CML Microsystems Plc

Annual Report and Accounts

Financial year ended 31 March 2018

50

1968 - 2018

50 years in a connected world

USER GUIDE

Welcome to the CML Microsystems Annual Report FY18. In this interactive pdf you can do many things to help you easily access the information that you want, whether that's printing, searching for a specific item or going directly to another page, section or website.

These are explained below.

DOCUMENT CONTROLS

Use the document controls located at the top to help you navigate through this report.

NAVIGATING WITH TABS

Use the tabs to quickly go to the start of a different section.

LINKS WITHIN THIS DOCUMENT

Throughout this report there are links to pages, other sections and web addresses for additional information.

Growth in a connected world

Founded fifty years ago, we design, manufacture and market semiconductors, primarily for global communication and solid state storage markets, operating internationally from the UK, the USA, Germany, China, Singapore and Taiwan.

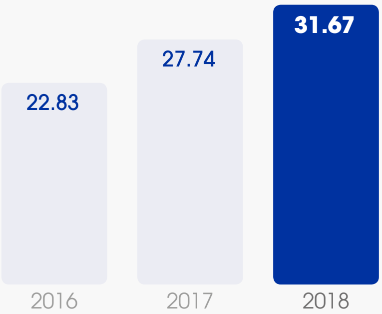
Our mission is to be the first choice key-component supplier within our chosen end-markets.

Our vision for the business is to build on our existing core strengths, seizing the growth opportunities in a connected world to be an emphatic leader on the global industrial technological stage.

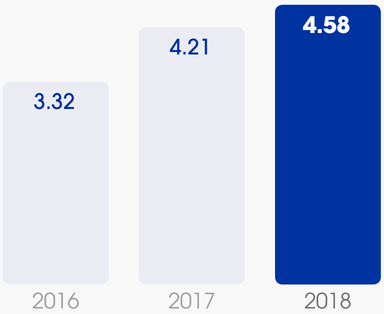
Our focus is one of delivering sustainable, long-term growth; whether organically or by acquisition, grow the business and grow returns for our stakeholders.

Financial highlights

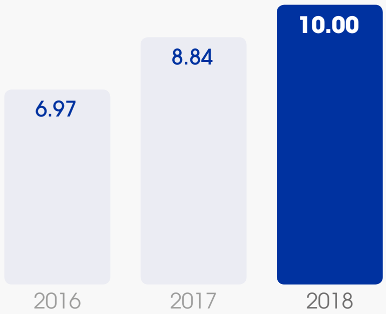
Revenue (£m)
31.67 +14%



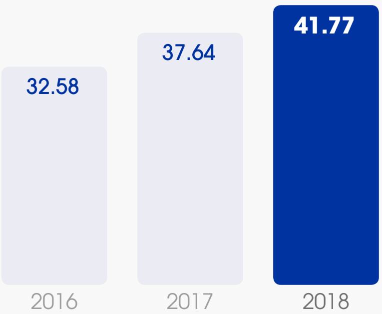
Pre-tax profit (£m)
4.58 +9%



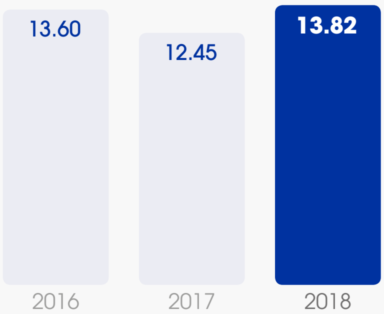
Adjusted EBITDA[1] (£m)
10.00 +13%



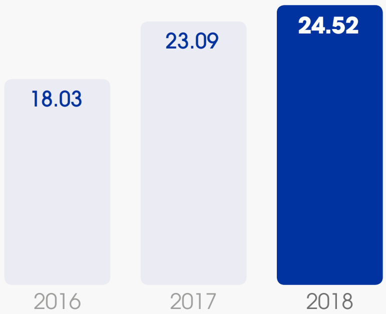
Shareholders' equity (£m)
41.77 +11%



Cash (£m)
13.82 +11%



Basic earnings per share (p)
24.52 +6%



1. For definition and reconciliation see Note 12.

Operational highlights

Storage

- 49% of Group revenue
  - Revenue up 22% to £15.43m (2017: £12.69m)
  - Full market launch of new class-leading CompactFlash controller
  - Enlarged product range now includes CompactFlash, SD, MMC, USB and SATA host interface standards

Communications

- 51% of Group revenue
  - Revenue up 10% to £16.17m (2017: £14.64m)
  - Enlarged RF product range now encompasses operation at frequencies up to 3.6GHz
  - DMR, M2M/IIoT recorded strong gains against the prior year
  - RF semiconductors posted a revenue gain of over 30%
  - Released five new products

Find out more on page 12

Find out more on page 13

At a glance

Global reach and world-class customers

The Company has long held an outstanding reputation for the quality of its engineering and development teams, supported by a clear strategy, depth of management and a strengthened global sales team.

Our brands

Storage

hyperstone

Communications

CML Microcircuits

SICOMM

Our global footprint

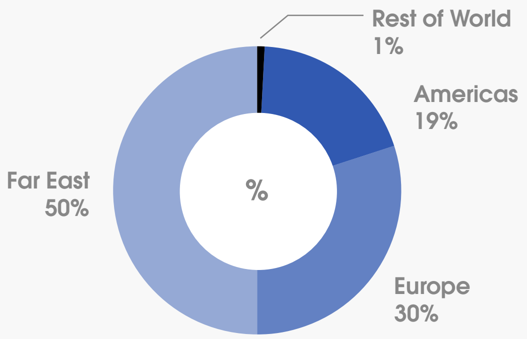
● Group operations

○ Support and distribution offices

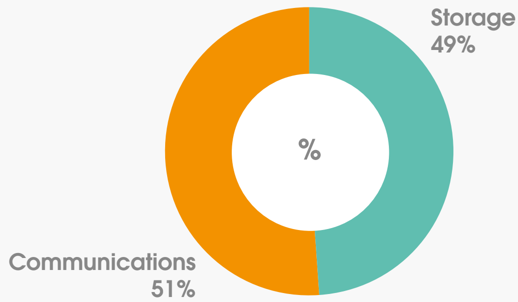
This map is illustrative, but not fully definitive of our locations. For a full list of our locations please visit our website at cmlmicroplc.com

Our growth strategy is to ensure we retain our existing customers, developing our product range and adding new customers to expand the total addressable market.

2018 revenue split by region (%)

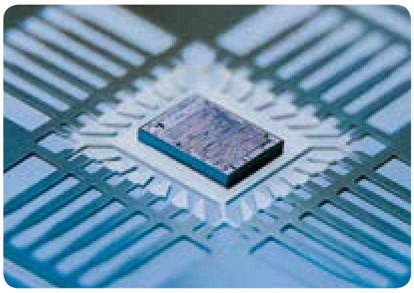


2018 revenue split by application area (%)



Established in
1968

Employees worldwide
222



Offices
11

Headquartered in the UK
1

4
Design facilities

Group Chairman's statement

The year has seen the business deliver a number of record financial metrics.

N G Clark
Group Non-Executive Chairman

Introduction

I am delighted to report on another year of positive progress, delivering against many of our strategic and financial objectives. Pleasingly, the year has seen the business deliver a number of record financial metrics, with the growth in revenue and profit providing us with the means to continue to invest in the business to ensure we have the right structure and product suite to maintain long-term, sustainable growth. While profit growth in the year has been dampened due to the planned increase in overheads, it is this investment that will ensure CML has the capability to drive through to the next stage of growth.

Results and Dividend

Results for the year were positive, with revenues increasing by 14% to a record £31.67m (2017: £27.74m), profit before taxation rising by 9% and basic EPS by 6%. Operating cash generation, always considered of high importance, continues to be very healthy. Total cash balances at 31 March 2018 were a record £13.82m (2017: £12.45m) after dividend payments of £1.58m (2017: £1.13m) relating to the prior financial year and a maiden interim dividend introduced at the half year. The cash generation is particularly pleasing given the levels of ongoing investment in the Group, with another record investment in research and development being made during the year.

The Board is pleased to recommend an increased total dividend payment for the year, with a final dividend of 5.8p raising the total dividend for the year to 7.8p (2017: 7.4p). If approved, this will be paid on 6 August 2018 to shareholders whose names appear on the register at the close of business on 6 July 2018 with an ex-dividend date of 5 July 2018. The dividend is in line with the Company's progressive policy and reflects the performance for the year, coupled with our confidence for the future whilst retaining a strong balance sheet and sufficient cash to take advantage of opportunities that may present themselves.

Employees

Following the successful integration of Sicomm, we now have over 220 employees around the world. It is their skill and commitment which forms the basis of the continued success of CML and, on behalf of the Board, I would like to thank them for their ongoing dedication and commitment to excellence.

Prospects and Outlook

Our strategy continues to be to invest in the development of products within areas that we know and understand and where the quality of our products and our competitive advantages enable us to achieve acceptable gross margins. The growth achieved in the year demonstrates the success of this strategy and with new product launches feeding into the pipeline we are confident in our ability to deliver long-term sustainable growth. Following the acquisition and integration of Sicomm, acquisitions will continue to form part of our strategy, coupled with a strong focus on organic growth, and the Board remains alert to opportunities that meet our strict criteria.

Our timeline

The Company has long held an outstanding reputation for the quality of its engineering and development teams, and this is now supported by a clear strategy, depth of management and a strengthened global sales team. With record net assets of over £41m and net cash of almost £14m we have a strong balance sheet on which to drive the Company forward.

In what is CML's 50th year as a business, we are confident that the Company is in good shape to deliver our objective of long-term, sustainable growth.

N G Clark
Group Non-Executive Chairman
22 June 2018

50
1968
2018

2018
CML Microsystems

2017
Increased US presence
The Group opens an office in Mission Viejo, California

2016
Acquisition of Sicomm Technologies
CML Microsystems Plc acquires China-based Wuxi Sicomm Technologies Ltd

2013
Formation of design centre in Sheffield
Establishes an RF and mixed-signal semiconductor design engineering team in Sheffield

2004
Formation of Hyperstone USA
Hyperstone establishes a US subsidiary

2003
Formation of Hyperstone Taiwan
Hyperstone establishes its Taiwan subsidiary

2003
Acquisition of Hyperstone GmbH
CML Microsystems acquires Hyperstone, a fabless semiconductor company

2002
Formation of Systems Group
Specialising in DSP software and RF design, solutions developed by engineers for engineers

1996
Full Listing on the LSE
Moved to a Full Listing on the London Stock Exchange

1994
Acquired Integrated Microsystems

1994
Opened Singapore office

1984
Initial Public Offering
Shares were listed on the Unlisted Securities Market USM

1980
Opened US office

1968
CML Microsystems founded

Addressing growing market sectors

The need to transmit and store ever greater amounts of data, more quickly and securely is driving both markets.

Key market trends

Demand for data
The connected world is driving the insatiable appetite for data in the industrial arena.

Speed
Increasing amounts of data need to be retrieved, communicated and stored, faster and more securely.

Reliability
Extremely low field failure rates underpin the Group's enviable reputation for quality.

Our market application areas:

Storage

49%
Revenues

Hyperstone-branded products

Application areas:
Industrial flash memory cards; solid state drives; embedded storage

Key end markets:
Telecoms/network infrastructure; industrial automation; in-vehicle infotainment; IIoT

Market growth drivers:
Acceleration of HDD to SSD transition
Need for increased speed and highest reliability within "mission critical" applications

Find out more on page 12

Communications

51%
Revenues

Incorporates Wireless and Wireline business

Application areas:
Professional and industrial voice and/or data communications products

Key end markets:
Voice-centric mission/business critical communications (military, commercial, construction, transportation)
Non-cellular wireless data communications; satellite M2M; Asset tracking; SCADA

Market growth drivers:
Need for higher data rates
Analogue digital migration
IP connectivity

Find out more on page 13

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

Superior performance for targeted application areas

- Communications: high performance RF products, mixed-signal baseband/modem processors
- Storage: class leading endurance and reliability; patented techniques; flash memory agnostic

Time-to-market

- 'Off the shelf' integrated circuits for focused niche application areas
- Integrates many engineer-years of hardware and software development
- Reduces the development cycle for the customer

Proprietary Intellectual Property (IP)

- We have full control of the functionality and subsequent partitioning of silicon and software: this means we can deliver the optimum design mix for a specific target application
- Through our depth of experience, we have extensive overall "system" knowledge, irrespective of our 'component' supplier status
- Proprietary silicon and software developments produce internal IP that does not attract third-party royalty payments

High-levels of customer design-in support and service

- We are viewed as a one-stop shop for support with hardware, software and system expertise; often regarded as an extension of the customer's own engineering team
- We have the ability to provide backwards compatibility for customer-developed legacy systems
- We have key relationships with complementary integrated circuit providers

Customer relationships

- We enjoy high levels of trust with our customers. This translates and promotes long-term relationships
- Through repeat design wins, we have upsell opportunities
- Many of our customers are multi-national 'blue-chip' companies
- We have extensive, established global routes to market

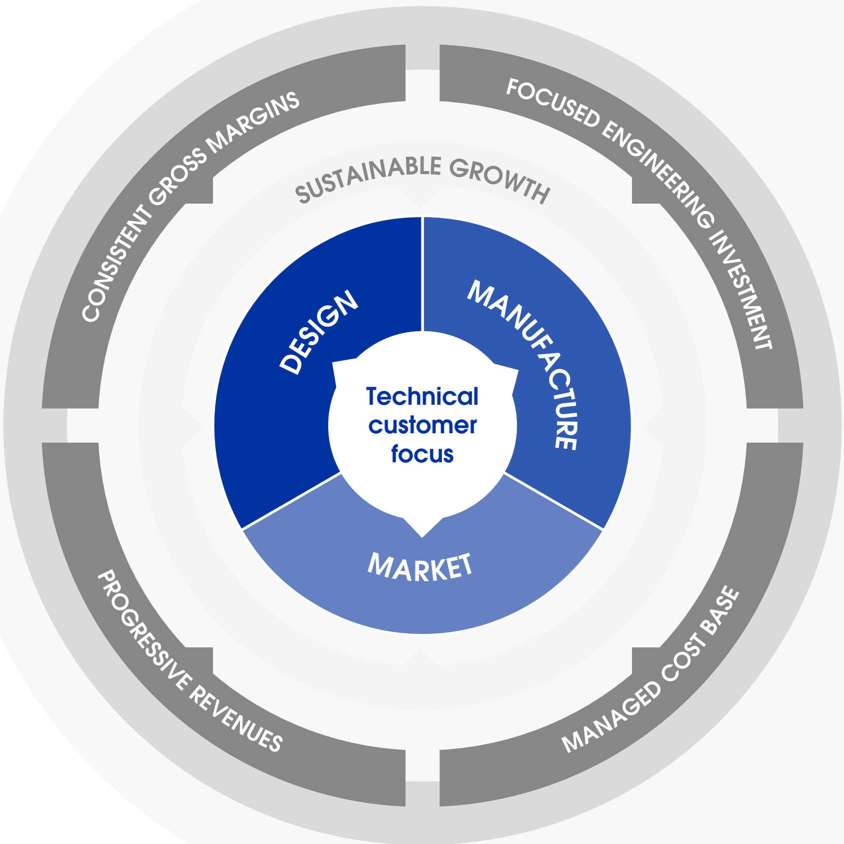
Focus on research and development and scalability

- Multi-year investment in the business, along with normal levels of R&D refresh, has significantly expanded our pipeline of products and total addressable market
- Design is supported by a mixture of in-house and outsourced assembly and testing
- Majority of manufacturing is outsourced, thus providing scalability for the business

Business model

Delivering long-term sustainable growth

The business model is to design, manufacture and market a range of semiconductors for global industrial and professional applications within the storage and communications market areas. It incorporates our objectives towards sustainable growth, namely of focused engineering investment, stable cost control, progressive revenues and consistent gross margins.



Innovation

Technical innovation is a fundamental contributor to the Group's success. Our marketing and engineering personnel collaborate to define and deliver compelling, commercially attractive semiconductor solutions. Our extensive and growing silicon and software IP portfolio can be combined using optimal partitioning for a specific end-market to achieve the right balance between performance and cost.

Quality

Superiority and excellence are important definitions of quality within our organisation and are widely applicable across numerous activities. Whether it is product design, manufacturing, selling or stakeholder relationship management, we strive to be a quality company operating with the high levels of business acumen and ethical practices that the business was founded 50 years ago.

Support

Superlative customer support is part of CML's DNA. It is a key trait that customers associate us with; and an important factor in customers' decision-making process to select us as a long-term supplier and partner. A thorough "system knowledge" of the end-application within the markets that we address underpins our long-standing reputation.

Our growth strategy is to be the first choice key-component supplier within our chosen end-markets.

We have a range of performance measures to monitor and manage the business, some of which are considered key performance indicators ("KPIs").

KPIs[1]

1. The above KPIs are of a financial nature. Management use financial KPIs to monitor the business, rather than a combination of financial and non-financial KPIs.
2. For definition and reconciliation please see Note 12.

These KPIs include revenue, gross profit, profit from operations, basic earnings per share and cash, summary details of which are shown above and discussed within the Group Chairman's statement on page 4 and the Group Managing Director's review on page 10.

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. Furthermore, the Group does however have significant Euro-denominated fixed costs. Additionally, though the Group has a very diverse customer base in certain market sectors, key customers can represent a significant amount of revenue though their end-customers may be a diversified portfolio. 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 23 and customer concentration is discussed in the Group Managing Director's review.

Key risks of a 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, raw material availabilities, 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 (including the UK's withdrawal from the European Union, or "Brexit"), political risk, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

Understanding of the development, performance or position of the Company's business

For financial years ending on or after 30 September 2013, all companies must prepare a stand-alone strategic report in addition to their directors' report (Section 414C (7) of The Companies Act 2006 Strategic Report and Directors' Report). The Directors do not believe that environmental matters (including the impact of the Company's business on the environment), details of the Company's employees (including gender), anti-corruption and bribery matters and social, community and human rights issues are needed for an understanding of the development, performance or position of the Company's business and accordingly have not included this within the strategic report but have added these to the Other Disclosures and Corporate Social Responsibility sections of this Annual Report.

Group Managing Director's review

Our revenue and adjusted EBITDA performances are at all-time highs, as is the year end cash position.

C A Gurry
Group Managing Director

Operational and Financial Review

Introduction

I am pleased to be able to report on another year of continued progress across the Group. Our revenue and adjusted EBITDA performances are at all-time highs, as is the year end cash position. These results, achieved whilst continuing to invest in the business, are further validation of our strong commitment to research and development and the success of working closely with our customers to design and deliver the products that they need to meet commercial requirements.

Particularly pleasing is that this steady growth remains in line with the expectations that we set out three years ago when the current strategy was communicated and we embarked upon a number of investment and organisational initiatives to position the Company for long-term success. The Group has experienced top line growth of 45% through that period although we are yet to see the full operational benefits given the time it takes for early stage customer engagements to become revenue generating.

We have been delighted by the increase in orders across our customer base and product range. The growth in revenues has been derived largely through improved sales to our existing customers, with the majority of our top 40 customers posting a year on year increase. Importantly, we have also seen a selection of relatively new customers reach a meaningful level of sales, indicating their products have passed through the often lengthy qualification period and gained market acceptance.

