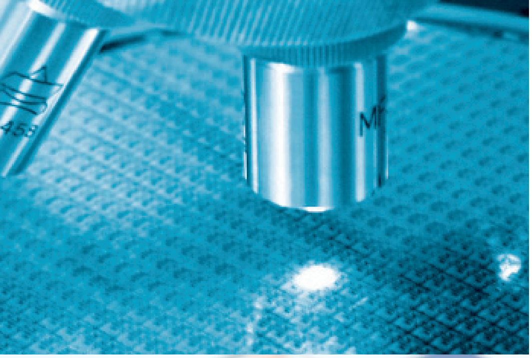
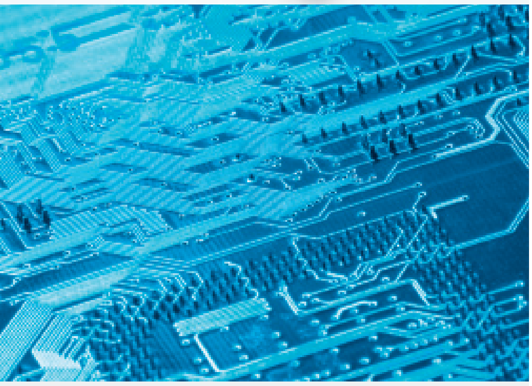
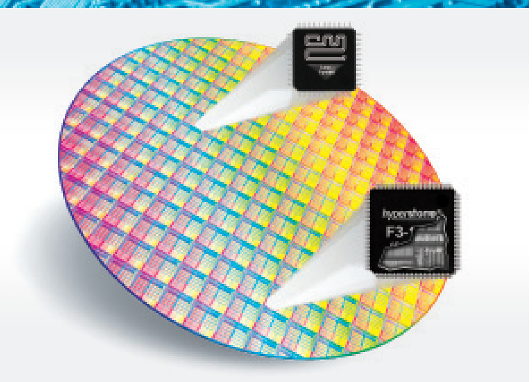
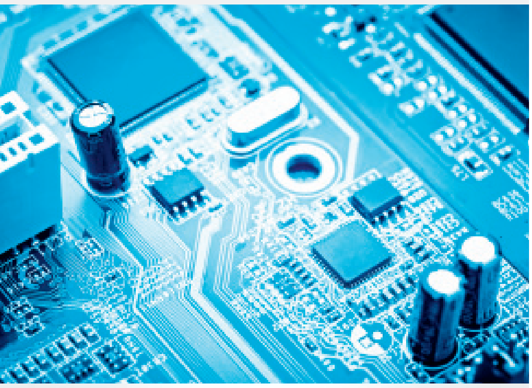



CML Microsystems Plc

delivering innovative semiconductor solutions

CML Microsystems Plc

Annual Report & Accounts 2013

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.

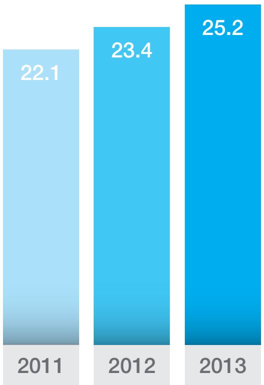
Visit us online at
cmlmicroplc.com

Our results

Revenue

£25.2m

£m

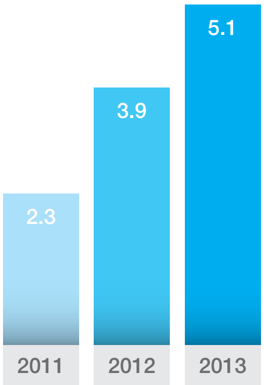


↑7.8%

Pre-tax profit

£5.1m

£m

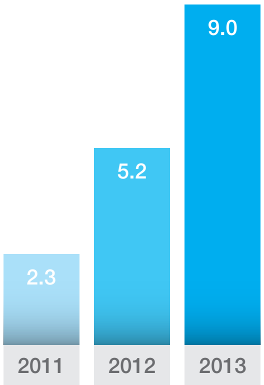


↑28.4%

Net cash

£9.0m

£m

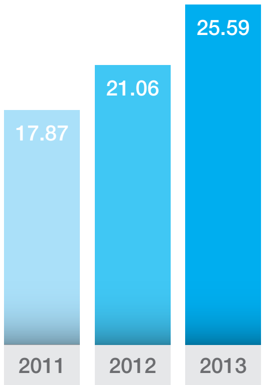


↑71.4%

Basic earnings per share

25.59p

p

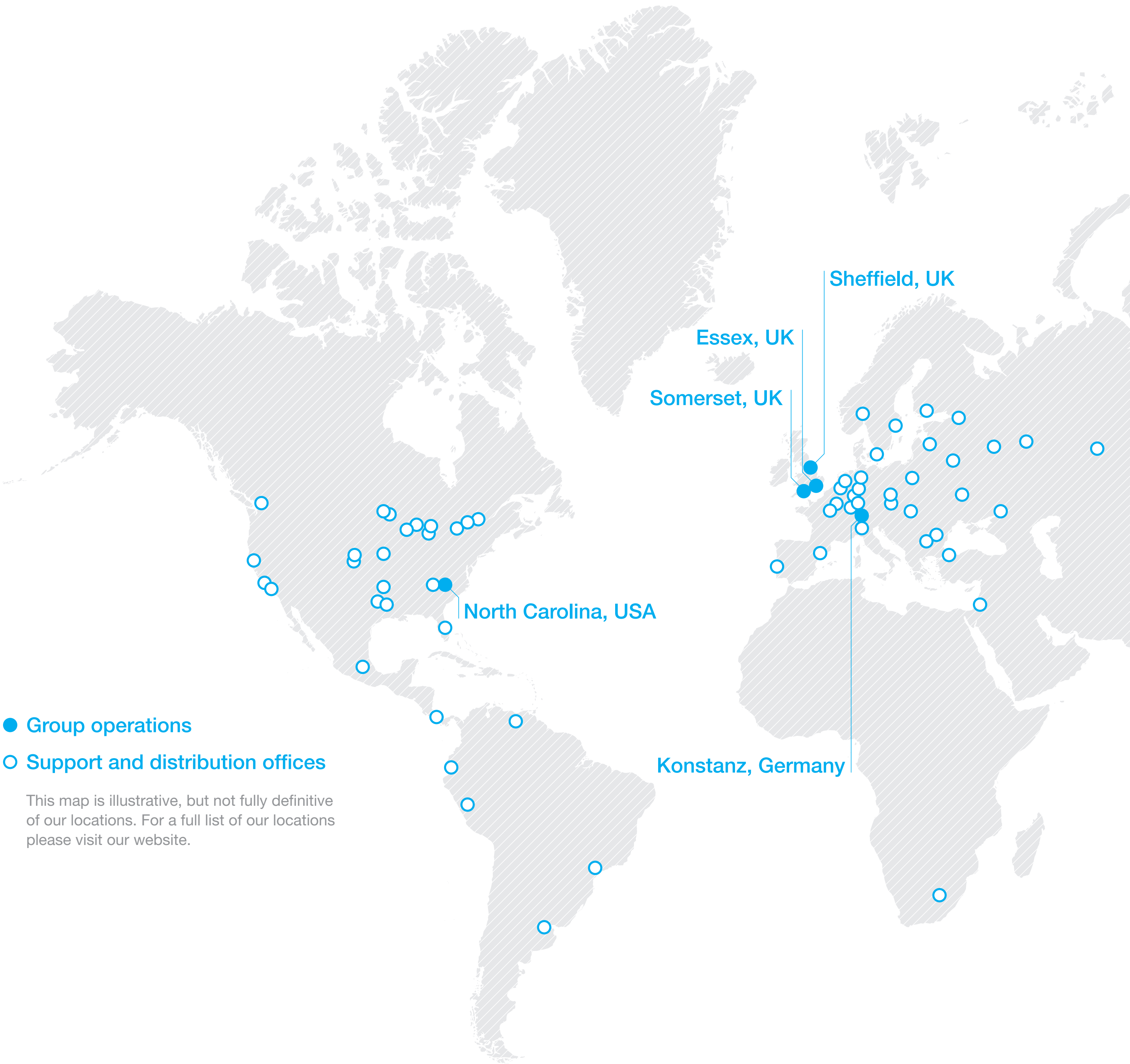


↑21.5%

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.

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.

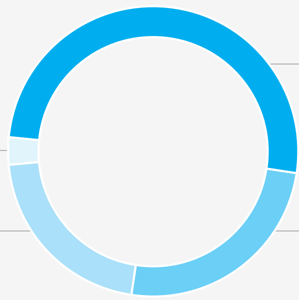
Key statistics

Established in	Offices	Staff
1968	**7**	**179**

2013 revenue split by region

	2013 £	2012 £
Far East	**12,932,413**	11,273,902
Americas	**6,383,848**	6,298,963
Europe	**5,132,238**	5,013,285
Rest of World	**789,440**	823,252
Total	**25,237,939**	23,409,402

Geographical analysis of business performance



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)

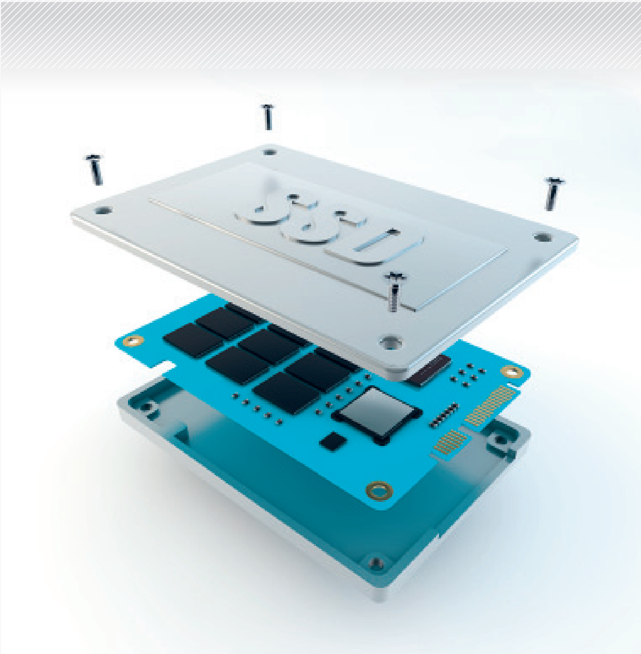
Read more on page 10

Semiconductor

Storage

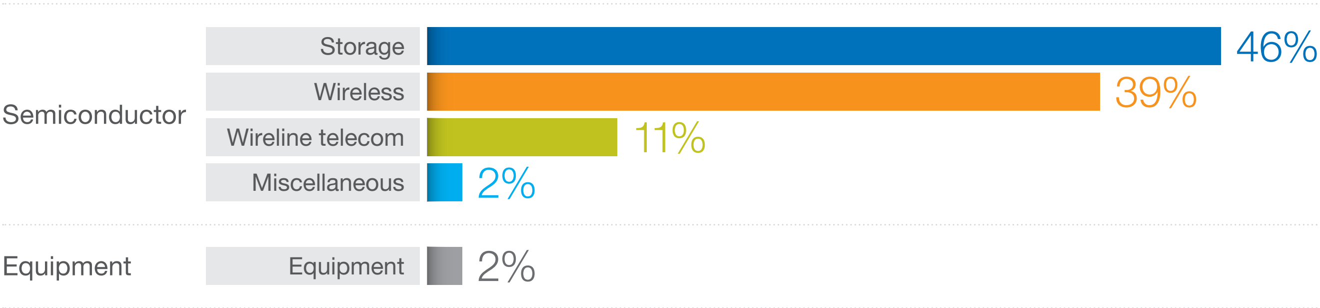
Application areas

- Industrial flash-memory cards (CompactFlash, SD card, multi-media card)
- Solid State Drives (SSDs), embedded storage, “special function” cards



Read more on page 11

Percentage of Group revenue



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

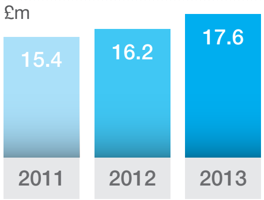
- Radio modems
- Wireless telemetry
- Wireless video

Read more on page 13

Continued progress

Gross profit

£17.6m



8.3%

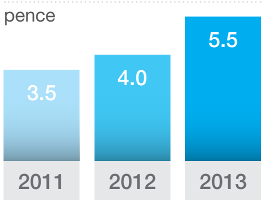
Shareholders' equity

£21.4m

13%

Dividend

5.5p



37.5%

> "The firm uplift in trading profitability in conjunction with diligent cost management practices pushed net cash reserves higher and serves to satisfy the confidence reported by the Board at the interim stage."

