CML Microsystems Plc

Preliminary
Annual Results Announcement for
the year ended
31 March 2011

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Chairman's statement

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

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

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

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

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

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

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

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

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

GW Gurry
Chairman 14 June 2011

Operating and financial review

OVERVIEW

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

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

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

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

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

FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MARKETS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY AND OUTLOOK

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

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

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

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

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

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

C.A. Gurry
Managing Director

CML Microsystems Plc
Condensed consolidated income statement

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

Condensed consolidated statement of comprehensive income

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

CML Microsystems Plc
Condensed consolidated statement of financial position

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

CML Microsystems Plc
Condensed consolidated cash flow statement

	Unaudited 2011 £	Audited 2010 £
Operating activities		
Net profit/(loss) for the year before taxation	**2,324,610**	(386,112)
Adjustments for:		
Depreciation	**321,579**	660,488
Amortisation of development costs	**3,276,015**	3,750,089
Revaluation of investment properties	**400,000**	—
Movement in pensions deficit	**(437,000)**	(105,000)
Share-based payments	**43,134**	103,937
Finance costs	**143,834**	307,344
Finance income	**(11,289)**	(4,029)
Decrease in working capital	**926,184**	183,122
Cash flows from operating activities	**6,987,067**	4,509,839
Income tax (paid)/refunded	**(328,310)**	237,441
Net cash flows from operating activities	**6,658,757**	4,747,280
Investing activities		
Purchase of property, plant and equipment	**(253,035)**	(49,065)
Investment in development costs	**(2,786,386)**	(2,815,066)
Disposal of property, plant and equipment	**31,665**	9,199
Finance income	**11,289**	4,029
Net cash flows from investing activities	**(2,996,467)**	(2,850,903)
Financing activities		
Issue of ordinary shares	**709,752**	—
Finance costs	**(143,834)**	(307,344)
Decrease in bank loans and short term borrowings	**(2,048,879)**	(61,705)
Net cash flows from financing activities	**(1,482,961)**	(369,049)
Increase in cash and cash equivalents	**2,179,329**	1,527,328
Movement in cash and cash equivalents:		
At start of year	**3,883,238**	2,191,960
Increase in cash and cash equivalents	**2,179,329**	1,527,328
Effects of exchange rate changes	**183,127**	163,950
At end of year	**6,245,694**	3,883,238

CML Microsystems Plc
Condensed consolidated statement of changes in equity

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

CML Microsystems Plc
Notes to the condensed financial statements

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

Information about revenue, profit/loss, assets and liabilities

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

1. Segmental analysis (continued)

Other segmental information

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

Inter-segmental transfers or transactions are entered into under commercial terms and conditions appropriate to the location of the entity whilst considering that the parties are related.

Geographical information

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

2. Dividend paid and proposed

No dividend has been paid in the year end 31 March 2011 or the year end 31 March 2010. It is proposed to pay a dividend of 3.5p per Ordinary Share of 5p in respect of the year end 31 March 2011 (2010: Nil per Ordinary Share of 5p in respect of the year end 2010).

3. Income tax

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

	Unaudited 2011 £	Audited 2010 £
UK income tax	**293,656**	(141,734)
Overseas income tax	**186,907**	131,877
Total current tax credit	**480,563**	(9,857)
Deferred tax	**(840,463)**	(352,841)
Reported income tax credit	**(359,900)**	(362,698)

4. Profit/(loss) per share

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

	Profit 2011 £	**Weighted average number of shares 2011 No**	**Profit per share 2011 p**	Loss 2010 £	Weighted average number of shares 2010 No	Loss per share 2010 p
Basic profit/(loss) per share	**2,684,510**	**15,023,279**	**17.87**	(23,414)	14,947,626	(0.16)
Diluted profit/(loss) per share						
Basic profit/(loss) per share	**2,684,510**	**15,023,279**	**17.87**	(23,414)	14,947,626	(0.16)
Dilutive effect of share options		**194,177**	**(0.23)**		21,332	—
Diluted profit/(loss) per share	**2,684,510**	**15,217,456**	**17.64**	(23,414)	14,968,958	(0.16)

5. Investment properties

Investment properties are revalued at each discrete period end by the directors and every third year by independent Chartered Surveyors on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. At the 31 March 2009 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis but in view of the current market conditions the Directors considered it prudent to reduce the value of the properties by £400,000.

6. Analysis of cash flow movement in net debt

	Audited Net debt at 31 March 2009 £	Audited Year end 31 March 2010 Cash Flow £	Audited Net debt at 31 March 2010 £	**Unaudited Year end 31 March 2011 Cash Flow £**	**Unaudited Net debt at 31 March 2011 £**
Cash and Cash equivalents	2,191,960	1,691,278	3,883,238	**2,362,456**	**6,245,694**
Bank loans and overdrafts	(6,061,705)	93,415	(5,968,290)	**2,048,879**	**(3,919,411)**
	(3,869,745)	1,784,693	(2,085,052)	**4,411,335**	**2,326,283**

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

7. 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.

7. Principal risks and uncertainties (continued)

Key risks of a non-financial nature

The Group is a small player operating in a highly competitive global market, which is undergoing continual and geographical change. The Group's ability to respond to many competitive factors including, but not limited to pricing, technological innovations, product quality, customer service, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the demand for its customers' products since the Group is a component supplier.

A substantial proportion of the Group's revenue and earnings are derived from outside the UK and so the Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

8. Directors' statement pursuant to the disclosure and transparency rules

The directors confirm that, to the best of their knowledge:

a. the condensed consolidated financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation taken as a whole; and

b. the Chairman's statement and operating and financial review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

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

9. Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2010 financial statements.

10. General

The results for the year have been prepared using the recognition and measurement principles of international financial reporting standards as adopted by the EU.

The audited financial information for the year ended 31 March 2010 is based on the statutory accounts for the financial year ended 31 March 2010 that have been filed with the Registrar of Companies. The auditors reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2011 are expected to be finalised and signed following approval by the board of directors on 24 June 2011 and delivered to the Registrar of Companies following the Company's annual general meeting on 3 August 2011.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2011 or 2010 as defined by Section 434 of the Companies Act 2006.

A copy of this announcement can be viewed on the company website http://www.cmlmicroplc.com.

11. Approval

The Directors approved this annual results announcement on 13 June 2011.

CML Microsystems Plc

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