000
Investments	13		**6,680,025**		6,607,149
Deferred tax asset	22		**209,611**		38,000
			15,258,995		15,068,216
Current assets					
Trade receivables and prepayments	16	**12,379**		38,770	
Cash and cash equivalents	17	**802,507**		126,651	
			814,886		165,421
Total assets			**16,073,881**		15,233,637
Liabilities					
Current liabilities					
Trade and other payables	20		**382,679**		374,669
			382,679		374,669
Non-current liabilities					
Deferred tax liabilities	22		**832,893**		671,477
Total liabilities			**1,215,572**		1,046,146
Net assets			**14,858,309**		14,187,491
Equity					
Share capital	23		**788,117**		785,335
Share premium	24		**4,872,587**		4,820,086
Share-based payments reserve	24		**108,085**		297,886
Merger reserve	24		**315,800**		315,800
Accumulated profits	24		**8,773,720**		7,968,384
Total shareholders' equity			**14,858,309**		14,187,491

The financial statements on pages 26 to 57 were approved and authorised for issue by the Board on 22 June 2012 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

for the year ended 31 March 2012

	Share capital £	Share premium £	Share-based payments £	Merger reserve £	Accumulated profits £	Total £
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
Profit for year					**1,102,218**	**1,102,218**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**1,102,218**	**1,102,218**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**2,782**	**52,501**				**55,283**
Dividend paid					**(549,938)**	**(549,938)**
Total transactions with owners in their capacity as owners	**2,782**	**52,501**	**—**	**—**	**(549,938)**	**(494,655)**
Share-based payments in year			**63,255**			**63,255**
Cancellation/transfer of share-based payments			**(253,056)**		**253,056**	**—**
At 31 March 2012	**788,117**	**4,872,587**	**108,085**	**315,800**	**8,773,720**	**14,858,309**

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 15 for further detail.

The Group's presentational currency is Pounds Sterling since that is the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Pounds Sterling.

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 equipment and 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 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 they have 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 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.

Notes to the financial statements continued

1 Accounting policies continued

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 is 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.

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 in 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 initially 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 7	Financial Instruments Disclosures – Amendments enhancing disclosure about transfers of financial assets
IAS 24	Related Party Disclosures – Revised definition of related parties
IFRIC 14	Amendment – Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

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 7	Financial instruments – Disclosure – Amendments; Offsetting financial assets and financial liabilities
IFRS 9	Financial Instruments – Classification and Measurement.
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value 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 19	Employee benefits – amendments
IAS 27	Separate financial statements (as amended 2011)
IAS 28	Investments in associates and joint ventures (as amended 2011)
IAS 32	Financial instruments – Presentation – Amendments; Offsetting financial assets and financial liabilities
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRS

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.

Notes to the financial statements continued

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

	2012			2011		
	Equipment £	**Semiconductor components £**	**Group £**	Equipment £	Semiconductor components £	Group £
Revenue						
By origination	**758,700**	**38,245,773**	**39,004,473**	769,067	34,997,570	35,766,637
Inter-segmental revenue	**—**	**(15,595,071)**	**(15,595,071)**	—	(13,644,991)	(13,644,991)
Total segmental revenue	**758,700**	**22,650,702**	**23,409,402**	769,067	21,352,579	22,121,646
Profit/(loss)						
Segmental result	**(55,474)**	**3,613,594**	**3,558,120**	7,015	2,977,140	2,984,155
Net profit/(loss) on properties sold/revaluation			**328,143**			(400,000)
Finance expense			**(38,514)**			(270,834)
Finance income			**101,780**			11,289
Income tax			**(633,251)**			359,900
Profit after taxation			**3,316,278**			2,684,510
Assets and liabilities						
Segmental assets	**610,697**	**23,299,913**	**23,910,610**	686,913	21,104,688	21,791,601
Unallocated corporate assets						
Investment properties			**3,450,000**			3,450,000
Properties held for sale			**104,519**			419,773
Deferred taxation			**2,731,219**			2,534,390
Current tax receivable			**135,241**			5,581
Consolidated total assets			**30,331,589**			28,201,345
Segmental liabilities	**182,761**	**2,420,885**	**2,603,646**	113,073	2,411,461	2,524,534
Unallocated corporate liabilities						
Deferred taxation			1,672,425			1,577,253
Current tax liability			102,034			49,244
Bank loans and overdrafts			2,500,431			3,919,411
Retirement benefit obligation			4,542,000			2,607,000
Consolidated total liabilities			11,420,536			10,677,442

Other segmental information

	2012			2011		
	Equipment £	**Semiconductor components £**	**Group £**	Equipment £	Semiconductor components £	Group £
Property, plant and equipment additions	**4,068**	**141,009**	**145,077**	—	253,036	253,036
Development cost additions	**78,352**	**3,439,658**	**3,518,010**	70,724	2,715,662	2,786,386
Depreciation	**5,925**	**207,469**	**213,394**	8,123	313,456	321,579
Amortisation	**73,840**	**2,870,199**	**2,944,039**	72,337	3,203,678	3,276,015
Other non-cash income	**—**	**(41,848)**	**(41,848)**	—	(37,000)	(37,000)

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 2012					
Revenue by origination	**12,361,850**	**10,529,275**	**6,278,721**	**9,834,627**	**39,004,473**
Inter-segmental revenue	**(6,705,257)**	**(8,859,116)**	**—**	**(30,698)**	**(15,595,071)**
Revenue to third parties	**5,656,593**	**1,670,159**	**6,278,721**	**9,803,929**	**23,409,402**
Property, plant and equipment	**4,968,013**	**55,416**	**115,995**	**16,289**	**5,155,713**
Investment properties	**3,450,000**	**—**	**—**	**—**	**3,450,000**
Property held for sale	**—**	**—**	**104,519**	**—**	**104,519**
Goodwill	**—**	**3,512,305**	**—**	**—**	**3,512,305**
Development cost	**1,907,456**	**2,246,203**	**—**	**—**	**4,153,659**
Total assets	**22,882,808**	**5,058,799**	**1,184,699**	**1,205,283**	**30,331,589**
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 property	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	21,027,324	4,364,616	1,572,647	1,236,758	28,201,345

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.

