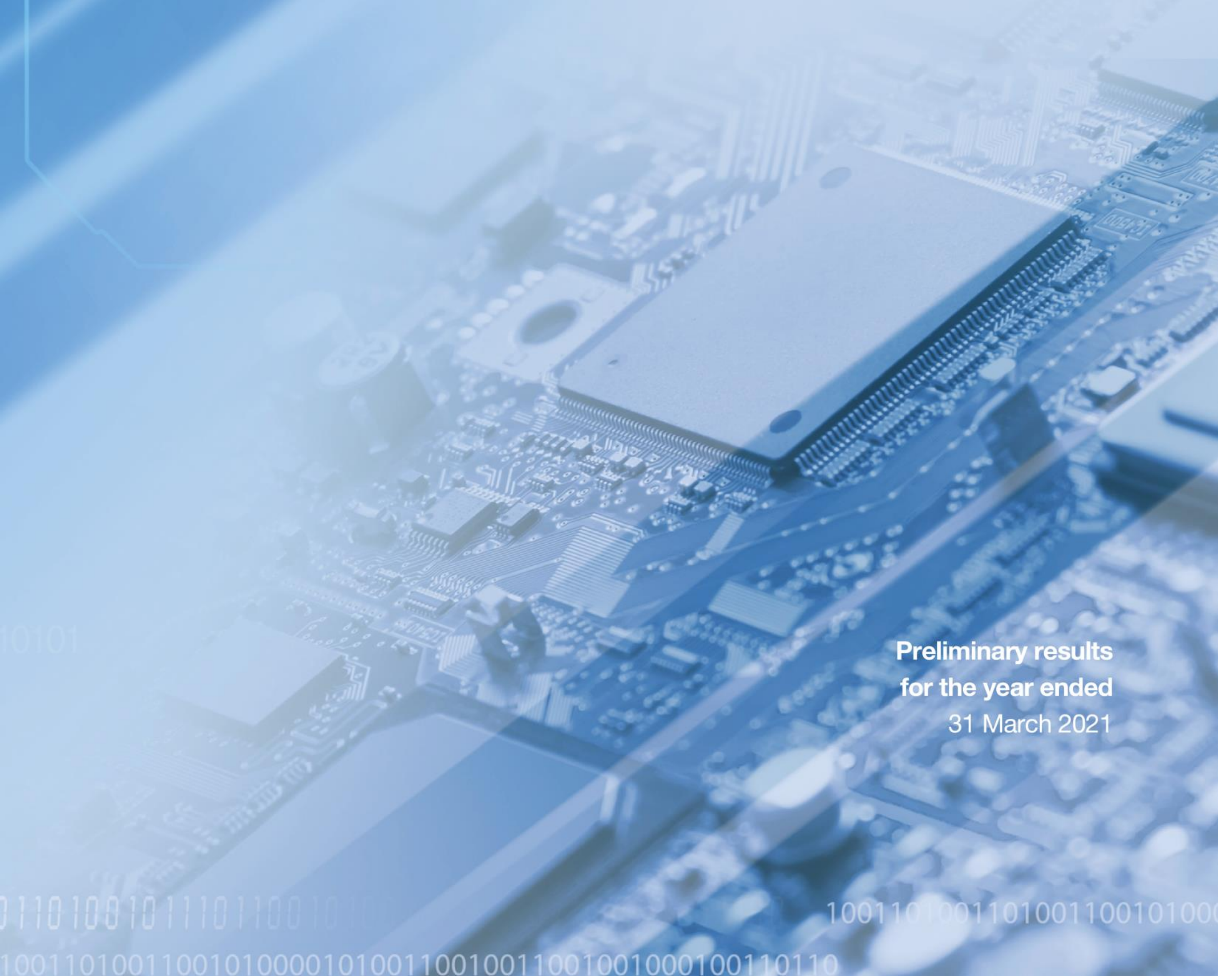
CML Microsystems Plc



Preliminary results for the year ended

31 March 2021

Preliminary results
for the year ended 31 March 2021

CHAIRMAN'S STATEMENT

Introduction

I have never witnessed a year with more challenges and opportunities than we have faced this last year, and I am proud of the way in which we have responded. At a macro level we have the COVID-19 pandemic and the continuation of the geo-political trade issues that were present when the year began and still remain today. In addition, Brexit was implemented and what was already a difficult year, finished with the well-publicised semiconductor supply shortages extending delivery times throughout the supply chain and increasing costs. At an operational level, having just acquired PRFI Ltd, it needed to be assimilated through the first COVID-19 lock down in conjunction with successfully executing the divestment of the Storage Division. There were challenges for us across the entire year, however, the Board is of the firm belief that the performance of the business from both a trading and operational standpoint has been resilient.

The disposal of the Storage division for US$49m, announced in December 2020, completed in February 2021 was, in the opinion of the Directors, at a price reflecting its true value and a very successful outcome for CML. The Board were of the firm opinion that this was strategically the right time to evaluate the expected future returns and the risks in achieving those returns against the potential opportunity that existed in the communications market with the benefit of the focus and proceeds that could be generated through a disposal. The transaction has materially strengthened the balance sheet and net cash position, with the sale price achieved being more than three times the division's prior year revenues. This provides the Group with the scope to drive organic growth through enhanced investment in the communications market supplemented, as appropriate, with acquisitions to strengthen the breath and depth of the Group's offering.

As indicated at the interim stage, the COVID-19 pandemic has hit the voice centric radio manufacturers hard and as CML is a component supplier into this market our revenues here have suffered accordingly. This is seen as a transient problem for the traditional markets we address, and they are expected to return to historic levels and growth trends as the world normalises hopefully through the financial year just commenced. Despite these global and operational problems, work on R&D, the life blood of future revenues, has not diminished with new product releases continuing as planned.

The enhanced business strategy adopted has expanded the addressable communications markets for CML into areas that are expected to grow significantly over the next five years. These markets are already understood to be a step change larger than the historic markets addressed and provide ample opportunity for growth of a significant magnitude. Additionally, these are markets where our already established global market reach is well established to capitalise without the need for major changes. It is therefore very pleasing that, despite all the headwinds, the assimilation of PRFI was achieved very successfully and the first of our new products addressing RF, Microwave and Millimetre-wave application areas ("SµRF") are coming to market now, with further new products on the way and a full future road map for the range.