Introduction

I am pleased to report that the results for the full year to 31 March 2013 demonstrate a further clear performance improvement in the Group's trading position against the continued backdrop of economic uncertainty.

Particular encouragement can be drawn from the positive sales gains that were posted in the two principal market areas of storage and wireless and from the increased adoption of the Group's expanded product range. The operating and financial review makes clear the details.

The firm uplift in trading profitability in conjunction with diligent cost management practices pushed net cash reserves higher and serves to satisfy the confidence reported by the Board at the interim stage.

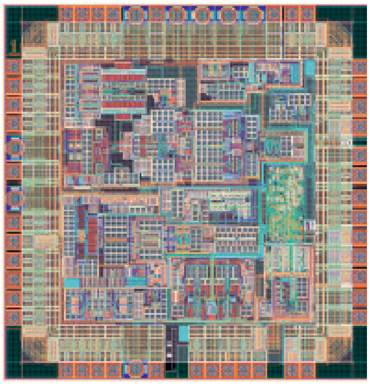
Results

To summarise the results, Group revenues for the year just ended were £25.24m (2012: £23.41m) while gross profit was £17.56m (2012: £16.21m). A profit before tax of £5.07m compares to the previous years profit of £3.95m.

The Group generated £3.74m of cash and further enhanced its net cash position to £8.98m (2012: £5.24m). Diluted earnings per share increased by 20% to 25.18p (2012: 20.94p).

Dividend

Your Directors believe that shareholders should receive appropriate benefit according to the performance of their Company. Having considered the trading improvement made along with the current outlook, the Board is recommending payment of a final dividend of 5.5p per ordinary share (2012: 4.0p per ordinary share) to be paid on 2 August 2013 to all shareholders whose names appear on the register at close of business on 21 June 2013.



Property

Efforts directed at realising both income and capital value from the Group's non-operational property assets continued through the year. Almost all industrial properties are now let to tenants and the potential to further develop the Group's headquarters site in Langford, Essex, is the subject of an on-going planning application appeal process.

Equipment segment

The Board has taken the decision to exit from the Group's loss making equipment segment, Radio Data Technology Ltd (RDT). For the year to 31 March 2013, RDT posted revenues of £590k and recorded a trading loss of £383k. The exit of this business segment is scheduled to be completed during the first half of the current financial year.

Prospects

There is no doubt that the continuing economic uncertainty remains a concern for most global companies. That said, the evidence at this stage is for further profitable growth by your Company through the year ahead and, subject to unforeseen circumstances, I am confident that my expectations will be realised.

In concluding, I would like to once again express the Board's thanks to our worldwide employee base for their skills, the dedication they show and their on-going commitment towards the Group's success.

G. W. Gurry
Chairman

1 Group headquarters located at Langford, Essex, UK.

2 A print out ("plot") of a one of the Group's semiconductors produced from the computer aided design system. Each colour here represents a layer of the semiconductor.

Increased revenues

"With a clear focus on industrial application areas, our policy has been to combine our resources and proprietary technology together with an intimate knowledge of the target market applications to develop class-leading semiconductor products. These products typically address difficult-to-solve customer problems linked to technical performance and cost."

Our strategy

1:

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

2:

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

3:

offer superior levels of **technical support**

Overview

The 12 month trading period to 31 March 2013 represented another year of firm progress for the Group as a whole as we continued to execute our sustainable growth strategy.

With a clear focus on industrial application areas, our policy has been to combine our resources and proprietary technology together with an intimate knowledge of the target market applications to develop class-leading semiconductor products. These products typically address difficult-to-solve customer problems linked to technical performance and cost.

The Group's two main semiconductor market sectors, storage and wireless, each posted solid revenue gains as the products emanating from our multi-year research and development activities gained traction with customers.

The following results serve to highlight the very positive effects we are seeing from progressive revenue growth built on the foundations of a stable cost base and a focussed product strategy with high technical barriers to entry.

Financial results

Overall Group revenues for the year ended 31 March 2013 grew by almost 8% to £25.24m (2012: £23.41m) driven once again by improved sales of semiconductors into the storage and wireless equipment sectors. The Group's equipment segment, Radio Data Technology, posted a disappointing fall in sales to £590k (2012: £759k). Revenues from the semiconductor segment alone were £24.65m against a prior year comparable of £22.65m representing growth of just under 9%.

Whilst the majority of customer transactions were denominated in US Dollars, the Group had exposure to a number of foreign currencies throughout the year. The effects of foreign exchange recognised in the income statement amounted to a profit of £219k (2012: profit £160k).

Gross profit recorded was £17.56m representing an increase of over 8% against the prior year (2012: £16.21m) and the overall gross margin remained stable at 69%.

The figure recorded for the Group's distribution and administration expenses shows an overall reduction to £12.74m from £13.05m in the previous year. The main reason for the comparative decrease is a reduction in the amortisation of development costs to £2.52m (2012: £2.94m). A constant amortisation charge year on year would have seen overall expenses at £13.17m which is a better reflection of the fact that real costs increased over the period.

Operational highlights

- **group revenues grew almost 8% to £25.24m (2012: £23.41m)**
- **profit before tax rose 28% to £5.07m (2012: 3.95m)**
- **both main semiconductor market sectors posted solid revenue gains**
- **focussed product strategy is proving effective**
- **exit planned from under performing Radio Data Technology business**

At the operating level, and prior to the effects of other operating income, profits rose by 52% to £4.82m (2012: £3.16m) representing a record achievement for the Group.

Other operating income consists mainly of EU grant funding and rental income from Group-owned industrial properties that are surplus to operational requirements. The level of EU funding reduced from £206k in 2012 to £71k this year whilst the level of rental income also fell to £117k (2012: £166k) reflecting the lack of a full year contribution from new tenants.

The Group's improved cash position led to net finance income of £25k (2012 net expense of £30k) excluding pensions effects.

Profit before taxation rose by 28% to total £5.07m (2012: £3.95m).

The Group generated a healthy level of cash through the year. Net cash inflow was £3.74m (2012: £2.92m) following payment of a £631k dividend (2012: £550k) relating to the prior financial year and a decrease in bank loans and short-term borrowings of £2.16m. At 31 March 2013 cash reserves stood at £8.98m (2012: £5.24m) and bank loans and overdrafts had reduced to £338k (2012: £2.50m).

Inventory levels were well managed through the year and closed at £1.69m, slightly down on the prior year end position of £1.78m.

Total research and development expenses reduced to £3.75m (2012: £4.59m). Of this, an amount of £698k (2012: £1.07m) was written off through the consolidated income statement. Internal development costs increased from £2.47m in 2012 to £2.75m this year but a large decrease in external expenditure with third party partners to £302k (2012: £1.05m) produced an overall decline.

Income tax expense amounted to £1.02m against a prior year expense of £633k. The change was largely attributable to deferred tax movements and equated to an effective tax rate of 20% (2012: 16%) being recorded.

This year, the income statement benefited from a small improvement associated with pensions accounting under IAS 19 and distribution and administration costs fell by £158k as a result. However, there was a material adverse effect on the Group's balance sheet due to the liability associated with the Group's defined benefit pension scheme that has been closed to new entrants and future accruals for many years. The deficit now stands at £6.12m (2012: £4.54m).

This substantial increase in the Group's retirement benefit obligation is attributable to a number of factors but the one significant variable that contributes is that of the discount rate applied. The scheme actuary, in keeping with current practice, has reduced the discount rate used from 4.80% in 2012 to 4.25% this year. As a comparison, in our 2008 report and accounts the rate used was 6.70%. Whilst it is impossible to predict future discount rates, the effect of this one variable is clearly visible when considering that if the 2008 discount rate was applied this year, the scheme would be significantly in surplus.

In the year to 31 March 2013 the overall performance of the investments in the pension fund exceeded the predictions made by the actuary in the previous annual report and the Company made additional contributions in accordance with the agreed deficit reduction plan.

Wireless

Wireless product revenues grew by approximately 14% to a total of £9.80m (2012: £8.60m) and represented close to 39% of overall Group sales. Average selling prices remained stable with the growth being delivered through higher shipment quantities. Across the prior five full financial years, the Group has achieved a CAGR of 8% in revenue terms for the wireless sector.

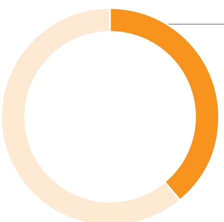
Only three of the Group's top twenty wireless customers failed to increase their spend year on year and no single customer accounted for more than 6% of total Group revenues.

The product mix was dominated by the shipment of analogue and digital baseband processing ICs for voice centric analogue and digital two-way radio sub-markets as well as a strong year of growth from the Group's complementary high performance radio frequency (RF) products. The revenue levels from legacy semiconductors targeted at data specific application areas was slightly down but progress with newer higher speed products that interface to the RF portfolio was encouraging. The year under review demonstrated that our strategy for developing high performance multi-chip wireless solutions has started to deliver meaningful revenue growth.

The potential exists for contractual volatility within certain public safety wireless applications as was evidenced by the contrasting revenues between the first six month period and the second half. The relative effects of this are expected to diminish over time as a growing number of customers enter production using Group multi-chip solutions.

Engineering development activities were directed at expanding the functionality and performance of the RF product range, ensuring our configurable FirmASIC technology is optimised for future performance and cost requirements and for developing next generation connectivity ICs for digital radio standards.

Group revenue

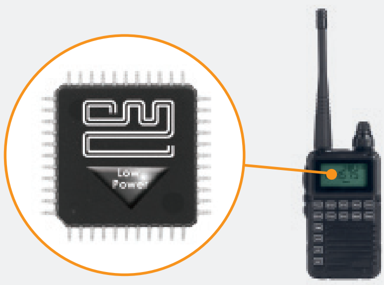


39%
2012: 37%

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

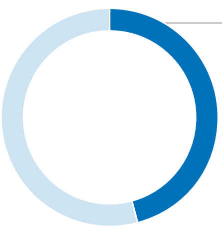
During the year under review, revenues from the shipment of flash memory controller integrated circuits (ICs) into the solid state storage market increased by 6.5% to £11.55m year on year (2012: £10.84m). This represented 46% of total Group revenues and equated to a five year compound annual growth rate (CAGR) of 23%. The main contributing growth factor was the increase in shipment volumes. Average selling prices were fractionally ahead of the prior year as a result of product mix.