Notes to the financial statements continued

3 Revenue

	2012 £	2011 £
Geographical classification of turnover (by destination):		
United Kingdom	**1,243,341**	1,396,231
Rest of Europe	**3,769,944**	3,436,617
Far East	**11,273,902**	11,660,650
Americas	**6,298,963**	4,801,036
Others	**823,252**	827,112
	23,409,402	22,121,646

4 Profit from operations

	2012 £	2012 £	2011 £	2011 £
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation		**64,434**		54,844
Amount of inventories written down		**41,983**		93,114
Cost of inventories recognised as expense		**6,822,109**		5,884,108
Distribution costs (mainly staff costs)		**2,665,257**		2,837,517
Administration costs:				
Amortisation	**2,944,039**		3,276,015	
Depreciation	**148,960**		266,735	
Auditor's fees	**179,008**		185,090	
Rentals under operating leases:				
Land and buildings	**376,643**		365,236	
Other operating leases	**121,397**		116,338	
Research and development	**1,072,551**		573,942	
Other expenses (mainly staff costs)	**5,542,331**		5,108,082	
		10,384,929		9,891,438
		13,050,186		12,728,955

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

	2012 £	2011 £
Audit services		
Statutory audit of Company's annual accounts and Group consolidation	**55,000**	61,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom)		
This includes:		
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	**11,000**	20,384
Audit of associated pension schemes	**12,750**	12,750
Other services supplied pursuant to such legislation	**14,000**	23,364
Tax services		
Tax compliance services	**18,000**	25,951
Advisory services	**19,935**	18,885
	130,385	162,334
Amounts payable to other auditors in respect of both audit and non-audit services		
Statutory audit services	**32,174**	16,785
Tax compliance services	**9,931**	3,419
Other services	**6,518**	2,552
	48,623	22,756
Other operating income:		
Rental income	**165,745**	219,892
Profit on sale of property, plant and equipment	**6,152**	31,665
EU grants and consulting	**205,780**	136,476
Other income	**81,068**	679
	458,745	388,712

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

5 Employees

	2012 £	2011 £
Staff costs, including Directors, during the year amounted to:		
Wages and salaries	**8,238,497**	7,851,701
Social security costs	**929,168**	872,548
Other pension and health care costs	**559,133**	961,666
Share-based payments	**63,255**	43,134
	9,790,053	9,729,049

	2012 Number	2011 Number
The average number of employees, including Directors, during the year was:		
Administration	**35**	33
Engineering	**72**	71
Manufacturing	**40**	41
Selling	**26**	28
	173	173

Notes to the financial statements continued

6 Directors' emoluments

	2012 £	2011 £
Remuneration (including fees)	**627,603**	602,442
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**281,233**	261,387

Further details on Directors' emoluments can be found in the Directors' remuneration report on pages 19 to 22.

7 Finance income and costs

	2012 £	2011 £
Bank interest receivable	**8,780**	11,289
Pension finance income	**93,000**	—
	101,780	11,289
Bank interest payable	**38,514**	143,834
Pension finance cost	**—**	127,000
	38,514	270,834

8 Income tax expense/(credit)

a) Analysis of tax expense/(credit) in period

	2012 £	2011 £
Current tax		
UK corporation tax on results of the period	**(133,870)**	—
Adjustment in respect of previous periods	**—**	293,656
	(133,870)	293,656
Foreign tax on results of the period	**445,069**	182,696
Foreign tax – adjustment in respect of previous periods	**1,652**	4,211
Total current tax	**312,851**	480,563
Deferred tax		
Current period movement	**304,114**	(218,862)
Benefit from a previously unrecognised tax loss	**16,286**	(621,601)
Total deferred tax	**320,400**	(840,463)
Tax charge/(credit) on profit on ordinary activities (note 8b)	**633,251**	(359,900)

b) Factors affecting tax expense/(credit) for period

Tax assessed for the period is lower than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	2012 £	2011 £
Profit before tax	**3,949,529**	2,324,610

	2012 £	2011 £
Profit before tax multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	**1,026,878**	650,891
Effects of:		
Capital allowances in excess of depreciation	**11,041**	7,199
Expenses not deductible for tax purposes	**23,636**	149,772
Share-based payments	**48,879**	(174,158)
Research and development tax credits	**(370,926)**	(398,810)
Different tax rates in countries in which the Group operates	**79,817**	13,545
Movement from IBAs being phased out	**—**	(3,060)
Adjustments to current tax charge in respect of previous periods	**1,652**	297,867
Adjustments to deferred tax charge in respect of previous periods	**16,286**	(621,601)
Losses on which assets not recognised	**(148,008)**	(203,497)
Effect of reduction in deferred tax rate	**(3,284)**	(57,343)
Non-taxable income	**(52,720)**	(20,705)
Tax expense/(credit) for period (note 8a)	**633,251**	(359,900)

9 Dividend – proposed

It is proposed to pay a dividend of 4p per ordinary share of 5p in respect of the year end 31 March 2012. During the year a dividend of 3.5p per ordinary share of 5p was paid in respect of the year end 2011.