Results

With the business now fully focusing on the communications semiconductor markets, these results are reported against the continuing business, with the comparatives adjusted where appropriate to reflect this.

Revenues were down 16.7% to £12.5m (2020: £15.0m) reflecting the effect of COVID 19 on the voice centric markets yielding what was essentially a break-even outcome of £0.01m, (2020: £1.2m profit). This break-even position was assisted by the profit resulting from a triennial revaluation of the Group's investment properties which yielded a gain of £0.6m (2020: £Nil) and a change in accounting estimates that yielded a net reduction in costs of £0.75m (2020: Nil). A tax credit in the year means the profit on the continuing business after tax was £0.8m (2020: £1.4m). After adding a profit on disposal for the discontinued business of £22.8m (2020: £Nil), the profit attributable to the Shareholders amounted to £23.6m (2020: £1.5m). Net cash levels, after US loan, were £31.9m (2020: £8.5m) after accounting for an £8.3m capital redemption, £0.7m paid out as dividends and a share buyback costing £1.6m. Net assets have increased to £53.4m (2020: £42.4m).

Dividend

For a number of years, the Group has maintained a progressive dividend policy with a keen eye on annual profitability and cash generation. That said, the dividend has on occasion been maintained when profits did not directly support the decision, reflecting the Board's confidence in the future.

We have always endeavoured to ensure adequate cash resources were maintained to cover legal obligations, organic growth and strategic acquisitions. Today the financial strength of the Company is clear and the Board is confident in the future. Based upon the opportunities currently visible, the Board believes that growth will be driven organically for the coming period, with selective acquisitions only expected if they offer increased potential and accelerate delivery of the Group's strategy.

Accordingly, the Board is recommending a final special dividend payment of 50p per ordinary 5p share, equating to a total for the year of 52p (2020: 4p). If approved this will be paid to shareholders on 13 August 2021 whose names appear on the register at close of business 30 July 2021, the shares will go ex-dividend on 29 July 2021.

COVID-19 Governmental Support

The COVID-19 pandemic has led to Governments around the world supporting industries in various ways, if needed and as a Group we have only taken advantage of these measures where we felt it was appropriate to do so. In the UK we did not furlough any staff, take assistance from the UK Government Coronavirus Job Retention Scheme or make use of any UK Government backed loans. In the USA we did take advantage of a loan under the Paycheck Protection Program of £0.28m (2020: £Nil), whilst in Singapore we received grants under the Job Support Scheme of £0.05(2020: £Nil). Our China operation received a very minor amount of support from their Stabilizing and Enlarging Employment Policy. Across all global operations our staff have continued to work through the whole year with no pandemic related redundancies made.

Employees

Our employees, across the globe, are key to the success of CML and with the challenges presented through this year their support and cooperation has been paramount. It has been a year of significant change for the Group, and I am proud of how our employees have shown resilience and purpose with incredible determination and courage during this pandemic, achieving the goals set and adapting to needs as they arose. On behalf of the Board, I would like to put on record our gratitude and thanks to each and every one of them.

The Board

In February 2021 we announced that our Group Sales and Marketing Director, Hugh Rudden, had chosen to retire. Hugh joined us in 2014 and has been a valued member of our Board since then. We wish him a healthy, happy and long retirement and thank him for his service. Hugh's role has been disseminated across a number of executive and senior management personnel as part of the organisational changes necessary for the continuing business.

As advised in January 2020 and in light of the numerous corporate activities underway at that time, I took on the additional role of CFO on an interim basis. As of today, the Company is a different entity, being of reduced scale and management complexity having disposed of the Storage Division. In conjunction with the finance capabilities on the Board and considering the strength in depth of the function across the organisation globally, the Board is currently of the opinion that the Group has sufficient capability to achieve its objectives without recruiting a dedicated CFO. In support of this decision, it was announced on 1 June 2021 that I had accepted the Board's proposal to move from Non-Executive Chairman to Executive Chairman. Simultaneously, we announced that Non-Executive Director Geoff Barnes would take up the post of the Senior Independent Non-Executive Director and Jim Lindop would join the Audit Committee, both with immediate effect. The Board will keep under constant review the needs of the business and requirement for additional bandwidth through the appointment of additional executive and non-executive directors onto the Board.

Move to the Alternative Investment Market ("AIM") of the London Stock Exchange

In accordance with the announcement on 1 June 2021, the Company is planning to cancel its standard listing on the Main Market of the London Stock Exchange and move to AIM, subject to shareholder approval at the Company's AGM. Having disposed of the Storage Division the Group is now fully focussed on a much larger global opportunity within the wireless communications market and the Board believes that AIM provides a more appropriate regulatory environment for the Company at the start of this exciting growth phase.

The move to AIM will enable the Company to improve its flexibility in relation to future corporate actions and although organic growth is the immediate focus, the possibility of further small acquisitions cannot be ruled out. Additionally, as an AIM company there should be advantages to private individual shareholders who should benefit from inheritance tax and stamp duty reserve tax exemptions not available to a company listed on the Main Market.

Prospects and Outlook

COVID-19 is omnipresent although there appears to be a light at the end of the tunnel. The geo-political trade issues between the USA and China have not subsided and ongoing semiconductor supply chain issues remain well publicised. Despite this, I am pleased to say that CML has never been in a stronger position.

We start the new financial year with the strongest balance sheet on record, including a large element of cash, a record order book for the continuing business and a materially increased addressable market.

For our existing product markets, we believe our customers are holding reduced inventory levels and as we move through the year, we expect to see those markets recovering back towards more normalised levels, driving good growth. These positive prospects are further enhanced by the fact we have the marketing, sales and distribution network already in place to support the new "SµRF" range of products as they are launched to market through the coming year. Though growth in this new market will take time, we are already engaged with existing and new customers that offer exciting growth prospects.

