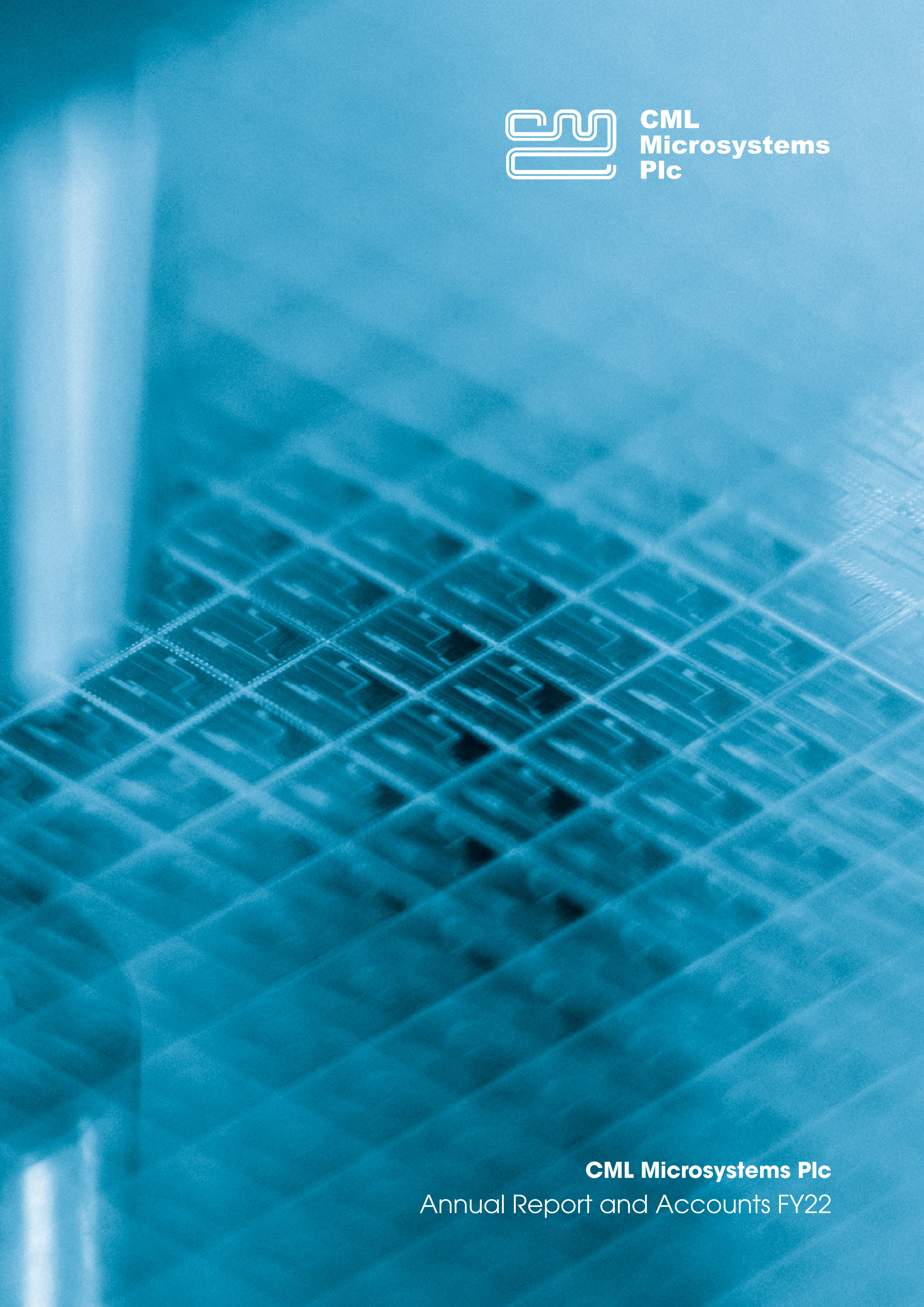


CML Microsystems Plc

CML Microsystems Plc

Annual Report and Accounts FY22

USER GUIDE

Welcome to the CML Microsystems Annual Report FY22. 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

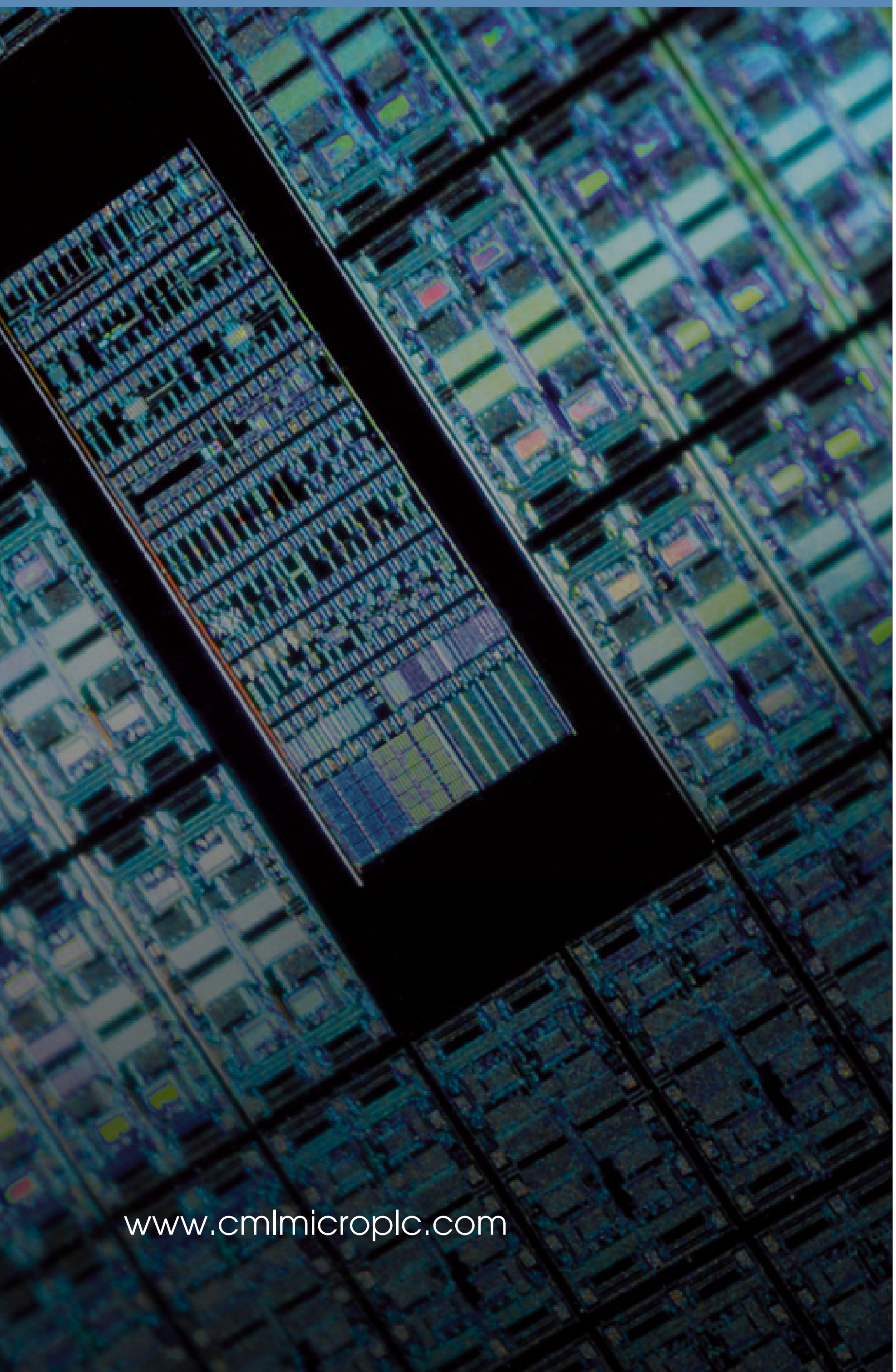
Use the tabs to quickly go to the start of a different section.

LINKS WITHIN THIS DOCUMENT

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

About us

We develop mixed-signal, RF and microwave semiconductors for global communications markets.



www.cmlmicroplc.com

Strategic report

Directors' report

Financial statements

Other information

Financial highlights

16.96
29%
(2021: 13.10)
Revenue
(£m)

1.74
>100%
(2021: 0.01)
Pre-tax profit – continuing operations
(£m)

7.45
55%
(2021: 4.81)
Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (p)

4.31
58%
(2021: 2.73)
Adjusted EBITDA[1]
(£m)

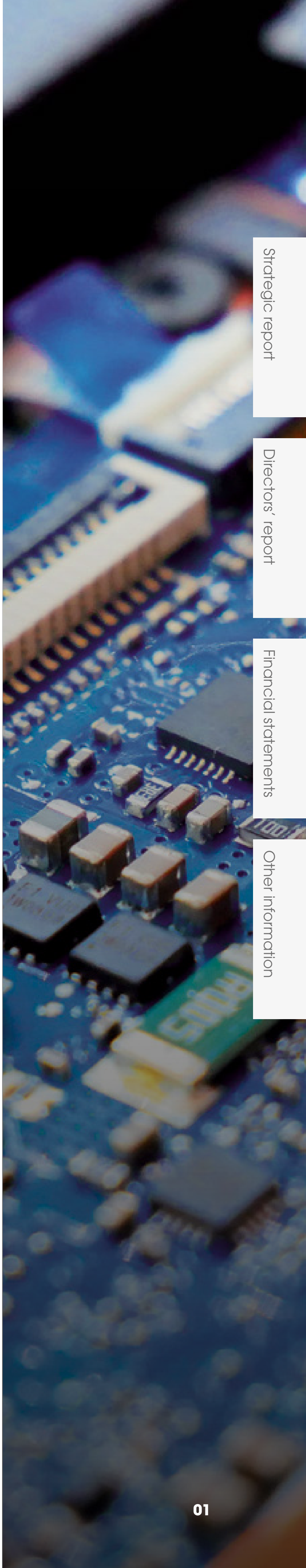
49.85
(7%)
(2021: 53.45)
Shareholders' equity
(£m)

25.04
(22%)
(2021: 31.91)
Net cash
(£m)

1. For definition and reconciliation see note 12.

Operational highlights

- Recovery from existing markets.
- Expanded product range – increasing addressable market.
- Strong investment in research and development.
- Dividend of £9m to shareholders.
- Completed move from Main Market to AIM.