The majority of semiconductors sold into this category contained a PATA host interface and were used within industrial compact flash card applications amongst many of the top networking and telecom equipment manufacturers. Meaningful deliveries of industrial SD controllers were also made to address the growing trend within certain applications to utilise this form factor. Production quantity shipments of the Group's first SATA controller commenced during the final quarter of the year to initial lead customers developing CFast and other industry standard SATA SSD form factors.

The Group had only one customer accounting for more than 10% of overall revenues. The contribution to revenue from this customer was 13.5% (2012: 10.5%).

Following full production release of the SATA controller during the year, engineering resources focussed on the development of next generation solutions that will integrate updated and alternative host interface technologies. A key objective is to also ensure high levels of compatibility with the third party NAND flash memory technology that is expected to dominate our end markets over the coming years. It is expected that the first of these products, a next generation SD controller, will be sampled to customers during the summer months.

Group revenue

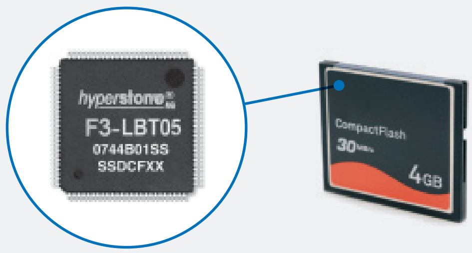


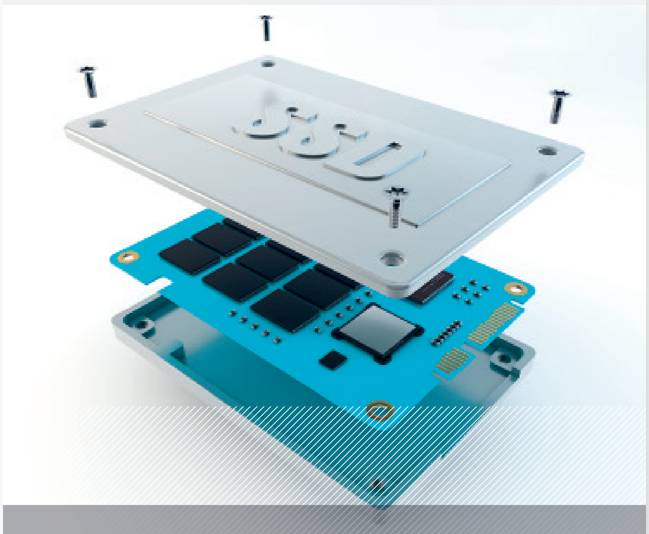
46%
2012: 46%

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 recorded from wireline telecom semiconductors as a whole were slightly down at £2.68m (2012: £2.78m) representing 11% of Group revenues. This follows from the two prior years where revenue gains of 6% (2012) and 13% (2011) were posted. There was no impact at the gross profit level due to product mix.

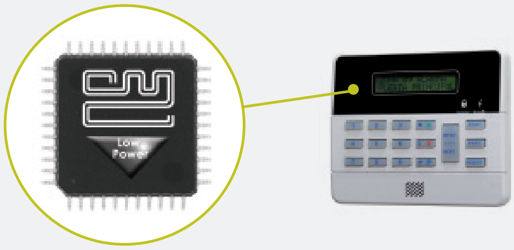
The main reason for the reduction was lower value shipments into Chinese point of payment terminals. Apart from this one application area there was a measurable increase in sales across the other wireline telecom application areas. A healthy level of customer design activity surrounds the wireline modem product family and the underlying overall trend is one of stability in this sector.

Engineering activities remained focussed on ensuring that the telecom product range is price and performance competitive for the sub-markets addressed and that the Group can continue to benefit from the low rates of product obsolescence that customers associate with the CML name.

Typical applications

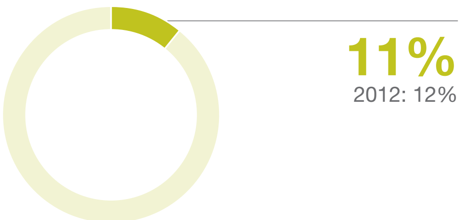
CML
semiconductors

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.

Group revenue



Equipment

The Chairman's report highlighted the disappointing performance from Radio Data Technology (RDT), which represents the Group's equipment segment. Revenues dropped to £590k from £759k in the prior year and contributed 2% to overall Group revenues. The segment posted a loss of £383k compared to a loss of £55k in the prior year.

The traditional wireless markets addressed by RDT have suffered from a downturn associated with the global economic volatility of the last few years whilst a trend amongst the customers to use more recent technologies has not played to the company's historical technical strengths.

The Board decided to take appropriate action to address the negative effect of RDT's trading on the Group's performance and this has culminated in an exit from the business being agreed.

An orderly closure of the company has been initiated which is expected to be completed during the first six months trading period of the current financial year to 31 March 2014. Thereafter, the Group's sole reporting segment will be semiconductors.

Summary and outlook

One of the priorities reported in the 2012 operating and financial review, was to drive increased sales revenues by focussing on multi-year sustainable end market opportunities. Given the niche nature of the markets addressed, and the lengthy customer design and qualification periods that are prevalent, this on-going process will take time. Nevertheless, the trading performance reported for the year highlights the advances that are being made.

The record profit posted at the Operating level was a pleasing result as was the recorded increase in net cash reserves. This performance comes whilst we continue to invest in class leading semiconductors for our storage and wireless market areas, expand our valuable engineering resources and look to enhance financial resources further by capitalising on our non-operational property assets.

A consistent level of engineering expenditure targeted at standard product offerings has led to good levels of new customer design-in opportunities. The Group's internal and external selling resources are focussed on positioning us appropriately with those companies that are or will be the leading equipment manufacturers of the future in each of the focus end markets. This is a key requirement to drive sustainable growth.

Within the industrial storage markets addressed, flash memory controller technology is key to the performance required by some of the world's most demanding manufacturers. The market is growing as more and more applications switch to solid state storage and away from traditional hard disk technology.

Revenues to date have largely been derived from the sale of controllers into compact flash applications with a relatively small contribution from SD controllers. The year ahead will be the first full year that the Group can benefit from a production ready SATA controller and through the year ahead we aim to expand the product range further.

For the wireless markets addressed there are a number of drivers that are expected to deliver increasing revenues through the years ahead. The gradual migration of the analogue radio technology within two-way radio applications to the newer digital standards has started and the move to higher data rates within the narrowband wireless data end markets is also under way. As already reported, the Group's RF product range is expanding and customers are increasingly adopting Group multi-chip solutions.

During April 2013, the Group announced the expansion of its UK engineering team with the opening of a design office in Sheffield, England. The integration of this team is proceeding according to plan. As reported at the time, the combined capabilities of the enlarged development group will enable us to expand our wireless product roadmap to capitalise on a wider range of growth opportunities.

For the year ahead we expect additional revenue growth although the exit of the equipment segment will lead to 2013 revenues being restated within the income statement next year. At the operating level, the higher expenses associated with the expansion of our engineering team will be partially offset by the reduction in operating expenses from the equipment segment.

Overall, the Group expects to make further firm progress in profitability during the coming year as we make the transition to a fully focussed semiconductor operation.

The Board is pleased with the positive developments made through the course of the year and looks forward to delivering increased shareholder value for the full year to 31 March 2014.

C. A. Gurry
Managing Director

Directors and advisors

George Gurry
Chairman
Aged 81, he is Non-Executive Chairman and a founder of the Company.

Chris Gurry
Managing Director
Aged 49, 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 59, 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 66, 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 79, 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.

Jim Lindop (appointed 1 April 2013)
Non-Executive Director
Aged 56, Jim has over 30 years' experience in the semiconductor industry and was more recently founder and Chief Executive of Jennic Ltd, a privately held semiconductor company that was acquired by NXP Semiconductor in 2010.

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Joint Stockbrokers
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London EC2R 7AS

S P Angel
Prince Frederick House
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London W1S 2PP

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 2013.

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 Conduct 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 and the Company 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 to 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 £5,071,076 (2012: profit £3,949,529) and the profit attributable to equity owners of the parent was £4,054,181 (2012: profit £3,316,278).

Dividends

The Directors are proposing a dividend in respect of the year end 31 March 2013 of 5.5p per 5p ordinary share (2012: 4p 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 2013 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, 110,257 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 2012 AGM, to purchase in the market up to 2,364,351 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 2,380,889 5p ordinary shares at the 2013 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 2012 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 £529,086.

Interests in voting rights

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 7 June 2013, 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
Cazenove Capital Management Limited	Institutional investor	11.18%
Legal and General Investment Management Limited	Institutional investor	9.36%
M. I. Gurry	Private investor	6.15%
Herald Investment Management	Institutional investor	5.96%
T. M. R. Dean	Private investor	5.67%
Slater Investments Limited	Institutional investor	5.67%
Hargreave Hale Limited	Institutional investor	5.07%
J. M. Finn Nominees Limited	Institutional investor	4.11%
Prudential Portfolio Managers Limited	Institutional investor	3.94%

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 2013 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 2013, 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 2013	31 March 2012
G. W. Gurry	**1,575,869**	2,671,869
C. A. Gurry	**922,874**	822,874
N. G. Clark	**77,100**	90,000
G. J. Bates	**81,813**	81,813
R. J. Shashoua	**143,500**	130,270

The above interests in the ordinary share capital of the Company are beneficial. G. W. Gurry's holding excludes 75,000 (2012: 75,000) 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 2013 and 7 June 2013 apart from that of C. A. Gurry's holding where 5,307 shares were sold on 3 April 2013. With the exception of Directors' service contracts there are no contracts of significance in which the Directors have an interest.

Report of the Directors continued

Third party indemnity provision for Directors

The Company currently has in place, and has done for the whole of the year ended 31 March 2013, Directors' and officers' liability insurance for the benefit of all Directors of the Company.

Annual General Meeting

The notice of the Annual General Meeting sets forth resolutions for the customary ordinary business resolutions 1 to 7 and also special business comprising of one ordinary resolution 8 and two special resolutions 9 and 10 relating to the following matters:

Special business ordinary resolution

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

Special business special resolutions

9 To disapply the pre-emption provisions of the Companies Act 2006.

10 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 inventory counts 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.

Post balance sheet event

On 1 April 2013 Mr James Andrew Lindop was appointed to the Board as a Non-Executive Director and will be offering himself for re-election at the Annual General Meeting.

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
21 June 2013

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. The contracts of the Executive Directors allow the provision of company car to be exchanged for a car allowance and from 1 March 2013 N. G. Clark took this option having returned his company car on 15 December 2012. This allowance is added to the benefits in kind figure.

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 £57,233 (2012: £64,283) were made towards the defined contribution scheme during the year in respect of the Executive Directors as detailed later in this report.