Even though we remain in uncertain times, the Board is confident that the strategy in place will lead to significant, sustainable growth. As a Company we are well placed to return to meaningful results improvements.

Nigel Clark
Executive Chairman

OPERATIONAL AND FINANCIAL REVIEW

Introduction

This has been a transformational year for the business, both strategically and fiscally.

Following a frustrating period during which the financial benefit from the underlying progress being made had been stymied by global events, we entered the year under review with a relatively healthy order book and a business tuned to react swiftly to a revival in demand.

Through the first six-month period there was a stark contrast in performance from the main sectors being addressed. Storage markets were rebounding after a period of underperformance whilst Communications markets had deteriorated, largely driven by a reduction in demand from voice-centric radio manufacturers as a result of the pandemic.

Shortly after the interim results were released, the Group announced the sale of the Storage Division. That transaction, together with the already announced strategic move into microwave and millimetre wave product technology, represented the catalyst for the Group’s next stage of growth, a singular focus on the communications market sector and the enlarged market opportunity that it represents.

Disposal of the Storage Division

The Company announced on 5 February 2021 that it had successfully completed the sale of Hyperstone, the Group's storage division (“the Disposal”), for US$49m. The Disposal reflected a deliberate decision made by the Board to refocus exclusively on the global Communications market, with all efforts directed at capturing the exciting growth opportunities that it presents.

Under CML's ownership, Hyperstone had grown to become a significant player within the industrial solid state storage market, supplying some of the world's largest OEM's with class-leading solutions. However, following a strategic review, the Board identified that change was required if the Group was to achieve its sustainable growth ambitions.

The Storage Division lacked the scale of its principal competitors but, critically, synergies between it and the communications division were rapidly reducing. The relatively high product development costs, periodically extreme market dynamics and the divergence of the customer base, routes to market and engineering disciplines were all important factors in the decision-making process.

The Board decided that an exit from the storage market was the optimum solution for all stakeholders, enabling the Group to fully focus on a much larger global opportunity within the wireless communications market, with the potential for strong growth on a sustainable basis.

Proceeds from the disposal have provided the Group with the financial flexibility to maximise this opportunity.

COVID-19

The welfare and safety of our employees has been of paramount importance throughout the pandemic and remains a priority. Our operations remain fully functional although travel restrictions in some regions have affected our sales teams’ ability to mobilise and physically meet with customers.

The positive response by our people to the changes we have been required to implement to our working practices has been very supportive. Once again, the CML teams across the world have proven their resilience and dedication, for which we, the Board, are extremely grateful. They have continued to work tirelessly under difficult circumstances and their dedication both to CML and our customers has not wavered.

It is noteworthy that a number of new colleagues joined the Group either just prior to, or during, the pandemic. While many of us have not been able to meet them physically, they have integrated well and we have enjoyed welcoming them.

As we continue to face the challenges of COVID-19, including the risk of rolling lockdowns, we do so with the support of a dedicated, talented team around the world.

Strategy

The Group's vision is to be the first-choice semiconductor partner to technology innovators, together transforming how the world communicates.

The focus is on our customers' success by delivering advantages through the improved functionality and performance of class leading IC solutions. R&D activity is targeted at developing the product portfolio to support emerging and evolving customer requirements for size, cost and performance whilst striving to remain our customer's first choice supplier within their advanced communication platforms.

Overall, the strategy was enhanced during the year through the sale of the storage division and the successful development and market launch of the SμRF product portfolio to address microwave/millimetre wave wireless applications. The Group has a clear pipeline of future products to drive organic growth and the capital resources to invest in the appropriate level of R&D now it is solely focussed on communications.

In today's world, 'connected everything' is propelling exponential increases in data consumption – driving growth across wireless communications markets globally. We are expanding our total addressable market having enlarged our market focus to include applications within the so-called mega trend areas of Industrial Internet of Things (IIoT), 5G and Industry 4.0. This complements the historic market areas of public safety, maritime and mission critical wireless voice and data communications, leveraging our systems knowledge, engineering capabilities and routes to market.

Markets and operations

During the first six months of the year, revenues from voice-centric wireless applications were heavily impacted by the COVID-19 crisis whilst the situation across a wide range of data-centric IIoT customers was somewhat mixed. Pleasingly, through the second half, the order intake progressively improved, culminating in a record order book for the continuing business as at 31 March 2021.

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 traditional communications markets. New product releases in recent years are expected to capture a higher share of a growing market over time.

Customer and market intelligence suggests that conditions for voice applications should improve as the 2021 calendar year progresses. A number of bellwether players in the voice communication space are indicating stronger order backlogs themselves and, in the US in particular, government stimulus packages that are predicted to be available over the current and future years underpins confidence levels.

In addition to the traditional wireless voice and data market areas served, our enhanced strategy to significantly widen the product portfolio and address broader application areas is being achieved through a combination of resource blend and new customer engagements.

Prior to the disposal of the storage division, the Group was addressing an annual serviceable market of close to $360m, split almost 50/50 between communication and storage application areas. Post-disposal, under our enhanced strategy, the addressable market has expanded to include a number of key growth areas over the coming years, including critical infrastructure (public utilities, smart grid, RFID), 5G (repeaters, small/pico cells, fixed wireless access, distributed antenna systems) and satellite communications (terminals, broadband access). As a result, the Group's annual addressable market has increased substantially.

As one example, the 5G network itself is being rolled out in two phases. The first of them, operating on frequency bands below 6GHz, is already being deployed in a selection of different countries. In the years that follow, the rollout involves the introduction of millimetre wave frequencies that span 24-GHz to 40-GHz. These higher frequencies will offer much higher data rates, greater capacity, better quality and lower latency. Customer product designs for a number of millimetre wave applications will benefit from the use of compound semiconductor technologies, such as gallium nitride (GaN) or gallium arsenide (GaAs), rather than silicon. Independent market statistics estimate that the GaN RF device market alone is expected to grow from circa

$740m to $2bn through to 2025. While this represents a double digit CAGR across the period, the market is a new one for CML, thus putting into perspective the opportunity it represents.