At a glance

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 strong routes to market.

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**

2022 revenue split by region

Americas	Europe	Far East
17%	26%	57%

Key stats

Established	Design facilities	Employees worldwide	Engineers
1968	3	133	>38%

Our brands

CML Microcircuits

SICOMM

PRFI

Our vision:

The first choice semiconductor partner to technology innovators, together transforming how the world communicates

Our markets

Find out more on page 8

CML Microcircuits is a supplier of high performance RF products and mixed-signal baseband/modem processors across multiple wireless voice and data communication markets.

Wireless & Satellite

Public service, satellite, maritime & critical, voice and data wireless communications depend on CML

Network Infrastructure

CML SHF RF devices are building the 5G and satellite infrastructure for the next decade

Internet of Things

CML devices are fuelling the IoT and M2M revolution

Aerospace & Defence

We enable communication in mission critical applications worldwide

Our values and guiding principles:

We are driven by our values and guiding principles; they steer our ways of working across our global operations and empower a combined sense of purpose in every facet of our business.

Values:

- Trust
- Respect
- Commitment
- Creativity

Guiding principles:

- Strong business ethics.
- Culture of quality with a sense of urgency.
- Live and breathe the customer experience.
- A passion for excellence.
- Inspire our people to innovate.

Chairman's statement

"

We have delivered robust growth this year.

Nigel Clark
Executive Chairman

Governance highlights

The corporate governance report on pages 32 and 35 describes the Group's approach to governance and how it supports the delivery of our strategy. During the year, the following took place:

Audit Committee

- monitored the Group's systems of risk management and internal controls; and
- reviewed significant judgements made by management in preparing the 2022 financial statements.

Remuneration Committee

- reviewed the framework for executive remuneration; and
- approved the Executive Directors' 2022 remuneration and bonus payments.

Find out more on pages 36 to 41

Introduction

I must apologise for the delay in publishing this year's results, but this was due to the Group's auditor, BDO LLP (BDO), requesting additional time to finalise their audit process and internal review procedures.

The world is clearly going through very unsettled times, with geopolitical trade conditions persisting, the COVID-19 pandemic still impacting supply chains and the conflict in Ukraine. Despite this backdrop and understanding that we are not immune from these factors, we have delivered robust growth this year. General inflationary pressure, a significant rise in energy costs and ongoing supply problems present all of us with challenging times to navigate. Notwithstanding that, the recovery within our markets continued throughout the year. In what has been our first full financial year as a pure play semiconductor business focused solely on the Communications Market, we also ended the year with another record order book.

Last year was transformational for CML following the disposal of the Storage Division and as a result we needed to address the composition of the Group and its structure going forward. The move to AIM, completed in early September, was another important change. Finally, we remain in the process of relocating certain operating companies to more appropriate premises and are in a recruitment phase that will continue through the current year.

To execute our strategy, we are focused on simultaneously securing the existing markets addressed whilst additionally identifying other areas within the global communications sector where we see material potential. The traditional markets have returned to growth and the newer markets, addressed in part by our SµRF product range, are a step change larger, providing opportunities of significant magnitude.

Results[1]

Despite the further substantial returns to shareholders and the investment in new product development this year, we have ensured the balance sheet has remained strong with relatively high levels of cash.

The business is now fully focused on communications semiconductor markets, although this year's results do contain an element of rental income (classified under "Other income") which will not be present in future years following the disposal of one of the investment properties and the holding for sale of the other. Additionally, this year, other income was bolstered by a COVID loan subsequently forgiven in the USA, which is a one-off.

Revenues were £16.96m up 29% (2021: £13.10m), reflecting the recovery in our existing end markets. The revenue increase, coupled with tight cost control, yielded a considerable improvement in profit from operations. Profit before tax grew to £1.74m (2021: £0.01m) and a resulting tax charge of £0.50m delivered profit after tax of £1.24m (2021: £0.80m). During the comparable period, profit attributable to shareholders was substantially boosted by the disposal of the Storage Division and so this has consequently reduced to £1.24m (2021: £23.56m). Net cash, cash equivalent and fixed term deposits levels reduced to £25.0m (2021: £31.9m) after a final dividend payment of £8.3m in August 2021 and an interim dividend of £0.7m paid in December 2021.

Property

Historically the Group has owned two investment properties from which it previously traded. Changes in our business requirements led to them becoming surplus to our operational needs and they were commercially rented to third parties. At 31 March 2021, these properties were professionally revalued and, with tenancies ending through the year under review, were put on the market for sale. The property located in Witham, Essex was sold in January 2022 and although we expected to sell the Fareham, Hampshire based property by the financial year end, the sale did not materialise. Accordingly, the property is now shown in the balance sheet as held for sale. The total rental income from these two investment properties for the year to 31 March 2022 reduced to £0.22m (2021: £0.34m) and will reduce to zero for the year ahead.

The Group headquarters at Oval Park, Maldon (circa 28-acre site) was acquired in 1993 and the business relocated from Witham to the current facility during the year ended 31 March 2000. The Oval Park site is designated employment land in the Maldon District Plan and is excess to our trading requirements. Through the year, we have worked to encourage other companies to join us here at Oval Park and have signed sale contracts with two separate parties, subject to them gaining appropriate planning permission for development on approximately 13 acres of land. We anticipate submission of a planning application in the coming weeks which will include an outline planning application for a business park development on the remaining excess land (circa 6 acres). This project is not without cost, regardless of success or failure, and additionally will involve an element of construction work around the Group's existing buildings. However, if objectives are met, all excess land and property will be disposed of during the financial year ahead.

1. 2021 comparatives relate only to continuing operations.

Timeline

2021

Exit of Storage Division
Announcement that the disposal of Hyperstone has been completed.

2020

Acquisition of PRFI Ltd
PRFI Ltd (PRFI), a UK-based design house acquired.

2016

Acquisition of Sicomm Technologies
China based Wuxi Sicomm Technologies Inc. acquired.

2013

Exit of Equipment segment
The Group successfully exits the Radio Data Technology (RDT) equipment business.

2003

Acquisition of Hyperstone GmbH
CML Microsystems Plc acquires Hyperstone, German semiconductor company.

2002

Formation of Systems Engineering
Specialising in DSP software and RG design.

Chairman's statement continued

Share Buyback Programme and Dividend

In April 2022, a £3.0m Share Buyback Programme was put in place for the principal purpose of reducing the share capital of the Company and returning funds to shareholders who sold their ordinary shares in the company. During April, the £3.0m was used in its entirety to repurchase 748,188 ordinary shares and these shares were taken into treasury.

The Board strives to maintain a progressive dividend policy, with the dividend level debated and set by the Board twice yearly, where all relevant factors such as cash needs for the business, confidence in the future and overall cash levels can be considered.

For the year ended March 2020, following the onset of COVID-19, the full-year dividend was reduced to 4p (March 2019: 7.8p) as a measure of caution. For the year ended March 2021, the Company returned excess cash to shareholders following the sale of its Storage Division. As well as a one-off repayment of capital of 50p, shareholders then received a bumper final dividend of 50p, taking the year's dividend total to 52p (interim 2p).

We have seen good progress this year and the confidence of the Board was demonstrated at the half-year stage with a decision to increase the interim dividend to 4p, which was subsequently paid in December 2021. Clearly the years ended March 2020 and March 2021 were somewhat abnormal and current global issues dictate an element of prudence, but the Board feels it should continue to reflect the return of the company to meaningful growth and its confidence in the strategy being followed. After due consideration, the Board has decided to recommend a 5p final dividend, taking the full year's dividend to 9p. Subject to shareholder approval, the dividend will be paid to shareholders on 19 August 2022 whose names appear on the register at close of business on 5 August 2022, the shares will go ex-dividend on 4 August 2022.

ESG

CML takes its responsibilities for the environment and the wider stakeholder community very seriously. For some years we have reviewed our greenhouse gas emissions with the long-term objective of reducing them substantially by following a practical and pragmatic approach, not simply a box-ticking route.

Through this year, apart from reviewing our consumption of energy and considering what reductions in demand can be made by changing working practices and methods, a number of initiatives have been completed. We now have electric vehicle charging points for employees to use and over 40% of Company-owned vehicles are hybrid or electric. This is coupled with a vehicle replacement policy to encourage a move away from fossil fuels. Solar panels have been installed to the roof of our Global Headquarters in Essex to provide renewable energy during daylight hours and, where possible, lighting throughout the facility has been switched to LED to reduce energy consumption.

CML has a diverse employee base from a multitude of nationalities and ethnicities, and we actively promote the values of diversity and inclusion. Incredibly important is employee development and throughout the pandemic we have been especially mindful of this. Additionally, CML's position in the local community is and always has been key and today we provide work experience placements and sponsor local sports clubs.