Share options

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

Remuneration (audited)

Individual Director's remuneration was as follows:

2013	Salary £	Bonus £	Benefits in kind £	Total excluding pension £	Pension contribution £	Total £
G. W. Gurry	**32,500**	**—**	**—**	**32,500**	**—**	**32,500**
C. A. Gurry	**201,400**	**45,315**	**21,719**	**268,434**	**25,650**	**294,084**
N. G. Clark	**190,800**	**42,930**	**13,180**	**246,910**	**31,583**	**278,493**
G. J. Bates	**25,000**	**—**	**1,226**	**26,226**	**—**	**26,226**
R. J. Shashoua	**25,000**	**—**	**—**	**25,000**	**—**	**25,000**
	474,700	**88,245**	**36,125**	**599,070**	**57,233**	**656,303**

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

Share options (audited)

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

	Number of options at 1 April 2012	Options exercised in year	Gain on options exercised in year	Options granted in year	**Number of options at 31 March 2013**	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
	58,140	(58,140)	£124,420	—	**—**	£0.86	28 July 2012 to 27 July 2018
	58,139	—	—	—	**58,139**	£0.86	28 July 2013 to 27 July 2018
	156,279	(58,140)	£124,420	—	**98,139**		

On 2 August 2012 N. G. Clark exercised 58,140 options at the exercise price of £0.86 and sold the shares at the market price of £3.00.

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 2013 was 417.5p (2012: 284p) and the range for the year was 236p to 445p.

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:

	2013 Number	2012 Number
Money purchase scheme	**2**	2
Defined benefit scheme	**2**	2

Pensions (audited) continued

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 2013 £	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 2012 £	**Transfer value of accrued pension at 31 March 2013 £**	Total change in transfer value during period (less Directors' contributions) £
C. A. Gurry	**30,965**	1,340	9,136	333,345	**342,481**	9,136

The increase in accrued pension including inflation would be £892 for C. A. Gurry. G. J. Bates is a pension member of the defined benefit scheme.

Non-Executive Directors

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

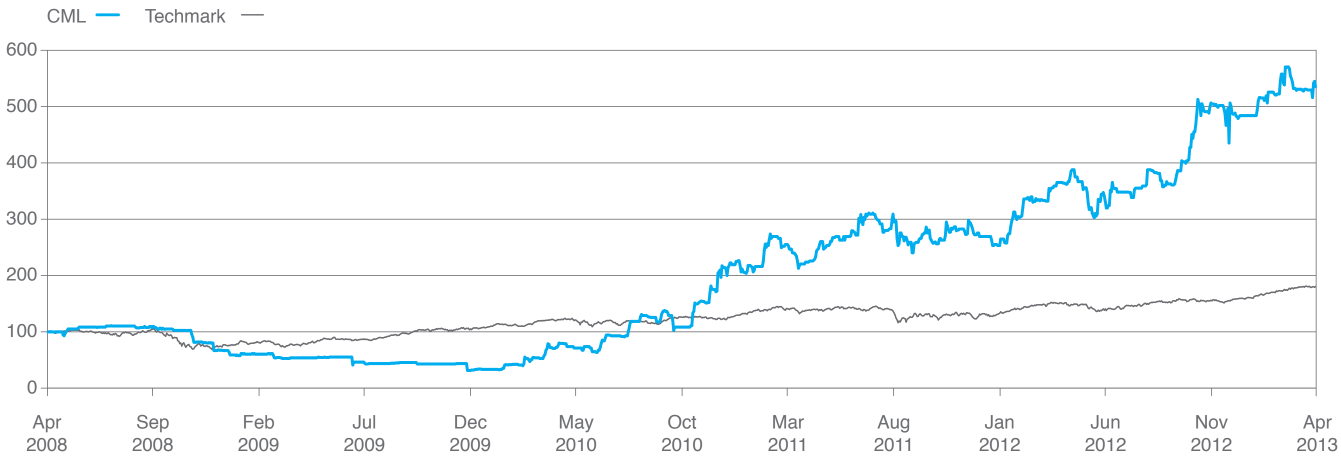
Directors' service contracts

Each Executive Director is employed by the Company under a written contract of employment that provides for termination by either party giving twelve-months' notice.

No other Director has a service contract with the Company nor are they appointed for a specific term of office. Directors are subject to re-appointment at the first Annual General Meeting after their appointment and thereafter, apart from the Managing Director, one third of the remaining Directors shall retire by rotation at the Annual General Meeting.

Company's performance

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



On behalf of the Board of Directors

N. G. Clark
Director and Company Secretary
21 June 2013

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 Code 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 four 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 2013, 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 19 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 on-going process in place for identifying, evaluating and managing the Group's significant risks.

Audit

The Financial Director is responsible for the appointment of the 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 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; and
- Code Provision D.2.1 in that there are no independent Non-Executive Directors on the remuneration 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 half-year 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
21 June 2013

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 2013 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

21 June 2013

Consolidated income statement

for the year ended 31 March 2013

	Notes	2013 £	2012 £
Continuing operations			
Revenue	3	**25,237,939**	23,409,402
Cost of sales	4	**(7,673,852)**	(7,196,586)
Gross profit		**17,564,087**	16,212,816
Distribution and administration costs	4	**(12,742,667)**	(13,050,186)
		4,821,420	3,162,630
Other operating income	4	**296,547**	458,745
Profit from operations		**5,117,967**	3,621,375
Share-based payments	24	**(101,525)**	(63,255)
Profit after share-based payments		**5,016,442**	3,558,120
Net profit on properties sold or revalued	12	**—**	328,143
Finance costs	7	**(34)**	(38,514)
Finance income	7	**54,668**	101,780
Profit before taxation		**5,071,076**	3,949,529
Income tax expense	8	**(1,016,895)**	(633,251)
Profit after taxation attributable to equity owners of the parent	10	**4,054,181**	3,316,278
Profit per share			
Basic	10	**25.59p**	21.06p
Diluted	10	**25.18p**	20.94p

Consolidated statement of comprehensive income

for the year ended 31 March 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Profit for the year			**4,054,181**		3,316,278
Other comprehensive income, net of tax					
Foreign exchange differences		**180,620**		6,432	
Actuarial loss on retirement benefit obligations	11	**(1,768,000)**		(1,962,000)	
Deferred tax on actuarial losses	22	**406,640**		457,840	
Other comprehensive income for the year net of taxation attributable to equity owners of the parent			**(1,180,740)**		(1,497,728)
Total comprehensive income for the year			**2,873,441**		1,818,550

Consolidated statement of financial position

as at 31 March 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Assets					
Non-current assets					
Property, plant and equipment	12		**5,094,035**		5,155,713
Investment properties	12		**3,450,000**		3,450,000
Development costs	12		**4,674,421**		4,153,659
Goodwill	12		**3,512,305**		3,512,305
Deferred tax asset	22		**2,737,409**		2,731,219
			19,468,170		19,002,896
Current assets					
Inventories	15	**1,692,599**		1,780,688	
Trade receivables and prepayments	16	**2,522,168**		1,566,207	
Current tax assets	21	**138,720**		135,241	
Cash and cash equivalents	17	**9,322,957**		7,742,038	
			13,676,444		11,224,174
Non-current assets classified as held for sale properties	12		**109,977**		104,519
Total assets			**33,254,591**		30,331,589
Liabilities					
Current liabilities					
Bank loans and overdrafts	18		**338,267**		2,500,431
Trade and other payables	20		**3,308,282**		2,603,646
Current tax liabilities	21		**56,851**		102,034
			3,703,400		5,206,111
Non-current liabilities					
Deferred tax liabilities	22	**2,063,299**		1,672,425	
Retirement benefit obligation	11	**6,122,000**		4,542,000	
			8,185,299		6,214,425
Total liabilities			**11,888,699**		11,420,536
Net assets			**21,365,892**		18,911,053
Capital and reserves attributable to equity owners of the parent					
Share capital	23		**793,630**		788,117
Share premium	24		**4,977,531**		4,872,587
Share-based payments reserve	24		**171,199**		108,085
Foreign exchange reserve	24		**513,532**		332,912
Accumulated profits	24		**14,910,000**		12,809,352
Shareholders' equity			**21,365,892**		18,911,053

The financial statements on pages 26 to 57 were approved and authorised for issue by the Board on 21 June 2013 and signed on its behalf by:

G. W. Gurry
Director

N. G. Clark
Director

Registered in England and Wales: 944010

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Consolidated and Company cash flow statements

for the year ended 31 March 2013

		Group		Company	
	Notes	2013 £	2012 £	2013 £	2012 £
Operating activities					
Net profit for the year before taxation		**5,071,076**	3,949,529	**660,447**	1,092,023
Adjustments for:					
Depreciation		**241,546**	213,394	**87,301**	82,013
Amortisation of development costs		**2,517,374**	2,944,039	**—**	—
Revaluation of investment properties/properties held for sale		**—**	68,847	**—**	—
Movement in pensions deficit		**(188,000)**	66,000	**—**	—
Share-based payments		**101,525**	63,255	**101,525**	63,255
Finance costs		**34**	38,514	**—**	—
Finance income		**(24,668)**	(6,780)	**(186)**	(153)
Increase in working capital	27	**(163,686)**	(492,187)	**(1,064,385)**	(38,475)
Cash flows from operating activities		**7,555,201**	6,844,611	**(215,298)**	1,198,663
Income tax paid		**(70,620)**	(398,274)	**—**	—
Net cash flows from operating activities		**7,484,581**	6,446,337	**(215,298)**	1,198,663
Investing activities					
Purchase of property, plant and equipment		**(179,448)**	(145,077)	**(21,152)**	(28,305)
Investment in development costs		**(3,048,481)**	(3,518,010)	**—**	—
Disposal of property, plant and equipment		**450**	9,039	**—**	—
Disposal of assets held for sale		**—**	668,590	**—**	—
Finance income		**24,668**	6,780	**186**	153
Net cash flows from investing activities		**(3,202,811)**	(2,978,678)	**(20,966)**	(28,152)
Financing activities					
Issue of ordinary shares		**110,457**	55,283	**110,456**	55,283
Dividend paid to shareholders		**(630,584)**	(549,938)	**(630,584)**	(549,938)
Finance costs		**(34)**	(38,514)	**—**	—
Decrease in bank loans and short-term borrowings		**(2,162,164)**	(1,418,980)	**—**	—
Net cash flows from financing activities		**(2,682,325)**	(1,952,149)	**(520,128)**	(494,655)
Increase/(decrease) in cash and cash equivalents		**1,599,445**	1,515,510	**(756,392)**	675,856
Movement in cash and cash equivalents:					
At start of year	17	**7,742,038**	6,245,694	**802,507**	126,651
Increase/(decrease) in cash and cash equivalents		**1,599,445**	1,515,510	**(756,392)**	675,856
Effects of exchange rate changes		**(18,526)**	(19,166)	**—**	—
At end of year		**9,322,957**	7,742,038	**46,115**	802,507

Consolidated statement of changes in equity
for the year ended 31 March 2013

	Share capital £	Share premium £	Share-based payments £	Foreign exchange reserve £	Accumulated profits £	Total £
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
Profit for year					**4,054,181**	**4,054,181**
Other comprehensive income net of taxes						
Foreign exchange differences				**180,620**		**180,620**
Net actuarial loss recognised directly to equity					**(1,768,000)**	**(1,768,000)**
Deferred tax on actuarial losses					**406,640**	**404,640**
Total comprehensive income for year	**—**	**—**	**—**	**180,620**	**(1,361,360)**	**(1,182,740)**
	788,117	**4,872,587**	**108,085**	**513,532**	**15,502,173**	**21,784,494**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**5,513**	**104,944**				**110,457**
Dividend paid					**(630,584)**	**(630,584)**
Total transactions with owners in their capacity as owners	**5,513**	**104,944**	**—**	**—**	**(630,584)**	**(520,127)**
Share-based payments in year			**101,525**			**101,525**
Cancellation/transfer of share-based payments			**(38,411)**		**38,411**	**—**
At 31 March 2013	**793,630**	**4,977,531**	**171,199**	**513,532**	**14,910,000**	**21,365,892**