During the course of the year, we continued our planned resource investment programme into the business and this is now largely complete. While we will carry on our high level of research and development spend, we now have an appropriate operational structure to manage our business and deliver growth over the medium term. Pleasingly, we are already seeing the impact made by these investments into extra resources, particularly in sales and marketing, with our potential sales pipeline growing well, and a healthy level of new design wins being secured. We are experiencing an underlying uplift in our sales opportunity metrics, which bodes well for further sustainable growth.

Financial Review

Group turnover for the year to 31 March 2018 was £31.67m, representing an increase of 14% against the prior full year (2017: £27.74m). Revenues were higher across both of the main market areas addressed, namely Communications and Storage, with the shipment of products into Asian and European countries being the driver behind that growth. That said, it is important to note that annual revenue comparisons by region can be misleading as some customers can and do alter their manufacturing locations periodically. A fuller revenue analysis at the market application area level is covered later in this report.

Sales in the second half of the year were slightly lower than the first six-months, with extended raw material lead times and currency headwinds being contributing factors. Revenues in the second half were ahead 7% on the comparable period. Gross profit improved by 12% to £22.24m (2017: £19.82m) with margins slightly reduced due to product mix.

The year under review represents the first full year of trading following the acquisition of Sicomm in August 2016. As a result of the high levels of investment in research and development and personnel that have been made in the intervening period, distribution and administration costs increased by 15% to £18.52m (2017: £16.12m).

It is noteworthy to report that within these costs, the Group recorded a £0.4m foreign exchange loss which, when compared to the gains made in the prior financial year represents a £1.2m negative swing. The overall increase in distribution and administration expenditure was also impacted by higher amortisation of development costs at £4.75m (2017: £4.10m).

As expected, research and development costs for the year remained at elevated levels, totaling £6.87m (2017: £6.82m). Of this amount, £1.19m was expensed (2017: £1.06m) and £5.68m was capitalised under the Group's research and development policy (2017: £5.76m).

Other income consists of three main elements; amounts received from the commercial rental of Group-owned property assets that are now surplus to operational requirements; regional grant income associated with specific engineering development activities and an element of royalty income associated with the sale of third party technology. The amount recorded this year was £0.83m (2017: £0.61m).

Profit from operations increased by 6% to £4.55m compared to a figure of £4.31m for the prior year. After accounting for share-based payments, net finance income and a small uplift in the value of the Group's investment property assets of £0.14m, a profit before tax of £4.58m was recorded (2017: £4.21m), equating to growth of 9%.

Customer dependency for the year reflected some movement against the prior year. Contribution from the top two customers fell slightly to a combined contribution of approximately 28%, although only one of these customers was above the 10% threshold. All other customers remained below the 6% level.

The Group continued to benefit from UK tax credits associated with some of its research and development activities and that is the primary driver behind the lower than average rate of taxation achieved. An income tax expense of £0.44m was posted against a prior year figure of £0.34m.

Profit after tax amounted to £4.14m (2017: £3.87m), an improvement of 7%, with Basic EPS rising 6% to 24.52p (2017: 23.09p) despite a higher number of ordinary shares in issue.

The Group's cash reserves at 31 March 2018 stood at £13.82m, delivering an increase of £1.37m when compared to the same cut-off date one year earlier (31 March 2017: £12.45m). The balance reported follows a research and development spend of £6.87m, dividend payments totaling £1.58m and the payment of a warranty retention associated with the Sicomm acquisition of £0.32m. Included in the cash balance is a conditional customer prepayment of £1.15m made against future product purchases.

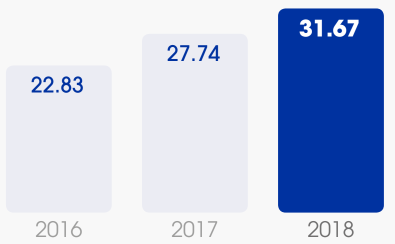
The semiconductor industry as a whole has been experiencing extended lead times for raw materials due to capacity constraints. The Group communicated a general tone of caution around the issue at the interim stage and continues to act appropriately to minimize the effects on the business.

Against this backdrop, inventory levels at the year-end totaled £2.35m (2017: £2.15m), with all of the increase attributable to raw materials and work in progress. Finished goods stock levels were lower year on year.

The Group has a historic final salary pension scheme that has been closed to both new members and future accruals for many years. Along with the Company, the Trustees and their professional advisors have worked diligently in recent years towards achieving the right balance between adequate scheme funding and business growth objectives. As a result, the scheme funding position has improved and for the year under review a deficit of £2.07m has been recorded under accounting rule IAS 19 (2017: £3.08m). Separately, the most recent triennial actuarial valuation carried out by an independent professionally qualified actuary, as at 31 March 2017, resulted in a net pension surplus of £1.89m (1 April 2014: net deficit of £1.54m). This actuarial valuation showed that the scheme assets were sufficient to cover 111% of the benefits accrued to members, after allowing for future increases in these benefits.

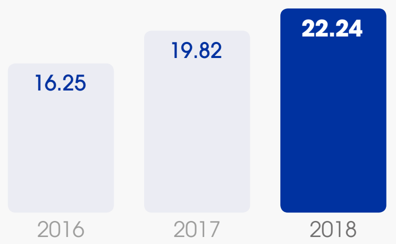
Revenue (£m)

31.67 +14%



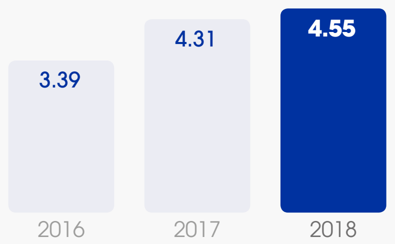
Gross profit (£m)

22.24 +12%



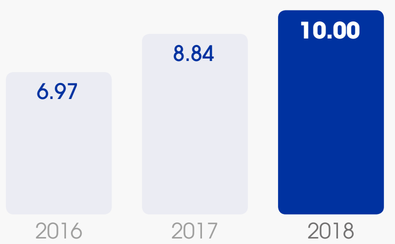
Profit from operations (£m)

4.55 +5%



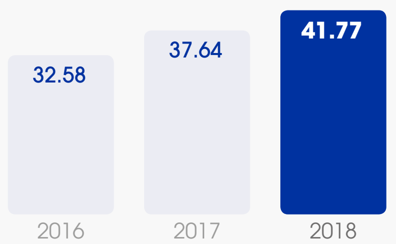
Adjusted EBITDA[1] (£m)

10.00 +13%



Shareholders' equity (£m)

41.77 +11%



Dividend (p)

7.80 +5%

1. For definition and reconciliation see Note 12.
2. 2018 incorporates a maiden interim dividend of 2.0p and a proposed final dividend of 5.8p, providing a total dividend of 7.8p (see Note 10).

Storage

Our strategy for the Storage market continues to be investment into the expansion of the product range towards increasing our share of existing customer product portfolios whilst simultaneously widening the customer base.

Our strategy for the Storage market continues to be investment into the expansion of the product range towards increasing our share of existing customer product portfolios whilst simultaneously widening the customer base. Our focus continues to be on strengthening our product portfolio to include all major interface standards used within our intended end-markets and interoperation with all relevant third-party NAND Flash devices from top tier global memory suppliers.

Our enlarged flash memory controller product range now includes CompactFlash, SD, MMC, USB and SATA host interface standards, complemented by an Application Programmers Interface ("API") that our customers are using to develop their own proprietary security or IIoT solutions. A pleasing number of customers have adopted our API through the year and we started to see the resulting end-products launched to market.

Storage revenue for the year amounted to £15.43m (2017: £12.69m) representing an increase of 22% with the main contributors being increased shipments into the automotive, industrial automation and telecom infrastructure markets. The gain made is evidence that our focus on sustainable growth opportunities has traction. Product mix differed from expectations at the beginning of the year with a higher contribution from products shipped in silicon wafer form, resulting in a negative skew to average selling prices.

As has been the case for some time, a number of customers reported being affected by continually tight levels of NAND flash supply coupled with elevated pricing, although it is not possible to judge the overall impact on the numbers being reported.

It was a busy year in terms of operational progress. In August 2017 the full market launch of a new class-leading CompactFlash controller took place, enabling customers to use more recently available flash memory technologies within their CompactFlash-based storage products and benefit from the advantages they offer. A raised level of promotional activities occurred around industry-specific exhibitions in the US, China and Europe, supplemented by white papers and conference presentations designed to raise awareness of the technical superiority and reliability of our semiconductor solutions. Customer facing resources were enhanced further and a new EU-based distribution agreement was announced.

Encouragingly, the level of interest being generated through promotion of the enlarged product portfolio increased and a number of customer designs from prior years passed through the qualification phase and have begun shipping in production quantities. It was pleasing to record a design win for one of the world's largest server manufacturers. With servers typically containing a number of storage devices, each with a different host interface, the server market represents an additional growth area for the Group.

Overall, our progress with Storage activities was pleasing and the underlying sales opportunity pipeline grew well.

Application areas

Industrial flash memory cards; solid state drives; embedded storage

Markets served

Automotive
Industrial
Medical
Infrastructure
Infotainment
Gaming
Security
Telecoms
Utilities
Mobile and POS payment

Communications

Our strategy within Communications is to grow customer share and expand the customer base through the development and marketing of products that offer increased functionality within the customers' end product.

Our strategy within Communications is to grow customer share and expand the customer base through the development and marketing of products that offer increased functionality within the customers' end product. This includes expanding the product portfolio to include semiconductors with performance characteristics that are expected to widen the addressable market.

The enlarged product range now offers the ability for a single customer product to incorporate up to five separate CML devices. This has the added benefit of generating increased efficiency across our sales and marketing activities and, with the aid of focused demonstration platforms, helps our customers get to market faster and at lower overall cost.

The encouraging progress made in the first six months is reflected in a solid full year performance, with revenues rising 10% to £16.17m (2017: £14.64m). This figure is even more satisfying given the need to navigate through selected third-party raw material supplier delays as the year progressed. This increase is delivered as a growing number of individual customer projects reach production status and is against a particularly strong performance in the prior year.

In terms of product categories, strong increases were made with the sale of baseband processors for use within voice-centric digital radios, particularly those that operate to the DMR global standard. The Group's Data Modems for "Machine-to-Machine ("M2M") / "Industrial Internet of Things" ("IIoT") applications also recorded strong gains against the prior year, as did the sale of RF semiconductors, posting a revenue gain of over 30%.

In total we released five new products across the year targeted at end markets including marine AIS and VDES, where a technology partnership led to release of a module for a new high-speed data exchange system targeting industry adoption over the coming years. Expansion of the RF product range to field products that operate at frequencies >1GHz has been a well communicated focus and the first two products were released to market. These IC's are suitable for use in satellite communications and other more general applications. A second RF power amplifier IC capable of higher output power was also launched.

The various organisational reporting changes and resource level improvements made in the prior year along with the first full year contribution from the acquisition of Sicomm, all collectively served to drive business forward within what is now a scalable operating structure. A new sales channel agreement was signed in the USA during the year and our manufacturer's representative network was bolstered.

As reported at the interim stage, we experienced strong growth across the focus product groups and a high proportion of the opportunities being worked are for multiple CML IC's within each customer end-product. All things considered, it has been another pleasing year.

Application areas

Professional and industrial voice and/or data communications products

Markets served

Industrial, Medical, Satellite, Marine, Military, Transport, Security, Telecoms, Utilities, Critical comms, Telephony, POS

Group Managing Director's review continued

Strategy Overview

The Group's strategy today remains consistent with that previously communicated. Our semiconductor business continues to be focused on two important niche market areas, industrial storage and industrial communications, where our proprietary IP, along with the quality and reliability of our technology, sets us apart from our peers and makes us an integral part of our customers' products. We have a strong and growing reputation in each of these market areas and have a world-class customer base as well as an established sales network which has been improved further through adding resources and the appointment of complementary distributors and representatives in specific regions.

The ongoing demand for increasing amounts of data to be delivered faster and stored more reliably and securely continues to drive demand for our products. We have succeeded in generating a diverse revenue stream across a broad range of customers and products and will continue to expand this further. We are, to our customers, a single-source supplier, meaning that once designed in, the displacement of our chips would require some element of end-product redesign.

Ongoing investment in research and development remains a key pillar of our growth strategy and the benefits continue to be seen. This focus on developing new products should lead to design wins with both new and existing customers. This will enable us to improve our market share as well as increase our total addressable market and deliver significant, profitable revenue generation. We continue to seek acquisition opportunities which meet our strict criteria to complement our ongoing organic growth.

Market Developments

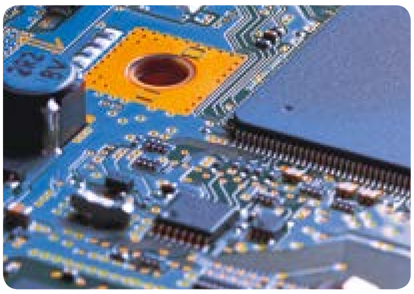
The long-term trends that we have consistently highlighted within our two niche industrial application areas remain as strong today as ever. The principal factor for both remains the persistent demand for increasing amounts of data to be transmitted and stored more quickly and securely.

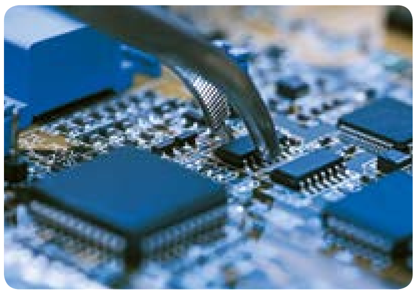
Performance for the full year could have been stronger but for well publicised global constraints in the supply of silicon. The semiconductor market as a whole is in a growth phase at the moment and the knock-on effect of that is for a general tone of caution around raw material lead times. We continue to monitor the situation and act appropriately to minimise any effect this might have on the business. It is particularly pleasing to note that the business delivered against expectations, despite this issue and a negative impact from currency movements in the year, demonstrating the strength of our business model.

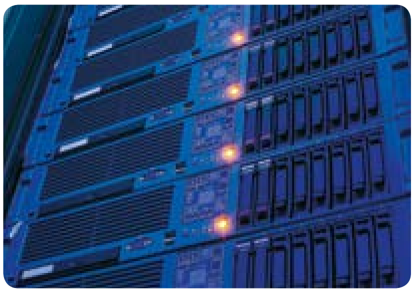
Within industrial data storage there are several exciting opportunities in which we are securing a growing number of design wins following successful product qualifications. The automotive sector has performed well again this year and continues to present opportunities for continued growth. Again, it is pleasing to note that progression is in keeping with the dynamics that we had foreseen some years ago. Other areas include industrial automation, the telecoms/network infrastructure market and various security related applications. A number of the major original equipment manufacturers ("OEMs") or tier one suppliers to those OEMs are our customers, meaning we are well positioned to benefit from the ever-growing demand.

The Communications market is exhibiting a number of growth areas including the transition to higher-capacity digital networks within voice-centric markets and, in data-centric markets, the increasing data throughput requirements from terrestrial and satellite communications applications. The latter is required to meet the needs of the growing M2M and IIoT sectors. Ancillary markets continue to develop which serves to maintain the very fragmented nature of the Group's communications markets. New product releases over the last few years should serve to capture a higher share of a growing market over time.

Again, we are already suppliers to, or working with, many of the leading OEMs in these areas and the Board believes we are well placed for future growth.







Operational Developments

The investment made in senior people towards the end of the prior year and early into this year has created the necessary capacity and skill set to facilitate the Group's continued growth. This process is now largely complete. Whilst our fixed cost base has increased, the benefits are already being seen with the additions in sales, marketing and customer support functions leading to an improved sales opportunity pipeline.

The other significant investment in the year has been in a new enterprise resource planning ("ERP") system, which is on track to go-live in the second half of this current financial year. Given the increasing scale and global nature of the business, the ERP system will unify our operating systems across different geographies, which will not only create efficiencies but also improve decision making.

Outlook

The business has continued to perform in line with expectations, which gives us confidence in the future. The lead times and sales cycles on our products are long and the revenue growth we are seeing today is the result of the continuous research and development investments that we make to deliver the products our customers need. Group products released three to four years ago are now entering the growth phase amongst the customer base and we envisage a repeat of this cycle with our recently released products and those under development, providing us with a long and sustainable pipeline of sales opportunities.

Both market areas addressed are delivering a satisfying performance and continue to be well placed for future growth. Our focus on research and development investment will remain, whilst other spending initiatives will benefit the business in future years.

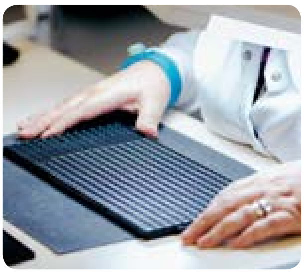
Clearly it is not possible to predict issues that may arise in the wider market, but a note of caution needs to be conveyed given one or two raw material supplier issues that were a feature of the latter part of the year to 31 March 2018. These events have the potential to affect customer purchasing patterns and, as a result, we currently expect revenue and profit progress for the year ahead to be weighted towards the second half.

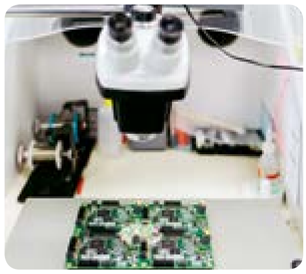
The Board believes that CML is well positioned to deliver steady, sustained growth and expectations are for a further advance in profitability for the year to 31 March 2019.

C A Gurry
Group Managing Director
22 June 2018

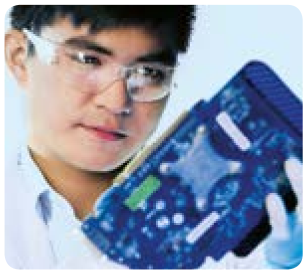
Corporate social responsibility

The Group's employees are its greatest asset and ultimately are the key factor in determining the long-term success of the business.







Employees

The Board aims to ensure that all employees work in an environment that supports diversity and fosters a culture of dignity and respect. We are committed to supporting employment policies and practices that support equal opportunities, non-discrimination, and that comply with relevant local legislation and accepted employment practice codes. Policies and practices of equal opportunities and non-discrimination will ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities rather than on the grounds of age, beliefs, disability, ethnic origin, gender, marital status, race, religion or sexual orientation.

Breakdown of employees as at 31 March by gender and management

	2018			2017		
	Male	**Female**	**Total**	Male	Female	Total
Plc Board Directors	**6**	**—**	**6**	6	—	6
Senior management	**14**	**1**	**15**	15	1	16
Staff	**139**	**62**	**201**	138	58	196
Total	**159**	**63**	**222**	159	59	218

Senior management is per the definition in Section 414C of the UK Companies Act 2006.

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. Options over shares in employee share plans do not hold the rights of the ordinary shares themselves.

Environmental issues and greenhouse gas emissions

The Board recognises its responsibility as a manufacturing concern to reduce, where economically sound, the energy it uses and where possible take advantage of recycling opportunities, complying with local laws as a minimum standard. The direct impact of the Company's own business on the environment is little more than that of a normal office environment so has minimal effect. This is due to the fact that the Company mainly uses a sub-contractor model for the manufacture of its products. The mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the Regulations") requires we report the data shown below.