The feedback from early customer engagements for our SµRF product range has been very positive and endorses the approach being taken. Aside from technical performance and commercial competitiveness, the focus on our customers' success and our inherent partnership capabilities are key factors that bode well for the future of the business.

The Group's return on investment (ROI) profile relating to R&D expenditure is evolving as the full benefit of the expanded strategy and related performance enhancements take hold. Product lifecycles within the traditional market areas being addressed can be typically characterised as a two-year development cycle, a further two-year customer engagement and adoption timeframe, followed by multiyear revenue generating period as the product gains success across the customer base. This is typical for a complex system-on-chip (SoC) semiconductor.

For the SµRF product range, development, market launch and subsequent customer adoption is already occurring more rapidly, due to a combination of internal design and operational capabilities, ease of use from a user perspective and the leveraging of existing sales channels. Overall, the Group's resulting ROI profile is now a 'blended' approach, improving the timing for a return on the investments being made.

In recent years, the Group invested significant effort in ensuring sales channels globally were appropriate for the direction of travel that the business was taking. The enhanced strategy that is now being followed, allows the Group to drive forward and leverage those extensive routes to market, without the associated disruption and inefficiency that can sometimes accompany new product line introductions within adjacent market areas. Through the year ahead work remains to be done, particularly in Asia, but the intent is to translate the early successes from other regions and rapidly capture new opportunities.

A general lengthening of lead times from raw material suppliers and third-party manufacturing services companies has been in play across the semiconductor industry for some time. The business has navigated that comparatively well so far, supported by the prior decision to maintain higher levels of raw material inventory. However, it should be noted that Group semiconductor products are just one of a number of electronic components that customers need in order to successfully produce their own products. Their failure to secure any one of the needed components could have an impact on Group sales. Capacity constraints in the supply chain are not expected to ease until next calendar year.

Outlook

This has clearly been a transformational year for the business.

Having disposed of a division that had been a substantial contributor to Group performance over the years, in favour of focussing on an expanded communications market opportunity, the Board believes that the Group can now scale without the distraction of conflicting divisional and operational investment needs.

Fiscally, the Group starts the new trading year to 31 March 2022 in a much stronger position than one year ago, notwithstanding the returns to shareholders that have been made or are planned. Headwinds remain, including the pandemic, trade uncertainty between China and the USA and the ongoing semiconductor capacity issues that are widely reported. That said, the underlying feeling within the Company is one of opportunity and optimism evidenced by our day-to-day activities and the pipeline of opportunity that we see.

CML has a decades long history of innovation and adaptation as markets have evolved and new opportunities for growth present themselves. The various decisions made to navigate the business through fluctuating fortunes in more recent years have laid the foundations for a new chapter. A total focus on communications markets backed by solid financial resources allows us to capitalise and the Board is steadfast in its commitment to support and achieve challenging growth objectives over the years ahead.

As we move through the year ahead with an arsenal of new products, intellectual property, skills and market intelligence, the Group intends to capture share in much larger application areas. Economic uncertainty aside, the fundamental growth factors are positive and subject to unforeseen circumstances, we expect a good year of progress for the continuing business, both from a revenue and a profitability perspective.

Financial Review

For the financial year to 31 March 2021, the Group's profitability was overwhelmingly dominated by the exceptional gain arising on the sale of the Storage Division, including the trading contribution of £1.03m.

Gross sale proceeds of US$49m generated a cash inflow of £35.83m and, following inclusion of associated transaction costs, taxation and the £8.74m valuation of assets forming part of the sale, led to a net profit of £22.76m from the discontinued operation.

For the continuing business, the financial review that follows includes comparison figures that have been restated from those published for the year to 31 March 2020 in accordance with the relevant accounting standards.

Revenues for the year were £12.47m representing a 17% reduction (FY20: £14.96m) amidst the backdrop of regional variations caused by the pandemic, ongoing uncertainties with China/USA trade and, towards the latter part of the year, a more general semiconductor shortage.

At the Gross Profit level, a reduction in revenue of circa £2.5m along with the effects of higher inventory costs, an element of services revenue and a static fixed element within the cost of sales, all combined to produce a drop in gross profits to £9.27m (FY20: £11.70m),

Geographically, sales were lower in each of the three regions serviced, with Asia being hit the hardest in absolute terms. It is noteworthy, however, that a number of the Group's customers make use of Far Eastern manufacturers for their production requirements and Group revenues are classified geographically in terms of shipping destination.

Distribution and administration expenses reduced to £10.57m (FY20: £11.06m) largely due to lower selling expenses relating to reduced travel through the pandemic and the change in accounting estimate relating to the treatment of development expenditure which yielded a net reduction in expenditure of £0.75m (see note 10).

The combined research and development expenditure for the year amounted to £4.9m, of which, £0.93m was expensed (FY20: £4.84m of which £0.53m expensed).

The Group receives other income from a combination of the commercial rental of non-operational property assets and royalty income on the sale of third-party technology incorporated within Group semiconductor solutions. Other operating income rose to £0.83m (FY20: £0.63m) and included a one-off contribution for operational services to support the discontinued business.

Lower revenues along with cost of sales pressures delivered a fall in profit from operations to £0.46m (FY20: £1.25m).

In accordance with statutory requirements, the Group's non-operational property assets have been revalued as at 31 March 2021, using independent commercial property consultants. The open market valuation recognised is £3.78m resulting in a profit of £0.58m against the prior year (FY20: £3.17m).

After accounting for share-based payments and net finance income, a minor profit before tax of £0.01m was recorded (FY20: £1.18m profit).

A higher UK tax credit associated with the Group's investment in research and development activities was the primary driver behind a lower-than-average rate of taxation. An income tax credit of £0.79m (FY20: £0.19m) was recorded. Under substantial shareholding exemption rules, the Group does not anticipate a charge relating to the UK profit upon disposal of the discontinued business, although a charge of less than US$200k was incurred in the USA along with a negligible charge relating to the Taiwanese subsidiary that was divested.