Company statement of financial position

as at 31 March 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Assets					
Non-current assets					
Property, plant and equipment	12		**4,853,210**		4,919,359
Investment properties	12		**3,450,000**		3,450,000
Investments	13		**7,763,290**		6,680,025
Deferred tax asset	22		**153,313**		209,611
			16,219,813		15,258,995
Current assets					
Trade receivables and prepayments	16	**45,499**		12,379	
Cash and cash equivalents	17	**46,115**		802,507	
			91,614		814,886
Total assets			**16,311,427**		16,073,881
Liabilities					
Current liabilities					
Trade and other payables	20		**434,679**		382,679
			434,679		382,679
Non-current liabilities					
Deferred tax liabilities	22		**787,190**		832,893
Total liabilities			**1,221,869**		1,215,572
Net assets			**15,089,558**		14,858,309
Equity					
Share capital	23		**793,630**		788,117
Share premium	24		**4,977,531**		4,872,587
Share-based payments reserve	24		**171,199**		108,085
Merger reserve	24		**315,800**		315,800
Accumulated profits	24		**8,831,398**		8,773,720
Total shareholders' equity			**15,089,558**		14,858,309

The financial statements on pages 26 to 57 were approved and authorised for issue by the Board on 21 June 2013 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 2013

	Share capital £	Share premium £	Share-based payments £	Merger reserve £	Accumulated profits £	Total £
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
Profit for year					**649,851**	**649,851**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**649,851**	**649,851**
Transactions with owners in their capacity as owners						
Issue of ordinary shares	**5,513**	**104,944**				**110,457**
Dividend paid					**(630,584)**	**(630,584)**
Total transactions with owners in their capacity as owners	**5,513**	**104,944**	**—**	**—**	**(630,584)**	**(520,127)**
Share-based payments in year			**101,525**			**101,525**
Cancellation/transfer of share-based payments			**(38,411)**		**38,411**	**—**
At 31 March 2013	**793,630**	**4,977,531**	**171,199**	**315,800**	**8,831,398**	**15,089,558**

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, adjustments in respect of prior years 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.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in the profit or loss in the year that the options are cancelled or settled.

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

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

1 Accounting policies continued

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 other than goodwill

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

The Group has adopted the following new and amended IFRS from their effective date:

IAS 12 Deferred Tax: Recovery of Underlying Assets. Applicable for periods commencing on or after 1 January 2012. IAS 12 requires the measurement of deferred tax liabilities and deferred tax assets to reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

IAS 1 Clarification of the Statement of Changes in Equity ("SOCE"). The amendments are applicable for periods beginning on or after 1 January 2011 and clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Amendments to IFRS 10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance. The standard is applicable for periods beginning on or after 1 January 2013. The amendments to IFRS 10 clarify the first time application of the standard, when the standard need not apply, retrospective adjustment to comparative periods and the use of transitional relief.
IAS 1	Presentation of Financial Statements. Specifies requirements for comparative information when an entity provides more than the minimum required, plus additional disclosures required on a change of accounting policy or retrospective restatement or reclassification. Applicable for periods beginning on or after 1 January 2013.
IFRS 16	Presentation of Financial Statements. Applicable for periods beginning on or after 1 January 2013. Clarifies classification of service equipment and spare parts as either property, plant and equipment or inventory.
IAS 32	Financial Instruments: Presentation. Applicable for periods beginning on or after 1 January 2013. Income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.
IAS 34	Interim Financial Reporting. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements. Applicable for periods beginning on or after 1 January 2013.
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities. The amendments provide additional guidance in respect of offsetting financial instruments and therefore changes have also been made to IFRS 7 as noted below. Applicable for periods beginning on or after 1 January 2014.
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. Applicable for periods beginning on or after 1 January 2013. This amendment requires disclosure of gross financial assets and liabilities for which there are legally enforceable rights of set-off as well as details of the amounts set-off and information about financial assets and financial liabilities subject to enforceable master netting agreements, including details of collateral.
IFRS 10	Consolidated Financial Statements. The standard redefines control (which is the basis of determining which entities are consolidated). The standard also provides additional guidance on how to apply the control principle. Applicable for periods beginning on or after 1 January 2013.
IFRS 11	Joint Arrangements. This new standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes consistent principles for financial reporting for all types of jointly controlled arrangements. Applicable for periods beginning on or after 1 January 2013.
IFRS 12	Disclosure of Interests in Other Entities. This new standard applies to entities that have interests in subsidiaries, joint arrangements, associates and other unconsolidated structured entities and aims to make those disclosures consistent. Applicable for periods beginning on or after 1 January 2013.
IAS 27	Separate Financial Statements. The revised standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity presents separate financial statements. Applicable for periods beginning on or after 1 January 2013.
IAS 28	Interests in Associates and Joint Ventures. The amendments to this standard provide that the equity method of accounting should be used to account for investments in associates and joint ventures in consolidated financial statements and thus, eliminates the choice to proportionately consolidate joint ventures that was previously available under IAS 31 (revised 2008). In addition, the equity method must also be used in the individual financial statements of an investor that does not have any subsidiaries. Applicable for periods beginning on or after 1 January 2013.
IFRS 9	Financial Instruments. IAS 39 will be replaced by this standard over three phases. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts plus requirements on accounting for financial liabilities. Applicable for periods commencing on or after 1 January 2015.

Whilst the IASB effective dates for IFRS 10, 11 and 12 and amended IAS 27 and 28 is periods beginning on or after 1 January 2013, EU companies are permitted an extra year before they are required to apply them.

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

	2013			2012		
	Equipment £	**Semiconductor components £**	**Group £**	Equipment £	Semiconductor components £	Group £
Revenue						
By origination	**589,919**	**40,493,752**	**41,083,671**	758,700	38,245,773	39,004,473
Inter-segmental revenue	**—**	**(15,845,732)**	**(15,845,732)**	—	(15,595,071)	(15,595,071)
Total segmental revenue	**589,919**	**24,648,020**	**25,237,939**	758,700	22,650,702	23,409,402
Segmental result	**(383,207)**	**5,399,649**	**5,016,442**	(55,474)	3,613,594	3,558,120
Net profit on properties sold/revaluation			**—**			328,143
Finance expense			**(34)**			(38,514)
Finance income			**54,668**			101,780
Income tax			**(1,016,895)**			(633,251)
Profit after taxation			**4,054,181**			3,316,278
Assets and liabilities						
Segmental assets	**273,128**	**26,545,357**	**26,818,485**	610,697	23,299,913	23,910,610
Unallocated corporate assets						
Investment properties			**3,450,000**			3,450,000
Properties held for sale			**109,977**			104,519
Deferred taxation			**2,737,409**			2,731,219
Current tax receivable			**138,720**			135,241
Consolidated total assets			**33,254,591**			30,331,589
Segmental liabilities	**228,325**	**3,079,957**	**3,308,282**	182,761	2,420,885	2,603,646
Unallocated corporate liabilities						
Deferred taxation			**2,063,299**			1,672,425
Current tax liability			**56,851**			102,034
Bank loans and overdrafts			**338,267**			2,500,431
Retirement benefit obligation			**6,122,000**			4,542,000
Consolidated total liabilities			**11,888,699**			11,420,536

Other segmental information

	2013			2012		
	Equipment	**Semiconductor components**	**Group**	Equipment	Semiconductor components	Group
	£	**£**	**£**	£	£	£
Property, plant and equipment additions	**—**	**179,448**	**179,448**	4,068	141,009	145,077
Development cost additions	**58,964**	**2,989,517**	**3,048,481**	78,352	3,439,658	3,518,010
Depreciation	**1,120**	**240,426**	**241,546**	5,925	207,469	213,394
Amortisation	**171,073**	**2,346,301**	**2,517,374**	73,840	2,870,199	2,944,039
Other non-cash income	**—**	**188,000**	**188,000**	—	(41,848)	(41,848)

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. It is the Directors' intention to exit the equipment segment in the year ended 31 March 2014.

Geographical information

	UK £	Germany £	Americas £	Far East £	Total £
Year ended 31 March 2013					
Revenue by origination	**13,383,113**	**11,402,649**	**6,258,588**	**10,039,321**	**41,083,671**
Inter-segmental revenue	**(6,244,716)**	**(9,601,016)**	**—**	**—**	**(15,845,732)**
Revenue to third parties	**7,138,397**	**1,801,633**	**6,258,588**	**10,039,321**	**25,237,939**
Property, plant and equipment	**4,887,586**	**60,187**	**136,348**	**9,914**	**5,094,035**
Investment properties	**3,450,000**	**—**	**—**	**—**	**3,450,000**
Property held for sale	**—**	**—**	**109,977**	**—**	**109,977**
Goodwill	**—**	**3,512,305**	**—**	**—**	**3,512,305**
Development cost	**1,960,306**	**2,714,115**	**—**	**—**	**4,674,421**
Total assets	**25,088,461**	**5,135,199**	**1,404,040**	**1,626,891**	**33,254,591**
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

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

	2013 £	2012 £
Geographical classification of turnover (by destination):		
United Kingdom	**1,263,942**	1,243,341
Rest of Europe	**3,868,296**	3,769,944
Far East	**12,932,413**	11,273,902
Americas	**6,383,848**	6,298,963
Others	**789,440**	823,252
	25,237,939	23,409,402

4 Profit from operations

	2013 £	2013 £	2012 £	2012 £
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation		**67,248**		64,434
Amount of inventories written down		**139,408**		41,983
Cost of inventories recognised as expense		**6,367,701**		6,822,109
Distribution costs (mainly staff costs)		**2,821,850**		2,665,257
Administration costs:				
Amortisation	**2,517,374**		2,944,039	
Depreciation	**174,298**		148,960	
Auditor's fees	**147,302**		179,308	
Rentals under operating leases:				
Land and buildings	**360,790**		376,643	
Other operating leases	**118,822**		121,397	
Research and development	**698,134**		1,072,551	
Other expenses (mainly staff costs)	**5,904,097**		5,542,031	
		9,920,817		10,384,929
		12,742,667		13,050,186

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

	2013 £	2012 £
Audit services		
Statutory audit of Company's annual accounts and Group consolidation	**57,500**	55,000
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**	11,000
Audit of associated pension schemes	**10,000**	12,750
Other services supplied pursuant to such legislation	**5,098**	14,000
Tax services		
Tax compliance services	**23,250**	18,000
Advisory services	**2,000**	19,935
	108,848	130,685
Amounts payable to other auditors in respect of both audit and non-audit services		
Statutory audit services	**30,084**	32,174
Tax compliance services	**4,129**	9,931
Other services	**4,241**	6,518
	38,454	48,623
Other operating income:		
Rental income	**117,072**	165,745
Profit on sale of property, plant and equipment	**450**	6,152
EU grants and consulting	**70,620**	205,780
Other income	**108,405**	81,068
	296,547	458,745

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

5 Employees

	2013 £	2012 £
Staff costs, including Directors, during the year amounted to:		
Wages and salaries	**8,420,850**	8,238,497
Social security costs	**1,090,579**	929,168
Other pension and health care costs	**955,004**	559,133
Share-based payments	**101,525**	63,255
	10,567,958	9,790,053

	2013 Number	2012 Number
The average number of employees, including Directors, during the year was:		
Administration	**36**	35
Engineering	**76**	72
Manufacturing	**41**	40
Selling	**26**	26
	179	173

Notes to the financial statements continued

6 Directors' emoluments

	2013 £	2012 £
Remuneration (including fees)	**656,303**	627,603
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**294,084**	281,233

Further details on Directors' emoluments can be found in the Directors' remuneration report on pages 20 to 22.