Greenhouse gas emissions in tonnes of CO_2 equivalents

Tonnes of CO_2e	2018	% of total emissions	2017	% of total emissions
Scope 1	133.84	25.95%	137.41	23.90%
Scope 2	381.93	74.05%	437.61	76.10%
Total controlled emissions	515.77	100.00%	575.02	100.00%

Source of emissions

Tonnes of CO_2e	2018	% of total emissions	2017	% of total emissions
Scope 1				
Fuel – Company owned vehicles	21.12	4.10%	22.40	3.90%
Gas – heating	112.71	21.85%	115.00	20.00%
Refrigerant	0.01	0.00%	0.01	0.00%
Total scope 1 emissions	133.84	25.95%	137.41	23.90%
Scope 2				
Electricity – office and manufacturing	381.93	74.05%	437.61	76.10%
Total scope 2 emissions	381.93	74.05%	437.61	76.10%

Geographical breakdown

2018 Tonnes of CO_2e	Scope 1	Scope 2	Total	% of total emissions
UK	118.21	325.64	443.85	86.06%
Taiwan	7.58	18.16	25.74	4.99%
Singapore	0.00	3.75	3.75	0.73%
China	8.05	17.04	25.09	4.86%
Germany	0.00	17.34	17.34	3.36%
Total emissions	133.84	381.93	515.77	100.00%

2017 Tonnes of CO_2e	Scope 1	Scope 2	Total	% of total emissions
UK	119.02	377.52	496.54	86.35%
Taiwan	8.78	19.16	27.94	4.86%
Singapore	0.00	4.30	4.30	0.75%
China	9.61	12.30	21.91	3.81%
Germany	0.00	24.33	24.33	4.23%
Total emissions	137.41	437.61	575.02	100.00%

Intensity of emissions

Tonnes of CO_2e/£'000 turnover	2018	2017
Scope 1	0.00	0.01
Scope 2	0.01	0.02
Total	0.01	0.03

The above greenhouse gas emissions data is reported using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible. This includes all material emission sources which we deem ourselves to be responsible for. These sources are within our organisational boundary and align with our own internal and financial control. We do not have responsibility for any emission sources outside this boundary such as commercial flights (scope 3) since they are not within our control and therefore are not considered to be our responsibility.

Directors

The Board is collectively responsible for the long-term success of the Company.

From left to right: Neil Pritchard, Chris Gurry, Nigel Clark, Geoff Barnes, Hugh Rudden and Jim Lindop.

Nigel Clark

Group Non-Executive Chairman

Aged 64, Nigel joined the Company in 1980. He was appointed Company Secretary in 1983 and Group Financial Director in 1985. Prior to joining CML, he was with Touche Ross & Co. (which subsequently merged with Deloitte in 1989) and is a qualified chartered accountant, holding an FCA. Nigel became Group Non-Executive Chairman in January 2015. He holds a Mathematical Science degree from the University of London. Nigel is Chairman of the Remuneration Committee and member of the Audit Committee.

Chris Gurry

Group Managing Director

Aged 54, Chris joined the Group in 1994, was appointed to the Board in 2000 as Business Development Director and became Group Managing Director in October 2007. Prior to joining CML, he worked within the electronics industry and has over 25 years' experience within communications markets.

Neil Pritchard

Group Financial Director and Company Secretary

Aged 46, Neil joined the Company in January 2015. He was previously Finance Director of the UK and Eire division of the DAX listed automotive products group, Continental AG. Prior roles include Group Financial Controller at multinational London Stock Exchange listed Delta PLC (acquired by US company Valmont Industries in 2010) and Group Finance Manager at FTSE 250 multinational speciality chemicals group Yule Catto & Co PLC (now renamed Synthomer PLC). Neil is a qualified chartered accountant, holding an FCA, having spent six years with KPMG London in audit and forensic transaction services roles. He holds an Economics and Politics degree from the University of Bath.

Hugh Rudden

Group Sales and Marketing Director

Aged 58, Hugh joined the Company in June 2014. He has over 25 years' sales and marketing experience in the semiconductor industry. Prior to joining the Company, he divided his time between leading a VC-backed photovoltaic start-up company through early stage financing and providing business and management consultancy services across a number of sectors. Prior to this, he was CEO at Bede Plc (acquired by Jordan Valley Semiconductors in 2008), and also spent 14 years at Memec Group (acquired by Avnet in 2005), a global semiconductor distribution and designs services organisation where his roles included product marketing manager, regional CEO and VP global design services solutions. Hugh speaks German and holds a BSc in Physics from the University of Durham.

Jim Lindop

Non-Executive Director

Aged 61, Jim joined the Company in April 2013 and has extensive innovative leadership experience in the technology and engineering sectors, having spent over 30 years in the industry. Most recently he was founder and CEO of Jennic Ltd, a privately held semiconductor company established in 1996 and subsequently acquired by NXP Semiconductors in 2010. Prior to Jennic, he consulted to companies in Cambridge, UK, including Symbionics, building and leading project teams in new wireless technologies. Earlier experience includes working at Rolls Royce designing electronic instrumentation for aero-engines and as a director of engineering at Simmons Limited. Jim holds a BSc and MSc in Electronics from the University of Nottingham.

Geoff Barnes (Appointed 1 April 2017)

Non-Executive Director

Aged 73, Geoff joined the Company in April 2017. He is currently a director of Baker Tilly International having transitioned to the role in June 2016 after serving as its CEO and President for 16 years. He is also Non-Executive Chairman of the Supervisory Board of Baker Tilly South East Europe Ltd, strategic advisor on international matters to a major city law firm and chairman of the International Advisory Panel of the Institute of Chartered Accountants in England and Wales. In 2015, Geoff was awarded the prestigious life-time achievement award by the International Accounting Bulletin for services to global public accounting. Previous roles include 18 years with Casson Beckman, culminating in the position of Executive Chairman, and 6 years with Deloitte Haskins & Sells in London where he qualified as a chartered accountant. Geoff is Chairman of the Audit Committee.

Corporate governance

The Company is committed to high standards of corporate governance.

Statement of the application of principles in the UK Corporate Governance Code 2014 (the "Code")

The Board acknowledges the importance of the UK Corporate Governance Code 2014 (the "Code") revised in September 2014. 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 sought 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 Board's opinion, are 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, consideration of 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 three Executive Directors and three Non-Executive Directors. Details of the Directors can be found on page 18. The Group Non-Executive Chairman is primarily responsible for the running of the Board and the Group 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 the year ended 31 March 2018, eight Board meetings were held where all Directors in post participated (2017: eight).

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 Group Managing Director and considered by the whole Board acting as the nominations committee.

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 Group Managing Director, is subject to re-election by rotation annually.

Accountability

On pages 25 to 28 of this Annual Report and Accounts there are details of the Group's internal financial control procedures and risk management practices. The Group has a long-established framework of internal financial controls and the Board recognises that the Group operates in highly competitive markets that can be affected by factors and events outside its control. Accordingly, an annual review of the material controls, including financial, operational, compliance and risk management systems is undertaken during the year by the internal audit function.

In accordance with the objectives of the Code, the Board reviews the results of the review and takes necessary actions where required. The Board is satisfied there is an ongoing process in place for identifying, evaluating and managing the Group's significant risks. Further details of our financial risk management policy are provided in note 23.

Audit

The audit committee is responsible for ensuring the financial performance of the Group is properly measured and reported and for reviewing reports from auditors relating to the Group accounts and the Group's internal control systems. The audit committee also reviews the independence and the objectivity of the auditor and the supply of non-audit services. The audit committee comprises the Non-Executive Chairman and an Independent Non-Executive Director. (see Directors section). During the year ended 31 March 2018, two audit committee meetings were held where all Directors in post participated (2017: two meetings).

Relations with shareholders

The Group Managing Director and the Group Financial Director are the Group's principal spokesmen with investors, fund managers, the press and other interested parties. They hold briefings with institutional and private client 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 B Pritchard
Company Secretary
22 June 2018

Directors' remuneration report

Introduction

This report has been prepared in accordance with the regulations regarding the Directors' remuneration report (Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 as amended in 2013). As in previous years the shareholders will be asked to approve the Directors' remuneration report at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. Approval sought for this will have advisory status. The remuneration committee reviewed the existing policy revised in 2014 and deemed no change necessary to the current arrangements. Therefore, there has been no change in remuneration policy from 2017.

Consideration of employment conditions elsewhere in the Group

In setting the policy for Directors, the remuneration committee is mindful of the Group's objective to reward all employees fairly according to their role, experience and performance. In setting the policy for Directors' remuneration the committee considers the pay and employment conditions of the other employees within the Group. No formal consultation has been undertaken with the Group's employees in drawing up this policy.

The committee has not used formal comparison measures.

Remuneration committee

The Board has established a remuneration committee that currently comprises G. F. Barnes, C. A. Gurry and N. G. Clark (committee Chairman). C. A. Gurry does not participate in deciding his personal remuneration package. During the year ended 31 March 2018, one remuneration committee meeting was held where all Directors in post participated (2017: one meeting).

Remuneration policy

Set out in the table below is the Group policy on Directors' remuneration. In setting the policy, the remuneration committee has taken into account:

- the need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company;
- the Group's general aim in seeking to reward all employees fairly according to the nature of their role;
- the need to align the interests of the shareholders as a whole with the long-term growth of the Group;
- the need to be flexible and adjust with operational changes throughout the term of this policy;
- the size and nature of the business; and
- knowledge of general pay levels within the Company's peer group and similarly sized companies.

The remuneration of the Non-Executive Directors is determined by the Board and takes into account additional remuneration for services outside the scope of the ordinary duties of Non-Executive Directors.

Executive Directors

Element	Purpose	Policy	Operation	Performance conditions
Base salary	To recognise skills, responsibility, accountability, experience and value.	Set at a level considered appropriate to attract, retain, motivate and reward the right individual.	Reviewed annually by the remuneration committee.	No specific performance conditions, no maximum salary and no minimum or maximum rate of increase.
Contribution to pension	To provide competitive retirement benefits.	Fixed percentage of base salary.	Paid monthly into pensions or as an adjusted amount of salary in lieu.	No specific performance conditions.
Benefits[1]	To provide a competitive benefits package.	Includes car or car allowance, health cover and death in service.	As defined in the employment contract.	No specific performance conditions.
Annual bonus	To reward and incentivise.	Tied to the overall profit and performance of the business as well as the individual in that period.	Assessed annually on both a financial and non-financial basis.	The maximum bonus will not exceed 50% of base salary and is totally at the discretion of the remuneration committee.
Share options	To provide Executive Directors with a long-term interest in the Company.	Granted under general group-wide schemes.	Offered at appropriate times by the remuneration committee.	No minimum or maximum levels set and no performance criteria specified.

1. Principally a car and private medical insurance. The contracts of the Executive Directors allow the provision of a company car to be exchanged for a car allowance and where this is done, this allowance is added to the benefits in kind figure. Contributions to pension figures may include where Executive Directors elect to make payments into a personal pension plan in lieu of salary awarded.

Non-Executive Directors

Element	Purpose	Policy	Operation	Performance conditions
Base salary	To recognise skills, experience and value.	Set at a level considered appropriate to attract, retain and motivate the individual.	Reviewed periodically as needed.	No specific performance conditions, no maximum salary and no minimum or maximum rate of increase.
Contribution to pension	None offered.	None offered.	None offered.	None offered.
Benefits	Health cover when employed under PAYE.	Health cover where appropriate up to the age of 75.	Group organised.	No specific performance conditions.
Share options	None offered.	None offered.	None offered.	None offered.

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

Policy on payment for loss of office

There are no contractual provisions that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the remuneration committee to issue employment contracts to Executive Directors with normal commercial terms and without extended terms of notice which could give rise to an extraordinary termination payment.

Single total figure of remuneration (audited)

Individual Directors' remuneration was as follows:

2018	Salary £'000	Bonus £'000	Benefits in kind £'000	Total excluding pension £'000	Contribution to pension £'000	Benefits total £'000
N. G. Clark	60	—	1	61	—	61
C. A. Gurry	214	47	29	290	25	315
N. B. Pritchard	141	31	18	190	12	202
H. F. Rudden	147	32	14	193	13	206
G. F. Barnes	25	—	—	25	—	25
J. A. Lindop	23	—	1	24	—	24
	610	110	63	783	50	833

2017	Salary £'000	Bonus £'000	Benefits in kind £'000	Total excluding pension £'000	Contribution to pension £'000	Benefits total £'000
N. G. Clark	60	—	1	61	—	61
C. A. Gurry	214	47	27	288	25	313
N. B. Pritchard	141	31	17	189	10	199
H. F. Rudden	147	32	20	199	12	211
R. J. Shashoua[1]	25	—	—	25	—	25
J. A. Lindop	23	—	1	24	—	24
	610	110	66	786	47	833

1. R. J. Shashoua announced his retirement from the Company's Board effective 31 March 2017.

See remuneration policy for types of benefits in kind. No formal performance measures are considered relevant due to the size and nature of the Board and therefore bonuses and share options granted are entirely at the discretion of the remuneration committee.

Directors' remuneration report continued

Single total figure of remuneration (audited) continued

Remuneration of the Group Managing Director over the last five years:

Year	Group Managing Director	Total remuneration including bonus £'000	Annual bonus payout/ maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2018	**C. A. Gurry**	**315**	**22.0%/50%**	**n/a**
2017	C. A. Gurry	313	22.0%/50%	n/a
2016	C. A. Gurry	289	17.5%/50%	n/a
2015	C. A. Gurry	287	17.5%/50%	n/a
2014	C. A. Gurry	294	20.0%/50%	n/a

Change in Group Managing Director's remuneration:

The table below shows the Group Managing Director's total remuneration from the prior year to the current year compared to the total remuneration for the Group.

	2018 £'000	2017 £'000	2016 £'000
Basic salary	**214**	214	201
Taxable benefits and pension	**54**	52	53
Annual bonus	**47**	47	35
Total remuneration of Group Managing Director	**315**	313	289
Total remuneration of employees	**14,118**	12,636	9,999

Share options (audited)

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

	Number of options at 1 April 2017 '000	Options exercised in year '000	Gain on options exercised in year '000	Options granted in year '000	**Number of options at 31 March 2018 '000**	Exercise price	Exercise date
C. A. Gurry	20	—	—	—	**20**	£2.20	15 June 2014 to 14 June 2021
	30	—	—	—	**30**	£3.51	25 Sept 2018 to 25 Sept 2025
N. B. Pritchard	20	—	—	—	**20**	£3.45	2 April 2018 to 2 April 2025
	25	—	—	—	**25**	£3.475	25 Sept 2018 to 25 Sept 2025
	—	—	—	55	**55**	£5.20	28 Mar 2021 to 28 Mar 2028
H. F. Rudden	20	—	—	—	**20**	£3.125	17 Sept 2017 to 17 Sept 2024
	25	—	—	—	**25**	£3.475	25 Sept 2018 to 25 Sept 2025
	—	—	—	55	**55**	£5.20	28 Mar 2021 to 28 Mar 2028
	140	—	—	110	**250**		

Depending on the share option scheme, options are granted at an exercise price not less than the market price on the last dealing day prior to the date of grant or the average for the last three dealing days prior to 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 notes 29 and 30 to the financial statements. The market price of the Company's shares on 31 March 2018 was 520.0p (2017: 437.5p) and the range for the year was 415.0p to 547.5p.

Pensions (audited)

The Group operates several pension schemes throughout the United Kingdom and overseas in which some of the Directors are included. Full details of these schemes are given in note 27 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:

	2018 Number	2017 Number
Defined contributions scheme	**3**	3
Defined benefit scheme	**—**	—

The Company's defined benefit pension scheme was closed in respect of future benefit accruals on 31 March 2009. Life assurance cover and widows' death-in-service cover was provided under this scheme for the year ended 31 March 2018, as in the previous year.

Company contributions of £50,000 (2017: £47,000) were made towards the defined contribution scheme during the year in respect of the Executive Directors as detailed earlier in this report.

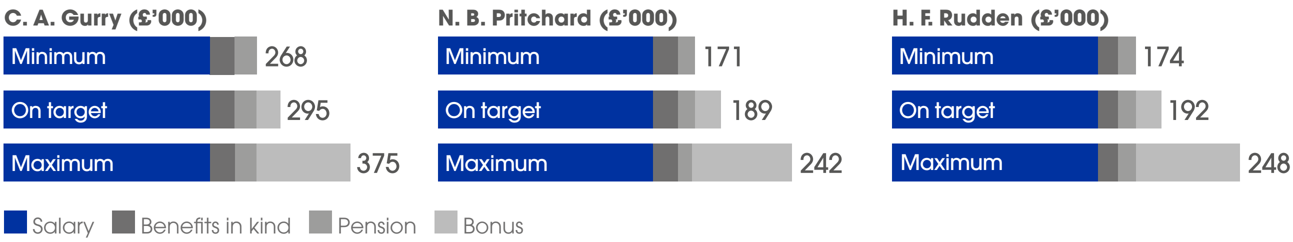
Normal retirement age for all Company pension schemes is 65 years (2017: 65 years). There are no additional benefits that will become receivable by a Director in the event of early retirement.

Approach to recruitment remuneration

All appointments to the Board are made on merit. The components of the remuneration package (for a new Director recruited within the life of the approved remuneration policy) would comprise of a base salary, pension, benefits, annual bonus and an opportunity to be granted share options. The approach with any appointment is detailed in the policy table. The Company aims to attract appropriately skilled and experienced individuals offering a level of remuneration that, in the opinion of the remuneration committee, is not excessive but fair.

Remuneration scenarios

An indication of the possible level of remuneration that would be received by each Executive Director in the year commencing 1 April 2018 in accordance with the Directors' remuneration policy and contractual terms, is shown below:



The "minimum" remuneration consists of the base salary, benefits and pension as disclosed in the remuneration table for 2018 contained within this report. The "on target" remuneration is the minimum remuneration figure plus, as an example, a 12.5% bonus paid on the base salary element part of the minimum remuneration. There are no contractual targets set for Directors' bonuses and in the last five years bonus levels have ranged from zero to 22.5% of the base salary element. The maximum remuneration assumes a 50% bonus paid on the base salary element part of the minimum remuneration.

Non-Executive Directors

The fees payable to Non-Executive Directors are determined by the Board and designed to recognise the experience and responsibility whilst rewarding the expertise and ability of the individual.

Directors' service contracts

C. A. Gurry is employed by the Company under a written contract of employment that provides for termination by either party giving twelve months' notice. N. B. Pritchard and H. F. Rudden are employed by the Company under written service contracts that provide for termination by either party giving six months' notice.

J. A. Lindop has a service contract effective from 1 April 2016. N. G. Clark has a service contract effective 19 January 2015. G. F. Barnes has a service contract effective from 1 April 2017. All Directors are subject to re-appointment at the first Annual General Meeting after their appointment and thereafter, apart from the Group Managing Director, one-third of the remaining Directors shall retire by rotation at the Annual General Meeting.

Directors' notice periods are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a Director leave the Company.

Directors' remuneration report continued

Consideration by the Directors of matters relating to Directors' remuneration

The remuneration committee considered the Executive Directors' remuneration and the Board considered the Non-Executive Directors' remuneration in the year ended 31 March 2018. Any movements awarded to salary are shown on page 21 and no external advice was taken in reaching this decision.