10 Profit per ordinary share

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

	Profit 2012 £	Weighted average number of shares 2012 Number	Profit per share 2012 p	Profit 2011 £	Weighted average number of shares 2011 Number	Profit per share 2011 p
Basic profit per share	**3,316,278**	**15,743,946**	**21.06**	2,684,510	15,023,279	17.87
Diluted profit per share						
Basic profit per share	**3,316,278**	**15,743,946**	**21.06**	2,684,510	15,023,279	17.87
Dilutive effect of share options	**—**	**91,376**	**(0.12)**	—	194,177	(0.23)
Diluted profit per share	**3,316,278**	**15,835,323**	**20.94**	2,684,510	15,217,456	17.64

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 2011, using the attained age method, disclosed assets with a market value of £14,856,000, equivalent to 87% 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, 5.0% p.a. post retirement; general growth in salaries is not applicable; pensions accrued prior to 6 April 1997 will increase in payment at 3% p.a. compound; limited price indexation 3.2% p.a. with a minimum of 3%; early leaver indexation 3% p.a. As at 1 April 2011 the calculation carried out in accordance with Section 143 of the Pension Act 2004 showed a funding level of 91%. The Group makes a contribution of 6% of eligible salary subject to the employee contributing a minimum of 4% 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 employee's salary and a matching contribution of 3% for each 1% contributed by the employee up to a maximum Group contribution of 6%.

Notes to the financial statements continued

11 Retirement benefit obligations continued

The total contributions to the schemes over the year was:

	2012 £	2011 £
Pension costs		
UK defined benefit pension cost	**17,000**	504,200
UK defined contribution pension cost	**162,283**	117,770
US 401(k) profit sharing plan	**85,748**	90,340
	265,031	712,310

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

	2012	2011
Discount rate	**4.8%**	5.6%
Expected return on plan assets	**6.59% p.a.**	7.27% p.a.
Future salary increases	**N/A**	N/A
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.5% p.a.**	3.0% p.a.
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.3% p.a.**	3.5% p.a.
Proportion of employees opting for early retirement	**0% p.a.**	0% p.a.
Inflation assumption	**3.3% p.a.**	3.5% p.a.

b) Demographic assumptions

	2012	2011
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**24.4**	24.0
Females	**26.2**	26.0
Retiring in 20 years		
Males	**27.6**	26.0
Females	**29.4**	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 2012 and 31 March 2011 are as follows:

	2012 £	2011 £
Amounts recognised in the income statement are as follows:		
Current service cost	**83,000**	79,000
Interest on obligations	**969,000**	1,055,000
Expected return on plan assets	**(1,062,000)**	(928,000)
Total	**(10,000)**	206,000
Statement of comprehensive income		
Actual return less expected return on pension scheme assets	**(915,000)**	1,837,000
Experience gains and losses arising on the scheme liabilities	**240,000**	313,000
Changes in assumptions underlying the present value of scheme liabilities	**(1,287,000)**	661,000
Net actuarial loss recognised in statement of comprehensive income	**(1,962,000)**	2,811,000
Cumulative amount of actuarial gains and losses recognised in other comprehensive income	**(1,822,000)**	140,000

	2012 £	2011 £
Amounts recognised in the statement of financial position:		
Present value of funded obligations	**(18,565,000)**	(17,930,000)
Fair value of plan assets	**14,023,000**	15,323,000
Deficit as reported by the actuary	**(4,542,000)**	(2,607,000)

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:

	2012 £	2011 £
Opening defined benefit obligation	**17,930,000**	19,017,000
Current service cost	**83,000**	79,000
Member contributions	**—**	—
Interest cost	**969,000**	1,055,000
Actuarial losses/(gains)	**1,047,000**	(974,000)
Losses on curtailments	**—**	—
Benefits paid	**(1,464,000)**	(1,247,000)
Closing defined benefit obligation	**18,565,000**	17,930,000

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:

	2012 £	2011 £
Opening fair value of plan assets	**15,323,000**	13,289,000
Expected return	**1,062,000**	928,000
Actuarial (losses)/gains	**(915,000)**	1,837,000
Contributions by employer	**17,000**	516,000
Benefits paid	**(1,464,000)**	(1,247,000)
Member contributions	**—**	—
Closing fair value of plan assets	**14,023,000**	15,323,000

The actual return on plan assets was £147,000 (2011: £2,765,000). 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 £242,400 (2011: £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:

	2012		2011	
	% total plan assets	**Expected return**	% total plan assets	Expected return
Equities	**58.1%**	**8.0%**	74.7%	8.0%
Bonds	**23.9%**	**4.5%**	10.5%	5.0%
Property	**8.6%**	**6.25%**	8.4%	6.5%
Cash	**9.4%**	**3.5%**	6.4%	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.

11 Retirement benefit obligations continued

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

	2012 £	2011 £	2010 £	2009 £	2008 £
Defined benefit obligation	**18,565,000**	17,930,000	19,017,000	13,102,000	13,297,000
Plan assets	**14,023,000**	15,323,000	13,289,000	11,112,000	13,756,000
(Deficit)/surplus	**(4,542,000)**	(2,607,000)	(5,728,000)	(1,990,000)	459,000
Experience adjustments on plan liabilities	**240,000**	313,000	(18,000)	715,000	35,000
Experience adjustments on plan assets	**(915,000)**	1,837,000	1,396,000	(3,570,000)	(1,508,000)