7 Finance income and costs

	2013 £	2012 £
Bank interest receivable	**24,668**	8,780
Pension finance income	**30,000**	93,000
	54,668	101,780
Bank interest payable	**34**	38,514

8 Income tax expense

a) Analysis of tax expense in period

	2013 £	2012 £
Current tax		
UK corporation tax on results of the period	**(127,203)**	(133,870)
Adjustment in respect of previous periods	**(15,346)**	—
	(142,549)	(133,870)
Foreign tax on results of the period	**391,332**	445,069
Foreign tax – adjustment in respect of previous periods	**(8,783)**	1,652
Total current tax	**240,000**	312,851
Deferred tax		
Current period movement	**732,787**	304,114
Benefit from a previously unrecognised tax loss	**44,108**	16,286
Total deferred tax	**776,895**	320,400
Tax charge on profit on ordinary activities (note 8b)	**1,016,895**	633,251

b) Factors affecting tax expense for period

Tax assessed for the period is lower than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	2013 £	2012 £
Profit before tax	**5,071,076**	3,949,529

	2013 £	2012 £
Profit before tax multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	**1,217,058**	1,026,878
Effects of:		
Capital allowances (in excess of)/less than depreciation	**(10,902)**	11,041
Expenses not deductible for tax purposes	**20,520**	23,636
Share-based payments	**(34,887)**	48,879
Research and development tax credits	**(468,170)**	(370,926)
Different tax rates in countries in which the Group operates	**195,660**	79,817
Adjustments to current tax charge in respect of previous periods	**(24,129)**	1,652
Adjustments to deferred tax charge in respect of previous periods	**44,108**	16,286
Losses on which assets no longer recognised/(losses utilised on which no assets recognised)	**92,710**	(148,008)
Effect of reduction in deferred tax rate	**35,323**	(3,284)
Non-taxable income	**(50,396)**	(52,720)
Tax expense for period (note 8a)	**1,016,895**	633,251

9 Dividend – proposed

It is proposed to pay a dividend of 5.5p per ordinary share of 5p in respect of the year ended 31 March 2013. During the year a dividend of 4p per ordinary share of 5p was paid in respect of the year ended 2012.

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 2013 £	Weighted average number of shares 2013 Number	Profit per share 2013 p	Profit 2012 £	Weighted average number of shares 2012 Number	Profit per share 2012 p
Basic profit per share	**4,054,181**	**15,841,435**	**25.59**	3,316,278	15,743,946	21.06
Diluted profit per share						
Basic profit per share	**4,054,181**	**15,841,435**	**25.59**	3,316,278	15,743,946	21.06
Dilutive effect of share options	**—**	**256,941**	**(0.41)**	—	91,376	(0.12)
Diluted profit per share	**4,054,181**	**16,098,376**	**25.18**	3,316,278	15,835,322	20.94

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 6% 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%.

11 Retirement benefit obligations continued

The total contributions to the schemes over the year were:

	2013 £	2012 £
Pension costs		
UK defined benefit pension cost	**242,400**	17,000
UK defined contribution pension cost	**154,357**	162,283
US 401(k) profit sharing plan	**122,923**	85,748
	519,680	265,031

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

	2013	2012
Discount rate	**4.25%**	4.8%
Expected return on plan assets	**6.34% pa**	6.59% p.a.
Future salary increases	**N/A**	N/A
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.6%**	2.5% p.a.
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.4%**	3.3% p.a.
Proportion of employees opting for early retirement	**0%**	0% p.a.
Inflation assumption	**3.4%**	3.3% p.a.

b) Demographic assumptions

	2013	2012
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**24.5**	24.4
Females	**26.4**	26.2
Retiring in 20 years		
Males	**27.8**	27.6
Females	**29.6**	29.4

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 2013 and 31 March 2012 are as follows:

	2013 £	2012 £
Amounts recognised in the income statement are as follows:		
Current service cost	**84,000**	83,000
Interest on obligations	**886,000**	969,000
Expected return on plan assets	**(916,000)**	(1,062,000)
Total	**54,000**	(10,000)
Statement of comprehensive income		
Actual return less expected return on pension scheme assets	**855,000**	(915,000)
Experience gains and losses arising on the scheme liabilities	**(50,000)**	240,000
Changes in assumptions underlying the present value of scheme liabilities	**(2,573,000)**	(1,287,000)
Net actuarial loss recognised in statement of comprehensive income	**(1,768,000)**	(1,962,000)
Cumulative amount of actuarial gains and losses recognised in other comprehensive income	**(3,590,000)**	(1,822,000)

	2013 £	2012 £
Amounts recognised in the statement of financial position:		
Present value of funded obligations	**(21,679,000)**	(18,565,000)
Fair value of plan assets	**15,557,000**	14,023,000
Deficit as reported by the actuary	**(6,122,000)**	(4,542,000)

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:

	2013 £	2012 £
Opening defined benefit obligation	**18,565,000**	17,930,000
Current service cost	**84,000**	83,000
Interest cost	**886,000**	969,000
Actuarial losses	**2,623,000**	1,047,000
Benefits paid	**(479,000)**	(1,464,000)
Closing defined benefit obligation	**21,679,000**	18,565,000

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:

	2013 £	2012 £
Opening fair value of plan assets	**14,023,000**	15,323,000
Expected return	**916,000**	1,062,000
Actuarial gains/(losses)	**855,000**	(915,000)
Contributions by employer	**242,000**	17,000
Benefits paid	**(479,000)**	(1,464,000)
Member contributions	**—**	—
Closing fair value of plan assets	**15,557,000**	14,023,000

The actual return on plan assets was £1,771,000 (2012: £147,000). 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 £242,000 (2012: £242,400) 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:

	2013		2012	
	% total plan assets	**Expected return**	% total plan assets	Expected return
Equities	**66.7%**	**8.0%**	58.1%	8.0%
Bonds	**17.7%**	**3.5%**	23.9%	4.5%
Property	**3.3%**	**6.25%**	8.6%	6.25%
Cash	**12.3%**	**1.5%**	9.4%	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:

	2013 £	2012 £	2011 £	2010 £	2009 £
Defined benefit obligation	**21,679,000**	18,565,000	17,930,000	19,017,000	13,102,000
Plan assets	**15,557,000**	14,023,000	15,323,000	13,289,000	11,112,000
Deficit	**(6,122,000)**	(4,542,000)	(2,607,000)	(5,728,000)	(1,990,000)
Experience adjustments on plan liabilities	**(50,000)**	240,000	313,000	(18,000)	715,000
Experience adjustments on plan assets	**855,000**	(915,000)	1,837,000	1,396,000	(3,570,000)

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 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
Additions	**—**	**—**	**—**	**179,448**	**—**	**179,448**
Disposals	**—**	**—**	**(12,062)**	**(5,984)**	**(11,300)**	**(29,346)**
Foreign exchange difference	**—**	**—**	**1,929**	**46,891**	**—**	**48,820**
At 31 March 2013	**3,450,000**	**5,848,602**	**49,157**	**10,896,774**	**84,183**	**20,328,716**
Depreciation						
At 1 April 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
Charge for the year	**—**	**74,937**	**—**	**166,609**	**—**	**241,546**
Relating to disposals	**—**	**—**	**(12,062)**	**(5,984)**	**(11,300)**	**(29,346)**
Foreign exchange difference	**—**	**—**	**1,564**	**46,836**	**—**	**48,400**
At 31 March 2013	**—**	**1,025,412**	**41,804**	**10,648,996**	**68,469**	**11,784,681**
Net book value						
At 31 March 2013	**3,450,000**	**4,823,190**	**7,353**	**247,778**	**15,714**	**8,544,035**
At 31 March 2012	3,450,000	4,898,127	6,988	234,883	15,714	8,605,713

Investment properties in both the Group and Company comprise £3,450,000 (2012: £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. The Directors do not consider that the present valuation has changed as at 31 March 2013 having considered the local property market.

	Equipment £	Investment properties £	Freehold land and buildings £	Total £
Company				
Cost/valuation				
At 1 April 2011	—	3,450,000	5,848,605	9,298,605
Additions	28,305	—	—	28,305
At 31 March 2012	28,305	3,450,000	5,848,605	9,326,910
Additions	**21,152**	**—**	**—**	**21,152**
At 31 March 2013	**49,457**	**3,450,000**	**5,848,605**	**9,348,062**
Depreciation				
At 1 April 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
Charge for the year	**12,364**	**—**	**74,937**	**87,301**
At 31 March 2013	**19,440**	**—**	**1,025,412**	**1,044,852**
Net book value				
At 31 March 2013	**30,017**	**3,450,000**	**4,823,193**	**8,302,210**
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

	Group		Company	
	2013 £	2012 £	**2013 £**	2012 £
Non-current assets classified as held for sale – properties				
At 1 April	**104,519**	419,773	**—**	—
Disposal	**—**	(247,679)	**—**	—
Revaluation	**—**	(68,847)	**—**	—
Foreign exchange movement	**5,458**	1,272	**—**	—
	109,977	104,519	**—**	—

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 on properties sold or revalued

	2013 £	2012 £
Revaluation of investment properties	**—**	—
Revaluation of property held for sale	**—**	(68,847)
Profit on disposal of property held for sale	**—**	396,990
	—	328,143

12 Non-current assets continued

Intangible assets

	2013 £	2012 £
Group – goodwill		
Cost and net book value		
At 1 April and at 31 March	**3,512,305**	3,512,305

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

	2013 £	2012 £
Group – development costs		
Cost		
As at 1 April	**25,020,281**	26,202,452
Additions:		
Internal sources	**2,746,746**	2,469,868
External sources	**301,735**	1,048,142
Disposals	**(4,355,454)**	(4,655,764)
Foreign exchange difference	**(10,345)**	(44,417)
As at 31 March	**23,702,963**	25,020,281
Amortisation		
As at 1 April	**20,866,622**	22,578,347
Charged in the period	**2,517,374**	2,944,039
Relating to disposals	**(4,355,454)**	(4,655,764)
As at 31 March	**19,028,542**	20,866,622
Net book value		
As at 31 March	**4,674,421**	4,153,659
As at 31 March 2011		3,624,105

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	
	2013 £	2012 £	2013 £	2012 £
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	**–**	–	**1,720,367**	1,647,491
Increase in advances	**–**	–	**1,083,265**	72,876
As at 31 March	**–**	–	**2,803,632**	1,720,367
Net book value				
As at 31 March	**–**	–	**7,763,290**	6,680,025