Relative importance of spend on pay

The total expenditure of the Group on remuneration to all employees (note 6) is shown below:

	2018 £'000	2017 £'000	Movement £'000	Movement %
Employee remuneration	**14,118**	12,636	+1,482	12
Group Managing Director	**315**	313	+2	1
Distributions to shareholders	**1,581**	1,134	+447	39

Shareholder voting

At the Annual General Meeting on 2 August 2017, there was an advisory vote on the resolution to approve the remuneration report the result of which is detailed below:

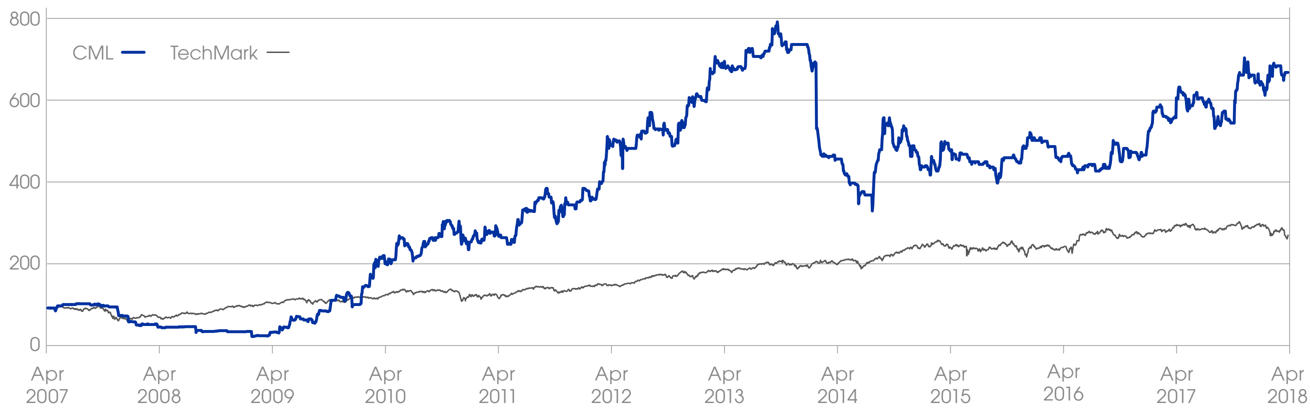
	% of votes for	% of votes against	% of votes withheld
Resolution to approve the remuneration report	99.94	0.06	0.00

Consideration of shareholder views

No shareholder views have been taken into account when formulating this policy. In accordance with the regulations, an ordinary resolution for approval of this policy will be put to the shareholders at the Annual General Meeting in August 2018.

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 ten years. The TechMark 100 Index was selected because in the opinion of the Board it is the most appropriate for benchmarking the Company.



On behalf of the Board of Directors

N G Clark
Group Non-Executive Chairman and
Chairman of the remuneration committee

22 June 2018

Other disclosures

Report of the Directors
The Directors submit their report and Group financial statements for the year ended 31 March 2018 in addition to the Directors' Remuneration Report on pages 20 to 24.

The Directors referred to on page 18, all served throughout the year ended 31 March 2018.

Going concern
The Group's business activities, performance, position and risks are set out in this Annual Report and Accounts. 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 33 to 74 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 Accounts.

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

Business review and future developments
The strategic report on pages 1 to 17 provides an analysis 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 business are discussed within the strategic report on page 9.

Results
The results for the Group for the current and comparative periods are discussed in the Financial Review section of the Group Managing Director's Review within the Strategic Report. This information would have otherwise been required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' report.

Dividends
A maiden interim dividend of 2.0p per 5p ordinary share was paid on 15 December 2017 to shareholders on the Register on 1 December 2017.

The Directors are proposing to pay a final dividend of 5.8p per 5p ordinary share taking the total dividend amount in respect of the year ended 31 March 2018 to 7.8p (2017: 7.4p final dividend).

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.

Strategic report
Carbon dioxide emissions are detailed in the Corporate Social Responsibility section on pages 16 and 17. In accordance with S414C (11) of the Companies Act 2006; included in the strategic report is the disclosure of future developments. This information would have otherwise been required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' report.

Share capital
The Company's authorised and issued ordinary share capital as at 31 March 2018 comprised a single class of ordinary shares. Details of movements in the issued share capital can be found in note 29 to the financial statements. Each share carries the right to one vote at general meetings of the Company. During the period, 251,667 ordinary shares (2017: 9,077 ordinary shares) in the Company were issued under the terms of the various share option schemes.

Other disclosures continued

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 2017 AGM, to purchase in the market up to 2,529,053 of the Company's issued share capital, as permitted under the Company's Articles. This standard authority is renewable annually; the Directors will seek to maintain the authority for 2,566,803 ordinary shares of 5p at this year's AGM.

The Directors were granted authority at the 2017 AGM to allot relevant securities up to a nominal amount of £562,011. 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 £570,343.

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. Directors and their voting rights are listed further below in this Report. As at 11 June 2018, 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
Miton Group Plc	Institutional investor	22.05%
Schroder Investment Management Limited	Institutional investor	11.14%
J. M. Gurry	Private investor	9.19%
M. I. Gurry	Private investor	5.63%
T. M. R. Dean	Private investor	5.40%
Ruffer Investment Management	Institutional investor	4.92%
Herald Investment Management	Institutional investor	4.90%
Legal and General Investment Management Limited	Institutional investor	3.60%
Slater Investments Limited	Institutional investor	3.60%
M&G Investment Management Limited	Institutional investor	2.94%

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, other than Director share options.

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 (2017: 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

Investment properties in both the Group and Company comprise freehold and leasehold land and buildings and it is from the operating leases on these properties that the Group's rental income is generated. The Board has considered the recent professional valuation of the Company's investment properties by Everett Newlyn, Chartered Surveyors and Commercial Property Surveyors, on the basis of open market value as at 31 March 2018, at a valuation of £3,690,000 (2017: £3,550,000) and have accepted this valuation.

Directors and their interests

The Directors of the Company at 31 March 2018, all of whom have served throughout the year, together with their interests in the shares of the Company were:

	Ordinary shares of 5p each	
	31 March 2018	31 March 2017
N. G. Clark	**24,600**	24,600
C. A. Gurry[1]	**908,816**	917,567
N. B. Pritchard	**—**	—
H. F. Rudden	**—**	—
G. F. Barnes	**12,000**	8,000
J. A. Lindop	**—**	—

1. C. A. Gurry's shareholding amounts to 5.33% of the issued share capital.

The above interests in the ordinary share capital of the Company are beneficial. 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 2018 and 22 June 2018. With the exception of Directors' service contracts, there are no contracts of significance in which the Directors have an interest.

Third party indemnity provision for Directors

The Company currently has in place, and has done for the whole of the year ended 31 March 2018, 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 8 and also special business comprising one ordinary resolution, 9 and three special resolutions, 10, 11 and 12 relating to the following matters:

Special business ordinary resolution

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

Special business special resolutions

- To disapply the pre-emption provisions of the Companies Act 2006.
- To disapply the pre-emption provisions of the Companies Act 2006 for the purposes of financing an acquisition or capital investment. The Prospectus Rules were amended in July 2017 whereby a Prospectus is not required for additional shares being issued as part of an acquisition where those shares are below 20% of the total equity holding less treasury shares. Accordingly, the numbers in this resolution have been revised to provide for the additional flexibility afforded by this amendment.
- 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 29. Although 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.

Other disclosures continued

Interest rate, liquidity and foreign currency management

Further information regarding these matters is provided in note 23.

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 Group has zero tolerance towards bribery and corruption in its business dealings. The controlling activities to ensure the accuracy and reliability of the accounting include analytical reviews as well as the execution and control of important and complex transactions by different people. The separation of administrative, executive, accounting and authorisation functions and their performance by different individuals (dual signatures) reduces the risk of fraud.

Internal guidelines also govern specific formal requirements made of the consolidated financial statements. Establishing the group of consolidated companies is defined in detail, as are the components of the reports to be drawn up by the Group companies and their transmission to the central consolidation system.

The formal requirements relate to the mandatory use of a standardised and complete set of reporting forms and a uniform account framework for the Group. The internal guidelines also include concrete instructions on presenting and carrying out netting procedures within the Group and confirming the resulting account balances.

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

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware.

Each of the Directors have confirmed that they have taken all the steps that they believe they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

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

By order of the Board

N B Pritchard
Company Secretary
22 June 2018

Statement of Directors' responsibilities
in respect of the financial statements

The Directors submit their report and Group financial statements for the year ended 31 March 2018.

The Directors are responsible for preparing the Strategic report, the Directors' report (which includes the Corporate Governance statement, the Directors' remuneration report and Other disclosures) on pages 1 to 28 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 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 a 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 18 confirm that, to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, 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
b. the Strategic Report 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.

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

Opinion

We have audited the financial statements of CML Microsystems Plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 March 2018 which comprise the consolidated income statement, the consolidated statement of total comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs" (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill risk

The Group carries goodwill amounting to £9.2m with £5.7m arising in respect of the acquisition in the prior year. As set out in note 13 of the financial statements, the recoverability of the goodwill arising on the acquisition of Wuxi Sicomm Technologies, Inc is dependent on the underlying businesses generating sufficient cash flows in the future. Due to the significant management judgement in forecasting the cash flows and selecting an appropriate discount rate there is a high level of estimation uncertainty which results in there being a significant risk associated with determining whether goodwill is impaired.

Our response

Our audit procedures included reviewing the discounted cash flow model, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill had been impaired and assessing management's sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows. We have consulted with our valuations experts and challenged the valuation model and the basis of managements impairment considerations.

We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability and related cash flows to the actual amounts realised. We assessed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected the risks inherent in the assessment of the carrying value of goodwill.

Key observations

We have no other key observations, other than those already considered in this audit report.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning, FSM was calculated as £307k, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10k, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. Based on our assessment, we focused our group audit scope on the businesses in the UK and Germany which are subject to a full audit. This covered 78% of consolidated profit before tax and 85% of consolidated net assets. All other components have been covered by desktop review and analytical procedures. The parent company was subject to full audit.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

Matters on which we are required to report by exception continued

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement (set out on page 29), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit, we will consider the susceptibility of the Group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the Directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the members in 1988 to audit the financial statements for the year ending 31 March 1988 and subsequent financial periods.

The period of total uninterrupted engagement is 31 years, covering the years ending 1988 to 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

David Clark
Senior Statutory Auditor

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

22 June 2018

Consolidated income statement
for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**31,674**	27,737
Cost of sales	4	**(9,438)**	(7,922)
Gross profit		**22,236**	19,815
Distribution and administration costs	4	**(18,518)**	(16,116)
		3,718	3,699
Other operating income	5	**829**	614
Profit from operations		**4,547**	4,313
Share-based payments	30	**(143)**	(139)
Profit after share-based payments		**4,404**	4,174
Revaluation of investment properties		**140**	—
Finance income	8	**39**	34
Profit before taxation		**4,583**	4,208
Income tax expense	9	**(444)**	(341)
Profit after taxation		**4,139**	3,867
Profit after taxation attributable to equity owners of the parent		**4,139**	3,867
Basic earnings per share			
From profit for year	11	**24.52p**	23.09p
Diluted earnings per share			
From profit for year	11	**23.95p**	22.84p
Adjusted EBITDA[1]			
Adjusted EBITDA	12	**9,998**	8,840

1. See Note 12 for definition and reconciliation.

Consolidated statement of total comprehensive income
for the year ended 31 March 2018

	Notes	**2018 £'000**	**2018 £'000**	2017 £'000	2017 £'000
Profit for the year			**4,139**		3,867
Other comprehensive income, net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on retirement benefit obligations	27	**911**		(1,048)	
Deferred tax on actuarial (gains)/losses	26	**(155)**		178	
Items reclassified subsequently to profit or loss upon derecognition:					
Foreign exchange differences		**(84)**		1,068	
Other comprehensive income for the year net of taxation attributable to equity holders of the parent			**672**		198
Total comprehensive income for the year attributable to the equity holders of the parent			**4,811**		4,065

Consolidated statement of financial position
as at 31 March 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Assets					
Non-current assets					
Goodwill	13		**9,190**		9,306
Other intangible assets	14		**1,570**		1,339
Property, plant and equipment	15		**5,410**		5,330
Investment properties	16		**3,690**		3,550
Investments	17		**83**		85
Development costs	18		**12,542**		11,401
Deferred tax assets	26		**1,068**		1,419
			33,553		32,430
Current assets					
Inventories	19	**2,351**		2,154	
Trade receivables and prepayments	20	**3,112**		2,697	
Current tax assets	25	**675**		971	
Cash and cash equivalents	21	**13,816**		12,447	
			19,954		18,269
Total assets			**53,507**		50,699
Liabilities					
Current liabilities					
Trade and other payables	24		**5,292**		5,757
Current tax liabilities	25		**48**		57
Provision – current	28		**181**		51
			5,521		5,865
Non-current liabilities					
Deferred tax liabilities	26	**3,950**		3,692	
Retirement benefit obligation	27	**2,070**		3,084	
Provision – non current	28	**196**		423	
			6,216		7,199
Total liabilities			**11,737**		13,064
Net assets			**41,770**		37,635
Capital and reserves attributable to equity owners of the parent					
Share capital	29		**856**		843
Share premium	30		**9,068**		8,319
Capital redemption reserve	30		**9**		9
Treasury shares – own share reserve	30		**(190)**		(190)
Share-based payments reserve	30		**443**		504
Foreign exchange reserve	30		**1,302**		1,386
Accumulated profits reserve	30		**30,282**		26,764
Total shareholders' equity			**41,770**		37,635

The financial statements on pages 33 to 74 were approved and authorised for issue by the Board on 22 June 2018, and signed on its behalf by:

C A Gurry
Director

N B Pritchard
Director

Registered in England and Wales: 000944010

Consolidated and Company cash flow statements
for the year ended 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Operating activities					
Profit for the year before taxation		**4,583**	4,208	**(74)**	996
Adjustments for:					
Depreciation		**411**	325	**79**	79
Amortisation of development costs		**4,745**	4,100	**—**	—
Amortisation of intangibles recognised on acquisition		**155**	102	**—**	—
Revaluation of investment properties		**(140)**	—	**(140)**	—
Movement in non-cash items (pension)		**(103)**	(31)	**—**	—
Share-based payments		**143**	139	**143**	139
Movement in provisions		**(48)**	474	**—**	—
Finance income		**(39)**	(34)	**—**	—
Movement in working capital	33	**(874)**	1,745	**(377)**	(1,237)
Cash flows from/(used in) operating activities		**8,833**	11,028	**(369)**	(23)
Income tax received/(paid)		**309**	(224)	**—**	—
Net cash flows from/(used in) operating activities		**9,142**	10,804	**(369)**	(23)
Investing activities					
Purchase of acquisition, net of cash acquired		**—**	(3,576)	**—**	—
Payment of warranty retention		**(320)**	—	**—**	—
Receipt of escrow cash deposit		**—**	385	**—**	—
Purchase of property, plant and equipment		**(488)**	(450)	**—**	—
Investment in development costs		**(5,680)**	(5,763)	**—**	—
Investment in intangibles		**(392)**	—	**(392)**	—
Disposal of property, plant and equipment		**—**	17	**—**	—
Finance income		**39**	34	**—**	—
Net cash flows used in investing activities		**(6,841)**	(9,353)	**(392)**	—
Financing activities					
Issue of ordinary shares		**762**	25	**762**	25
Purchase of own shares for cancellation		**—**	(669)	**—**	—
Dividends paid to shareholders		**(1,581)**	(1,134)	**—**	—
Net cash flows (used in)/from financing activities		**(819)**	(1,778)	**762**	25
Increase/(decrease) in cash and cash equivalents		**1,482**	(327)	**1**	2
Movement in cash and cash equivalents:					
At start of year	21	**12,447**	13,596	**171**	169
Increase/(decrease) in cash and cash equivalents		**1,482**	(327)	**1**	2
Effects of exchange rate changes		**(113)**	(822)	**—**	—
At end of year	21	**13,816**	12,447	**172**	171

During the comparative year ending 31 March 2017, 774,181 shares in CML Microsystems Plc were issued in part consideration for the acquisition of Sicomm equity to the value of £2,632,000. As a significant non-cash transaction, this is not reflected in the above consolidated cash flow statement.

Cash flows presented exclude sales taxes. Further cash related disclosure details are provided in Notes 21, 22, 23 and 33.

Consolidated statement of changes in equity
for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits reserve £'000	Total £'000
At 31 March 2016	813	5,700	—	(190)	388	318	25,547	32,576
Profit for year							3,867	3,867
Other comprehensive income net of taxes								
Foreign exchange differences						1,068		1,068
Net actuarial loss recognised directly to equity							(1,048)	(1,048)
Deferred tax on actuarial loss							178	178
Total comprehensive income for year	—	—	—	—	—	1,068	2,997	4,065
	813	5,700	—	(190)	388	1,386	28,544	36,641
Transactions with owners in their capacity as owners								
Issue of ordinary shares re acquisition	39	2,594						2,633
Issue of ordinary shares	—	25						25
Dividend paid							(1,134)	(1,134)
Share purchase for cancellation	(9)		9				(669)	(669)
Total transactions with owners in their capacity as owners	30	2,619	9	—	—	—	(1,803)	855
Share-based payments					139			139
Cancellation/transfer of share-based payments					(23)		23	—
At 31 March 2017	843	8,319	9	(190)	504	1,386	26,764	37,635
Profit for year							**4,139**	**4,139**
Other comprehensive income net of taxes								
Foreign exchange differences						**(84)**		**(84)**
Net actuarial gain recognised directly to equity							**911**	**911**
Deferred tax on actuarial gain							**(155)**	**(155)**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**(84)**	**4,895**	**4,811**
	843	**8,319**	**9**	**(190)**	**504**	**1,302**	**31,659**	**42,446**
Transactions with owners in their capacity as owners								
Issue of ordinary shares	**13**	**749**						**762**
Dividend paid							**(1,581)**	**(1,581)**
Total transactions with owners in their capacity as owners	**13**	**749**	**—**	**—**	**—**	**—**	**(1,581)**	**(819)**
Share-based payments					**143**			**143**
Cancellation/transfer of share-based payments					**(204)**		**204**	**—**
At 31 March 2018	**856**	**9,068**	**9**	**(190)**	**443**	**1,302**	**30,282**	**41,770**

There is considered to be no significant tax effect of foreign exchange differences in the above consolidated statement of changes in equity.

Company statement of financial position

as at 31 March 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Assets					
Non-current assets					
Intangible assets	14		**392**		—
Property, plant and equipment	15		**4,651**		4,730
Investment properties	16		**3,690**		3,550
Investments	17		**12,092**		11,968
Deferred tax assets	26		**151**		113
			20,976		20,361
Current assets					
Trade receivables and prepayments	20	**69**		66	
Cash and cash equivalents	21	**172**		171	
			241		237
Total assets			**21,217**		20,598
Liabilities					
Current liabilities					
Trade and other payables	24		**749**		911
			749		911
Non-current liabilities					
Deferred tax liabilities	26		**579**		578
Total liabilities			**1,328**		1,489
Net assets			**19,889**		19,109
Equity					
Share capital	29		**856**		843
Share premium	30		**9,068**		8,319
Capital redemption reserve	30		**9**		9
Treasury shares – own share reserve	30		**(190)**		(190)
Share-based payments reserve	30		**443**		504
Merger reserve	30		**316**		316
Accumulated profits	30		**9,387**		9,308
Total shareholders' equity			**19,889**		19,109

The parent company profit for the financial year attributed in the financial statements of the parent company was £1,456,000 (2017: £996,000). The financial statements on pages 33 to 74 were approved and authorised for issue by the Board on 22 June 2018 and signed on its behalf by:

C A Gurry
Director

N B Pritchard
Director

Registered in England and Wales: 000944010

Company statement of changes in equity
for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Merger reserve £'000	Accumulated profits £'000	Total £'000
At 31 March 2016	813	5,700	—	(190)	388	316	10,092	17,119
Profit for year							996	996
Total comprehensive income for year	—	—	—	—	—	—	996	996
	813	5,700	—	(190)	388	316	11,088	18,115
Transactions with owners in their capacity as owners								
Issue of ordinary shares re acquisition	39	2,594						2,633
Issue of ordinary shares	—	25						25
Dividend paid							(1,134)	(1,134)
Share purchase for cancellation	(9)		9				(669)	(669)
Total transactions with owners in their capacity as owners	30	2,619	9	—	—	—	(1,803)	855
Share-based payments					139			139
Cancellation/transfer of share-based payments					(23)		23	—
At 31 March 2017	843	8,319	9	(190)	504	316	9,308	19,109
Profit for year							**1,456**	**1,456**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**—**	**1,456**	**1,456**
	843	**8,319**	**9**	**(190)**	**504**	**316**	**10,764**	**20,565**
Transactions with owners in their capacity as owners								
Issue of ordinary shares	**13**	**749**						**762**
Dividend paid							**(1,581)**	**(1,581)**
Total transactions with owners in their capacity as owners	**13**	**749**	**—**	**—**	**—**	**—**	**(1,581)**	**(819)**
Share-based payments					**143**			**143**
Cancellation/transfer of share-based payments					**(204)**		**204**	**—**
At 31 March 2018	**856**	**9,068**	**9**	**(190)**	**443**	**316**	**9,387**	**19,889**

Notes to the financial statements
for the year ended 31 March 2018

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.