12 Non-current assets

Property, plant and equipment and investment properties

	Investment properties £	Freehold land and buildings £	Short leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
Group						
Cost/valuation						
At 1 April 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
Additions	—	—	—	135,082	9,995	145,077
Disposals	—	—	—	(389,525)	(27,975)	(417,500)
Foreign exchange difference	—	—	26	(95,051)	—	(95,025)
At 31 March 2012	**3,450,000**	**5,848,602**	**59,290**	**10,676,419**	**95,483**	**20,129,794**
Depreciation						
At 1 April 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
Charge for the year	—	74,937	4,197	122,198	12,062	213,394
Relating to disposals	—	—	—	(389,409)	(25,204)	(414,613)
Foreign exchange difference	—	—	(16)	(91,167)	—	(91,183)
At 31 March 2012	**—**	**950,475**	**52,302**	**10,441,535**	**79,769**	**11,524,081**
Net book value						
At 31 March 2012	**3,450,000**	**4,898,127**	**6,988**	**234,883**	**15,714**	**8,605,713**
At 31 March 2011	3,450,000	4,973,064	11,143	226,000	20,552	8,680,759

Investment properties in both the Group and Company comprise £3,450,000 (2011: £3,450,000) 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 2012.

	Equipment £	Investment properties £	Freehold land and buildings £	Total £
Company				
Cost/valuation				
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
Additions	28,305	—	—	28,305
Revaluation	—	—	—	—
At 31 March 2012	**28,305**	**3,450,000**	**5,848,605**	**9,326,910**
Depreciation				
At 31 March 2010	—	—	800,601	800,601
Charge for the year	—	—	74,937	74,937
At 31 March 2011	—	—	875,538	875,538
Charge for the year	7,076	—	74,937	82,013
At 31 March 2012	**7,076**	**—**	**950,475**	**957,551**
Net book value				
At 31 March 2012	**21,229**	**3,450,000**	**4,898,130**	**8,369,359**
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

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Non-current assets classified as held for sale – properties				
At 1 April	**419,773**	441,408	**—**	—
Disposal	**(247,679)**	—	**—**	—
Revaluation	**(68,847)**	—	**—**	—
Foreign exchange movement	**1,272**	(21,635)	**—**	—
	104,519	419,773	**—**	—

The US-owned land in Winston-Salem classified as held for sale is still on the market for sale. This land 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.

Net profit/(loss) on properties sold or revalued

	2012 £	2011 £
Revaluation of investment properties	**—**	(400,000)
Revaluation of property held for sale	**(68,847)**	—
Profit on disposal of property held for sale	**396,990**	—
	328,143	(400,000)

The property classified as held for sale is located in Winston-Salem, North Carolina and consisted of two sites. The Bethania Station Road site was sold in the year yielding a profit after expenses of £396,990 and the remaining property was revalued yielding a revaluation loss of £68,847.

12 Non-current assets continued

Intangible assets

	2012 £	2011 £
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 to be required.

	2012 £	2011 £
Group – development costs		
Cost		
As at 1 April	**26,202,452**	28,540,546
Additions:		
Internal sources	**2,469,868**	2,359,978
External sources	**1,048,142**	426,408
Disposals	**(4,655,764)**	(5,049,133)
Foreign exchange difference	**(44,417)**	(75,347)
As at 31 March	**25,020,281**	26,202,452
Amortisation		
As at 1 April	**22,578,347**	24,351,465
Charged in the period	**2,944,039**	3,276,015
Relating to disposals	**(4,655,764)**	(5,049,133)
As at 31 March	**20,866,622**	22,578,347
Net book value		
As at 31 March	**4,153,659**	3,624,105
As at 31 March 2010		4,189,081

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	
	2012 £	2011 £	2012 £	2011 £
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	**–**	–	**1,647,491**	1,660,816
Increase/(reduction) in advances	**–**	–	**72,876**	(13,325)
As at 31 March	**–**	–	**1,720,367**	1,647,491
Net book value				
As at 31 March	**–**	–	**6,680,025**	6,607,149

Details of the principal subsidiary undertakings excluding dormant companies 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 as the Company.

14 Related party transactions

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

Company	**2012 £**	2011 £
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**700,000**	600,000
CML Microcircuits (USA) Inc.	**107,078**	64,058
Hyperstone GmbH	**85,252**	51,109
	892,330	715,167
Dividends paid to parent:		
Received from CML Microsystems Inc.	**806,452**	—
Received from Radio Data Technology Ltd	**350,000**	—
Received from CML Microcircuits (Singapore) Pte Ltd	**156,504**	214,172
	1,312,956	214,172
Advances to subsidiary undertakings:		
CML Microcircuits (UK) Ltd	**1,711,869**	1,483,286
Applied Technology (UK) Ltd	**8,498**	8,498
Radio Data Technology Ltd	**—**	155,707
	1,720,367	1,647,491

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:

Company	**2012 £**	2011 £
Short-term employee benefits	**634,082**	618,248
Pension contributions	**64,283**	50,183
Share-based payments	**11,609**	43,134
	709,974	711,565

Notes to the financial statements continued

15 Inventories

	Group 2012 £	Group 2011 £
Raw materials	**999,892**	795,607
Work in progress	**248,566**	315,100
Finished goods	**532,230**	554,822
	1,780,688	1,665,529

16 Trade receivables and prepayments

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Amounts falling due within one year:				
Trade receivables	**1,323,800**	1,159,881	**—**	—
Other receivables	**81,462**	173,335	**11,262**	38,683
Prepayments and accrued income	**160,945**	179,993	**1,117**	87
	1,566,207	1,513,209	**12,379**	38,770

17 Cash and cash equivalents

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Bank and certificates of deposit	**—**	1,807,861	**—**	—
Cash at bank	**7,742,038**	4,437,833	**802,507**	126,651
	7,742,038	6,245,694	**802,507**	126,651

18 Bank loans and overdrafts

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Bank loans	**—**	3,541,077	**—**	—
Bank overdrafts	**2,500,431**	378,334	**—**	—
	2,500,431	3,919,411	**—**	—

The principal financial liability is a £2.5m overdraft facility covered under an agreement expiring 27 September 2012, which bears an interest rate of 1.5% above the appropriate 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 demand 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 £4,898,127 (2011: £4,973,064) 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 (2011: £2,900,000).