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	2013 £	2012 £
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**1,000,000**	700,000
CML Microcircuits (USA) Inc.	**127,112**	107,078
Hyperstone GmbH	**203,823**	85,252
	1,330,935	892,330
Dividends paid to parent:		
Received from CML Microsystems Inc.	**260,586**	806,452
Received from Radio Data Technology Ltd	**—**	350,000
Received from CML Microcircuits (Singapore) Pte Ltd	**195,440**	156,504
	456,026	1,312,956
Advances to subsidiary undertakings:		
CML Microcircuits (UK) Ltd	**2,795,134**	1,711,869
Applied Technology (UK) Ltd	**8,498**	8,498
	2,803,632	1,720,367

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	2013 £	2012 £
Short-term employee benefits	**670,169**	634,082
Pension contributions	**57,233**	64,283
Share-based payments	**9,606**	11,609
	737,008	709,974

Notes to the financial statements continued

15 Inventories

	Group	
	2013 £	2012 £
Raw materials	**644,767**	999,892
Work in progress	**203,952**	248,566
Finished goods	**843,880**	532,230
	1,692,599	1,780,688

16 Trade receivables and prepayments

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Amounts falling due within one year:				
Trade receivables	**2,237,981**	1,323,800	**—**	—
Other receivables	**172,679**	81,462	**45,499**	11,262
Prepayments and accrued income	**111,508**	160,945	**—**	1,117
	2,522,168	1,566,207	**45,499**	12,379

17 Cash and cash equivalents

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Cash on deposit	**3,550,462**	—	**—**	—
Cash at bank	**5,772,495**	7,742,038	**46,115**	802,507
	9,322,957	7,742,038	**46,115**	802,507

18 Bank loans and overdrafts

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Bank overdrafts	**338,267**	2,500,431	**—**	—

The principal financial liability is a £338,267 overdraft covered by a €2.6m facility under an agreement expiring 13 September 2013, which bears an interest rate of 1.5% above the appropriate LIBOR which is unsecured. The liability is repayable upon demand notice but the Directors are confident that this facility can be replaced or renewed if required.

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 (2012: £750,000); US$1,200,000 (2012: US$1,200,000); €2,600,000 (2012: €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 2013, the Group had monetary assets denominated in foreign currencies of £2.9m (2012: £2.9m), of which approximately 90% (2012: 90%) was denominated in US Dollars and 7% (2012: 7%) was denominated in Euros. It also had monetary liabilities denominated in foreign currencies of £0.3m (2012: £2.5m) wholly denominated in Euros. The effects of foreign exchange recognised in the income statement amounted to a profit of £218,602 (2012: profit £159,808).

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	
	2013 Loans and receivables £	2012 Loans and receivables £	**2013 Loans and receivables £**	2012 Loans and receivables £
Current financial assets				
Trade and other receivables	**2,410,660**	1,405,262	**45,499**	11,262
Cash and cash equivalents	**9,322,957**	7,742,038	**46,115**	802,507
Total	**11,733,617**	9,147,300	**91,614**	813,769

Trade and other receivables are all due within six months.

	Group		Company	
	2013 Other financial liabilities £	2012 Other financial liabilities £	**2013 Other financial liabilities £**	2012 Other financial liabilities £
Current financial liabilities				
Trade and other payables	**917,127**	1,041,331	**190,606**	141,403
Accruals	**1,999,794**	1,125,711	**160,243**	170,747
Bank loans and overdrafts	**338,267**	2,500,431	**—**	—
Total	**3,255,188**	4,667,473	**350,849**	312,150

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

Trade receivables are as follows:

	Group		Company	
	2013 £	2012 £	**2013 £**	2012 £
Trade receivables	**2,237,981**	1,325,660	**—**	—
Allowance accounts for trade receivables	**—**	(1,860)	**—**	—
	2,237,981	1,323,800	**—**	—

The average credit period taken by the Group on sale of goods is 32 days (2012: 34 days). The allowance made for estimated irrecoverable amounts from the sale of goods was reduced by £1,860 (2012: reduced by £2,840). This allowance has been based on the knowledge of the financial circumstances of individual debtors at the year end.

At 31 March 2013, £Nil (2012: £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.

	2013 £	2012 £
Up to 90 days	**142,217**	101,128
Up to 150 days	**—**	810
	142,217	101,938

The Group only has an allowance account for trade receivables.

	2013 £	2012 £
Opening balance as at 1 April	**1,860**	4,700
Unused amounts reversed	**(1,860)**	(2,840)
Closing balance as at 31 March	**—**	1,860

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

At 31 March 2013, £486,635 (2012: £229,423) of receivables was denominated in Sterling, £1,594,039 (2012: £1,033,878) in US Dollars and £157,307 (2012: £60,499) in Euros. The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £9,322,957 (2012: £7,742,038) 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:

- higher/lower and all other variables were constant the Group's profit before taxation would have increased/decrease by £36,743 (2012: decreased/increased by £25,004); and
- higher/lower and all other variables were constant the Group's other equity and reserves would increase/decrease by £28,520 (2012: decrease/increased £17,546).

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	
	2013 £	2012 £	**2013 £**	2012 £
10% movement in rates will have an impact on:				
Profit before tax	**1,109,656**	1,160,034	**264,174**	179,055
Equity	**1,158,100**	976,670	**184,922**	125,338

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	
	2013 £	2012 £	**2013 £**	2012 £
Amounts falling due within one year:				
Trade payables	**714,638**	880,340	**—**	—
Other taxation and social security costs	**391,361**	436,604	**83,830**	70,529
Other payables and deferred income	**202,489**	160,991	**190,606**	141,403
Accruals	**1,999,794**	1,125,711	**160,243**	170,747
	3,308,282	2,603,646	**434,679**	382,679

In relation to the defined contribution scheme and included within accruals, the Group had outstanding contributions of £Nil (2012: £46,418) and the Company had £Nil (2012: £Nil).

21 Current tax liabilities/assets

	Group		Company	
	2013 £	2012 £	**2013 £**	2012 £
Current tax liabilities	**56,851**	102,034	**—**	—
Current tax assets	**138,720**	135,241	**—**	—

Notes to the financial statements continued

22 Deferred tax

	Group		Company	
	2013 **£**	2012 £	**2013** **£**	2012 £
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(773,608)**	(820,395)	**(787,190)**	(832,893)
Tax losses carried forward	**1,190,628**	1,790,928	**113,937**	183,671
Pensions	**1,408,060**	1,090,080	**—**	—
Share-based payments	**39,376**	25,940	**39,376**	25,940
Research and development	**(1,260,493)**	(1,083,700)	**—**	—
Provisions	**23,000**	29,236	**—**	—
Other	**47,147**	26,705	**—**	—
	674,110	1,058,794	**(633,877)**	(623,282)
Deferred tax asset	**2,737,409**	2,731,219	**153,313**	209,611
Deferred tax liability	**(2,063,299)**	(1,672,425)	**(787,190)**	(832,893)
	674,110	1,058,794	**(633,877)**	(623,282)
At 1 April	**1,058,794**	957,137	**(623,282)**	(633,477)
Foreign exchange difference	**(14,429)**	(35,774)	**—**	—
Deferred tax (charged)/credited in income statement for year (note 8)	**(776,895)**	(320,409)	**10,595**	10,195
Deferred tax credited to statement of comprehensive income	**406,640**	457,840	**—**	—
At 31 March	**674,110**	1,058,794	**(633,877)**	(623,282)

The financial statements include a deferred tax asset of £2,737,408 (2012: £2,731,219) of which £1,190,628 (2012: £1,709,928) 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 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 £406,640 (2012: deferred tax credit of £457,840) 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 20 March 2013, it was stated that the main rate of corporation tax was to fall to 23% with effect from 1 April 2013. Therefore, the Directors consider it appropriate to use 23% 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 £571,000 and £9,000 respectively. Deferred tax assets recoverable/liabilities expected to be settled over twelve months are £2.137m and £2.025m respectively.

23 Share capital

	2013 £	2012 £	2011 £
Authorised			
25,000,000 ordinary shares of 5p each (2012: 25,000,000 ordinary shares of 5p each)	**1,250,000**	1,250,000	1,250,000
Issued			
At 1 April 2012			
15,762,341 ordinary shares of 5p each	**788,117**	785,335	747,381
Issued in year	**5,513**	2,782	37,954
110,257 ordinary shares (2012: 55,645) of 5p were issued in the year as a result of employees exercising their options			
At 31 March 2013			
15,872,598 ordinary shares of 5p	**793,630**	788,117	785,335

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 reapproved 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 unapproved 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				
	2012 Number	Granted Number	Exercised Number	Forfeited Number	**2013 Number**
From 18 June 2010 to 17 June 2017 at £1.16	79,688	—	(52,117)	—	**27,571**
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	381,047	—	—	(6,090)	**374,957**
From 16 June 2014 to 15 June 2021 at £2.30	40,000	—	—	—	**40,000**
From 2 Sept 2015 to 1 Sept 2022 at £2.84	—	20,000	—	—	**20,000**
From 2 Oct 2015 to 1 Oct 2022 at £3.22	—	323,092	—	(739)	**322,353**
From 2 Oct 2015 to 1 Oct 2022 at £3.22	—	5,000	—	—	**5,000**
	617,014	348,092	(110,257)	(6,829)	**848,020**

The weighted average exercise price of those options exercised in the year was 100.2p (2012: 99.4p). 2,261 options were exercised on 6 June 2012 at a price of £1.16 when the market price was £2.49, 58,140 and 33,200 options were exercised on 2 August 2012 at a price of 86p and £1.16 respectively when the market price was £3.00. 3,950 were exercised on 9 October 2012 when the market price was £3.66, 10,000 were exercised on 11 January 2013 when the market price was £4.02 and 2,706 options were exercised on 12 February 2013 at a price of £1.16p when the market price was £4.22. The weighted average exercise price of the share options granted in the year was £3.20.

There has been no movement on the options granted on 29 July 2008 at £0.86 that are exercisable in July 2013. The 6,090 options exercisable from June 2014 and 739 options previously exercisable from October 2015 were forfeited due to the employees concerned leaving employment with the Group.

Notes to the financial statements continued

24 Other shareholders' funds

	Group		Company	
	2013 £	2012 £	**2013 £**	2012 £
Share premium				
At 1 April	**4,872,587**	4,820,086	**4,872,587**	4,820,086
Issued in year	**104,944**	52,501	**104,944**	52,501
110,257 (2012: 55,645) ordinary shares of 5p were issued in the year as a result of employees exercising their options				
At 31 March	4,977,531	4,872,587	4,977,531	4,872,587

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

	Group		Company	
	2013 £	2012 £	**2013 £**	2012 £
Share-based payments				
At 1 April	**108,085**	297,886	**108,085**	297,886
Options exercised or released	**(38,411)**	(253,056)	**(38,411)**	(253,056)
Charged in year	**101,525**	63,255	**101,525**	63,255
At 31 March	**171,199**	108,085	**171,199**	108,085

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	01/10/12	01/10/12	01/09/12	15/06/11	15/06/11	29/07/08	18/06/07
Share price at grant date	£3.34	£3.34	£2.84	£2.20	£2.20	£0.86	£1.16
Exercise price	£3.34	£3.22	£2.84	£2.30	£2.20	£0.86	£1.16
Number of employees	1	164	1	2	156	1	14
Shares under option	5,000	322,353	20,000	40,000	374,957	58,139	27,571
Vesting period (years)	3	3	3	3	3	5	3
Expected volatility	29.36%	29.36%	29.36%	35.7%	35.7%	25.0%	24.6%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	3	3	3	3	5	4	3
Risk-free rate	3.09%	3.09%	3.09%	4.28%	4.28%	5.39%	5.78%
Expected dividend yield	1.49%	1.49%	1.49%	1.50%	1.50%	1.85%	2.79%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.50%	0.0%	4.5%
Fair value per option	£0.67	£0.67	£0.67	£0.58	£0.58	£0.23	£0.22

The weighted average exercise price and the weighted average expected remaining contractual life are £2.49 (2012: £1.82) and three years (2012: 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	
	2013 **£**	2012 £	**2013** **£**	2012 £
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.