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 and are rounded to the nearest thousand pounds.

b) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiary undertakings using the acquisition 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.

A subsidiary is defined as a company, over which the Group has control. The Group controls an entity where the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 is focused for management purposes on one primary reporting segment, being the semiconductor segment, with similar economic characteristics, risks and returns and the Directors therefore consider there to be one business segment classification.

d) Revenue

The Group recognises revenues from 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. Other income such as interest earned and property income is recognised as earned. Warranty for all product sold or any loss or damage suffered by a purchaser only extends to the refund of the purchase price or replacement of the product originally sold regardless of how the claim has arisen therefore it is only accounted for on an actual identified potential liability.

e) Intangibles

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 Hyperstone-related goodwill relating and carry out annual impairment reviews as required under IAS 36 and in accordance with IAS 38. Goodwill was recognised for the Sicomm acquisition in August 2016. Goodwill is reviewed annually for impairment by comparing its carrying value to the value in use or 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.

Other intangibles

Externally acquired intangible assets have been recognised in accordance with the provisions of IFRS 3 Business Combinations in relation to the acquisition of Sicomm. These acquired intangibles have been amortised in accordance with the following:

- Brands — 10 years from date of acquisition
- Customer relationships — 9 years from date of acquisition
- Intellectual property — 10 years from date of acquisition

Software

The Group is presently implementing an Enterprise Resource Planning system for use by all companies in the Group across business functions. This purchased intangible will be amortised over its useful economic life from its future date of implementation.

Amortisation of all the above intangible assets is recognised on consolidation and reported in distribution and administration costs in the consolidated income statement.

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 finite 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 up to 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.

1 Accounting policies continued

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 in 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 separately 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 benefit 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.

The current service cost, which is the increase in the present value of the retirement benefit obligation resulting from employee service in the current year, and gains and losses on settlements and curtailments, which arise on transactions that eliminate part or all of the benefits provided or when there are amendments to terms such that a significant element of future service will no longer qualify for benefits or will qualify only for reduced benefits, are included within operating profit in the consolidated income statement. Past service credits/costs are those service credits/costs in relation to prior years' service costs as a result of changes of future benefits earned by members. Past service credits/costs are recognised immediately in the consolidated income statement.

Re-measurement of the UK defined benefit scheme due to actuarial gains and losses from experience adjustments and changes in actuarial assumptions are immediately recognised in other comprehensive income and charged or credited directly to equity. For defined contribution schemes, contributions are recognised as an employee benefit expense in the consolidated income statement 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) Government grants

Government grants receivable to assist the Group with costs in respect of development work are credited against capitalised development costs or capitalised property, plant and equipment 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.

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

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. 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 assumptions made (for example mortality, inflation and discount rates) for the UK defined benefit pension scheme and the impairment of goodwill are considered to be critical accounting estimates and judgements; details of which are referred to in this accounting policies note, sections e, f, h, m and u. Deferred tax assets are only recognised when there is a reasonable expectation of recovery.

- Impairment of goodwill
  An annual review is carried out (as set out in note 13) as to whether the current carrying value of goodwill is impaired, Detailed calculations are performed based on (i) discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate; and/or (ii) the comparison of carrying value to the net selling price of the cash generating unit; the determination of these factors require the exercise of judgement.
- UK defined benefit pension scheme
  Actuarial assumptions are made in valuing future benefit pension obligations (as set out in note 27). The principal significant assumptions relate to the rate of inflation, the discount rate and life expectancy of members. Estimates are used for these factors in determining the pension costs and liabilities in the financial statements.
- Research and development – measurement and amortisation
  Distinguishing whether development expenditure satisfies the recognition requirements for the capitalisation of development costs requires the exercise of judgement. The corresponding amortisation period is derived from existing developed products in the markets served and therefore the assumption is that new products will provide economic benefit for similar periods of time.
- Recognition of deferred tax assets
  The extent to which deferred tax assets can be recognised is based on an assessment of probabilities that future taxable incomes in jurisdictions will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised in the future.

s) Borrowing costs

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

t) 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 and other receivables are classified as loans and receivables and are initially recognised at fair value then at amortised cost using the effective interest method. 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 and other payables are not interest bearing and are initially stated at their fair value then amortised cost using the effective interest method. 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.

1 Accounting policies continued

u) 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 until the associated revaluation reserve is extinguished.

v) 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. Provisions are discounted where material to do so.

w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company has purchased its own equity share capital, the consideration paid, including directly attributable incremental costs, is deducted from retained earnings until the shares are cancelled. On cancellation, the nominal value of the shares is deducted from share capital and the amount is transferred to the capital redemption reserve.

x) Acquisitions

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the aggregate of the fair values, at the date of change of control, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs relating to the issue of debt or equity securities. Any costs directly attributable to the business combination are expensed to the consolidated income statement. The acquiree's identifiable assets, liabilities, and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

y) Adoption of International Accounting Standards

New standards, amendments to published standards and interpretations to existing standards effective in 2018, with their dates of adoption adopted by the Group and brief description:

Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2017	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Clarifies deferred tax on unrealised losses generated by debt instruments carried at fair value.
Amendments to IAS 7 Disclosure Initiative	1 January 2017	The amendments clarify and improve information provided to users of financial statements.

The implementation of these standards did not have a material impact on the Group's consolidated financial statements.

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

IAS 40 Investment Property	1 January 2018	Clarifies that an entity transfers a property to, or from, an investment property when, and only when, there is evidence of change in use. A change of use occurs if a property meets, or ceases to meet, the definition of investment property.
IAS 28 Investments in Associates and Joint Ventures	1 January 2018	Clarifies whether an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018	Amendments to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
IFRS 9 Financial Instruments	1 January 2018	Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also addresses the so-called 'own credit' issue and includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple-element arrangements.
IFRS 16 Leases	1 January 2019	The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have little or no material impact on the financial statements of the Group, subject to any future business combinations, and with the possible exception of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' where our review of the impact is ongoing as described overleaf:

1 Accounting policies continued

y) Adoption of International Accounting Standards continued

(i) IFRS 15 'Revenue from Contracts with Customers': For the Group, transition to IFRS 15 will take effect from 1 April 2018

The half-year results for the six months ended 30 September 2018 will be IFRS 15 compliant with the first Annual Report published in accordance with IFRS 15 being the year ended 31 March 2019. The Group plans to adopt a fully retrospective transition approach and so comparatives for the year ended 31 March 2018 will be restated where applicable.

IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on a five-step model (identification of contracts; performance obligations; transaction prices; allocation of price to performance obligations; and recognition of revenue). Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

The Group has performed an impact assessment in an attempt to quantify the full impact of this standard and is working through a comprehensive transition exercise. The transition exercise has involved scoping the Group's revenues to identify revenue streams with like commercial terms and performing sample contract reviews to determine the appropriate revenue recognition under IFRS 15. The review and conclusion of this exercise is ongoing. Based on the initial reviews we do not expect there to be a material change in the timing or quantum of revenue recognition. Microchips involve both hardware and embedded software within a chip product, and revenues are recognised when invoices are raised and chip products are despatched.

While many of our companies have warranty arrangements with their customers, having reviewed the details of the warranty arrangements, these have been determined to be of an assurance nature and as such there is no material change in accounting required by IFRS 15.

(ii) IFRS 9 'Financial Instruments': For the Group, transition to IFRS 9 will take effect from 1 April 2018

The half-year results for the six months ended 30 September 2018 will be IFRS 9 compliant with the first Annual Report published in accordance with IFRS 9 being the year ended 31 March 2019.

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments.

During this year the Group has undertaken a high-level review of the impact of this new standard on its financial statements. The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables. The Group has no borrowings and does not use complex financial instruments for hedging foreign exchange risks. We therefore expect that the impact of this standard will be limited to classification of financial instruments and the measurement of impairment of short-term financial assets using the expected losses impairment model where appropriate.

Given the straightforward nature of the financial assets for the Group, we do not expect there will be a material change in any level of impairment recognised compared to that based on current procedures.

(iii) IFRS 16 'Leases': For the Group, transition to IFRS 16 will take effect from 1 April 2019

The half-year results for the six months ended 30 September 2019 will be IFRS 16 compliant with the first Annual Report published in accordance with IFRS 16 being for the year ending 31 March 2020.

IFRS 16 provides a single model for lessees which recognises a right of use asset and lease liability for all leases which are longer than one year or which are not classified as low value. The distinction between finance and operating leases for lessees is removed. This can substantially affect metrics such as total assets, total liabilities, classification of costs (for example depreciation replacing operating lease rental costs) and key financial ratios such as (Adjusted) EBITDA where rental costs are replaced by depreciation.

The Group is currently assessing the impact of the new standard. The most significant impact currently identified will be that the Group's mainly non-UK subsidiaries' land and buildings leases taken up as lessee will be brought on to the balance sheet as assets and lease liabilities. Further assessment of other less significant leases is currently ongoing. The Group's future lease commitments for land and buildings as at 31 March 2018, which provides an indicator of the value to be brought on to the balance sheet, was £1,349,000. This aggregate total is an undiscounted amount. (Adjusted) EBITDA, as discussed above, sees rental costs being replaced by depreciation and the Group's rental costs for the year ended 31 March 2018 amounted to £585,000. IFRS16 is not anticipated to have a material effect on the Group where it is acting in its capacity as lessor.

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

	2018		2017	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Total segmental revenue	**31,674**	**31,674**	27,737	27,737
Profit				
Segmental result	**4,404**	**4,404**	4,174	4,174
Finance income		**39**		34
Revaluation of investment properties		**140**		—
Income tax expense		**(444)**		(341)
Profit after taxation		**4,139**		3,867
Assets and liabilities				
Segmental assets	**48,074**		44,759	
		48,074		44,759
Unallocated corporate assets				
Investment properties		**3,690**		3,550
Deferred tax assets		**1,068**		1,419
Current tax assets		**675**		971
Consolidated total assets		**53,507**		50,699
Segmental liabilities	**5,669**		6,231	
		5,669		6,231
Unallocated corporate liabilities				
Deferred tax liabilities		**3,950**		3,692
Current tax liabilities		**48**		57
Retirement benefit obligation		**2,070**		3,084
Consolidated total liabilities		**11,737**		13,064

Other segmental information

	2018		2017	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Property, plant and equipment additions	**488**	**488**	450	450
Development cost additions	**5,680**	**5,680**	5,763	5,763
Intangible additions	**392**	**392**	—	—
Depreciation	**411**	**411**	325	325
Amortisation of development costs	**4,745**	**4,745**	4,100	4,100
Amortisation of acquired intangibles	**155**	**155**	102	102
Other non-cash income	**103**	**103**	31	31

2 Segmental analysis continued

Geographical information (by origin)

	UK £'000	Rest of Europe £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2018					
Revenue to third parties – by origin	**5,073**	**7,355**	**5,848**	**13,398**	**31,674**
Property, plant and equipment	**5,024**	**290**	**65**	**31**	**5,410**
Investment properties	**3,690**	**—**	**—**	**—**	**3,690**
Development costs	**4,424**	**8,118**	**—**	**—**	**12,542**
Intangibles – software	**392**	**—**	**—**	**—**	**392**
Goodwill	**—**	**3,512**	**—**	**5,678**	**9,190**
Other intangible assets arising on acquisition	**—**	**—**	**—**	**1,178**	**1,178**
Total assets	**23,915**	**15,556**	**2,582**	**11,454**	**53,507**
Year ended 31 March 2017					
Revenue to third parties – by origin	6,744	4,856	6,047	10,090	27,737
Property, plant and equipment	5,056	243	16	15	5,330
Investment properties	3,550	—	—	—	3,550
Development costs	3,827	7,574	—	—	11,401
Goodwill	—	3,512	—	5,794	9,306
Other intangible assets arising on acquisition	—	—	—	1,339	1,339
Total assets	35,192	11,482	1,969	2,056	50,699

Revenue contribution from the top two customers provided a combined contribution of approximately 28% (2017: 29% of revenues), although only one of these customers was above the 10% threshold (2017: two customers).

3 Revenue

The geographical classification of business turnover (by destination) is as follows:

Continuing business	2018 £'000	2017 £'000
Europe	**9,477**	7,600
Far East	**15,764**	13,460
Americas	**5,919**	6,117
Others	**514**	560
	31,674	27,737

4 Profit from continuing operations

	2018		2017	
	£'000	£'000	£'000	£'000
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation	**105**		72	
Amount of inventories written down	**24**		119	
Cost of inventories recognised as expense	**9,051**		7,619	
Other (stock) movements	**258**		112	
		9,438		7,922
Distribution and administration costs:				
Distribution costs (mainly staff costs)		**3,444**		3,182
Administration costs:				
Amortisation of development costs	**4,745**		4,100	
Research and development expensed	**1,191**		1,057	
Amortisation of acquired intangibles	**155**		102	
Depreciation	**306**		253	
Foreign exchange losses/(gains)	**445**		(800)	
Rentals under operating leases:				
Land and buildings	**494**		452	
Other operating leases	**91**		115	
Provision creation (note 28)	**—**		453	
Auditor's fees (see below)	**174**		171	
Other expenses (mainly staff costs)	**7,473**		7,031	
		15,074		12,934
		18,518		16,116

Amounts payable to RSM UK Audit LLP, Chartered Accountants in respect of both audit and non-audit services:

	2018 £'000	2017 £'000
Audit services:		
Statutory audit of Company's annual accounts and Group consolidation	**63**	63
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 RSM UK Audit LLP	**16**	16
Audit of associated pension schemes	**11**	16
Other services supplied pursuant to such legislation	**8**	5
Tax services:		
Tax compliance services	**—**	16
	98	116
Amounts payable to other auditors in respect of both audit and non-audit services:		
Statutory audit services	**42**	42
Tax compliance services	**33**	6
Other services	**1**	7
	76	55

Notes to the financial statements continued
for the year ended 31 March 2018

5 Other operating income

	2018 £'000	2017 £'000
Rental income	**315**	306
Government grants and consulting	**205**	202
Other income	**309**	106
	829	614

All conditions relating to the government grants have been fulfilled and there are no other contingencies. Other income relates to ancillary Chinese business and other miscellaneous income.

6 Employees

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Staff costs, including Directors, during the year amounted to:				
Wages and salaries	**11,482**	10,343	**1,060**	929
Social security costs	**1,353**	1,181	**132**	108
Other pension and health care costs	**1,140**	973	**75**	71
Share-based payments	**143**	139	**29**	26
	14,118	12,636	**1,296**	1,134

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
The average number of employees, including Directors, during the year was:				
Administration	**55**	49	**9**	7
Engineering	**101**	99	**—**	—
Manufacturing	**35**	39	**—**	—
Selling	**29**	28	**—**	—
	220	215	**9**	7

7 Directors' emoluments

	2018 £'000	2017 £'000
Remuneration (including fees)	**833**	833
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**315**	313

Further details on Directors' emoluments, including contributions to pension, can be found in the Directors' remuneration report on pages 20 to 24.

8 Finance income

	2018 £'000	2017 £'000
Bank interest receivable	**39**	34

9 Income tax expense

a) Analysis of tax expense in period

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on results of the year	**(595)**	(419)
Adjustment in respect of previous years	**44**	(1)
	(551)	(420)
Foreign tax on results of the year	**626**	511
Foreign tax – adjustment in respect of previous years	**(12)**	—
Total current tax	**63**	91
Deferred tax		
Current year movement	**387**	272
Adjustments to deferred tax charge in respect of previous years	**(6)**	(22)
Total deferred tax	**381**	250
Tax charge on profit on ordinary activities (note 9b)	**444**	341

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 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	**4,583**	4,208
Profit before tax multiplied by the standard rate of UK corporation tax of 19% (2017: 20%)	**871**	842
Effects of:		
Capital allowances less than depreciation	**16**	15
Expenses not deductible for tax purposes	**25**	76
Share-based payments – tax effect	**(12)**	5
Research and development tax credits	**(711)**	(719)
Different tax rates in countries in which the Group operates	**244**	159
Adjustments to current tax charge in respect of previous years	**32**	(1)
Adjustments to deferred tax charge in respect of previous years	**(6)**	(22)
Reduction in deferred tax rate	**56**	(23)
Non-taxable income and other	**(71)**	9
Tax expense for period (note 9a)	**444**	341

A deferred tax charge of £155,000 was recognised on an actuarial gain of £911,000 on a retirement benefit net obligation and was recognised in the year in the consolidated statement of total comprehensive income (2017: deferred tax credit of £178,000 on an actuarial loss of £1,048,000 on a retirement benefit net obligation).

10 Dividend – proposed

During the year, a final dividend of 7.4p per ordinary share of 5p was paid in respect of the year ended 31 March 2017. A maiden interim dividend of 2.0p per ordinary share was paid on 15 December 2017 to shareholders on the Register on 1 December 2017.

It is proposed to pay a final dividend of 5.8p per ordinary share of 5p, taking the total dividend amount in respect of the year ended 31 March 2018 to 7.8p. It is proposed to pay the final dividend of 5.8p, if approved, on 6 August 2018 to shareholders registered on 6 July 2018 (2017: 7 August 2017 to shareholders registered on 7 July 2017).

11 Earnings per ordinary share

	2018 p	2017 p
Basic earnings per share		
From profit for year	**24.52**	23.09
Diluted earnings per share		
From profit for year	**23.95**	22.84

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, as shown below:

	2018			2017		
Basic earnings per share	**Profit £'000**	**Weighted average number of shares Number**	**Profit per share p**	Profit £'000	Weighted average number of shares Number	Profit per share p
Basic earnings per share						
– from profit for year	**4,139**	**16,876,684**	**24.52**	3,867	16,745,457	23.09
Diluted earnings per share						
Basic earnings per share	**4,139**	**16,876,684**	**24.52**	3,867	16,745,457	23.09
Dilutive effect of share options	**—**	**402,348**	**(0.57)**	—	183,699	(0.25)
Diluted earnings per share						
– from profit for year	**4,139**	**17,279,032**	**23.95**	3,867	16,929,156	22.84

On 10 June 2015, the Company purchased 50,000 ordinary shares of 5p each in the Company at a price of 376.5p per ordinary share. These shares are held in treasury and are excluded from the denominators listed above for the purposes of earnings per share calculations.