Currently CML has a well-balanced Board between Executives and Independent Non-Executive Directors, thus ensuring objectivity in decision-making. The Directors are committed to high standards of corporate governance and following the decision to move to AIM decided to apply the QCA Code, details of which are set out on our website in the investor relations section.

Employees

The Board is very mindful that the success of any company is down to its employees and at CML we have a team of talented and hard-working staff. We have just finished another year of lockdowns and adjusted work routines coupled with global travel restrictions meaning a reduction in face-to-face meetings and efficiency, which tests the resilience of everyone. The Board wishes to extend its thanks to each and every employee for the dedication, enthusiasm and loyalty shown through this year, it is much appreciated.

Outlook

Our foundation for sustainable growth, which has been a key cornerstone of our strategy for years, continues. The sustainable growth path needs not just be organic; selected acquisitions at the right time and price could enhance and accelerate our growth along with assisting the long-term sustainability of the business. Potential opportunities fitting these criteria are constantly under consideration and the ability to move quickly if opportunities materialise is essential. To aid this, the substantial number of shares in treasury, coupled with our relatively strong cash balance, provides the flexibility needed to meet these goals.

The conflict in Ukraine, geopolitical instability, further disruption from the pandemic, supply chain issues, inflation and energy problems are all closely monitored and the Group's strategy and operational execution demonstrates our resilience. These are tough times to navigate, but CML has solid foundations and is pursuing numerous growth opportunities. We have a well-established global market reach and a growing product portfolio addressing RF, Microwave and Millimetre-wave application areas coupled with a strong product roadmap defining our direction of travel. I can only reiterate what I said at the interim stage, which is that the future has never been brighter for CML, and we are confident in growth for both the full year ahead and in the longer term.

Nigel Clark

Executive Chairman

4 July 2022

Market opportunity

Addressing growth markets

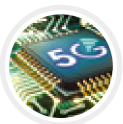
Our customers embed our innovative solutions within their products to enable reliable transmission, and reception of voice, data and control information in the connected world.

Mega trends:

01: 5G	02: Private mobile radio	03: Critical infrastructure
Small/pico cells, fixed-link broadband access Radio Access Network (RAN)	Commercial, professional, mission critical	Public utilities, AMI, smart meter/grid, RFID, long-range data links
Satellite communications Satellite terminals, global broadband networks	**Transportation** Railways, vehicle tracking, marine	**Military**

SµRF by CML

CML's new SµRF range of high frequency, high bandwidth MMICs targeting RF and mmWave, support emerging markets such as 5G, Satellite and IoT.



- **High Frequency RF Design Capability**
- **Full Spectrum Supply**
- **Fast product development and fast to manufacture**

Building an opportunity pipeline:

R&D 1–2 years	Product deployment commences years 2–4	Customer products ship for 5–10+ years

- Investment Phase
- Design Win Phase
- Revenue Generation Phase

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 long-term success. Putting the customer at the heart of everything we do – never losing sight of what is important.

Investment case:

Superior performance for targeted application areas

- High performance RF and millimetre wave products, mixed-signal baseband/modem processors.

Time-to-market

- "Off the shelf" integrated circuits for focused 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.

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 outsourced assembly and in-house testing.
- The business model supports scalability.

Business model and strategy

The business model is to design, manufacture and market a range of semiconductors for industrial and professional applications within global communication market areas.

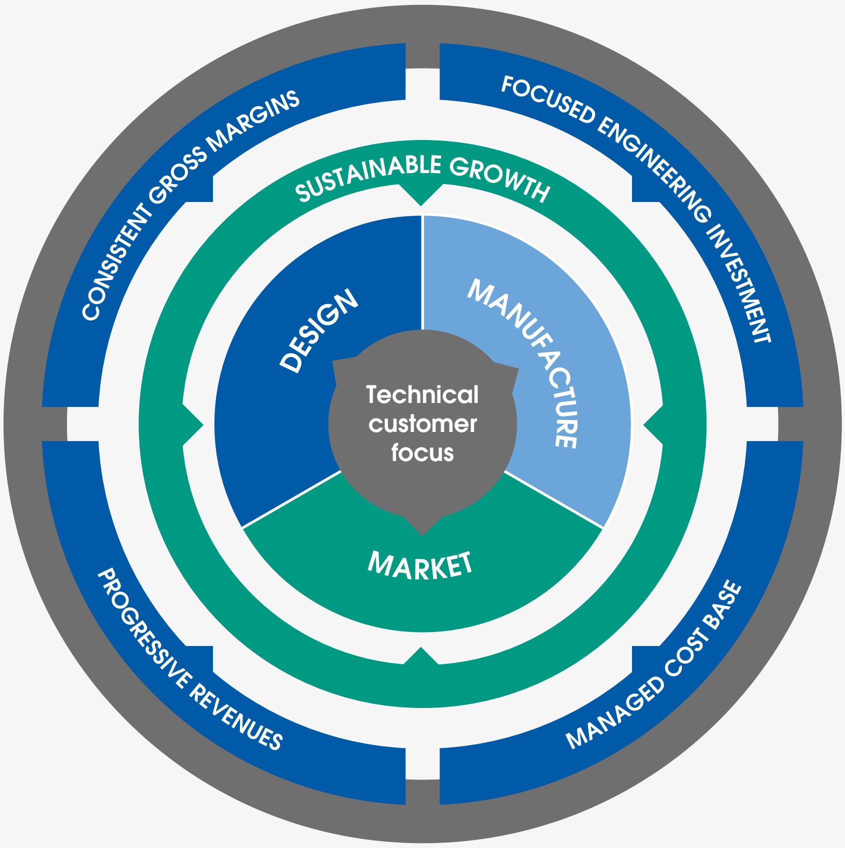
Inputs

Our people
Highly experienced people working together to foster a company we can all be proud of.

Our engineering innovation
We work closely with our customers to align our engineering resources to the right applications and markets where our differentiated capabilities are valued by our customers in delivering a compelling, commercially attractive communication solution.

Our sales and distribution footprint
It is a key trait that our customers associate our customer support and distribution footprint as an important factor in their decision-making process when selecting us as a long-term partner.

How we do it



Underpinned by our vision:
The first choice semiconductor partner to technology innovators, together transforming how the world communicates.

Strategic pillars

Principles:
We have three key principles behind executing our strategy:

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 on.

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.

Strategic focus

The Group's strategic focus is to deliver technologically innovative market-leading solutions through timely and effective market research and engineering development, focusing our resources effectively to enhance our customer relationships.

We seek to expand our total addressable market through existing customer proliferation and new customer adoption in current and adjacent market areas.

We grow customer share and expand the customer base through R&D investments that increase the functionality that our integrated circuits (ICs) deliver within the customers' end product. This includes growing the product portfolio to include ICs with performance characteristics intended to widen the addressable market.

Cascaded strategy

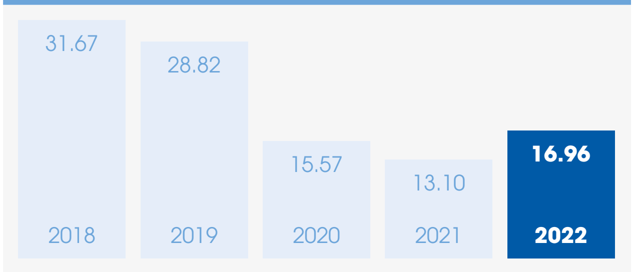
The Group puts the customer at the heart of everything we do. By focusing on their aims, we ensure that we never lose sight of what's important. It is a fabless semiconductor company with worldwide reach and operations.

- Partner with our customers to solve technology problems in voice and data communication applications.
- Leverage our world-beating systems and IC design knowledge to provide innovative solutions.
- Prioritise our customers' needs, ensuring we remain vigilant in designing products and capabilities that support their objectives.

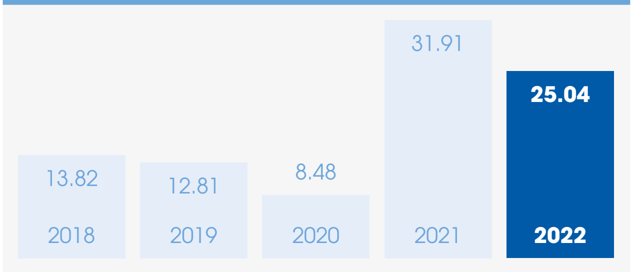
Key performance indicators and risks

We have a range of performance measures to monitor and manage the business, some of which are considered key performance indicators (KPIs)[1].