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 (2011: £750,000); US$1,200,000 (2011: US$1,100,000); €4,250,000 (2011: €4,250,000) 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 2012, the Group had monetary assets denominated in foreign currencies of £2.9m (2011: £3.1m), of which approximately 90% (2011: 78%) was denominated in US Dollars and 7% (2011: 4%) was denominated in Euros. It also had monetary liabilities denominated in foreign currencies of £3.2m (2011: £3.2m) wholly denominated in Euros. The effects of foreign exchange recognised in the income statement amounted to a profit of £159,808 (2011: profit £123,565).

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	
	2012 Loans and receivables £	2011 Loans and receivables £	**2012 Loans and receivables £**	2011 Loans and receivables £
Current financial assets				
Trade and other receivables	**1,405,262**	1,333,216	**11,262**	38,683
Cash and cash equivalents	**7,742,038**	6,245,694	**802,507**	126,651
Total	**9,147,300**	7,578,910	**813,769**	165,334

Trade and other receivables are all due within six months.

	Group		Company	
	2012 Other financial liabilities £	2011 Other financial liabilities £	**2012 Other financial liabilities £**	2011 Other financial liabilities £
Current financial liabilities				
Trade and other payables	**1,041,331**	1.072,711	**141,403**	114,226
Accruals	**1,125,711**	1,196,829	**170,747**	190,346
Bank loans and overdrafts	**2,500,431**	3,919,411	**—**	—
Total	**4,667,473**	6,188,951	**312,150**	304,572

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

Notes to the financial statements continued

19 Derivatives and other financial instruments continued

Financial instruments recognised in the consolidated statement of financial position continued

Trade receivables are as follows:

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Trade receivables	**1,325,660**	1,164,581	**—**	—
Allowance accounts for trade receivables	**(1,860)**	(4,700)	**—**	—
	1,323,800	1,159,881	**—**	—

The average credit period taken by the Group on sale of goods is 34 days (2011: 34 days). The allowance made for estimated irrecoverable amounts from the sale of goods was reduced by £2,840 (2011: increased £1,920). This allowance has been based on the knowledge of the financial circumstances of individual debtors at the year end.

At 31 March 2012, £Nil (2011: £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.

	2012 £	2011 £
Up to 90 days	**101,128**	128,204
Up to 150 days	**810**	—
	101,938	128,204

The Group only has an allowance account for trade receivables.

	2012 £	2011 £
Opening balance as at 1 April	**4,700**	2,780
Provision for receivables impairment	**—**	1,920
Unused amounts reversed	**(2,840)**	—
Closing balance as at 31 March	**1,860**	4,700

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

At 31 March 2012, £229,423 (2011: £119,344) of receivables was denominated in Sterling, £1,033,878 (2011: £846,742) in US Dollars and £60,499 (2011: £193,795) in Euros. The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £7,742,038 (2011: £6,245,694) 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 programme. 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 £25,004 (2011: £39,491); and
2 other equity and reserves would increase/decrease by £17,546 (2011: £23,695).

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	
	2012 £	2011 £	**2012 £**	2011 £
10% movement in rates will have an impact on:				
Profit/(loss) before tax	**1,160,034**	1,280,246	**179,055**	441,642
Equity	**976,670**	1,034,288	**125,338**	309,149

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	
	2012 £	2011 £	**2012 £**	2011 £
Amounts falling due within one year:				
Trade payables	**880,340**	1,057,152	**—**	—
Other taxation and social security costs	**436,604**	254,994	**70,529**	70,097
Other payables and deferred income	**160,991**	15,559	**141,403**	114,226
Accruals	**1,125,711**	1,196,829	**170,747**	190,346
	2,603,646	2,524,534	**382,679**	374,669

In relation to the defined contribution scheme and included within accruals, the Group had outstanding contributions of £46,418 (2011: £Nil) and the Company had £Nil (2011: £Nil).

21 Current tax liabilities/assets

	Group		Company	
	2012 £	2011 £	**2012 £**	2011 £
Current tax liabilities	**102,034**	49,244	**—**	—
Current tax assets	**135,241**	5,581	**—**	—

22 Deferred tax

	Group		Company	
	2012 **£**	2011 £	**2012** **£**	2011 £
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(820,395)**	(865,254)	**(832,893)**	(917,415)
Tax losses carried forward	**1,790,928**	1,956,754	**183,671**	193,500
Other temporary differences				
Pensions	**1,090,080**	677,820	**—**	—
Share-based payments	**25,940**	77,450	**25,940**	77,450
Research and development	**(1,083,700)**	(953,517)	**—**	—
Provisions	**29,236**	38,987	**—**	—
Other	**26,705**	24,897	**—**	12,988
	1,058,794	957,137	**(623,282)**	(633,477)
Deferred tax asset	**2,731,219**	2,534,390	**209,611**	38,000
Deferred tax liability	**(1,672,425)**	(1,577,253)	**(832,893)**	(671,477)
	1,058,794	957,137	**(623,282)**	(633,477)
At 1 April	**957,137**	924,429	**(633,477)**	(911,996)
Foreign exchange difference	**(35,774)**	(7,635)	**—**	—
Deferred tax (charged)/credited in income statement for year (note 8)	**(320,409)**	840,463	**10,195**	278,519
Deferred tax credited/(charged) to statement of comprehensive income	**457,840**	(800,120)	**—**	—
At 31 March	**1,058,794**	957,137	**(623,282)**	(633,477)