The Company issued 774,181 of its own 5p ordinary shares at a price of 340p per share as part of its acquisition on 3 August 2016 of the Sicomm group of companies.

On 23 December 2016, the Company purchased 179,439 of its own 5p ordinary shares at a price 370p per share for cancellation. These shares were cancelled on 18 January 2017 (see note 30).

On 8 December 2017, the staff exercised 233,026 staff options under the terms of the staff share option schemes at a price of 5p per share.

12 Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') is defined as profit from operations before all interest, tax, depreciation and amortisation charges and before share-based payments. The following is a reconciliation of the Adjusted EBITDA for the years presented:

	2018 £'000	2017 £'000
Profit after taxation (earnings)	**4,139**	3,867
Adjustments for:		
Finance income	**(39)**	(34)
Income tax expense	**444**	341
Depreciation	**411**	325
Amortisation of development costs	**4,745**	4,100
Amortisation of intangibles recognised on acquisition	**155**	102
Share-based payments	**143**	139
Adjusted EBITDA	**9,998**	8,840

13 Goodwill

	2018 £'000	2017 £'000
Cost and net book value		
At 1 April	**9,306**	3,512
Additions – acquisition	**—**	5,669
Foreign exchange difference	**(116)**	125
At 31 March	**9,190**	9,306

The 2017 opening goodwill arose on the Hyperstone acquisition that was amortised under UK GAAP until 31 March 2004 when the Group transitioned to IFRS. The additional goodwill in the prior year related to the acquisition of the Sicomm group of companies in August 2016. Goodwill arising on acquisitions after the date of transition to IFRS such as this Sicomm goodwill is attributable to operational synergies and earnings potential expected to be realised over the longer term. This Sicomm goodwill above of £5,678,000 is held in RMB upon Group consolidation and therefore is subject to foreign exchange fluctuations between periods.

Annual impairment testing

Goodwill is not amortised under IFRS but instead tested annually for impairment. An annual impairment review is carried out in accordance with the accounting policies set out in note 1, namely: the Group reviews the carrying amounts of its goodwill and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. The recoverable amount is the higher of fair value less costs to sell and value in use. Goodwill and other intangibles are allocated to cash generating units, which represent the appropriate level that those cash generating units are monitored for internal management purposes. In assessing value in use, the estimated future cash flows are discounted to their present value utilising a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset, in addition to the basis of the weighted average cost of capital for the Group. Projections are based on budgets for year one and cash flow projections for the following four years extrapolations using growth rates and terminal cash flows considered to be in line with the economic environment in which the cash generating unit operates, past and current local management experience. In accordance with IAS 36, growth rates do not exceed the long term average growth rates for the industry in that jurisdiction. If the recoverable amount of the cash generating unit is estimated to be less than its carrying amount, the carrying amount of the 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 until the associated revaluation reserve is extinguished.

Evaluation of Hyperstone goodwill and Sicomm goodwill

The Directors consider no impairment is required for either business. The recoverable amount of Hyperstone related goodwill is determined using the fair value less cost of disposal and recoverable amount of Sicomm related goodwill is determined using the value in use methodologies. Net selling price in respect of the Hyperstone goodwill is determined using a five-year average of projected future earnings as applied to the price earnings ratio prevailing for the technology sector (14-18x) operating in industrial markets (2017: similar metric range). For Sicomm related goodwill, the pre-tax discount rate used was 15% and growth rates vary from 7% to 15% over a five year prospective period (2017: similar metric range). Management consider these key assumptions do not differ from past experience or external sources of information.

Sensitivity analysis

The Group has not identified any reasonable potential changes to key assumptions that would cause the carrying value of the goodwill or other intangibles to exceed its recoverable amount. Fair value less cost of disposal price earnings ratio benchmarks are widely and publicly available in active markets. For value in use methodology in respect of the Sicomm acquisition, the key assumptions are growth rates and discount rate. Long term growth rates would have to average 1.2% or less or pre-tax discount rates move to 24.8% for carrying value to be impacted by any impairment. Sensitivity analysis of these key assumptions are built into our annual impairment testing modelling.

14 Other intangibles

	Intangible assets acquired in business combinations			Intangible assets capitalised/ purchased	
	Brands £'000	Customer relationships £'000	Intellectual property £'000	Software £'000	Total £'000
Group					
Cost/valuation					
At 1 April 2016	—	—	—	—	—
Additions	96	934	402	—	1,432
Foreign exchange difference	—	6	3	—	9
At 31 March 2017	96	940	405	—	1,441
Additions	**—**	**—**	**—**	**392**	**392**
Foreign exchange difference	**—**	**(5)**	**(2)**	**—**	**(7)**
At 31 March 2018	**96**	**935**	**403**	**392**	**1,826**
Amortisation					
At 1 April 2016	—	—	—	—	—
Charge for the year	6	69	27	—	102
At 31 March 2017	6	69	27	—	102
Charge for the year	**10**	**105**	**40**	**—**	**155**
Foreign exchange difference	**—**	**(1)**	**—**	**—**	**(1)**
At 31 March 2018	**16**	**173**	**67**	**—**	**256**
Net book value					
At 31 March 2018	**80**	**762**	**336**	**392**	**1,570**
At 31 March 2017	90	871	378	—	1,339

The intangible assets above were recognised on the acquisition of Sicomm in accordance with the provisions of IFRS 3 Business Combinations.

	Software £'000	Total £'000
Company		
Cost		
At 31 March 2017	—	—
Additions	**392**	**392**
At 31 March 2018	**392**	**392**
Amortisation		
At 31 March 2017	—	—
Charge for the year	**—**	**—**
At 31 March 2018	**—**	**—**
Net book value		
At 31 March 2018	**392**	**392**
At 31 March 2017	—	—

The Group is presently implementing an Enterprise Resource Planning system for use by all companies in the Group across business functions. This purchased intangible will be amortised over its projected useful economic life from the future date of implementation.

15 Property, plant and equipment

	Freehold and long leasehold premises £'000	Short leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Group					
Cost					
At 1 April 2016	6,062	49	11,089	117	17,317
Additions – acquisition	—	—	234	60	294
Additions	—	—	450	—	450
Disposals	—	—	(17)	—	(17)
Foreign exchange difference	—	9	231	1	241
At 31 March 2017	6,062	58	11,987	178	18,285
Additions	**—**	**—**	**488**	**—**	**488**
Disposals	**—**	**—**	**(168)**	**—**	**(168)**
Foreign exchange difference	**—**	**(5)**	**(19)**	**(1)**	**(25)**
At 31 March 2018	**6,062**	**53**	**12,288**	**177**	**18,580**
Depreciation					
At 1 April 2016	1,253	45	10,783	65	12,146
Depreciation – acquisition	—	—	224	50	274
Charge for the year	79	—	226	20	325
Disposals	—	—	(17)	—	(17)
Foreign exchange difference	—	9	217	1	227
At 31 March 2017	1,332	54	11,433	136	12,955
Charge for the year	**79**	**—**	**320**	**12**	**411**
Disposals	**—**	**—**	**(168)**	**—**	**(168)**
Foreign exchange difference	**—**	**(5)**	**(22)**	**(1)**	**(28)**
At 31 March 2018	**1,411**	**49**	**11,563**	**147**	**13,170**
Net book value					
At 31 March 2018	**4,651**	**4**	**725**	**30**	**5,410**
At 31 March 2017	4,730	4	554	42	5,330

	Equipment £'000	Freehold and long leasehold premises £'000	Total £'000
Company			
Cost			
At 1 April 2016 and 31 March 2017	49	6,062	6,111
Additions	**—**	**—**	**—**
At 31 March 2018	**49**	**6,062**	**6,111**
Depreciation			
At 1 April 2016	49	1,253	1,302
Charge for the year	—	79	79
At 31 March 2017	49	1,332	1,381
Charge for the year	**—**	**79**	**79**
At 31 March 2018	**49**	**1,411**	**1,460**
Net book value			
At 31 March 2018	**—**	**4,651**	**4,651**
At 31 March 2017	—	4,730	4,730

16 Investment properties

Group and Company	Investment properties £'000	Total £'000
Valuation		
At 1 April 2016 and at 31 March 2017	3,550	3,550
Revaluation	**140**	**140**
At 31 March 2018	**3,690**	**3,690**
Net book value		
At 31 March 2018	**3,690**	**3,690**
At 31 March 2017	3,550	3,550

Investment properties in both the Group and Company comprise £3,690,000 (2017: £3,550,000) 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 2018, for which this valuation of £3,690,000 has been advised.

The value of the investment properties were they to be held at historic cost would be £2,792,000 (2017: £2,792,000). The Group/Company does not incur significant costs not otherwise recharged to its tenants for its investment properties.

The investment properties are measured at fair value. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use the Directors will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and likelihood of achieving and implementing this change in arriving at its valuation.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation, as follows:

- level 1: valuation based on inputs on quoted market prices in active markets;
- level 2: valuation based on inputs other than quoted prices included within level 1 that maximise the use of observable data directly or from market prices or indirectly derived from market prices; and
- level 3: where one or more inputs to valuations are not based on observable market data.

The values used below utilise a level 2 methodology:

	Carrying/ fair value £'000	Valuation technique	Key observable inputs	Range (weighted average) 2018
Investment properties	**3,690**	Income capitalisation	Estimated rental value	£4 – £8 per sq ft
			Per sq ft p.a.	8% – 10%
			Equivalent yield	7.9%
	3,690			

The prior year comparative values were as follows:

	Carrying/ fair value £'000	Valuation technique	Key observable inputs	Range (weighted average) 2017
Investment properties	3,550	Income capitalisation	Estimated rental value	£4 – £8 per sq ft
			Per sq ft p.a.	8% – 11%
			Equivalent yield	8.1%
	3,550			

17 Investments

Group – investments	2018 £'000	2017 £'000
Cost and net book value		
At 1 April	**85**	—
Additions – acquisition	**—**	84
Foreign exchange difference	**(2)**	1
At 31 March	**83**	85

The investment represents the Group's 14.29% equity investment measured at cost (not at valuation) in Quanzhou Cybercomm Wireless Communication Technologies Institute Co., Inc., a Chinese industrial institutional body, acquired with the acquisition of the Sicomm group of companies.

Company – investments	2018 £'000	2017 £'000
Cost of investment in subsidiary undertakings:		
As at 1 April	**12,964**	4,960
Additions – acquisitions	**—**	8,004
As at 31 March	**12,964**	12,964
Advances to subsidiary undertakings:		
As at 1 April	**(996)**	4,369
Increase/(decrease) in advances	**124**	(5,365)
As at 31 March	**(872)**	(996)
Net book value		
As at 31 March	**12,092**	11,968

17 Investments continued

The Group is headed by the Company, CML Microsystems Plc. Details of the subsidiary undertakings of the Company are as follows:

Name	Country of incorporation	Percentage held	Status	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
Wuxi Sicomm Technologies, Inc	China	100%	Trading in China	Indirect
Shanghai Futiake Investment Consulting Co., Ltd	China	100%	Holding company	Direct
Quanzhou Sicomm Communication Technologies Co., Ltd	China	100%	Trading in China	Indirect
Applied Technology (UK) Ltd	England	100%	Dormant	Direct
Integrated Micro Systems Ltd	England	100%	Dormant	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 holding or trading companies involved in the design, manufacture and marketing of specialised electronic devices for use in the telecommunications, radio and data communications industries, or dormant as stated. The above all share the same reporting date as the Company, with the exception of the three Chinese subsidiaries above which have, in line with Chinese laws and regulations, a 31 December year end. The Group has accordingly taken up the financial results and financial position of these Chinese subsidiaries up to 31 March 2018.

Company registered addresses/locations are as follows:

CML Microsystems Inc	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
CML Microcircuits (UK) Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
CML Microcircuits (USA) Inc	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
CML Microcircuits (Singapore) Pte Ltd	150 Kampong Ampat, 05-03A KA Centre, Singapore 368324
Wuxi Sicomm Technologies, Inc	2/F Building B, 21 Changjiang Road, Wuxi, Jiangsu, China
Shanghai Futiake Investment Consulting Co., Ltd	Room B02, F16, No. 2188 Huangxing Road, Yangpu District, Shanghai, China
Quanzhou Sicomm Communication Technologies Co., Ltd	9 Chifeng Road, Licheng, Hitech District, Quanzhou, Fujian, China
Applied Technology (UK) Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
Integrated Micro Systems Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
Hyperstone GmbH	Line-Eid-Strasse 3, 78467 Konstanz, Germany
Hyperstone Inc	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
Hyperstone Asia Pacific Ltd	3F, No.501, Sec.2, Tiding Boulevard, Neihu District, Taipei City 114, Taiwan

18 Development costs

	2018 £'000	2017 £'000
Cost		
At 1 April	**29,249**	27,107
Additions – internal sources	**5,680**	5,763
Fully amortised costs	**(3,854)**	(4,108)
Foreign exchange difference	**428**	487
At 31 March	**31,503**	29,249
Amortisation		
At 1 April	**17,848**	17,815
Charged in the year	**4,745**	4,100
Fully amortised costs	**(3,854)**	(4,108)
Foreign exchange difference	**222**	41
At 31 March	**18,961**	17,848
Net book value		
At 31 March	**12,542**	11,401
At 31 March 2016		9,292

No government grants have been credited to the cost of development in arriving at the net book value at the year end (2017: £Nil).

19 Inventories

	Group	
	2018 £'000	2017 £'000
Raw materials	**1,036**	803
Work in progress	**343**	193
Finished goods	**972**	1,158
	2,351	2,154

20 Trade receivables and prepayments

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year:				
Trade receivables	**2,540**	2,011	**—**	—
Other receivables	**139**	214	**52**	28
Prepayments and accrued income	**433**	472	**17**	38
	3,112	2,697	**69**	66

Disclosure of credit risk and associated disclosures are provided in Note 23.

21 Cash and cash equivalents

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash on deposit	**9,429**	8,431	**83**	90
Cash at bank	**4,387**	4,016	**89**	81
	13,816	12,447	**172**	171

Disclosure of foreign currency risk is provided in Note 23.

22 Bank loans and overdrafts

There were no bank overdrafts or loans in the current or prior period for either the Group or Company. Undrawn facility details are provided in Note 23.

23 Financial instruments

Financial instruments

The Group's financial instruments can comprise cash balances, bank loans, overdraft facilities and items such as trade receivables and trade payables that arise directly from its operations. The overall objective of the Board is to reduce risks where possible within a competitive, dynamic and flexible trading environment.

Capital market risk is discussed below. 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.

Credit and cash flow risk

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.

Capital market risk

The Board considers capital to be the carrying amount of equity and debt. The Group presently does not have any debt. Its overall capital objective is, in the light of changes in economic conditions, to maintain a strong and efficient capital base to support the Group's strategic growth objectives, provide progressive returns to shareholders and safeguard the Group's status as a going concern.

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 (2017: £750,000); US$100,000 (2017: US$100,000); and is subject to renewal annually. In addition, the Group's German subsidiary has, through its principal bankers, a €1m gross overdraft facility (2017: €1m), renewable on an annual basis.

Foreign currency risk

The Group has overseas subsidiary operations in Germany, the USA, China, Taiwan and Singapore. As a result, the Group's Sterling statement of financial position could be affected by movements in the Euro, US Dollar, Chinese Renminbi, Singapore Dollar and Taiwan Dollar to Sterling exchange rates. At 31 March 2018, the Group had monetary assets denominated in foreign currencies of approximately £6.4m (2017: £5.9m), of which approximately 76% (2017: 67%) was denominated in US Dollars, 21% in Chinese Renminbi (2017: 26%) and 2% (2017: 5%) was denominated in Euros. As national currency of China, the Chinese Renminbi is subject to foreign exchange controls made by that country. The effects of foreign exchange recognised in the income statement amounted to a loss of £445,000 (2017: gain of £800,000).

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 1t).

Group and Company	2018 £'000	2017 £'000
Non-current financial assets		
Equity investment (see note 17)	**83**	85
Total	**83**	85

	Group		Company	
	2018 Loans and receivables £'000	2017 Loans and receivables £'000	**2018 Loans and receivables £'000**	2017 Loans and receivables £'000
Current financial assets				
Trade and other receivables	**2,679**	2,225	**52**	28
Cash and cash equivalents	**13,816**	12,447	**172**	171
Total	**16,495**	14,672	**224**	199

Trade and other receivables are all due within six months.

The average credit period was 29 days (2017: 26 days). There were no allowances made, based on the knowledge of the financial circumstances of individual debtors at the year end, for estimated irrecoverable amounts from the sale of goods at the year end (2017: no allowances). At 31 March 2018, £Nil (2017: £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 receivables at the year end. There were £445,000 trade and other receivables that were past due at 31 March 2018 (2017: £Nil) which have been subsequently received. There are no significant credit risks arising from financial assets that are either past due, or impaired. The Group believes that balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

At 31 March 2018, £394,000 (2017: £137,000) of trade receivables was denominated in Sterling, £1,724,000 (2017: £1,546,000) in US Dollars, £317,000 (2017: £302,000) in Euros, and £105,000 in Chinese Renminbi (2017: £26,000). The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £13,816,000 (2017: £12,447,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair values.

	Group		Company	
	2018 Other financial liabilities £'000	2017 Other financial liabilities £'000	**2018 Other financial liabilities £'000**	2017 Other financial liabilities £'000
Current financial liabilities				
Trade and other payables	**2,038**	2,164	**301**	574
Accruals	**2,910**	3,297	**325**	262
Provisions – current	**181**	51	**—**	—
Total	**5,129**	5,512	**626**	836

Sensitivity analysis

Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period. A 100 basis point change has been used. At the reporting date if the interest rate had been 100 basis points:

- higher and all other variables were constant, the Group's profit before taxation would have increased by £78,000 (2017: increased by £76,000); or
- lower and all other variables were constant, the Group's profit before taxation would have decreased by £39,000 (2017: decreased by £34,000); or
- higher and all other variables were constant, the Group's other equity and reserves would have increased by £63,000 (2017: increased by £61,000); or
- lower and all other variables were constant, the Group's other equity and reserves would have decreased by £31,000 (2017: decreased by £27,000).

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		RMB impact	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
10% movement in rates will have an impact on:						
Profit before taxation	**1,529**	1,412	**357**	424	**81**	40
Cash	**484**	395	**14**	29	**132**	156
Equity	**1,741**	1,440	**894**	299	**376**	260

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 held and available to the Group are disclosed in this note above.

24 Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts falling due within one year:				
Trade payables	**1,525**	1,401	**—**	—
Other taxation and social security costs	**344**	296	**123**	75
Other payables and deferred income	**513**	763	**301**	574
Accruals	**2,910**	3,297	**325**	262
	5,292	5,757	**749**	911

25 Current tax liabilities/assets

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current tax liabilities	**48**	57	**—**	—
Current tax assets	**675**	971	**—**	—

£595,000 (2017: £419,000) of the current tax asset is an R&D claim that by its nature is subject to HMRC approval.