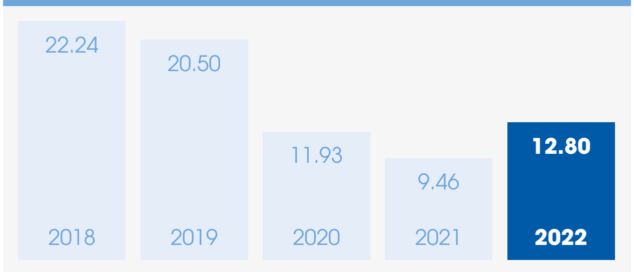
Revenue (£m)
Represents recognised revenue of the Group



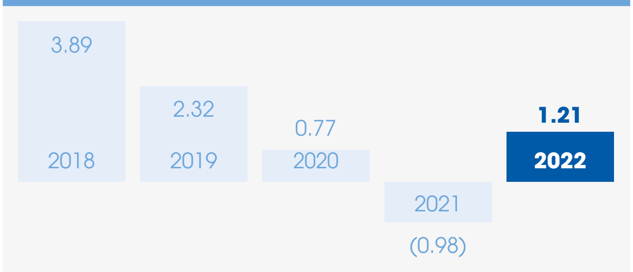
Net cash (£m)
Represents cash, cash equivalent and fixed term deposits



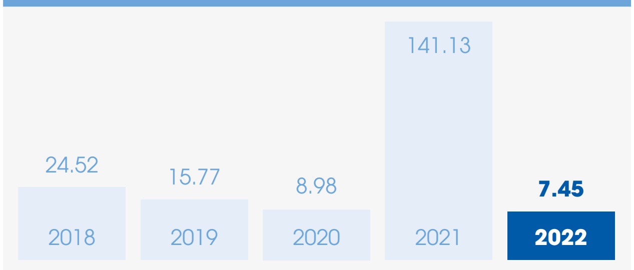
Gross profit (£m)
Represents the Group's-profit-before overheads



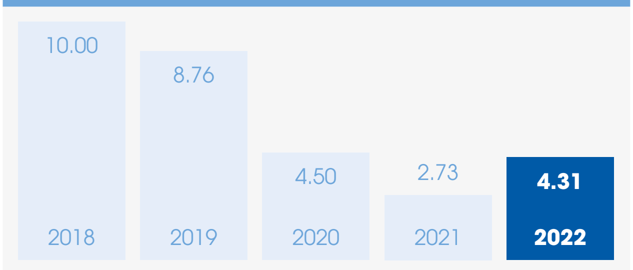
Profit/(loss) from operations (£m)
Represents the Group's profit/(loss) after overheads



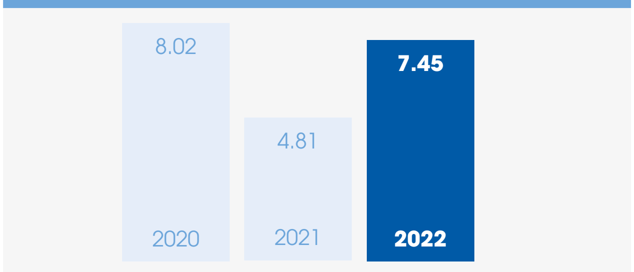
Basic earnings per share for profit attributable to the ordinary equity holders of the Company (p)



Adjusted EBITDA[2] (£m)
Represents profit before taxation less depreciation, amortisation, impairment of development costs and finance income and expenses



Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (p)



These KPIs include revenue, gross profit, profit from operations, basic earnings per share (EPS) and cash, summary details of which are shown above and are discussed within the Executive Chairman's Statement on page 04 and the Group Managing Director's Review on page 14.

1. The above KPIs are of a financial nature. Management use financial KPIs to monitor the business performance, together with a combination of internally focused financial and non-financial KPIs.
2. For definition and reconciliation please see note 12.

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.

COVID-19

Following the effect of the COVID-19 pandemic, the Group followed the guidance of the World Health Organization and other government health agencies in safeguarding the health and wellbeing of its employees and continue to operate a hybrid working policy. The Group did not make use of the government's staff retention schemes in the UK, nor make any redundancies. In the United States, the government provided support in the form of a loan under the Paycheck Protection Program ($388,400) which was forgiven on 23 May 2021.

There continues to be localised COVID outbreaks, and the Board closely monitors the impact taking prudent steps to mitigate any potential impacts to our employees, customers, suppliers and other stakeholders. The Group remains prepared to implement appropriate mitigating strategies to minimise any potential business disruption.

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.

Russia and Ukraine conflict

Following Russia's invasion of Ukraine, the Group took the decision to cease all supplies to customers based in Russia, resulting in the non-payment of a debt totalling £16,000 ($20,000) which has been fully provided for.

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. The Group's 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

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) 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 these within the Strategic Report, but have added these to the Directors' Report and Environment, social and governance sections of this Annual Report.

Group Managing Director's review

The Group made tangible progress with its growth strategy.

Chris Gurry
Group Managing Director

Highlights

- Recovery from existing markets
- Expanded product range – increasing addressable market
- Strong investment in research and development
- Dividends of £9m to shareholders
- Completed move from Main Market to AIM

Introduction

For the year to 31 March 2022, the Group made tangible progress with its growth strategy based around a singular focus on providing our customers with class-leading semiconductor products for global Communications markets.

Fiscally, we started the trading year in a strong position, notwithstanding the major return to shareholders that had already been made. The underlying feeling was one of opportunity and optimism. The financial progress recorded at the halfway stage was augmented by positive trading through the second six-month period and, in terms of future growth prospects, the value and quality of new business opportunities being actively managed improved.

The recovery of existing markets drove a strong new order intake, assisted by new customer design-wins moving into the production phase and concerns around supply chain constraints within the semiconductor market generally.

The improvement demonstrated within these results follows a multi-year period of enduring headwinds. During this time, the Group has invested heavily in research and development activities targeted at products and application areas that are expected to drive growth over the coming years. The business optimisation that took place prior to this year commencing, coupled with the enhanced strategy now being followed, positions the Group well to deliver significant, sustainable growth.

Global pandemic

The welfare and safety of our employees has been of paramount importance throughout the pandemic and remains a priority. Our operations remain fully functional, supported by prior IT investments and the ongoing utilisation of partial work from home practices, where applicable.

Travel restrictions persist in some regions and have affected our ability to mobilise and physically meet with customers, particularly where international travel is required. However, our sales partners located within those regions have helped minimise the impact on our customer base by continuing to offer a level of domestic support. China's well publicised zero-COVID policy has recently led to further lockdowns which has resulted in factory closures and a reduced level of business activity.

On a global basis, there are several customers who are not yet allowing face to face visits and ultimately, the conclusion drawn is that the situation will remain fluid for some time. The CML teams throughout the world continue to demonstrate a resilience and dedication for which the Board are extremely thankful. They have continued to work tirelessly under challenging circumstances and their commitment both to CML and our customers has not wavered.

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

Russian conflict in Ukraine

Following Russia's invasion of Ukraine on 24 February 2022 and the sanctions subsequently imposed, CML ceased sales into the Russian market. The impact of that action resulted in an immaterial bad debt being recorded for the first time in many years. The Group continues to adhere to applicable UK government sanctions in force at any one time and future business plans take those restrictions into account.

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.

During the prior financial year, our strategy evolved to include the development and market launch of the SµRF product portfolio to address higher frequency (microwave/millimetre wave) and wider bandwidth wireless applications. Added to the existing elements of the Group's expansion objectives, the growth strategy currently consists of four key areas for R&D investment:

1. "Defend and grow" revenues in core CML markets.
2. Develop a portfolio of new products to expand the addressable market (SµRF).
3. Selected "other" product initiatives to expand into new high growth markets.
4. Internal research and innovation to maintain product superiority and suitability.

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

For the comparable period, revenues from voice-centric wireless applications were heavily impacted by the pandemic, with the situation across a wide range of data-centric customers somewhat mixed. As the year progressed, conditions improved within the Group's established end markets for both professional voice and industrial data communications products, supported by initial revenues from the introduction of the SµRF product range.

The Communications market is demonstrating 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 machine-to-machine (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 in recent years are expected to capture a higher share of a growing market over time.

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

Group Managing Director's review continued

Markets and operations continued

Under our established growth strategy, the addressable semiconductor market includes a number of key future growth areas, including critical infrastructure (public utilities, smart grid, RFID), 5G (repeaters, small/pico cells, fixed wireless access) and satellite communications (terminals, broadband access). The Group's total addressable market (TAM) has recently expanded to a value exceeding $1bn through an enlarged product portfolio.

Through the year under review, a number of new integrated circuits (ICs) were released or priority sampled to market. As an example, to deal with the future needs of 5G networks that will operate on millimetre wave radio frequencies, the Group sampled a suitable Power Amplifier solution to selected customers that addresses the need to meet demanding technical specifications but with better efficiency leading to reduced heat generation. The higher frequencies that future 5G products will utilise offer higher data rates, greater capacity, better quality and lower latency.

For satellite communication applications in the form of ground-based terminals and reception equipment, engineering activities have been underway for some time that are expected to lead to meaningful revenue generation in the years ahead. Aside from technical performance and commercial competitiveness, the focus on our customers' success and our inherent partnership capabilities are key factors that are setting CML aside from our competition and this bodes well for the future growth of the business.

Customer adoption of the Group's products marketed under the SµRF brand continues to gather pace. First orders received from early-stage adopters were shipped during the second half of the year, as planned and an acceleration in the number of new product releases is expected as we move forward. In addition to the SµRF product range, we continue to actively invest in new platform technology and differentiated wireless/baseband products to gain market share in a combination of existing and new end application areas. These new releases build upon prior year investments and product introductions that also serve to increase the number of market opportunities we can service.

Operationally, it has been challenging to address the increased demands placed upon the team through what is a rapid expansion of the product range. It is once again essential to acknowledge the efforts being expended in that regard and its importance towards maximising our chances of success in the future. Following corporate acquisition and disposal events over the last two years, the Group has now rebalanced its internal design skills and operational capabilities to be in tune with its current growth strategy. One of our guiding principles is to foster a culture of quality with a sense of urgency and that principle is key to future success.

The Group continues to invest significant effort in ensuring global sales channels are appropriate for the direction of travel that the business is taking. Where possible, those channels are being exploited to good effect as the release of new products gathers pace, although the process is one of evolution and refinement. As reported at the interim stage, customer reach has been extended further through a widening of the existing agreement with RFMW to become a global partner, along with the addition of several new manufacturers' representatives in the Americas region.