The Group's balance sheet has been considerably enhanced through events of the past year, placing the business in a strong financial position to support its growth objectives. Following the cash inflow from the sale of the storage division and, after giving due consideration to the Group's ongoing needs, in March 2021 the Board returned £8.28m to shareholders by way of a return of capital. That aside, the Group conducted a share buyback of £1.59m, rendered dividend payments totalling £0.67m and invested strongly in the development of future products (£4.9m). Cash and cash equivalents at the year end totalled £32.20m (FY20: £8.48m).

Inventory levels have been maintained at relatively high levels, helping to reduce the impact of an ongoing capacity issue within the semiconductor market generally. At 31 March 2021, inventory levels were £1.45m (FY20: £1.46m relating to continuing operations).

The Group currently has a retirement benefit obligation in respect of its historic defined benefit pension scheme, which was closed to new members and future accruals in 2002 and 2009 respectively. The most recent triennial actuarial funding valuation of the scheme carried out by an independent professionally qualified actuary, as at 31 March 2020, resulted in a net pension deficit of £2.24m (1 April 2017: £1.89m net surplus). The market value of the assets of the scheme was £19.14m. (1 April 2017: £19.49m).

Using the same valuation methodology, an annual update to the schemes position, as at 31 March 2021, showed that the shortfall of £2.24m had improved to a surplus of £0.47m.

The £0.47m pension surplus calculated under the funding valuation basis above is different to the accounting valuation presented in the Group consolidated balance sheet, which shows a net pension liability of £5.57m. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions in valuing the liabilities in accordance with the accounting standard IAS 19 Retirement Benefits.

All administrative expenses of running the scheme are met directly by the scheme along with pension protection fund levies. However, during the year a voluntary, one-off advance contribution of £0.23m was made towards the running expenses of the scheme.

Chris Gurry
Group Managing Director

Consolidated income statement for the year ended 31 March 2021

	Notes	**Unaudited 2021 £'000**	Restated 2020 £'000
Continuing operations			
Revenue	1,2	**12,470**	14,963
Cost of sales		**(3,197)**	(3,261)
Gross profit		**9,273**	11,702
Distribution and administration costs		**(10,567)**	(11,060)
		(1,294)	642
Other operating income		**830**	604
(Loss) / Profit from operations		**(464)**	1,246
Share-based payments		**(143)**	(139)
(Loss) / Profit after share-based payments		**(607)**	1,107
Revaluation of investment properties	8	**579**	-
Profit on disposal of property, plant and equipment		**-**	11
Finance income		**75**	105
Finance expense		**(37)**	(45)
Profit before taxation		**10**	1,178
Income tax credit	4	**792**	193
Profit from continuing operations		**802**	1,371
Profit from discontinued operations	7	**22,762**	165
Profit after taxation attributable to equity owners of the parent		**23,564**	1,536
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	5	**4.81p**	8.02p
Diluted earnings per share	5	**4.79p**	7.98p
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	5	**141.13p**	8.98p
Diluted earnings per share	5	**140.56p**	8.94p

Adjusted EBITDA	6	**2,731**	4,483

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Consolidated statement of total comprehensive income for the year ended 31 March 2021

	Unaudited 2021 £'000	**Unaudited 2021 £'000**	Restated 2020 £'000	Restated 2020 £'000
Profit for the year		**23,564**		1,536
Other comprehensive (expense)/income:				
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of defined benefit obligation	**(897)**		(995)	
Deferred tax on actuarial loss	**170**		187	
Items reclassified subsequently to profit or loss upon derecognition:				
Foreign exchange differences	**(312)**		308	
Reclassification of foreign exchange differences on discontinued operations	**(1,100)**		-	
Other comprehensive expense for the year net of taxation attributable to equity owners of the parent		**(2,139)**		(500)
Total comprehensive income for the year attributable to the equity owners of the parent		**21,425**		1,036
Total comprehensive income for the year attributable to the equity owners of the parent				
Continuing operations		**(237)**		871
Discontinued operations		**21,662**		165
		21,425		1,036

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Consolidated statement of financial position as at 31 March 2021

	Unaudited 2021 £'000	**Unaudited 2021 £'000**	Audited 2020 £'000	Audited 2020 £'000
Assets				
Non-current assets				
Goodwill		**7,072**		10,741
Other intangible assets		**1,276**		1,823
Development costs		**9,191**		16,930
Property, plant and equipment		**4,864**		4,976
Right-of-use assets		**409**		1,184
Investment properties		**3,775**		3,170
Investments		**-**		83
Deferred tax assets		**1,531**		1,343
		28,118		40,250
Current assets				
Inventories	**1,450**		2,390	
Trade receivables and prepayments	**2,434**		5,075	
Current tax assets	**1,046**		1,044	
Cash and cash equivalents	**32,196**		8,479	
		37,126		16,988
Total assets		**65,244**		57,238
Liabilities				
Current liabilities				
Bank loans and overdrafts		**282**		-
Trade and other payables		**3,081**		4,036
Lease liabilities		**183**		**502**
Current tax liabilities		**80**		85
		3,626		4,623
Non-current liabilities				
Deferred tax liabilities	**2,339**		4,960	
Lease liabilities	**262**		**568**	
Retirement benefit obligation	**5,570**		4,697	
		8,171		10,225
Total liabilities		**11,797**		14,848
Net assets		**53,447**		42,390
Capital and reserves attributable to equity owners of the parent				
Share capital		**859**		859
Share premium		**1,039**		9,286
Capital redemption reserve		**9**		9
Treasury shares – own share reserve		**(1,670)**		(80)
Share-based payments reserve		**570**		582
Foreign exchange reserve		**302**		1,714
Accumulated profits reserve		**52,338**		30,020
Total shareholders' equity		**53,447**		42,390