The financial statements include a deferred tax asset of £2,731,219 (2011: £2,534,390), of which £1,709,928 (2011: £1,956,754) 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 credit of £457,840 (2011: deferred tax debit of £800,120) 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 21 March 2012, it was stated that the main rate of corporation tax was to fall to 24% with effect from 1 April 2012. Therefore, the Directors consider it appropriate to use 24% 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 £630,519 and £Nil respectively. Deferred tax assets recoverable/liabilities expected to be settled over twelve months are £2,340,379 and £1,912,105 respectively.

23 Share capital

	2012 £	2011 £	2010 £
Authorised			
25,000,000 ordinary shares of 5p each (2011: 25,000,000 ordinary shares of 5p each)	**1,250,000**	1,250,000	1,250,000
Issued			
At 1 April 2011			
15,706,696 ordinary shares of 5p each	**785,335**	747,381	747,381
Issued in year	**2,782**	37,954	—
55,645 ordinary shares of 5p were issued in the year as a result of employees exercising their options			
At 31 March 2012			
15,762,341 ordinary shares of 5p	**788,117**	785,335	747,381

Share options

On the 2 August 2000 the Company approved at the Annual General Meeting a scheme, which was United Kingdom Revenue & Customs Approved. This scheme was amended and re-approved at the Extraordinary General Meeting held on 10 February 2004. At the 2008 Annual General Meeting a new Enterprise Management Incentive share option plan was approved. On 18 November 2011 a further scheme was approved which is United Kingdom Revenue & Customs Approved and has an addendum for issuing non-approved options. The Company has the authority to grant options up to a limit, at any time, such that no more than 10% of the issued share capital is available under option.

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	Granted Number	Exercised Number	Forfeited Number	**2012 Number**
From 18 June 2010 to 17 June 2017 at £1.16	104,450	—	(24,762)	—	**79,688**
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**
From 16 June 2014 to 15 June 2021 at £2.20	—	387,415	—	(6,368)	**381,047**
From 16 June 2014 to 15 June 2021 at £2.30	—	40,000	—	—	**40,000**
	251,612	427,415	(55,645)	(6,368)	**617,014**

The weighted average exercise price of those options exercised in the year was 99.4p (2011: 93.5p). 5,831 options were exercised on 27 May 2011 at a price of £1.16 when the market price was £2.10, 30,883 options were exercised on 28 July 2011 at a price of 86p when the market price was £2:17 and 18,931 options were exercised on 28 July 2011 at a price of £1.16p when the market price was £2:17. The weighted average exercise price of the share options granted in the year was £2.21.

There has been no movement on the options granted on 29 July 2008 at £0.86 that are exercisable in July 2012 and 2013. The 6,368 options previously exercisable from June 2014 were forfeited due to the employees concerned leaving employment with the Group.

Notes to the financial statements continued

24 Other shareholders' funds

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Share premium				
At 1 April	**4,820,086**	4,148,288	**4,820,086**	4,148,288
Issued in year	**52,501**	671,798	**52,501**	671,798
55,645 ordinary shares of 5p were issued in the year as a result of employees exercising their options				
At 31 March	**4,872,587**	4,820,086	**4,872,587**	4,820,086

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

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Share-based payments				
At 1 April	**297,886**	254,752	**297,886**	254,752
Options exercised or released	**(253,056)**	—	**(253,056)**	—
Charged in year	**63,255**	43,134	**63,255**	43,134
At 31 March	**108,085**	297,886	**108,085**	297,886

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	15/06/11	15/06/11	29/07/08	29/07/08	18/06/07
Share price at grant date	£2.20	£2.20	£0.86	£0.86	£1.16
Exercise price	£2.30	£2.20	£0.86	£0.86	£1.16
Number of employees	2	157	1	1	14
Shares under option	40,000	381,047	58,139	58,140	79,688
Vesting period (years)	3	3	5	4	3
Expected volatility	35.7%	35.7%	25.0%	25.0%	24.6%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	5	4	3
Risk-free rate	4.28%	4.28%	5.39%	5.39%	5.78%
Expected dividend yield	1.50%	1.50%	1.85%	1.85%	2.79%
Possibility of ceasing employment before vesting	4.5%	4.5%	0.0%	0.0%	4.5%
Fair value per option	£0.58	£0.58	£0.23	£0.21	£0.22

The weighted average exercise price and the weighted average expected remaining contractual life are £1.82 (2011: £0.98) and three years (2011: 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 is the yield to redemption on UK Gilt strips with four-year maturity.

Merger reserve

	Group		Company	
	2012 **£**	2011 £	**2012** **£**	2011 £
At 1 April and 31 March	**—**	—	**315,800**	315,800

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

	2012 **£**	2011 £
At 1 April	**326,480**	374,349
Retranslation of overseas subsidiaries	**6,432**	(47,869)
At 31 March	**332,912**	326,480

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

Accumulated profits

	Group		Company	
	2012 **£**	2011 £	**2012** **£**	2011 £
At 1 April	**11,294,116**	6,598,726	**7,968,384**	8,032,465
Profit/(loss) for the year	**3,316,278**	2,684,510	**1,102,218**	(64,081)
Dividend paid	**(549,938)**	—	**(549,938)**	—
Cancellation/transfer of share-based payments	**253,056**	—	**253,056**	—
Net actuarial (loss)/profit	**(1,962,000)**	2,811,000	**—**	—
Deferred tax on actuarial loss/(profit)	**457,840**	(800,120)	**—**	—
At 31 March	**12,809,352**	11,294,116	**8,773,720**	7,968,384

25 Capital commitments

Capital commitments which have been contracted for but for which no provision has been made in these financial statements are £Nil (2011: £Nil).