Extended delivery lead times from raw material suppliers and third-party manufacturing services companies continue to be a factor across the semiconductor industry. The Group has navigated that situation comparatively well so far and we remain well placed for this to continue, supported by the prior decision to maintain higher levels of raw material inventory. Notwithstanding that, it is important to recognise that our semiconductor solutions are a sub-set of the electronic components that customers need in order to successfully produce their own products. Their failure to secure the other components required could have an impact on Group sales. Capacity constraints in the supply chain could well continue beyond the end of this calendar year.

Outlook

Financially, the current trading year has started well, backed by a strong order book stretching beyond twelve months. The Group's traditional voice markets have recovered nicely and demand from our data-centric customer base is at a healthy level. The expansion into wider markets through microwave/millimetre wave product developments is well underway. Operationally, the efforts being made towards capturing the growth opportunities already identified are expected to bear fruit and the pipeline of opportunity continues to grow.

Clearly headwinds and risks remain, including potential pandemic lockdowns, the current economic outlook and geopolitical uncertainties. That said, relatively similar conditions have been in place across each of the last two financial years and they are again factored into growth expectations for the year ahead. The Group is making good advances and has a well-seasoned team navigating the business.

Subject to unforeseen circumstances, the Board remains confident that the year ahead will deliver a firm improvement in results, both financially and operationally.

Financial review[1]

The change in Auditor, ratified through the year under review, has resulted in a restatement of some of the prior year's figures. The changes include the treatment of other income and the movement of share-based payments within the income statement, along with the reclassification of certain cash balances that are on deposit and a change to the capital redemption reserve within the consolidated statement of financial position. The changes have no effect on the profit before tax or the value of net assets previously reported.

Group turnover for the year to 31 March 2022 was £16.96m representing an increase of 29% against the prior full year period (2021: £13.10m), with the second half slightly stronger than the first. Revenue growth was driven by a recovery in the voice-centric markets coupled with a strong contribution from those customers active within M2M/IIoT market areas. Geographically, shipments improved in each major region, namely Asia, Europe and the Americas although it is important to note that annual revenue comparisons by region can be misleading because customers can and do alter their manufacturing locations periodically.

Higher sales and a slightly improved margin due to product mix delivered a Gross Profit of £12.80m, representing an increase of 35% year-on-year (2021: £9.46m). This is a pleasing outcome given the raw material price increases encountered over the past 18 months and the need to impose price increases across the Group's product range on more than one occasion. The year ahead will encounter higher inventory costs if the current strength of the US dollar is maintained, and an element of allowance has been made within the Group's growth expectations.

Customer dependency for the year reflected the strength in depth of the very fragmented markets being addressed, with only one customer accounting for between 10% and 15% of Group revenues and only two customers in the 5% to 7% range.

Distribution and administration costs rose to £11.56m (2021: £10.57m) with the majority of the increase attributable to a number of non-recurring expenses. These included the move across to an AIM listing from the standard segment of the Main Market, property-related activities associated with a Planning application on the Group's 28-acre Essex site and various legal costs associated with an investment property sale and operating company leases. These costs, when combined with an impairment and write off of £0.39m following a review of engineering projects, exceeded the overall increase in distribution and administration expenses year-on-year.

Research and development expenditure for the year was steady at £4.79m (2021: £4.90m). Of this amount, £1.26m was expensed (2021: £0.93m) and £3.53m was capitalised under the Group's research and development policy.

An expense of £0.10m was recognised for share-based payments (2021: £0.14m).

Strong revenue growth coupled with a relatively stable cost base led to a significant swing in operational profitability, moving from a loss of £0.98m for FY21 to a profit of £1.21m for FY22. This was a very pleasing outcome for what is a key performance measurement.

Not to be confused with the previously referenced other operating income, the Group also receives other income from the rental of two commercial property assets that have been surplus to operational requirements for some years. Rental income for the year amounted to £0.22m in comparison with a prior year figure of £0.34m. The reduction in rental income was due to one of the two property assets being disposed of through the period, generating a cash inflow of £1.75m. The remaining commercial property asset has been reclassified as held for sale with a market valuation of £1.98m.

In addition to rental income, the Group benefited from forgiveness of a US government grant previously received under the COVID-19 Paycheck Protection Program amounting to £0.29m. The total sum recorded under other income was £0.50m (2021 : £0.37m).

Net finance income of £0.07m (2021: £0.04m) along with a small loss of £0.05m upon sale of the investment property led to profit before taxation advancing to £1.74m against what was essentially a break-even year for the continuing business for the previous financial year.

The Group continued to benefit from UK tax credits associated with some of its research and development activities, albeit at a lower level than the prior year. Additionally, the need to provide for the expected increase in corporation tax from 19% to 25% through to 2025 led to a deferred tax charge (non-cash) of £0.45m (2021: £0.09m). Overall, an income tax charge of £0.50m was recorded against a prior year credit of £0.79m.

Profit after tax amounted to £1.24m (2021: £0.80m), an improvement of 54%, with basic EPS rising 55% to 7.45p (2021: 4.81p).

1. 2021 comparatives relate only to continuing operations.

Group Managing Director's review continued

Financial review continued

The Group's cash reserves as at 31 March 2022 stood at £25.04m, representing a reduction of £7.86m when compared to one year earlier (31 March 2021: £32.20m). The balance reported arises after a research and development spend of £4.79m, dividend payments totalling £8.96m and a £1.10m investment in plant and equipment, including the ongoing expansion of the Group's capabilities to incorporate the evaluation and testing of microwave and millimetre wave semiconductor products and installation of solar panels at the Group's headquarters in Essex. Cash inflows included the sale of an investment property for £1.75m along with early repayment of a £0.29m loan note associated with a potential acquisition that did not materialise.

Inventory levels continue to be maintained at relatively high levels, helping to reduce the impact of ongoing capacity issues within the semiconductor market generally and also in support of an expanding product range. At 31 March 2022, inventories were valued at £2.26m (2021: £1.45m) with the increases attributable across raw materials, work in progress and finished goods collectively.

The Group has a historic final pension scheme that has been closed to new members and future accrual for many years. Along with the Company, the Trustees and their professional advisors have worked diligently in recent years to achieve 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 £2.44m has been recorded under IAS 19 (2021: £5.57m).

Separately, the most recent actuarial report carried out by an independent professionally qualified actuary, as at 31 March 2022, resulted in a net pension surplus estimate of £1.09m (estimate 31 March 2021: £0.47m). The market value of the assets of the scheme were sufficient to cover 105% of the benefits accrued to members, after allowing for future increases in these benefits.

The £1.09m 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 £2.44m. 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 pension scheme are met directly by the scheme along with pension protection fund levies.

Chris Gurry
Group Managing Director
4 July 2022

Environment, social and governance

CML has adopted the WEF framework around four pillars of themes – Principles of Governance, Environment, People and Prosperity.

Key metrics:

20%
Women in senior management

40%
Company vehicles electric or hybrid

50%
Independent Directors

Governance

Defining our sustainability priorities and formulating our future sustainable strategy.

See page 21

Environment

Committed to minimising our environmental impact.

See page 22

People

Strong business ethics, a passion for excellence and inspiring our people to innovate.

See page 23

Prosperity

Sustainability creates opportunities for prosperity in the application of our products.

See page 24

Environment, social and governance continued

We are on a journey and over the course of the next few years we aim to refine our sustainability strategy and update our stakeholders on the progress against our material ESG factors and indicators.

Our sustainability and society strategic pillars

Our corporate vision, values and guiding principles define our sustainable business model.

Our business is founded on our vision to be the first-choice semiconductor partner to technology innovators, together transforming how the world communicates.

Our technological innovation helps improve communication, which enables solutions for economic, environmental and social issues to be developed.

In turn, this enables our customers to reduce their environmental impact through technology and innovation and creates value for all stakeholders.

We are on a journey to explain and enhance our sustainability and environmental, social and governance (ESG) credentials as a business and are constantly reviewing opportunities to improve disclosure and engagement with stakeholders.

Through this year, we have identified our critical ESG factors. We will use these insights to define our core priorities for the business, guiding both strategy and communication to stakeholders.

Vision, Values and Guiding principles

Vision

The first-choice semiconductor partner to technology innovators, together transforming how the world communicates.

Values

- Trust
- Respect
- Commitment
- Creativity

Guiding principles

- Strong business ethics.
- Culture of quality with a sense of urgency.
- Live and breathe the customer experience.
- A passion for excellence.
- Inspire our people to innovate.

Governance

Our sustainability framework is based on the strategic pillars of Environment, People and Prosperity.

These encompass our material ESG factors, which are key to defining our sustainability priorities and formulating our future sustainable strategy.

Accountability

Our commitment to sustainability is embedded in good governance, which is the foundation of our corporate strategy. Our Executive Chairman is responsible for formal Board oversight of sustainability, where economic, environmental and social issues are considered when overseeing the Company's strategy and goals.

Sustainability updates on the Company's ESG performance will be presented to the full Board on an annual basis at a minimum and include ESG-related risks and opportunities.

Policies

The Company has a range of corporate policies to ensure we act in line with our vision, values and guiding principles, which includes an emphasis on strong business ethics and acting with integrity and transparency. With an established approach to Board-level oversight, we will continue to inform and evolve our policies and oversight processes.