Consolidated cash flow statement for the year ended 31 March 2021

	Unaudited 2021 £'000	Restated 2020 £'000
Operating activities		
Profit for the year before taxation – continuing operations	**10**	1,178
Profit for the year after taxation – discontinued operations	**22,762**	165
Adjustments for:		
Depreciation – on property, plant and equipment	**370**	397
Depreciation – on right-of-use assets	**438**	456
Impairment of development costs	**701**	-
Amortisation of development costs	**3,789**	5,708
Amortisation of intangibles recognised on acquisition and purchased	**212**	212
Profit on disposal of property, plant and equipment	**16**	(5)
Revaluation of investment properties	**(579)**	-
Gain on disposal of discontinued operations	**(21,740)**	-
Movement in non-cash items (Retirement benefit obligation)	**201**	154
Share-based payments	**143**	139
Finance income	**(75)**	(105)
Finance expense	**37**	45
Movement in working capital	**1,388**	(1,868)
Cash flows from operating activities	**7,673**	6,476
Income tax received	**494**	526
Net cash flows from operating activities	**8,167**	7,002
Investing activities		
Disposal of business (net of expenses)	**33,261**	-
Acquisition of subsidiary, net of cash acquired	**(100)**	(1,295)
Purchase of property, plant and equipment	**(390)**	(57)
Investment in development costs	**(7,270)**	(7,936)
Proceeds from disposal of property	**-**	11
Investment in intangibles	**25**	(265)
Investment in loan note	**-**	(323)
Finance income	**75**	106
Net cash flows from / (used in) investing activities	**25,601**	(9,759)
Financing activities		
Lease liability repayments	**(556)**	(682)
Proceeds from borrowings	**282**	-
Issue of ordinary shares	**29**	7
Purchase of own shares for treasury	**(1,590)**	-
Dividends paid to shareholders	**(674)**	(1,332)
Share capital redemption	**(8,276)**	-
Finance expense	**(15)**	(34)
Net cash flows used in financing activities	**(10,800)**	(2,041)
Increase / (decrease) in cash and cash equivalents	**22,968**	(4,798)
Movement in cash and cash equivalents:		
At start of year	**8,479**	12,809
Increase/(decrease) in cash and cash equivalents	**22,968**	(4,798)
Effects of exchange rate changes	**749**	468
At end of year	**32,196**	8,479

Cash flows presented exclude sales taxes.

Consolidated statement of changes in equity for the year ended 31 March 2021

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserves £'000	Retained earnings £'000	Total £'000
At 31 March 2019 – audited	856	9,279	9	(342)	507	1,406	30,604	42,322
Changes in accounting policy – IFRS 16							(30)	(30)
Restated at 31 March 2019	856	9,279	9	(342)	507	1,406	**30,574**	**42,292**
Profit for year							**1,536**	**1,536**
Other comprehensive income								
Foreign exchange differences						308		308
Net actuarial gain recognised directly to equity on retirement benefit obligations							(995)	(995)
Deferred tax on actuarial gain							187	187
Total comprehensive income for year	-	-	-	-	-	**308**	**728**	**1,036**
	859	**9,279**	**9**	**(342)**	**507**	**1,714**	**31,302**	**43,328**
Transactions with owners in their capacity as owners								
Issue of ordinary shares		**7**						**7**
Issue of own shares - treasury				**262**			(14)	**248**
Dividend paid							**(1,332)**	**(1,332)**
Total transactions with owners in their capacity as owners		**7**	**-**	**262**	**-**	**-**	**(1,346)**	**1,077**
Share-based payments in year					**139**			**139**
Cancellation/transfer of share-based payments					**(64)**		**64**	-
At 31 March 2020 – audited	**859**	**9,286**	**9**	**(80)**	**582**	**1,714**	**30,020**	**42,390**
Profit for year							**23,564**	**23,564**
Other comprehensive income								
Foreign exchange differences						**(312)**		**(312)**
Foreign exchange differences discontinued operations						**(1,100)**		**(1,100)**
Net actuarial gain recognised directly to equity on retirement benefit obligations							**(897)**	**(897)**
Deferred tax on actuarial gain							**170**	**170**
Total comprehensive income for year	**-**	**-**	**-**	**-**	**-**	**(1,412)**	**22,837**	**21,425**
	859	**9,286**	**9**	**(80)**	**582**	**302**	**52,857**	**63,815**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options		**29**						**29**
Purchase of own shares - treasury				**(1,590)**				**(1,590)**
Share capital redemption		**(8,276)**						**(8,276)**
Dividend paid							**(674)**	**(674)**
Total transactions with owners in their capacity as owners	**-**	**(8,247)**	**-**	**(1,590)**	**-**	**-**	**(674)**	**(10,511)**
Share-based payment charge					**143**			**143**
Cancellation/transfer of share-based payments					**(155)**		**155**	-
At 31 March 2021 - unaudited	**859**	**1,039**	**9**	**(1,670)**	**570**	**302**	**52,338**	**53,447**

Preliminary results
for the year ended 31 March 2021

1 Segmental analysis

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

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.

Geographical information (by origin)

	UK £'000	Rest of Europe £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2021 - unaudited					
Revenue to third parties – by origin	**5,867**	**-**	**1,624**	**4,979**	**12,470**
Property, plant and equipment	**4,753**	**-**	**22**	**89**	**4,864**
Right –of-use assets	**90**	**-**	**255**	**64**	**409**
Investment properties	**3,775**	**-**	**-**	**-**	**3,775**
Development costs	**7,942**	**-**	**-**	**1,249**	**9,191**
Intangibles - software and intellectual property	**264**	**-**	**-**	**101**	**365**
Goodwill	**1,531**	**-**	**-**	**5,541**	**7,072**
Other intangible assets arising on acquisition	**210**	**-**	**-**	**701**	**911**
Total assets	**52,228**	**-**	**2,467**	**10,549**	**65,244**
Year ended 31 March 2020 - audited					
Revenue to third parties – by origin	4,307	-	2,824	7,832	14,963
Property, plant and equipment	4,724	182	30	40	4,976
Right-of-use assets	164	244	547	229	1,184
Investment properties	3,170	-	-	-	3,170
Development costs	6,161	9,793	-	976	16,930
Intangibles - software and intellectual property	596	-	-	118	714
Goodwill	1,531	3,512	-	5,698	10,741
Other intangible assets arising on acquisition	235	-	-	874	1,109
Total assets	24,606	16,984	2,203	13,445	57,238

2 Revenue

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

Continuing business	**Unaudited 2021 £'000**	Restated 2020 £'000
Europe	**2,996**	3,362
Far East	**7,005**	8,239
Americas	**2,000**	2,875
Others	**469**	487
	12,470	14,963

3 Dividend – paid and proposed

During the year a final dividend of 2.0p per ordinary share of 5p was paid in respect of the year ended 31 March 2020. An interim dividend of 2.0p per ordinary was paid on 18 December 2020 to shareholders on the Register on 4 December 2020.