Notes to the financial statements continued

26 Operating lease arrangements

The Group as a lessee

	2012 £	2011 £
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	**376,643**	365,236

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

	2012 £	2011 £
Within one year	**280,081**	318,217
In the second to fifth year inclusive	**894,767**	629,126
After five years	**488,602**	631,898
	1,663,450	1,579,241

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.

	2012 £	2011 £
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	**121,397**	116,338

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

	2012 £	2011 £
Within one year	**89,192**	97,948
In the second to fifth year inclusive	**3,966**	93,163
	93,158	191,111

The Group and Company as a lessor

Property rental income earned during the year was £165,745 (2011: £219,892). 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:

	2012 £	2011 £
Within one year	**47,550**	42,588
In the second to fifth year inclusive	**178,200**	3,000
After five years	**211,613**	—
	437,363	45,588

27 Notes to the cash flow statement

	2012 £	2011 £
Group		
Decrease in working capital:		
Profit on sale of plant and equipment	**(6,152)**	(31,665)
Profit on sale of property	**(396,990)**	—
Increase in inventories	**(115,159)**	(176,690)
Decrease in receivables	**58,420**	1,289,150
Decrease in payables	**(32,306)**	(154,611)
	(492,187)	926,184

Analysis of changes in net cash:

	Net cash at 1 April 2011 £	Cash flow £	Exchange movement £	Net cash at 31 March 2012 £
Cash and cash equivalents	6,245,694	1,515,510	(19,166)	**7,742,038**
Bank loans and overdrafts	(3,919,411)	1,418,980	—	**(2,500,431)**
	2,326,283	2,934,490	(19,166)	**5,241,607**

	2012 £	2011 £
Company		
(Increase)/decrease in working capital:		
(Increase)/decrease in advance to subsidiary undertaking	**(72,876)**	13,325
Decrease/(increase) in receivables	**26,391**	(37,504)
Increase in payables	**8,010**	253,304
	(38,475)	229,125

Analysis of changes in net debt:

	Net debt at 1 April 2011 £	Cash flow £	Net debt at 31 March 2012 £
Cash and cash equivalents	126,651	675,856	**802,507**

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 22 June 2012.

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 1 August 2012 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 auditor for the year ended 31 March 2012.

2 To receive and approve the Directors' remuneration report for the year ended 31 March 2012.

3 To declare a final dividend of 4p per 5p ordinary share for the year ended 31 March 2012 to be paid on 3 August 2012 to shareholders whose names appear on the register at the close of business on 22 June 2012.

4 To re-appoint G. W. Gurry, who retires by rotation, as a Director of the Company.

5 To re-appoint Baker Tilly UK Audit LLP as auditor of the Company.

6 To authorise the Directors to determine the remuneration of the auditor.

Special business

Ordinary resolution

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

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 £525,410 (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 £262,705 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £262,705, 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 resolutions
To consider, and if thought fit, to pass the following resolutions as special resolutions:

8 That, subject to the passing of resolution 7 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

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 £39,405, 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 2,364,351;

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
22 June 2012

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

Notice of Annual General Meeting continued

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 30 July 2012.

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 30 July 2012 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 30 July 2012 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 30 July 2012 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.

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 6pm on 30 July 2012 (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 auditor's report and the conduct of the audit) that are to be laid before the AGM; or b) any circumstance connected with an auditor 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 auditor 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. In order to be able to exercise the members rights to require the Company to publish audit concerns the relevant request must be made by (a) a member or members having a right to vote at the meeting and holding at least 5% of the voting rights of the Company or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 11 and the website referred to in note 9. Where a member or members wishes to request the Company to publish audit concerns such request must be made in accordance with one of the following ways (a) by hard copy request which is signed by a member, states their full name and address and is sent to CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG or (b) a request which states the member's full name and address, and is sent to group@cmlmicroplc.com . Please state "AGM" in the subject line of the email.

11 Voting rights

As at 21 June 2012 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 15,762,342 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 June 2012 were 15,762,342 votes.

12 Payment of dividend

It is proposed to pay the dividend, if approved, on 3 August 2012 to shareholders registered on 22 June 2012.

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.

Notice of Annual General Meeting continued

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.

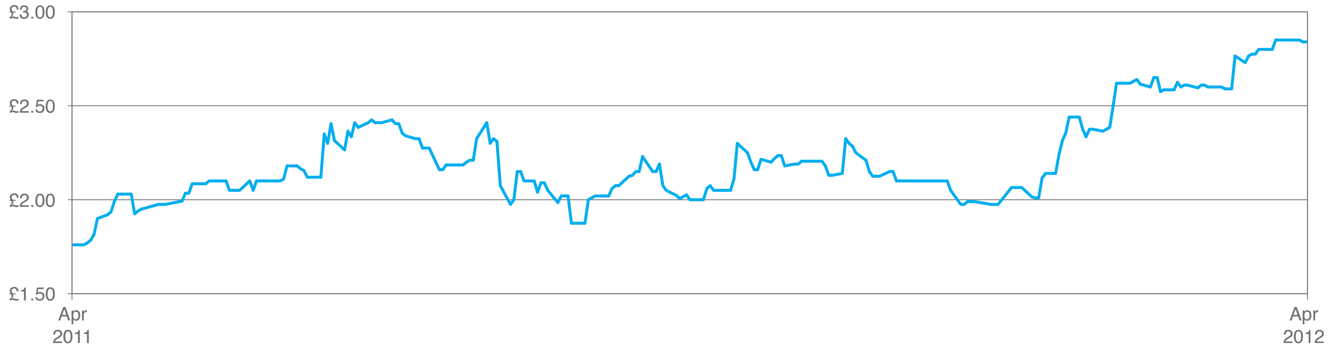
15 Documents available for inspection
A copy of each of the Directors' service contracts or letter of appointment will be available for inspection at the registered office of the Company during normal business hours on each business day (Saturdays and public holidays excepted) from the date of this notice 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