We are committed to the following corporate policies to control and reduce the risks associated with business activities, providing clear processes and channels for employees to report concerns and promoting a corporate culture that provides equal opportunities. The Group is committed to good conduct and to honest and ethical business practices.

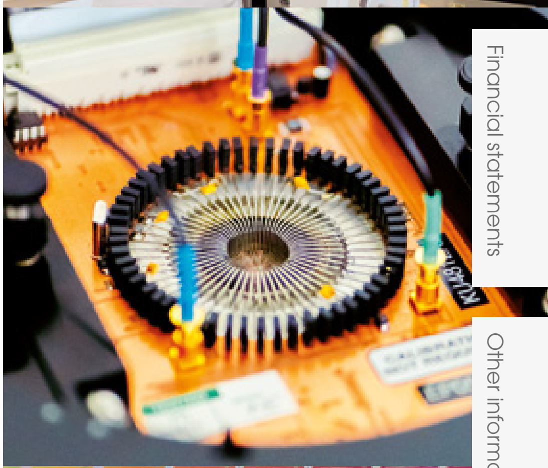
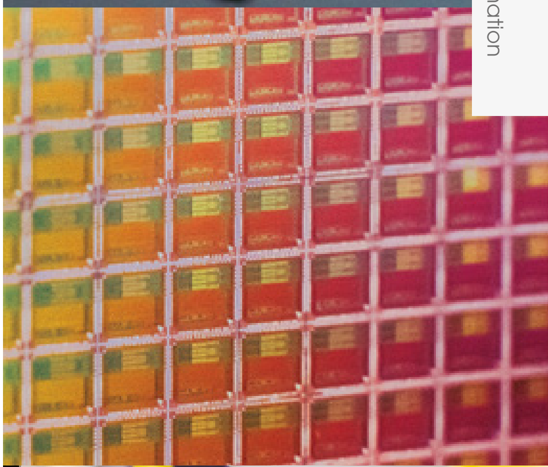
- Anti-corruption and bribery
- Anti-harassment and bullying
- Social media
- Whistleblowing
- Equal opportunities

Stakeholders

We are committed to operating with transparency and open communication, working to develop trusted relationships with all stakeholders, including employees, customers, suppliers and our local communities. We believe that effective engagement with our stakeholders is fundamental to maximising value for CML and securing our long-term success.

This year we have had engagement on a range of issues with a spectrum of stakeholders in relation to our proposed share option plan and the development of our Oval Park headquarters in Langford, Essex.




Environment, social and governance continued

Environment

We believe that all businesses are responsible for achieving good environmental practice and operating in a sustainable manner.

We are therefore committed to minimising our environmental impact.

Climate change

We are aware of the ongoing impact of climate change, which brings serious environmental, economic and social challenges. Technology and innovation play a critical role in helping to sustain our planet, address environmental challenges, create efficiencies and respond to the needs of stakeholders.

We are continually seeking ways to reduce our environmental footprint through efficient energy use and responsible use of materials. In particular, we are focused on reducing climate risks related to our direct climate footprint and the emissions from our own operations.

Energy management

To combat the growth of greenhouse gas (GHG) emissions, the Board continues to develop a range of carbon-reduction initiatives to manage global operations effectively and efficiently.

We have targeted a series of initiatives to improve energy usage, including:

- successfully installing solar panels at our UK head office at Oval Park, Langford, which is estimated to save on average 166,000 kWh each year, helping to reduce our energy usage by an estimated 20% for this site;
- switching to LED lighting, which is progressing well at our Langford premises with the majority of the installation now complete;
- replacing the majority of our company vehicle fleet to either hybrid or electric within the next five years;
- offering electric vehicle charging at our Langford site and providing bike storage across all our UK sites; and
- reviewing the possibility to reduce energy intensity further by examining the potential for the installation of a ground source heat pump system.

We recognise the importance of reporting against Scopes 1 and 2 emissions and to help improve our carbon accounting for Scope 3 emissions in the future, we are committed to continuously reviewing our data collection processes to become better informed. This will help to reduce the upstream and downstream impact of those emissions for which we do not have direct control in the future.

As well as improving efficiency in energy consumption, we are also aiming to increase our contribution to the circular economy through increased recycling and reducing waste. Consumption of water on our sites is low and we have extraction rights for use on our land at Langford. Much of the waste that we generate is tied to our offices and manufacturing facilities.

Resource efficiency

Our facilities are equipped with recycling sites for paper and plastic and we encourage the conservation of water and other resources.

We encourage employees to recycle, both at home and on-site. As a company, we ensure all our general waste is sorted into recyclable and non-recyclable items by our refuse collectors, where it is taken to a materials recovery facility, separated and recycled accordingly. We also have dedicated cardboard and paper waste collection points.

At the materials recovery facility, non-recyclable waste is shredded and used as refuse-derived fuel.

Supply chain

We continue to work with suppliers to strengthen our supply-side capabilities as global sustainability challenges grow. We are continually assessing our design and manufacturing processes to minimise the consumption of resources through energy efficiency and reducing waste.

People

Our goal is to cultivate a diverse and respectful work environment where employees can thrive and innovate.

We support all our employees with the successful implementation of our guiding principles in their daily work, development and training.

Within the principles, we have a clear focus on strong business ethics, a passion for excellence and inspiring our people to innovate.

COVID-19

In response to the pandemic, we made changes and adapted to continue to provide a safe working environment for our employees. We are proud of how our team has responded to the COVID-19 pandemic by showing resilience and continuing to demonstrate value to our customers.

We have continued to have staff working remotely over the past year, to which staff have adapted well.

Human capital

We continue to build a safe working environment to attract and retain a skilled global workforce that is diverse and inclusive, helping to drive innovation and sustainability.

Employee health, safety and wellness

Employee wellbeing is a priority for the Group and the health and wellbeing of staff make a vital contribution to sustained success, evidenced by our low rates of work-related ill health, low staff turnover and staff absences. The Group recorded no work-related fatalities and a low incidence of lost time due to injury and absenteeism.

During 2022, we had six minor incidents and no significant injuries across all our businesses. All incidents are followed up with changes to procedures and/or training of our employees as appropriate to prevent recurrence.

Development and training

We are committed to enhancing our human capital through excellent recruitment, staff retention, succession planning and staff development.

Valuing and enhancing the development of employees is important and we encourage the training of all employees to maintain high professional standards and inspire innovation, and we support them in developing their individual skills.

We have initiatives underway to enhance and record staff training and development and will formalise our programmes in the coming year.

Staff benefits

Various benefits in relation to pensions and healthcare in line with local employment standards are offered to employees.

Following a Company-wide review during the year, our employees continue to be paid above the National Living Wage and we follow local and national minimum wage values globally.

Workforce inclusion

As a Group, we encourage people from all backgrounds to thrive and achieve their full potential. We understand that inclusivity should be included in everyday practice and encourage employees to be curious, communicate and learn from others.

Our work environment is a place where everyone can thrive without discrimination or harassment. We offer a supportive environment, with a diverse workforce, whom we support and listen to.

Providing an excellent workplace is evidenced through employees having long staff tenure and low staff turnover.

Our average length of service is 19 years, with 40% of our team having worked for our businesses for more than ten years.

Staff turnover has always been low and in 2022 was 13.83% of our workforce, below the UK average. We calculate this figure as the number of leavers in the year (excluding any retirements) divided by the average annual number of staff.

Breakdown of employees as at 31 March by gender and management

	2022			2021		
	Male	**Female**	**Total**	Male	Female	Total
Plc Board Directors	**4**	**—**	**4**	5	—	5
Senior managers	**8**	**3**	**11**	9	3	12
Staff	**81**	**37**	**118**	90	40	130
Total	**93**	**40**	**133**	104	43	147

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

Environment, social and governance continued

Prosperity

Sustainability not only creates opportunities in the application of our products that provide critical solutions for environmental or social impact, but also in the way we do business and interact with our employees, suppliers, communities and wider society.

Innovation

Technical innovation is a strategic pillar and is a fundamental contributor to the Group's success.

Digital technology trends are transforming the world at an accelerated pace and communication and connectivity will be fuelled by, amongst other things, 5G adoption. These trends are the building blocks for an increasingly smart and connected world.

CML requires constant innovation in order to respond to changes in market fundamentals and wider society. This innovation is also fostered through diverse perspectives and is imperative for value creation, for the benefit of all stakeholders.

Successful innovation through research and development (R&D) is the heart of our business, leading to new products and improvements to existing ones, which we seek to protect through our intellectual property (IP). CML continues to make significant investments in R&D.

Our IP portfolio includes patents, copyrights, trademarks and other rights within professional and industrial voice and data communications products.

Giving back to communities

Trust and respect are part of the Company's core values and we value the importance of giving back to our local communities.

We aim to make an impact within the communities we operate in by aiming to foster a sense of local and social inclusivity. As a company based in a community environment, we aim to help local communities and support groups and charities as much as possible.

We continue to offer our support where we believe a difference can be made, but are aware that there is always room for improvement and the possibility to offer more support.

Collaboration

We are collaborating with others to influence industry-wide improvements.

CML UK is part of the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) and the Digital Radio Mondiale (DRM) Consortium.

IALA encourages its members to work together in a common effort to harmonise Marine Aids to Navigation worldwide and to ensure that the movements of vessels are safe, expeditious and cost-effective while protecting the environment.

DRM is the universal, openly standardised digital broadcasting system for all broadcasting frequencies. DRM digital radio can save broadcasters up to 80% in energy and maintenance costs.