26 Deferred tax

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(534)**	(424)	**(579)**	(578)
Tax losses carried forward	**497**	557	**67**	17
Pensions	**352**	524	**—**	—
Share-based payments	**84**	96	**84**	96
Research and development	**(3,145)**	(2,883)	**—**	—
Provisions	**19**	19	**—**	—
Intangible assets	**(177)**	(201)	**—**	—
Other	**22**	39	**—**	—
	(2,882)	(2,273)	**(428)**	(465)
Deferred tax asset	**1,068**	1,419	**151**	113
Deferred tax liability	**(3,950)**	(3,692)	**(579)**	(578)
	(2,882)	(2,273)	**(428)**	(465)
At 1 April	**(2,273)**	(2,108)	**(465)**	(511)
Net deferred tax assets acquired	**—**	37	**—**	—
Foreign exchange difference	**(73)**	(130)	**—**	—
Deferred tax (charged)/credited in income statement for year (see note 9)	**(381)**	(250)	**37**	46
Deferred tax (charged)/credited to statement of total comprehensive income	**(155)**	178	**—**	—
At 31 March	**(2,882)**	(2,273)	**(428)**	(465)

The financial statements include a deferred tax asset of £1,068,000 (2017: £1,419,000) of which £480,000 (2017: £540,000) 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 charge of £155,000 (2017: deferred tax credit of £178,000) relates to the retirement benefit obligation (see note 27). The Directors consider 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.

The Finance Act 2016 provides that the rate of corporation tax from 1 April 2017 will be 19% and from 1 April 2020 would be 17%. The Directors consider it appropriate to use 19% and 17% as the rate deferred tax should be provided for depending on when the timing differences are expected to be reversed.

Deferred tax assets recoverable/(liabilities) expected to be settled under twelve months are £44,000 and (£37,000) respectively (2017: £58,000 and (£27,000) respectively). Deferred tax assets recoverable/(liabilities) expected to be settled over twelve months are £1,024,000 and (£3,913,000) respectively (2017: £1,361,000 and (£3,665,000) respectively). Deferred tax assets/(liabilities) expected net by jurisdiction consist of the Far East (£79,000) (2017: £9,000), Europe (£2,902,000) (2017: (£2,496,000)) and the Americas £99,000 (2017: £214,000).

27 Retirement benefit obligations

Explanation of current pension schemes in operation worldwide – defined contribution schemes

The Group operates several pension schemes, mostly of a defined contribution nature, around the world. Today the majority of the Group's employees are members of defined contribution schemes. All schemes are operated by trustees, independent of operation by the Company and Group. The Trustees are responsible for the operation and governance of the schemes.

Defined contribution pension schemes pay fixed contributions from Group companies (where applicable) to employees' individual investment funds. There is therefore no further liability on the Group balance sheet relating to defined contribution pension schemes. For the defined contribution schemes operated throughout the Group the employer contributions are generally up to 6% of eligible salary but are subject to minimum employee contributions.

The total contributions to the schemes over the year were:

	2018 £'000	2017 £'000
Pension contributions		
UK defined benefit pension scheme (discussed further below)	**151**	151
Defined contribution pension schemes (UK and overseas)	**521**	516
	672	667

In relation to the UK defined contribution scheme, the Group had outstanding contributions of £59,000 (2017: £58,000). Contributions to the UK defined benefit pension scheme for administrative expenses are discussed further below in this note.

Explanation of UK defined benefit pension scheme (closed to new members on 1 April 2002)

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

This part of the note therefore details the financial and demographic assumptions made in estimating the defined benefit obligation, together with an analysis of the components of the pension liability. The consolidated balance sheet therefore includes a retirement benefit liability which is the expected future cash flows to be paid out by the UK defined benefit scheme, offset by assets held by that scheme to meet those liabilities.

Historically, the majority of the Group's employees in the UK were members of a defined benefit scheme (which is governed by the UK Pensions Regulator) 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. Under the UK defined benefit pension scheme's trust deed the Company has the authority to appoint up to two-thirds of the Trustees. Currently there are two member-appointed Trustees and two Company-appointed Trustees. The Trustees of this defined benefit pension scheme are also responsible for the scheme's investment strategy, as well as the operation and governance of that scheme.

Triennial actuarial funding valuation and IAS 19 accounting valuation

The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustees and the Company. The latest available triennial actuarial funding valuation of the defined benefit scheme in the UK was prepared as at 31 March 2017. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future defined benefit payments. This most recent triennial actuarial valuation carried out by an independent professionally qualified actuary, as at 31 March 2017, resulted in a net pension surplus of £1,890,000 (1 April 2014: net pension deficit of £1,544,000). The market value of the assets of the scheme as at 31 March 2017 was £19,490,000 (1 April 2014: £15,727,000) and the actuarial valuation showed that these assets were sufficient to cover 111% (1 April 2014: 91%) of the benefits which accrued to members, after allowing for expected future increases in these benefits.

The main actuarial assumptions used were: allowance for future investment returns; i.e. the discount rate, of 4.8% p.a. both before and after retirement; pensions accrued prior to 6 April 1997 and after April 2005 will increase in payment at 3% p.a. compound; pension accrued between 6 April 1997 and 6 April 2005 will increase in payment at 3.7% p.a.; i.e. in line with RPI capped at 5% p.a., minimum 3% p.a. and early leaver revaluations will be at 2.85% p.a..

27 Retirement benefit obligations continued

Triennial actuarial funding valuation and IAS 19 accounting valuation continued

The valuation calculated under the funding valuation basis of £1,890,000 pension surplus above is different to the accounting valuation presented in the Group consolidated balance sheet of a net pension liability of £2,070,000. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions to value the liabilities to be in accordance with the accounting standard IAS 19 Retirement Benefits, together with any changes in market conditions between the two valuation dates of 31 March 2017 and 31 March 2018. Therefore for funding valuation purposes the liabilities are determined based on assumptions set by the Trustee following consultation with the Company and scheme actuaries. For example, the discount rate used for the most recent funding valuation is based on a 4.80% discount rate. Whereas, in the financial statements the liabilities are determined in accordance with IAS 19 and this accounting valuation uses a discount rate predicated on high quality (AA) corporate bond yields of an appropriate term equating to 2.8%.

Funding of the defined benefit scheme is agreed with the Trustees following each triennial actuarial valuation and the following funding agreement has been put in place until the earlier of any revised settlement arising from the next triennial valuation or by 31 January 2023 ("future revised date"): scheme expenses, premiums for insured death-in-service lump sum and spouses' benefits, as well as the levies to the Pension Protection Fund, have previously been paid from the Scheme and then reimbursed by the Employer. With effect from 1 April 2018 until this review on the future revised date, all administration expenses of running the Scheme will be met directly by the Employer and all PPF levies (and any minor Scheme expenses e.g. Pensions Regulator levies) will be paid from the Scheme and will not be reimbursed by the Employer. The next triennial actuarial funding valuation will take place as at 31 March 2020.

The net pension liability recognised in these consolidated financial statements has been calculated reflecting the most recent accounting valuation under IAS 19 to reflect the assets and liabilities of the scheme as at 31 March 2018, using assumptions further in this note.

Risk management

The cost of the UK defined benefit pension scheme depends on a number of assumptions of future events. Future contribution requirements may emerge in future if those estimated assumptions are not borne out in practice or if different assumptions are agreed in future. Specific risks mitigated by the Trustees where possible in the investment strategy include: any changes in future expectations of price inflation, including reducing real rates of return; changes in the discount rate used to value the pension liabilities; interest rate risk on pension asset matching liabilities held; the return on assets being different to that assumed; concentration of plan assets in equities versus liquidity risk of holding assets which may be difficult to sell; counterparty credit risk including, but not limited to, fund manager risk; currency risks where investments are held in overseas markets via pooled investment vehicles; impact of bond rate on liabilities held; any movements in asset values not matched by similar movements in the value of liabilities, perhaps caused by pricing risks; and any unanticipated changes in life expectancy which may have a bearing on the size of the scheme liabilities. The investment strategy for the defined benefit pension scheme is discussed further in this note.

Financial and demographic assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages), the discount rate of liabilities applied being the most significant:

a) Financial assumptions

	2018	2017
Discount rate	**2.8%**	2.9%
Future salary increases	**n/a**	n/a
Expected duration of liabilities (years)	**14**	15
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.1%**	2.2%
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.1%**	3.2%
Proportion of employees opting for early retirement	**0%**	0%
Inflation assumption	**3.1%**	3.2%

The difference between the expected investment returns on the Scheme's assets and the actual investment returns was £823,000 (2017: £2,007,000).

b) Demographic assumptions

	2018	2017
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**21.9**	22.0
Females	**23.8**	24.0
Retiring in 20 years		
Males	**23.3**	23.3
Females	**25.4**	25.5

On the basis of the above assumptions, the amounts that have been charged to administration expenses within the income statement and the statement of total comprehensive income for the year to 31 March 2018 and 31 March 2017 are as follows:

	2018 £'000	2017 £'000
Amounts recognised in the consolidated income statement are as follows:		
Administration expenses (see details above)	**(50)**	(130)
Net interest on deficit	**(87)**	(79)
Total	**(137)**	(209)
Amounts recognised in the consolidated statement of total comprehensive income:		
Actual return on assets less return implied by net interest income	**823**	2,007
Experience gains on liabilities	**145**	1,361
Change in assumptions:		
Discount rate	**(358)**	(3,910)
Inflation rate	**556**	(743)
Demographic assumptions	**(255)**	237
Net actuarial gain/(loss) recognised in equity	**911**	(1,048)

	2018 £'000	2017 £'000
Amounts recognised in the consolidated statement of financial position:		
Present value of funded obligations	**(22,747)**	(22,547)
Fair value of plan assets	**20,677**	19,463
Deficit under IAS 19 as reported by the actuary	**(2,070)**	(3,084)

The main reasons for the improvement in the IAS 19 accounting position are that the Scheme's investments performed better than was expected at the start of the year, along with the contributions the Company paid into the Scheme over the year. The pension plan assets do not include ordinary shares issued by the sponsoring employer nor do they include property occupied by the sponsoring employer.

Sensitivity to significant assumptions

Significant assumptions	Change in assumption %	Change in defined benefit obligation %
Discount rate	+/- 0.5% p.a.	- 7.6%/+ 8.0%
RPI	+/- 0.5% p.a.	+ 3.8%/- 3.4%
Assumed life expectancy	+ 1 year	+ 3.0%

These sensitivities have been derived by the actuary using similar methodologies consistent with the rest of the disclosure.

27 Retirement benefit obligations continued

Sensitivity to significant assumptions continued

Analysis of changes in the funded status of the scheme over the period:

	2018 £'000	2017 £'000
Funded status at start of period	**(3,084)**	(2,067)
Amount charged to income statement	**(137)**	(209)
Employer contributions	**240**	240
Amount recognised in other comprehensive income	**911**	(1,048)
Funded status at end of period	**(2,070)**	(3,084)

The weighted average duration of scheme liabilities at the end of the year is 14 years (2017: 15 years).

Present value of the defined benefit obligation

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	**22,547**	19,111
Expenses incurred	**50**	130
Interest cost	**649**	722
Actuarial (gain)/loss	**(88)**	3,055
Benefits paid (including expenses)	**(411)**	(471)
Closing defined benefit obligation	**22,747**	22,547
Comprising:		
Deferred members	**15,966**	15,837
Pension members	**6,781**	6,710

Fair value of defined benefit plan assets

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

	2018 £'000	2017 £'000
Opening fair value of plan assets	**19,463**	17,044
Interest income on assets	**562**	643
Actuarial gain on assets	**823**	2,007
Contributions by employer	**240**	240
Benefits paid	**(361)**	(341)
Expenses paid	**(50)**	(130)
Closing fair value of plan assets	**20,677**	19,463

The actuarial loss due to the change in demographic assumptions was £255,000 (2017: actuarial gain of £237,000) and the actuarial gain due to the change in financial assumptions was £198,000 (2017: actuarial loss of £4,653,000).

The return on plan assets excluding net interest was £1,385,000 (2017: £2,650,000). The interest income on plan assets is calculated using the assets, market conditions and the long-term expected rate of interest set at the start of the accounting period. The Company expects to contribute £Nil (2017: £151,200) as contributions to the CML Microsystems Plc Retirements Scheme in the next accounting year.

The following is a breakdown of Plan assets held at each respective balance sheet date

	Year ended 31 March 2018		Year ended 31 March 2017	
Asset class	**Market value £'000**	**% of total assets**	Market value £'000	% of total assets
Equities (all quoted)	**9,663**	**47%**	14,172	73%
Fixed interest bonds	**—**	**—**	1,995	10%
Index linked bonds	**—**	**—**	200	1%
Property	**—**	**—**	312	2%
Cash	**1,216**	**6%**	1,424	7%
Diversified growth funds	**6,678**	**32%**	—	—
Diversified credit funds	**1,209**	**6%**	—	—
Liability driven investments	**1,911**	**9%**	—	—
Other	**—**	**—**	1,360	7%
Closing fair value of plan assets	**20,677**	**100%**	19,463	100%

Note: all assets listed above have a quoted market price in an active market and are valued using their bid values in accordance with IAS 19. The pension scheme no longer invests in bonds or property following a change in investment strategy.

The Trustees' investment strategy has the objectives to generate an appropriate level of investment returns to improve the financial position of the Scheme (thereby improving security for its members); to manage cash flow requirements to ensure there are sufficient assets and cash flows available (to pay for member benefits as they arise); and, to protect the financial position (in so doing limiting the scope for adverse investment experience impacting on members). The Trustee's strategic asset allocation is determined after considering written advice from the investment advisor and is designed to strike the appropriate balance between these objectives. Liability matching assets are selected by the Trustees having regard to the nature of the Scheme's liability profile and are expected to react to changes in market conditions in a similar way to liabilities. Growth assets are expected to deliver long term returns in excess of liability growth. Current allocations are 15% of liability matching assets and 85% growth assets but this is monitored and rebalanced at the discretion of the Trustees and, moreover, on a day-to-day basis management of the assets delegated to the investment managers who have knowledge and experience for managing the investments. The Trustees, in conjunction with the investment advisor, regularly review each of the investment managers to ensure that the managers remain competent and assets continue to be managed in accordance with the managers' mandates (the Scheme objectives being implemented within an acceptable level of risk).

Assets are held predominantly on regulated markets, as so defined in legislation. Any investments that do not trade on regulated markets are kept to a prudent level. To ensure the safekeeping of assets, ownership and day-to-day control of the assets is undertaken by custodian organisations which are independent of the sponsoring employer and the investment managers. Where pooled investment vehicles are used, the custodians will typically be appointed by the investment manager.

Five year comparison

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

	2018 IAS 19 £'000	2017 IAS 19 £'000	2016 IAS 19 £'000	2015 IAS 19 £'000	2014 IAS 19 £'000
Defined benefit obligation	**22,747**	22,547	19,111	19,976	18,473
Plan assets	**20,677**	19,463	17,044	16,352	15,775
Deficit	**(2,070)**	(3,084)	(2,067)	(3,624)	(2,698)
Experience adjustments on plan liabilities	**145**	1,361	460	472	1,108
Actuarial gain on plan assets	**823**	2,007	475	507	200

28 Provisions

	£'000
At 1 April	—
Creation	474
At 31 March 2017	474
Utilisation	(48)
Foreign exchange	(49)
At 31 March 2018	**377**
Analysed as:	
Current liabilities	181
Non-current liabilities	196
At 31 March 2018	**377**

The above provision relates to onerous lease and property obligations held by Group subsidiaries. The provision has not been discounted on the grounds of materiality. The majority of cash outflows to settle the above provision are expected to be over the next two (2017: three) years.

29 Share capital and share options

	2018 £'000	2017 £'000
Authorised		
25,000,000 ordinary shares of 5p each (2017: 25,000,000 ordinary shares of 5p each)	**1,250**	1,250
Issued and fully paid		
At 1 April		
16,860,356 ordinary shares of 5p each	**843**	813
Issued in year: 251,667 ordinary shares (2017: 9,077) of 5p were issued in the year as a result of employees exercising their options	**13**	—
Issued in year: Nil ordinary shares (2017: 774,181 of 5p were issued in the year as a result of acquisition of Sicomm	**—**	39
Cancelled in year: Nil (2017: 179,439) ordinary shares were bought and cancelled by the Company	**—**	(9)
At 31 March		
17,112,023 ordinary shares of 5p	**856**	843

The Company has only one class of ordinary share with no special rights, preferences or restrictions attached to them, including on the distribution of dividends or the repayment of capital.

Share options

The Company has a number of approved and unapproved share option schemes in place for the benefit of its employees. On 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				
	2017 Number	Granted Number	Exercised Number	Forfeited Number	**2018 Number**
From 18 June 2010 to 17 June 2017 at £1.16	3,063	—	(3,063)	—	**—**
From 15 June 2014 to 14 June 2021 at £2.20	83,836	—	(26,671)	—	**57,165**
From 15 June 2014 to 14 June 2021 at £2.30	12,500	—	—	—	**12,500**
From 2 September 2015 to 1 September 2022 at £2.84	20,000	—	—	—	**20,000**
From 2 October 2015 to 1 October 2022 at £3.22	253,654	—	(214,122)	(12,660)	**26,872**
From 2 October 2015 to 1 October 2022 at £3.34	5,000	—	—	—	**5,000**
From 1 May 2016 to 1 May 2023 at £3.84	31,220	—	(2,500)	—	**28,720**
From 1 July 2016 to 1 July 2023 at £0.00	5,311	—	(5,311)	—	**—**
From 17 September 2017 to 17 September 2024 at £3.125	20,000	—	—	—	**20,000**
From 2 April 2018 to 2 April 2025 at £3.45	20,000	—	—	—	**20,000**
From 25 September 2018 to 25 September 2025 at £3.51	424,387	—	—	(24,256)	**400,131**
From 25 September 2018 to 25 September 2025 at £3.475	100,000	—	—	—	**100,000**
From 22 December 2019 to 22 December 2026 at £3.70	20,000	—	—	—	**20,000**
From 1 August 2020 to 1 August 2027 at £4.58	—	96,371	—	(11,850)	**84,521**
From 28 March 2021 to 28 March 2028 at £5.20	—	110,000	—	—	**110,000**
	998,971	206,371	(251,667)	(48,766)	**904,909**

There were 998,971 share options outstanding at the beginning of the year and 904,909 share options at the end of the year. Of the total outstanding at the end of the year, 170,257 were potentially exercisable at the prices detailed in the table above (2017: 419,584 share options). 251,667 options were exercised in the year (2017: 9,077 options). The weighted average market price of the share options exercised in the year was 497.0p (2017: 409.0p). The weighted average exercise price of options exercised in the year was 302.6p (2017: 285.2p). Options are forfeited due to the employees concerned leaving employment with the Group. The weighted average share option price of the share options forfeited in the year was 369.5p (2017: 332.7p). The weighted average exercise price of options granted in the year was 491.0p (2017: 370.0p). The weighted average exercise price of all options is £3.69 (2017: £3.27) and the weighted average expected remaining contractual life is three years (2017: three years).