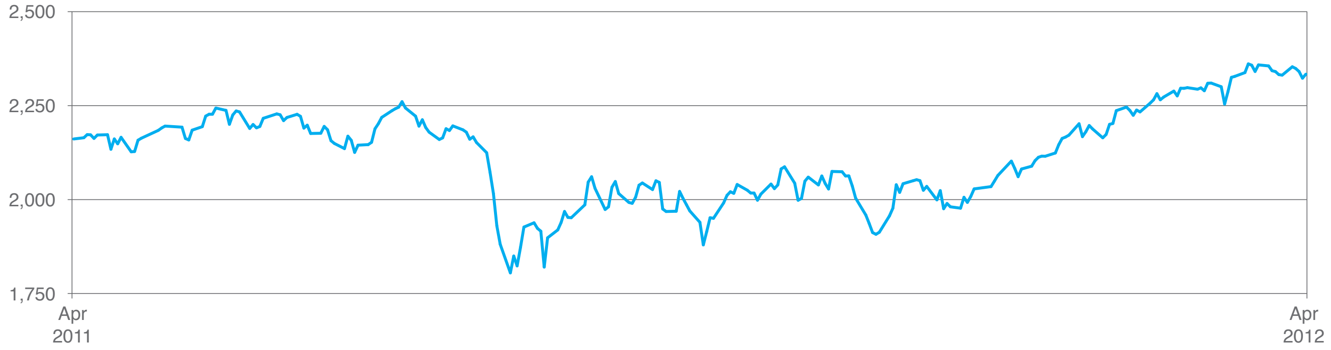
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Income statement					
Revenue	**23,409**	22,122	16,089	17,098	17,768
Gross profit	**16,213**	15,368	10,202	11,705	11,040
Gross profit percentage	**69.26%**	68.83%	63.41%	68.46%	62.13%
Profit/(loss) before taxation	**3,950**	2,324	(2,089)	(1,728)	(3,209)
Earnings per share					
Basic	**21.06p**	17.87p	(14.29)p	(4.13)p	(17.53)p
Diluted	**20.94p**	17.64p	(14.29)p	(4.13)p	(17.53)p
Balance sheet					
Shareholders' equity	**18,911**	17,524	14,795	17,596	17,477
	Number	Number	Number	Number	Number
Issued 5p ordinary shares	**15,762,341**	15,706,696	14,947,626	14,947,626	14,947,626

Shareholder information

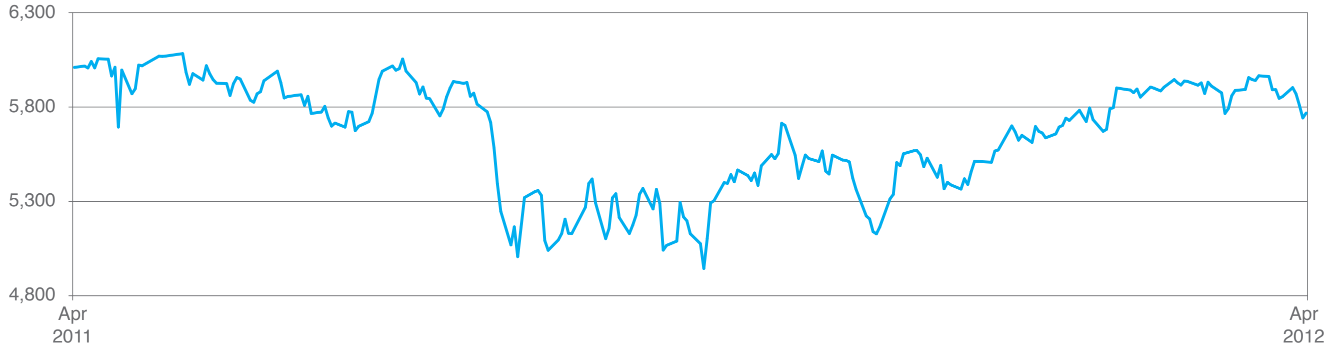
CML Microsystems Plc share price – for the year ended 31 March 2012



TechMark 100 Index – for the year ended 31 March 2012



FTSE 100 Index – for the year ended 31 March 2012



Financial calendar

2012

1 August	Annual General Meeting
30 September	Half-year end
20 November	Anticipated date for half-year results

2013

31 March	Year end
11 June	Anticipated date for preliminary announcement of year-end 2013 results

Glossary

AIS	automatic identification system
CF	compact flash
FirmAsic	CML proprietary technology (Registered Trade Mark)
GPRS	general packet radio service
IC	integrated circuit
iCF	industrial compact flash
LMR	land mobile radio
M2M	machine to machine
MM card	Multi Media card
PABX	public access branch exchange
PATA	Parallel ATA interface
PMR	professional mobile radio
QAM	Quadrature Amplitude Modulation
RF	radio frequency
SATA	Serial ATA interface
SD card	Secure Digital card
SoC	system on chip
SSD	solid state drives

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