Several Group employees are part of technical committees that form the European Telecommunications Standards Institute (ETSI), a European Standards Organization (ESO), which is recognised as the regional standards body dealing with telecommunications, broadcasting and other electronic communications networks and services.

Essex skating team

We encourage all our staff to take an active role in the local community and local sporting clubs, and the Company has actively engaged in providing support to the Essex Speed Skating Club, an amateur sports team that has been using our head office facilities in the UK.

Local community and government

As part of our ongoing engagement and discussion with the local community, we have been engaged with Langford and Ulting Parish Council and Maldon District Council for the redevelopment of Oval Park.

We believe that Oval Park will provide a significant economic impact to the Maldon District, bringing positive benefits in the form of new investment, job opportunities and training.

Our environment, social and governance framework

An ESG framework has been developed following a scorecard method and recorded throughout the year.

Environmental	Units	Company	Comments (intensity ratio per £m)
Energy consumption	MWh/£m	90.00	Energy consumption per unit of revenue
CO_2 production	tonnes/£m	20.00	CO_2 production per unit of revenue
Water consumption	m^3/£m	81.00	Water consumption per unit of revenue
Waste production	tonnes/£m	78.00	Waste production per unit of revenue

Social	Units	Company	Comments
Employee turnover rate	%	13.83%	Proportion of employees leaving the business in the last FY
% tax paid	%	28.73%	Percentage of profits paid in corporation taxes
Has discrimination policy?	yes/no	yes	
Has community outreach policy?	yes/no	no	
Has ethics policy?	yes/no	yes	

Governance	Units	Company	Comments
% women in senior management positions	%	20%	Proportion of women currently in senior management positions
% Independent Directors on Board	%	50%	Proportion of Independent Directors on the Board
CEO pay as multiple of UK median	times	7.47 times	CEO cash compensation divided by UK median pay of £30,000
Is CEO and Chairman/ President role split?	yes/no	yes	
Corporate governance	yes/no	yes	Follow the QCA code as appropriate for an AIM listed company on the London Stock Exchange (see Corporate governance section)
Governance, Board Director responsible for sustainability and ESG	yes/no	yes	Executive Chairman, board-level appointment and accountability for sustainability and ESG

Environment, social and governance continued

Prosperity continued

Greenhouse gas emissions in tonnes of CO_2 equivalents

Tonnes of CO_2e	2022	% of total emissions	2021	% of total emissions
Scope 1	**130.78**	**38.66%**	129.06	33.22%
Scope 2	**207.54**	**61.34%**	259.47	66.78%
Total controlled emissions	**338.32**	**100.00%**	388.53	100.00%

Total emissions for the prior year include discontinued operations up to the date of disposal.

Source of emissions

Tonnes of CO_2e	2022	% of total emissions	2021	% of total emissions
Scope 1				
Fuel – vehicles	**15.97**	**4.72%**	33.55	8.64%
Gas – heating	**114.80**	**33.94%**	95.50	24.58%
Refrigerant	**0.01**	**0.00%**	0.01	0.00%
Total Scope 1 emissions	**130.78**	**38.66%**	129.06	33.22%
Scope 2				
Electricity – office and manufacturing	**207.54**	**61.34%**	259.47	66.78%
Total Scope 2 emissions	**207.54**	**61.34%**	259.47	66.78%

Total emissions for the prior year include discontinued operations up to the date of disposal.

Geographical breakdown

2022 tonnes of CO_2e	**Scope 1**	**Scope 2**	**Total**	**% of total emissions**
UK	**127.43**	**198.95**	**326.38**	**96.47%**
US	**0.00**	**0.00**	**0.00**	**0.00%**
Singapore	**0.00**	**2.07**	**2.07**	**0.61%**
China	**3.35**	**6.52**	**9.87**	**2.92%**
Total emissions	**130.78**	**207.54**	**338.32**	**100.00%**

2021 tonnes of CO_2e	Scope 1	Scope 2	Total	% of total emissions
UK	108.85	205.35	314.20	80.87%
Taiwan	4.01	7.22	11.23	2.89%
US	0.00	23.13	23.13	5.95%
Singapore	0.00	2.14	2.14	0.55%
China	3.74	8.33	12.07	3.11%
Germany	12.46	13.30	25.76	6.63%
Total emissions	129.06	259.47	388.53	100.00%

Total emissions for the year include discontinued operations up to the date of disposal.

Intensity of emissions

Tonnes of CO_2e/£m turnover	**2022**	2021
Scope 1	**7.72**	9.85
Scope 2	**12.25**	19.81
Total	**19.97**	29.66

Greenhouse gas reporting methodology

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; Scope 1 being emissions from combustion of fuel and refrigerant gas losses, and Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use. This includes all material emission sources which we deem ourselves to be responsible for. Scope 3 has not been reported upon as this is not applicable to our Group.

The tables above demonstrate that absolute emissions have decreased by 12.92%; the Group continues to review its carbon footprint and introduce measures to reduce this going forward.

Energy consumption

MWh of energy consumed	**2022**	**% of total emissions**	2021	% of total emissions
UK	**1,478**	**97.11%**	1,429	90.85%
Overseas	**44**	**2.89%**	144	9.15%
Total energy consumed	**1,522**	**100.00%**	1,573	100.00%

The UK energy consumption relates to gas and electricity for manufacturing plants of 884 MWh (2021: 855 MWh) and offices of 594 MWh (2021: 574MWh).

Energy reporting methodology

Energy consumption data is captured through monthly bills showing actual or estimated consumption. We continue to improve operational efficiency across the whole Group.

Energy from electricity, natural gas, gas oil and transport fuel has been included. We have used the conversion factors published in Greenhouse Gas Reporting: Conversion Factors 2020 Full Set published in June, revised July 2020 for business, energy and industrial strategy.

Environment, social and governance continued

We believe that effective engagement with our stakeholders is fundamental to maximising value and securing our long-term success.

How we engage with our stakeholders

Section 172 of the Companies Act 2006

The Board acknowledges that there is a legal requirement for the Company to report on how the Board and its Committees have considered the requirements of Section 172 of the Companies Act 2006 in their decision-making.

We set out our key stakeholder groups, their material issues and how we engage with them. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships.

Following the effect of the COVID-19 pandemic, the Group followed the guidance of the World Health Organization and other government health agencies in safeguarding the health and wellbeing of its employees. The Group did not make use of the government's staff retention schemes in the UK, nor make any redundancies.

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.

Our strategy has identified addressable markets, including a number of key growth areas such as 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 and 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. Overall, the Group's resulting ROI profile is now a "blended" approach, improving the timing for a return on the investments being made.

Shareholders

Group strategy is aimed at driving growth and creating value for our shareholders.

Why our stakeholders are important to us

Understanding the views and priorities of our investors is key to the development of our strategy and their continued support. Our shareholders play an important role in monitoring and safeguarding the governance of the Group.

How have we engaged with them?

We engage with shareholders through our reports, regular news releases, website, Annual General Meeting, investor presentations and one-on-one meetings.

In the year:

Consulted with a number of shareholders and strategic partners with an online investor presentation.

Employees

We have an experienced, diverse and dedicated team of employees that are fundamental to the success of our business.

Why our stakeholders are important to us

Interaction with our employees is the primary way customers and other third parties obtain an understanding of the Group and its aspirations. It is essential that our employees are positively aligned with the Group's strategy.

How have we engaged with them?

We have an open, collaborative and inclusive structure and engage regularly with our employees. We offer an open-door policy to employees who would like to ask a question or offer a view.

We try to foster a suitable environment to allow them to realise their full potential.

In the year:

Participation in a Company share option scheme.

Customers

We serve a broad spectrum of customers across a variety of end markets.	**Why our stakeholders are important to us** Without customers the Company cannot survive. They help drive innovation, quality and value.	**How have we engaged with them?** We work closely with our customers to develop a deep understanding of their business, giving us the ability to anticipate and respond to their needs and foster long-term relationships. **In the year:** Daily interaction with customers and perspective customers, in quoting and invoicing along with on-going customer support.

Suppliers

We utilise a number of world-class suppliers throughout the world. In terms of silicon raw material supply, we are invariably sole-sourced. For other supplies the Group operates multiple suppliers wherever practical.	**Why our stakeholders are important to us** Effective supplier management is important to gain a competitive advantage through achieving operating efficiencies, driving innovation and complying with legal and regulatory obligations. Strong working relationships enhance the efficiency of our business.	**How have we engaged with them?** We engage with our suppliers regularly to ensure our quality and commercial objectives are met, along with closer alignment of values. We strive to maintain continuity of supply through varying global economic and market conditions. **In the year:** As a group we continue to pay our suppliers in line with contractual payment terms.

Local government and communities

We are committed to being a responsible member of the communities in which we operate, including local government, local businesses, residents and the wider public.	**Why our stakeholders are important to us** It is important to be a responsible employer who complies with applicable regulatory frameworks, provides a good place to work and has healthy links into the local community.	**How have we engaged with them?** We attend a variety of regional business meetings throughout the year and attend council events linked to the local community. We work with local educational establishments and offer funding for research projects. As a Board, our intention is to behave responsibly and to ensure that management operate the business in a responsible manner, operating with high standards of business conduct and good governance that reflects our responsible behaviour, and our shareholders will benefit from the delivery of the long-term plan. **In the year:** We have worked to encourage other companies to join us at our headquarters in Langford and we anticipate submission of a planning application in the near future.

By understanding our stakeholders, the Board can discuss the potential impact of our decisions on each group, ensuring that we consider their needs and concerns in accordance with Section 172 of the Companies Act 2006. As a result, we can continue to supply fit-for-purpose semiconductor products that our customers need, work effectively with our colleagues and suppliers, make a positive contribution to the local community and achieve long-term sustainable returns for our shareholders.