It is proposed to pay a final special dividend of 50.0p per ordinary share of 5p, taking the total dividend amount in respect of the year ended 31 March 2021 to 52.0p. It is proposed to pay the final dividend of 50.0p, if approved, on 13 August 2021 to shareholders registered on 30 July 2021 (2020: paid 7 August 2020 to shareholders registered on 24 July 2020).

4 Income tax expense

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

	Unaudited 2021 £'000	Restated 2020 £'000
Current tax		
UK corporation tax on results of the year	**(1,089)**	(588)
Adjustment in respect of previous years	**(37)**	-
	(1,126)	(588)
Foreign tax on results of the year	**248**	182
Foreign tax – adjustment in respect of previous years	**-**	1
Total current tax	**(878)**	(405)
Deferred tax		
Deferred tax - Origination and reversal of temporary differences	**91**	106
Deferred tax – relating to changes in rates	**-**	106
Adjustments to deferred tax charge in respect of previous years	**(5)**	-
Total deferred tax	**86**	212
Tax (income) / charge on profit on ordinary activities	**(792)**	(193)

5 Earnings per share

	Unaudited 2021	Restated 2020
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	**4.81p**	8.02p
Diluted earnings per share	**4.79p**	7.98p
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**141.13p**	8.98p
Diluted earnings per share	**140.56p**	8.94p

The calculation of basic and diluted earnings per share is based on the profit from continuing operations attributable to ordinary shareholders, divided by the weighted average number of shares in issue during the year, as shown below:

	Unaudited 2021			Restated 2020		
	Profit	**Weighted average number of shares**	**Earnings per share**	Profit	Weighted average number of shares	Earnings per share
Basic earnings per share	**£'000**	**Number**	**p**	£'000	Number	p
Basic earnings per share – from profit for year	**802**	**16,696,060**	**4.81**	1,371	17,099,216	8.02
Diluted earnings per share						
Basic earnings per share	**802**	**16,696,060**	**4.81**	1,371	17,099,216	8.02
Dilutive effect of share options	**-**	**67,886**	**(0.02)**	-	88,355	(0.04)
Diluted earnings per share - from profit for year	**802**	**16,763,946**	**4.79**	1,371	17,187,571	7.98

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:

	Unaudited 2021			Restated 2020		
	Profit	**Weighted average number of shares**	**Earnings per share**	Profit	Weighted average number of shares	Earnings per share
Basic earnings per share	**£'000**	**Number**	**p**	£'000	Number	p
Basic earnings per share – from profit for year	**23,564**	**16,696,060**	**141.13**	1,536	17,099,216	8.98
Diluted earnings per share						
Basic earnings per share	**23,564**	**16,696,060**	**141.13**	1,536	17,099,216	8.98
Dilutive effect of share options	**-**	**67,886**	**(0.57)**	-	88,355	(0.04)
Diluted earnings per share - from profit for year	**23,564**	**16,763,946**	**140.56**	1,536	17,187,571	8.94

6 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:

	Unaudited 2021 £'000	Restated 2020 £'000
Profit before taxation (earnings)	**10**	1,178
Adjustments for:		
Finance income	(75)	(105)
Finance expense	37	45
Depreciation	310	302
Depreciation – right-of-use assets	202	211
Impairment of development costs	701	-
Amortisation of development costs	1,191	2,501
Amortisation of acquired and purchased intangibles recognised on acquisition	212	212
Share-based payments	143	139
Adjusted EBITDA	**2,731**	4,483

7 Discontinued Operations

On 10 December 2020 the group announced it had entered into a definitive agreement to divest its storage division, Hyperstone.

Hyperstone was sold on 4 February 2021 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of effective disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are up to date of disposal (2021 column) and the year ended 31 March 2020.

	2021	2020
	£'000	£'000
Revenue	9,505	11,457
Cost of Sales	(3,043)	(3,594)
Gross Profit	6,462	7,863
Distribution and administration	(5,396)	(7,702)
	1,066	161
Other operating income	8	85
Profit from operation	1,074	246
Finance income	-	1
Finance expenses	(42)	(51)
Profit before tax	1,032	196
Income tax expense	(10)	(31)
Profit after income tax and dividend of discontinued operation	1,022	165
Gain on sale of subsidiary after income tax	21,740	-
Profit from discontinued operation	**22,762**	**165**
Reclassification of foreign exchange differences on discontinued operation	(1,100)	-
Other comprehensive income from discontinued operations	(1,100)	-
Net cash inflow from operating activities	3,879	3,717
Net cash outflow from investing activities	(3,380)	(3,681)
Net cash outflow from financing activities	(206)	(236)
Net increase / (decrease) in cash from discontinued operations	293	(200)
Net increase / (decrease) in cash from discontinued operations	293	(200)
Proceeds from sale of discontinued operations net of cost	33,261	-
Total cash inflow / (outflow) from discontinued operations	33,554	(200)

Details of the sale of subsidiary

	2021	2020
	£'000	£'000
Consideration received or receivable:		
Cash	35,832	-
Total disposal consideration	35,832	-
Carrying amount of net assets sold	(8,742)	-
Carrying amount of Goodwill	(3,512)	-
Carrying amount of other intangible assets	(268)	
Other associated costs	(2,571)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	**20,739**	-
Reclassification of foreign currency translation reserve	1,100	-
Income tax expense on gain	(99)	-
Gain on sale after income tax	**21,740**	**-**

Other associated costs relate to Legal and professional fees along with other contracted costs of £1,936,000 and other ancillary costs of £635,000.