30 Other equity reserves

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Share premium				
At 1 April	**8,319**	5,700	**8,319**	5,700
Issued in year: 251,667 ordinary shares (2017: 9,077) of 5p were issued in the year as a result of employees exercising their options	**749**	25	**749**	25
Issued in year: Nil ordinary shares (2017: 774,181) of 5p were issued in the year as a result of acquisition of Sicomm	**—**	2,594	**—**	2,594
At 31 March	**9,068**	8,319	**9,068**	8,319

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Capital redemption reserve				
At 1 April	**9**	—	**9**	—
Own shares purchased and cancelled	**—**	9	**—**	9
At 31 March	**9**	9	**9**	9

The capital redemption reserve represents the nominal value of own shares purchased by the Company. On 23 December 2016, the Company purchased 179,439 of its own 5p ordinary shares at a price of £3.70 per share for cancellation. These shares were cancelled on 18 January 2017. An amount equal to the nominal value of the cancelled shares was transferred to a capital redemption reserve.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Treasury shares – own share reserve				
At 1 April	**(190)**	(190)	**(190)**	(190)
Purchased in the year	**—**	—	**—**	—
At 31 March	**(190)**	(190)	**(190)**	(190)

The Company purchased on 10 June 2015 50,000 ordinary shares of 5p each at a price of 376.5p per ordinary share plus associated transaction costs. The shares are to be held in treasury for the benefit of various employee share plans.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Share-based payments reserve				
At 1 April	**504**	388	**504**	388
Options exercised or released	**(204)**	(23)	**(204)**	(23)
Charged in year	**143**	139	**143**	139
At 31 March	**443**	504	**443**	504

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 share option charge for the year was £143,000 (2017: £139,000).

The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	28/03/18	01/08/17	22/12/16	25/09/15	25/09/15	02/04/15	17/09/14
Share price at grant date (£)	5.20	4.58	3.70	3.475	3.475	3.45	3.125
Exercise price (£)	5.20	4.58	3.70	3.475	3.51	3.45	3.125
Number of employees	2	47	1	4	158	1	1
Shares under option	110,000	84,521	20,000	100,000	400,131	20,000	20,000
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	23.31%	19.37%	16.02%	33.20%	33.20%	38.00%	26.84%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3	3
Risk-free rate	1.37%	1.10%	1.15%	1.83%	1.83%	2.09%	2.43%
Expected dividend yield	1.40%	1.84%	1.86%	1.92%	1.92%	1.57%	1.26%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.80	0.54	0.35	0.74	0.73	0.87	0.60

Grant date	01/05/13	01/10/12	01/10/12	01/09/12	15/06/11	15/06/11
Share price at grant date (£)	3.88	3.34	3.34	2.84	2.30	2.20
Exercise price (£)	3.84	3.34	3.22	2.84	2.20	2.20
Number of employees	7	1	124	1	1	22
Shares under option	28,720	5,000	26,872	20,000	12,500	57,165
Vesting period (years)	3	3	3	3	3	3
Expected volatility	43.30%	29.36%	29.36%	29.36%	35.70%	35.70%
Option life (years)	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3
Risk-free rate	3.60%	3.09%	3.09%	3.09%	4.28%	4.28%
Expected dividend yield	1.20%	1.49%	1.49%	1.49%	1.50%	1.50%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.71	0.67	0.67	0.67	0.58	0.58

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 return is the yield to redemption on UK gilt strips with four-year maturity.

Company only	**2018 £'000**	2017 £'000
Merger reserve		
At 1 April and 31 March	**316**	316

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.

Group	**2018 £'000**	2017 £'000
Foreign exchange reserve		
At 1 April	**1,386**	318
Retranslation of overseas subsidiaries	**(84)**	1,068
At 31 March	**1,302**	1,386

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

30 Other equity reserves continued

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Accumulated profits reserve				
At 1 April	**26,764**	25,547	**9,308**	10,092
Profit for the year	**4,139**	3,867	**1,456**	996
Dividend paid	**(1,581)**	(1,134)	**(1,581)**	(1,134)
Cancellation/transfer of share-based payments	**204**	23	**204**	23
Net actuarial gain/(loss)	**911**	(1,048)	**—**	—
Deferred tax (loss)/gain on actuarial gain/(loss)	**(155)**	178	**—**	—
Own shares purchased and cancelled	**—**	(669)	**—**	(669)
At 31 March	**30,282**	26,764	**9,387**	9,308

31 Capital commitments

Capital commitments which have been authorised by the balance sheet date, represent a three-year purchasing commitment with a supplier for £1,368,000 (2017: £3,078,000), and £201,000 (2017: £Nil) in relation to intangible assets. No provision has been made in these financial statements for these capital commitments.

32 Operating lease arrangements

The Group as a lessee

	2018 £'000	2017 £'000
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the year	**494**	452

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

	2018 £'000	2017 £'000
Within one year	**517**	433
In the second to fifth year inclusive	**593**	916
After five years	**146**	254
	1,256	1,603

Operating lease payments represent rentals payable by the Group for some of its office properties. Leases are normally negotiated for an initial term of three years and rentals are fixed for that period.

	2018 £'000	2017 £'000
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the year	**91**	115

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

	2018 £'000	2017 £'000
Within one year	**69**	91
In the second to fifth year inclusive	**24**	137
	93	228

The Group and Company as a lessor

Property rental income earned during the year was £290,000 (2017: £290,000). Current commercial market conditions have improved and the Group now has all properties let albeit with fairly short leases. It is impractical to estimate what the estimated yields will be in the longer term but over the shorter term yields are expected to be typical 6-7% levels.

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

	2018 £'000	2017 £'000
Within one year	227	246
In the second to fifth year inclusive	306	256
After five years	4	—
	537	502

33 Notes to the cash flow statement

	2018 £'000	2017 £'000
Group		
Movement in working capital:		
Increase in inventories	(227)	(583)
(Increase)/decrease in receivables	(1,087)	761
Increase in payables	440	1,567
	(874)	1,745

Analysis of changes in net cash – Group:

	Net cash at 1 April 2017 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2018 £'000
Cash and cash equivalents	12,447	1,482	(113)	13,816
	12,447	1,482	(113)	13,816

	2018 £'000	2017 £'000
Company		
Movement in working capital:		
(Increase)/decrease in advance to subsidiary undertaking	(124)	5,366
(Increase)/decrease in receivables	(3)	339
(Decrease)/increase in payables	(250)	221
	(377)	5,926
Movement in investments and dividends	—	(7,163)
	(377)	(1,237)

In preparing the statement of cash flows for the year ended 31 March 2018 for the Parent Company, reclassifications have been identified and made in respect of the 2017 statement of cash flows to reclassify 'Dividends received from Group companies' and 'Movement in investments' to 'Movement in working capital'. As a result the following comparative period reclassifications have been made: 'Dividends received from Group companies' of £1,189,000, 'Movement in investments plus warranty retention – acquisition' of £8,352,000 and 'Movement in working capital' of £5,926,000 have been re-presented to aid comparability and enhanced understanding for the reader to arrive at the above £1,237,000 note total. There has been no change in the 'Cash flow from operating activities' or the 'Increase in cash and cash equivalents for the year.

Analysis of changes in net cash – Company:

	Net cash at 1 April 2017 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2018 £'000
Cash and cash equivalents	171	1	—	172
	171	1	—	172

34 Related party transactions

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

Company	2018 £'000	2017 £'000
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**1,000**	1,000
CML Microcircuits (USA) Inc	**151**	152
Hyperstone GmbH	**220**	209
	1,371	1,361
Dividends paid to parent:		
Received from Hyperstone GmbH	**1,244**	901
Received from CML Microcircuits (Singapore) Pte Ltd	**251**	288
	1,495	1,189

Contributions to the Group's pension schemes

Contributions to the Group's defined contribution pension schemes by the Group as employer consisted of £672,000 in the year (2017: £667,000). Contributions to the closed UK defined benefit scheme was £151,000 (2017: £151,000).

Group and Company

Key management personnel consist of the Board of Directors and transactions during the year (included within remuneration disclosed in notes 6 and 7) were as follows:

Group and Company	2018 £'000	2017 £'000
Employee benefits	**879**	910
Pension contributions	**50**	47
Share-based payments	**22**	19
	951	976

35 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. The Company's registered address is: Oval Park, Langford, Maldon, Essex, CM9 6WG, England.

36 Approval of financial statements

These financial statements were formally approved by the Board of Directors on 22 June 2018.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of CML Microsystems Plc (the "Company") will be held at Pontlands Park Hotel, West Hanningfield Road, Great Baddow, Chelmsford, Essex CM2 8HR on Wednesday 1 August 2018 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 2018.
2. To receive and approve the Directors' remuneration report for the year ended 31 March 2018.
3. To declare a final dividend of 5.8p per 5p ordinary share for the year ended 31 March 2018 to be paid on 6 August 2018 to shareholders whose names appear on the register at the close of business on 6 July 2018.
4. To re-appoint Neil Pritchard, who retires by rotation, as a Director of the Company.
5. To re-appoint Jim Lindop, who retires by rotation, as a Director of the Company.
6. To send or supply all documents or information relating to the Company to members by making them available on a website.
7. To re-appoint RSM UK Audit LLP as auditor of the Company.
8. 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 resolution as an ordinary resolution:

9. 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 £570,343 (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 £285,171 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £285,171, 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. 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).

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.

Special business continued

Special resolutions

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

10. That, subject to the passing of resolution 9 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 9 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 9, 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;
        iii. 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 9 or sale of treasury shares (in each case, otherwise than pursuant to paragraph a) of this resolution) up to an aggregate nominal amount of £42,780 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 Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).
11. That, subject to resolution 9 being passed, and in addition to any authority granted under Resolution 10 to allot equity securities pursuant to the Companies Act 2006 (the "Act") for cash under the authority given by that resolution, the Directors be and are generally empowered to allot equity securities (pursuant to Sections 570 and 573 of the Act) for cash under the authority given by resolution 9 and/or to sell treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:
    a) limited, in the case of the authority granted under paragraph b) of resolution 9 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares up to a nominal amount of £127,879 (being 14.99% of the Company's issued ordinary share capital, excluding treasury shares); and
    b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    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 Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

12. 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 2,566,803;
    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
    e) (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 B Pritchard
Company Secretary
22 June 2018

Registered office
Oval Park
Langford
Maldon
Essex CM9 6WG

Registered in England and Wales: 000944010

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. You must bring some form of identification as evidence of your identity prior to the Company's representatives allowing your admittance 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 Neville Registrars Limited, by writing to Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

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

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

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

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company at 6pm on 30 July 2018.

Under section 337(3) of the Act members may circulate and move a resolution at the AGM if members representing at least 5% of the total voting rights request it, of if at least 100 members request it, if those members hold shares in the Company in holdings on which an average of £100 per member has been paid up.

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 to the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, or 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 30 July 2018 or if the AGM is adjourned, at least 48 hours before the time of the adjourned meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

4 Appointment of a proxy through CREST

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the registrar (ID 7RA11) not later than 11am on Monday 30 July 2018 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 Monday 30 July 2018 (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 2018 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 17,112,023 ordinary shares, carrying one vote each. The Company holds 50,000 shares in treasury meaning the total voting rights in the Company as at 20 June 2018 were 17,062,023 votes.

12 Payment of dividend

It is proposed to pay the dividend, if approved, on 6 August 2018 to shareholders registered on 6 July 2018.

13 Notification of shareholdings

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

14 Further questions and communication

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

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

15 Documents available for inspection

A copy of each of the Directors' service contracts or letter of appointment will be available for inspection at the registered office of the Company during normal business hours on each business day (Saturdays, Sundays and public holidays excepted) from the date of this notice and on the date of the AGM at Pontlands Park Hotel, West Hanningfield Road, Great Baddow, Chelmsford, Essex CM2 8HR from 10.30am until the conclusion thereof.

Five-year record

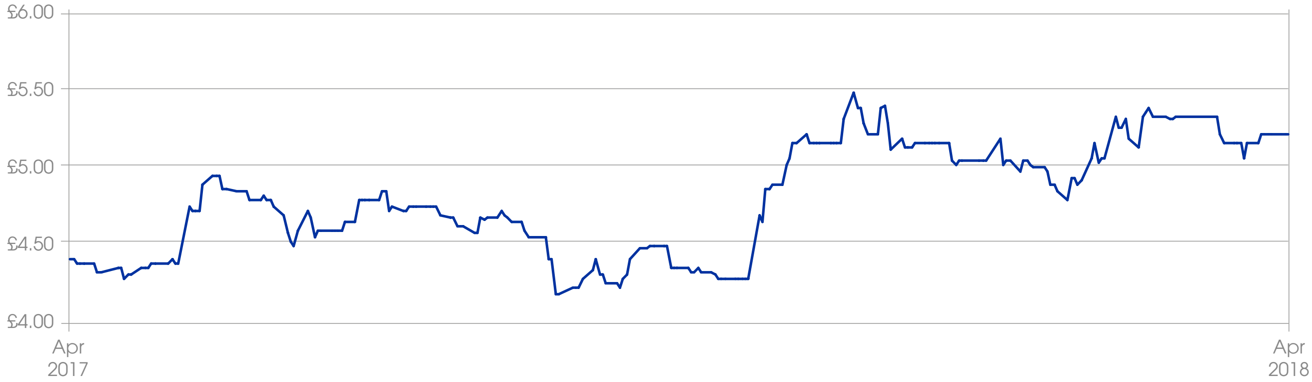
	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Income statement					
Revenue (continuing operations)	**31,674**	26,076	22,833	21,804	24,394
Revenue (acquisition)	**—**	1,661	—	—	—
Revenue (discontinued operations)	**—**	—	—	—	282
Total revenue[1]	**31,674**	27,737	22,833	21,804	24,676
Gross profit[1]	**22,236**	19,815	16,253	15,465	17,882
Gross profit percentage[1]	**70.20%**	71.44%	71.18%	70.93%	72.47%
Profit before taxation[1]	**4,583**	4,208	3,324	3,178	5,792
Adjusted EBITDA[2]	**9,998**	8,840	6,970	6,698	8,729
Earnings per share[1]					
Basic	**24.52p**	23.09p	18.03p	16.71p	29.96p
Diluted	**23.95p**	22.84p	17.94p	16.51p	29.20p
Statement of financial position					
Shareholders' equity[1]	**41,770**	37,635	32,576	28,971	27,926
Dividend per ordinary share					
Dividend proposed/paid per 5p ordinary share[1]	**7.80p**	7.40p	7.00p	6.90p	6.25p

1. As reported in the years' Annual Report.
2. Adjusted EBITDA is defined as profit from operations before all interest, tax, depreciation and amortisation charges and before share-based payments.

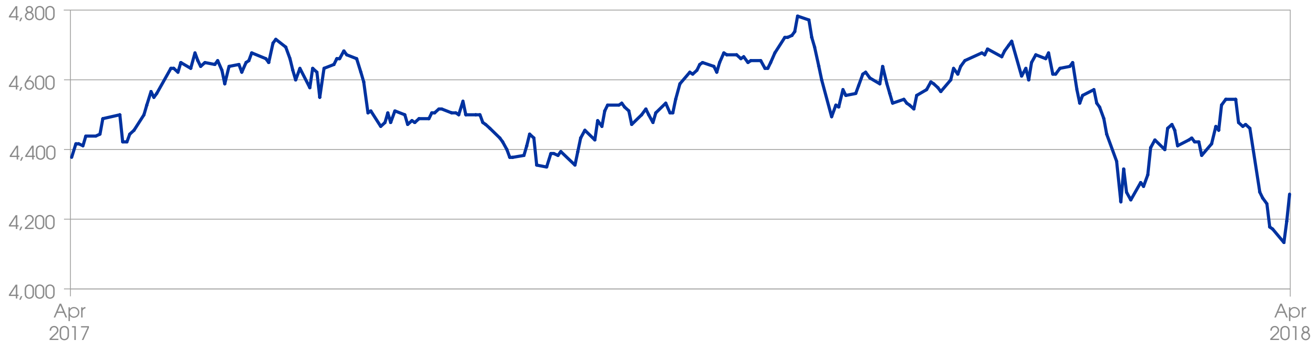
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Issued 5p ordinary shares (including treasury shares)	**17,112,023**	16,860,356	16,256,537	16,256,537	15,960,027

Shareholder information

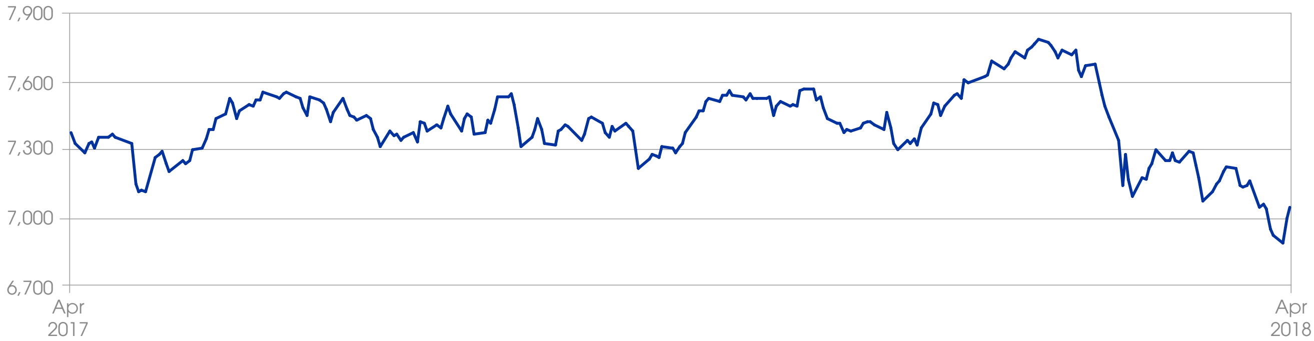
CML Microsystems plc share price – for the year ended 31 March 2018



Techmark 100 Index – for the year ended 31 March 2018



FTSE 100 Index – for the year ended 31 March 2018



Financial calendar

2018

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

2019

31 March	Year end
11 June	Anticipated date for preliminary announcement of year end 2019 results

Glossary

AIS	Automatic Identification System
API	Application Programmers Interface
ASIC	Application-Specific Integrated Circuit
DMR	Digital Mobile Radio
DSP	Digital Signal Processing
DTR	Disclosure and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EU	European Union
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Practice
HDD	Hard Disk Drive
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IC	Integrated Circuit
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIoT	Industrial Internet of Things
IoT	Internet of Things
IP	Intellectual Property
ISA	International Standard on Auditing
M2M	Machine-to-Machine
MMC	Multimedia Card
NAND	Not And
OEM	Original Equipment Manufacturer
POS	Point-of-Sale
R&D	Research and Development
RF	Radio Frequency
RFID	Radio Frequency Identification
SATA	Serial ATA Interface
SCADA	Supervisory Control And Data Acquisition
SD card	Secure Digital Card
SSD	Solid State Drives
TSR	Total Shareholder Return
USB	Universal Serial Bus
VDES	VHF Data Exchange System

Advisors

Registered office

CML Microsystems Plc
Oval Park
Langford
Maldon
Essex CM9 6WG

Registrars

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

Joint Stockbrokers

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

S P Angel
Prince Frederick House
35-39 Maddox Street
London W1S 2PP

Auditor

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Financial Public Relations

Alma PR
Aldwych House
71-91 Aldwych
London WC2B 4HN

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

The paper used in this report is produced using virgin wood fibre from well managed forests in Brazil, Sweden and Germany with FSC® certification. All pulps used are Elemental Chlorine Free (ECF) and manufactured at a mill that has been awarded the ISO 14001 and EMAS certificates for environmental management. The use of the FSC® logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.

Printed by Pureprint Group Limited, a Carbon Neutral Printing Company. Pureprint Group Limited is FSC® certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. We aim to reduce at source the effect our operations have on the environment, and are committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Designed and produced by
lyonsbennett
www.lyonsbennett.com

CML
Microsystems
Plc

Visit us online at
cmlmicroplc.com

CML Microsystems Plc
Oval Park, Langford
Maldon, Essex
CM9 6WG

T: +44 (0)1621 875500
F: +44 (0)1621 875606

group@cmlmicroplc.com