24 Other shareholders' funds continued

Foreign exchange reserve

	2013 **£**	2012 £
At 1 April	**332,912**	326,480
Retranslation of overseas subsidiaries	**180,620**	6,432
At 31 March	**513,532**	332,912

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

Accumulated profits

	Group		Company	
	2013 **£**	2012 £	**2013** **£**	2012 £
At 1 April	**12,809,352**	11,294,116	**8,773,720**	7,968,384
Profit for the year	**4,054,181**	3,316,278	**649,851**	1,102,218
Dividend paid	**(630,584)**	(549,938)	**(630,584)**	(549,938)
Cancellation/transfer of share-based payments	**38,411**	253,056	**38,411**	253,056
Net actuarial loss	**(1,768,000)**	(1,962,000)	**—**	—
Deferred tax on actuarial loss	**406,640**	457,840	**—**	—
At 31 March	**14,910,000**	12,809,352	**8,831,398**	8,773,720

25 Capital commitments

Capital commitments which have been contracted for but for which no provision has been made in these financial statements are £338,266 (2012: £Nil).

Notes to the financial statements continued

26 Operating lease arrangements

The Group as a lessee

	2013 £	2012 £
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	**360,790**	376,643

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

	2013 £	2012 £
Within one year	**287,586**	280,081
In the second to fifth year inclusive	**850,322**	894,767
After five years	**348,176**	488,602
	1,486,084	1,663,450

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.

	2013 £	2012 £
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the period	**118,822**	121,397

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

	2013 £	2012 £
Within one year	**81,143**	89,192
In the second to fifth year inclusive	**87,218**	3,966
	168,361	93,158

The Group and Company as a lessor

Property rental income earned during the year was £117,072 (2012: £165,745). Though current market conditions are unfavourable the Group now has the majority of the properties let albeit with fairly short leases so it is impractical to estimate what the estimated yields will be in the longer term but over the next couple of years yields are expected to climb to 7%.

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

	2013 £	2012 £
Within one year	**140,550**	47,550
In the second to fifth year inclusive	**517,450**	178,200
After five years	**167,063**	211,613
	825,063	437,363

27 Notes to the cash flow statement

	2013 £	2012 £
Group		
Increase in working capital:		
Profit on sale of plant and equipment	**(450)**	(6,152)
Profit on sale of property	**—**	(396,990)
Decrease/(increase) in inventories	**88,089**	(115,159)
(Increase)/decrease in receivables	**(955,961)**	58,420
Increase/(decrease) in payables	**704,636**	(32,306)
	(163,686)	(492,187)

Analysis of changes in net cash:

	Net cash at 1 April 2012 £	Cash flow £	Exchange movement £	Net cash at 31 March 2013 £
Cash and cash equivalents	7,742,038	1,599,445	(18,526)	**9,322,957**
Bank loans and overdrafts	(2,500,431)	2,162,164	—	**(338,267)**
	5,241,607	3,761,609	(18,526)	**8,984,690**

	2013 £	2012 £
Company		
Increase in working capital:		
Increase in advance to subsidiary undertaking	**(1,083,265)**	(72,876)
(Increase)/decrease in receivables	**(33,120)**	26,391
Increase in payables	**52,000**	8,010
	(1,064,385)	(38,475)

Analysis of changes in net debt:

	Net cash at 1 April 2012 £	Cash flow £	Net cash at 31 March 2013 £
Cash and cash equivalents	802,507	(756,392)	**46,115**

28 Listings

CML Microsystems Plc ordinary shares are traded on the Official List of the London Stock Exchange and the Company 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 21 June 2013.

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 31 July 2013 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 2013.

2 To receive and approve the Directors' remuneration report for the year ended 31 March 2013.

3 To declare a final dividend of 5.5p per 5p ordinary share for the year ended 31 March 2013 to be paid on 2 August 2013 to shareholders whose names appear on the register at the close of business on 21 June 2013.

4 To re-appoint R. J. Shashoua, who retires by rotation, as a Director of the Company.

5 To re-appoint J. A. Lindop who was appointed as a Director of the Company on 1 April 2013.

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

7 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:

8 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 £529,086 (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 £264,543 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £264,543), 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 551 of the Act (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:

9 That, subject to the passing of resolution 8 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 8 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 8, 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 8 or sale of treasury shares (in each case, otherwise than pursuant to paragraph a) of this resolution) up to an aggregate nominal amount of £39,681, 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).

10 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 2,380,889;

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
21 June 2013

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 29 July 2013.

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 29 July 2013 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 29 July 2013 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 29 July 2013 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 29 July (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 20 June 2013 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 15,872,598 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 June 2013 were 15,872,598 votes.

12 Payment of dividend
It is proposed to pay the dividend, if approved, on 2 August 2013 to shareholders registered on 21 June 2013.

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.

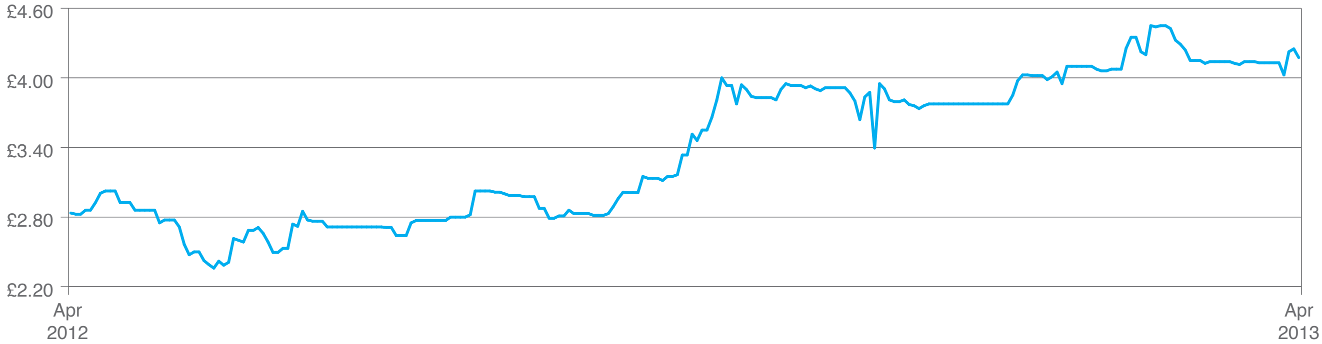
15 Documents available for inspection
A copy of each of the Directors' service contracts or letter of appointment will be available for inspection at the registered office of the Company during normal business hours on each business day (Saturdays and public holidays excepted) from the date of this notice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

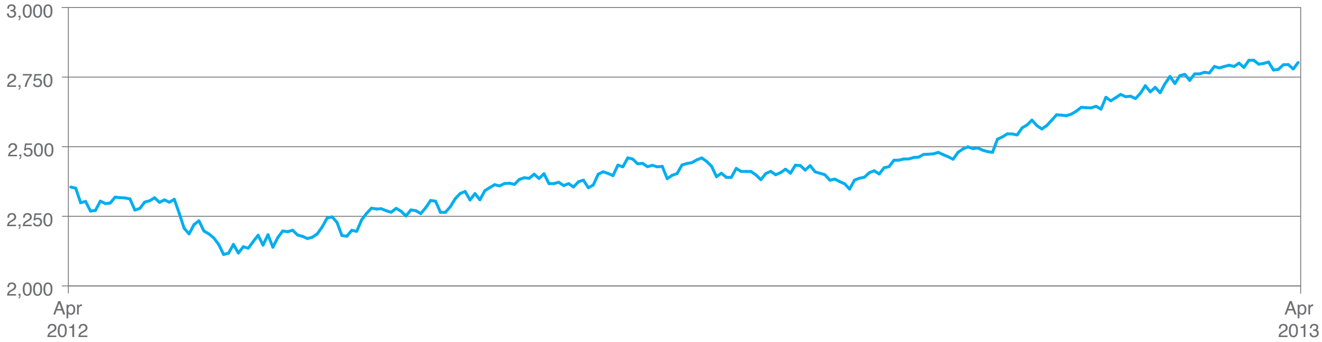
	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Income statement					
Revenue	**25,238**	23,409	22,122	18,023	16,089
Gross profit	**17,564**	16,213	15,368	12,490	10,202
Gross profit percentage	**69.59%**	69.26%	68.83%	69.30%	63.41%
Profit/(loss) before taxation	**5,071**	3,950	2,324	(386)	(2,089)
Earnings per share					
Basic	**25.59**	21.06p	17.87p	(0.16)p	(14.29)p
Diluted	**25.18**	20.94p	17.64p	(0.16)p	(14.29)p
Balance sheet					
Shareholders' equity	**21,366**	18,911	17,524	12,123	14,795
	Number	Number	Number	Number	Number
Issued 5p ordinary shares	**15,872,598**	15,762,341	15,706,696	14,947,626	14,947,626

Shareholder information

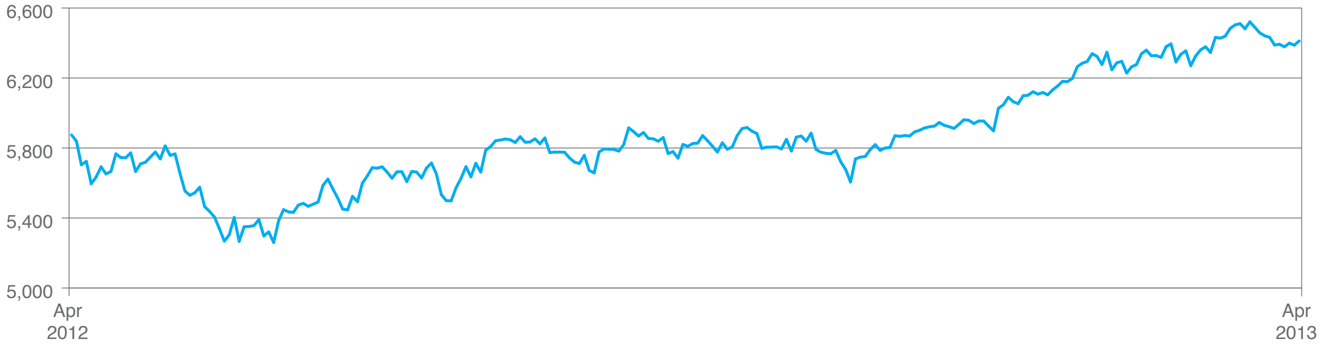
CML Microsystems Plc share price – for the year ended 31 March 2013



TechMark 100 Index – for the year ended 31 March 2013



FTSE 100 Index – for the year ended 31 March 2013



Financial calendar

2013

31 July	Annual General Meeting
30 September	Half-year end
19 November	Anticipated date for half-year results

2014

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

Glossary

AIS	automatic identification system
CAGR	compound annual growth rate
CF	compact flash
CFast	industrial CF card with SATA interface
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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