The carrying amounts of assets and liabilities as at the date of disposal were:

	Date of disposal
Non-current assets	£'000
Development costs	10,613
Property, plant and equipment	159
Right-of-use assets	221
Deferred tax assets	159
Inventories	1,370
Trade receivables and prepayments	1,972
Cash & cash equivalents	1,049
Current tax assets	340
Total assets	15,883
Current liabilities	
Bank loans and overdrafts	(1,343)
Trade and other payables	(2,658)
Leased liabilities	(216)
	(4,217)
Non -current liabilities	
Leased liabilities	(2,920)
Current tax liabilities	(4)
	(2,924)
Total liabilities	(7,141)
Net assets	8,742

8 Investment properties

Investment properties are measured at fair value and are revalued annually by the Directors and in every third year by independent Chartered Surveyors on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. The open market valuation value of the investment properties recognised is £3,775,000 (2020: £3,170,000). Formal market valuation was conducted in the year by Fenn Wright and Lambert Smith Hampton, Commercial Property Consultants.

9 Principal risks and uncertainties

Key risks of a financial nature

The principal risks and uncertainties facing the Group are with foreign currencies and customer dependency. With the majority of the Group's earnings being linked to the US Dollar, a decline in this currency will have a direct effect on revenue, although since the majority of the cost of sales are also linked to the US Dollar, this risk is reduced at the gross profit line. Additionally, though the Group has a very diverse customer base in certain market sectors, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored; however changes in buying patterns of a key customer could have an adverse effect on the Group's performance.

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.

COVID-19

During the pandemic the Group ensured that its critical infrastructure, resources and activities were organised to provide continuity of our operations which enabled us to implement our responsive approach to COVID-19. All non-essential operational employees worked from home, the Group did not make use of the government's staff retention schemes in the UK. In United States the government provided support in the form of a loan under the Paycheck Protection Program ($388,400) which could be forgiven, in Singapore there was support from job retention schemes ($62,300) and in China there was minor support from stabilising and enlarging employment Policy which was took up. The Board continues to closely monitor the impact of COVID-19 and is taking prudent steps to mitigate any potential impacts to our employees, customers, suppliers and other stakeholders..

The Group is following the guidance of the World Health Organisation and other government health agencies. The Group remains prepared to implement appropriate mitigating strategies to minimise any potential business disruption and continues to carry out regular assessments of the modelled scenarios based on the management's current understanding of potential income and mitigating actions within the control of management, including reductions in discretionary spend along with tighter internal controls, but no fixed costs reductions have been assumed.

Given the nature of the markets we operate within, we anticipate our end customers being insulated from a consumer downturn to some extent, although the roll-out of some of the new products may be delayed, dampening demand for our semiconductors. Even in these difficult times, we still maintain the belief that the Group is well placed to move positively forward in the medium to long term. This belief is underpinned by a strong balance sheet and no debt, along with a product portfolio that addresses markets that have a positive outlook.

Brexit

The United Kingdom's exit from the European Union is anticipated to have a low impact on the Group.

10 Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2020 financial statements with the exception of the revision to the Research and development amortisation and impairment policy as set out below

Distinguishing whether development expenditure satisfies the recognition requirements for the capitalisation of development costs requires the exercise of judgement.

The disposal of the storage division coupled with the completion of the implementation of the new ERP system, lead to new information being available with regards to lifecycle and availability of the Groups products. Therefore, a full review was carried out of the development expenditure, the impairment, and the amortisation. As a result of this review, it was established that the amortisation period of the development expenditure should be amended to delay the commencement of amortisation and to extend the amortisation period. A review for potential impairment of development costs was also carried out which identified that there was a requirement to impair in the year.

The research and development review highlighted that the judgement on when amortisation should commence, and the period of amortisation was overly prudent. Hence, following the review the product lifecycle was extended from four to six years and internal development expenditure amortisation was delayed for a period to coincide with when the product was available to the market. The changes made to these policies arose from the availability of new information and therefore represents a change in accounting estimate. This change of judgement resulted in the amortisation for the year to 31 March 2021 reducing to £1.190m as compared to an amount of £2.646m which would have been incurred under the old policy, thus yielding a cost reduction of £1.456m.

Following the revision of the judgement of the product lifecycle an impairment review was undertaken into each stage of the product development, highlighting any amounts needing to be written off. This review resulted in the carrying costs of the development expenditure needing an impairment of £0.701m for the year (2020: £Nil).

The net effect of the change in product lifecycle and impairment was to improve profits for the year to 31 March 2021 by £0.755m. Going forward the impact in future periods will that be that the carrying value of the development costs will be higher due to amortisation being over a longer period. It is impractical to estimate the impact in change in estimate in future periods as costs are capitalised year on year dependent on products in development.

11 General

These Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting standards in conformity with the requirements of the Companies Act 2006. They do not include all of the information required for full annual statements and should be read in conjunction with the 2021 Annual Report.

The comparative figures for the financial year 31 March 2020 have been extracted from the Group's statutory accounts for that financial year after adjusting for the discontinued operations (see note 7). The statutory accounts for the year ended 31 March 2020 have been filed with the registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Preliminary results
for the year ended 31 March 2021

The statutory accounts for the year ended 31 March 2021 are expected to be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and signed following approval by the Board of Directors on 25 June 2021 and delivered to the Registrar of Companies following the Company's Annual General Meeting on 4 August 2021.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2021 or 2020 as defined by Section 434 of the Companies Act 2006.

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

12 Approval

The Directors approved this preliminary results announcement on 14 June 2021.

Glossary

5G	Fifth Generation Cellular Network Technology
AIM	Alternative Investment Market
API	Application Programmers Interface
CAGR	Compound Annual Growth Rate
EBITDA	Earnings before interest, tax, depreciation and amortisation
EU	European Union
GaN	Gallium Nitride
GaAs	Gallium Arsenide
GMP	Guaranteed Minimum Pension
IAS	International Accounting Standard
IC	Integrated Circuit
IFRS	International Financial Reporting Standards
IIoT	Industrial Internet of Things
IP	Intellectual Property
M2M	Machine-to-machine
OEM	Original Equipment Manufacturer
R&D	Research and Development
RF	Radio Frequency
RFID	Radio Frequency Identification
ROI	Return on Investment
SoC	System on Chip

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