Pages 01 to 29 form part of the Strategic Report, which has been reviewed and approved by the Board.

Michelle Jones
Company Secretary
4 July 2022

Board of Directors

The Board and senior management team are collectively responsible for the long-term success of the Company.

- A Chairman of the Audit Committee
- R Chairman of the Remuneration Committee
- A Member of the Audit Committee
- R Member of the Remuneration Committee

Nigel Clark
Executive Chairman

R

Joined:

Nigel joined the Company in 1980.

Skills and experience:

Nigel was appointed Company Secretary in 1983 and Group Financial Director in 1985. Prior to joining CML, he was employed by 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 and on 1 January 2020 he took up the additional post of Group Finance Director on an interim basis. On 1 June 2021 he resigned the interim position and took the position of Executive Chairman.

He holds a Mathematical Science degree from Royal Holloway College, University of London. Nigel is Chairman of the Remuneration Committee and has resigned from being a member of the Audit Committee.

Chris Gurry
Group Managing Director

R

Joined:

Chris joined the Group in 1994.

Skills and experience:

Chris 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 design and manufacturing industry, leading organisations primarily focused on applications within radio communications markets, including machine-to-machine, CCTV and satellite television. Having originally trained as an electronics technician, Chris subsequently re-trained as a business software programmer/analyst and has over 30 years' experience within wireless communications markets. He is a member of the Remuneration Committee.

Jim Lindop
Non-Executive Director

A

Joined:

Jim joined the Company in April 2013.

Skills and experience:

Jim 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. He is a member of the Audit Committee.

Geoff Barnes
Senior Non-Executive Director

A R

Joined:

Geoff joined the Company in April 2017 and was appointed as Senior Non-Executive Director on 1 June 2021.

Skills and experience:

Geoff is a former 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 lifetime 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 six years with Deloitte Haskins & Sells in London where he qualified as a chartered accountant. Geoff is Chairman and member of the Audit Committee and is a member of the Remuneration Committee.

Senior management team

The Board is supported by an experienced senior management team.

Mark McCabe
CML Microcircuits
Managing Director

Skills and experience:

Mark joined the Group in December 2016 and is Managing Director of the Communications business division. Immediately prior to joining CML, Mark was UK business unit manager for Air Liquide, a world leader in the supply of gases to the nuclear, food and electronics markets. Previously he gained extensive experience within the electronics component industry serving as Managing Director of Semelab (a subsidiary of TT Electronics plc), as executive VP at SRC Devices, Inc. (a company acquired by Littlefuse Inc) and through a variety of sales, marketing and operational roles at Semitron, where he participated in a successful MBO. Mark qualified as an Electrical and Electronic Engineer working in various Ministry of Defence establishments.

Mike Gurry
Senior VP, Group Operations and Logistics

Skills and experience:

Mike is Senior VP of Global Manufacturing Operations for the CML Microsystems Plc Group. Mike has over 30 years' experience within the Group. After previously overseeing CML materials control, critical supplier and logistics activity, he became Manufacturing Director of CML UK in 1997, moving to the role of Managing Director CML UK in 2006. Mike has previous experience of logistics and supply with STC Plc.

Dr Zhongming Shi
Sicomm
Managing Director

Skills and experience:

Zhongming is CEO and founder of the Sicomm group of companies, acquired by the CML Microsystems Plc Group in August 2016. Zhongming founded Sicomm, the fabless solutions provider specialising in the development of integrated baseband SoC and RF ICs, in 2013. Previously to Sicomm, Zhongming worked as a key IC designer for wi-fi and cellular at Broadcom and Nokia in California, USA. A senior member of the IEEE and one of the top 1,000 China government-recognised experts in all fields, Zhongming has a BSc in Physics from the University of Fujan in Shanghai, an MSc in Electrical Science and Technology from East China Normal University, Shanghai and a PhD in Micro and Optic Electronics from Swiss Federal Institute of Technology in Lausanne in Switzerland.

Nigel Wilson
Senior VP, Technology

Skills and experience:

Nigel is Senior VP of Technology, overseeing the Group's technical activities with specific responsibility for strategic projects and technology programmes. Most recently Engineering Director of the Communications business unit, with responsibility for both Silicon and Firmware R&D activities, Nigel joined the Group in 2002 to establish and build an RF Systems and Software capability. Before joining CML Nigel held a number of senior engineering roles at Securicor Wireless Technology, The Technology Partnership/ TTPCom (TTPCom acquired by Motorola in 2006) and Plessey/GPT, managing the development of a diverse range of communications products including GSM radios, cordless handsets and air traffic control equipment. Nigel holds an MEng from the University of Bradford and is Chairman of the Task Group dealing with Mobile Radio and Wireless Data systems at the European Telecommunication Standards Institute (ETSI), a position he has held for over ten years.

Michelle Jones
Company Secretary and Group Financial Controller

Skills and experience:

Michelle joined the Company in 2018 as Group Financial Controller and in July 2020 was appointed to the additional role of Company Secretary. Prior to CML, she spent ten years at the Regis Group, a real estate company, where she held the position of Group Financial Controller. During previous roles Michelle held similar positions at Derichebourg Multiservices, a company providing servicing facilities to the aircraft industry, and at Thermos Limited, a manufacturer and distributor of Thermos-branded products throughout Europe. Earlier experience included a number of management accountant roles, including working for an NHS Trust. She is a qualified Chartered Certified Accountant, holding an FCCA.

Corporate governance report

> The Company is committed to high standards of corporate governance.
>
> **Nigel Clark**
> **Executive Chairman**

Board

Audit Committee

Geoff Barnes (Chair)

Jim Lindop

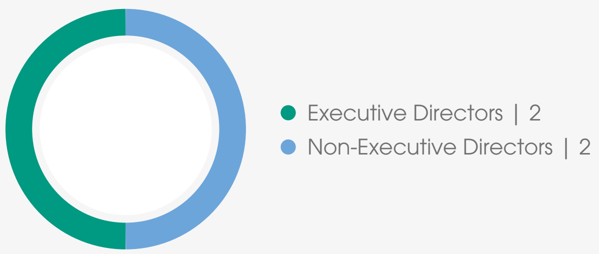
Remuneration Committee

Nigel Clark (Chair)

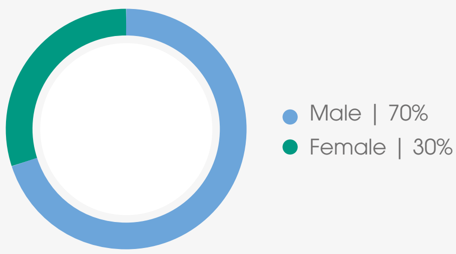
Geoff Barnes

Chris Gurry

Directors by role



Company gender diversity



The Directors and Company are committed to high standards of corporate governance and have sought to comply with those aspects of the various corporate governance codes, policies and guidelines 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.

Following our entry to AIM on 3 September 2021, the Company has chosen to apply the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code").

We keep our governance arrangements under constant review. The Board is aware that the culture set by the Board will impact all aspects of the Group as a whole and 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. Our Executive team is committed to achieving practices that communicate, implement and reward behaviours that best reflect our values throughout the business.

Maintaining a skilled, well-balanced and experienced Board is of fundamental importance to the long-term success of the business and when recruiting new members of the Board, the Group adopts a formal and transparent procedure with due regard to the diversity, skills, knowledge and level of experience. We continue to consider the balance of skills and experience on the Board to maximise the chances of successfully executing the agreed strategy.

Corporate Governance Statement

Introduction

In this statement we explain the key features of the Group's corporate governance framework and how it complies with the ten principles of the QCA Code.

01. Establish a strategy and business model which promote long-term value for shareholders

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 customers' first-choice supplier within their advanced communication platforms.

Overall, the strategy was enhanced 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.

02. Seek to understand and meet shareholders' needs and expectations

The Group Managing Director is the principal spokesperson for engagement with shareholders. The Executive Chairman is present at interim and full-year briefings and is otherwise available to discuss any matters of concern with shareholders and stakeholders alike. Communication is with all shareholders, including investors, fund managers, the media and other interested parties. Briefings are held with investors and analysts following the announcement of half-year and preliminary results along with other ad-hoc meetings throughout the year.

03. Take into account wider stakeholder and social responsibilities and their implications for long-term success

By understanding our stakeholders, the Board can discuss the potential impact of our decisions on each group, ensuring that we consider their needs and concerns.

The Company's key stakeholder groups are:

- shareholders;
- employees;
- customers;
- suppliers; and
- local government and communities.

Shareholders

We engage with shareholders through our reports, regular news releases, website, Annual General Meeting, investor presentations and one-on-one meetings.

Employees

We have an open, collaborative and inclusive structure and engage regularly with our employees. We try to foster a suitable environment to allow them to realise their full potential.

Customers

We work closely with our customers to develop a deep understanding of their business, giving us the ability to anticipate and respond to their needs and foster long-term relationships.

Suppliers

We engage with our suppliers regularly to ensure our quality and commercial objectives are met. We strive to maintain continuity of supply through varying global economic and market conditions.

Local government and communities

We attend a variety of regional business meetings throughout the year and attend council events linked to the local community and work with local educational establishments and offer funding for research projects.

Social responsibility

As a Board, our intention is to behave responsibly and to ensure that management operate the business in a responsible manner, operating with high standards of business conduct and good governance that reflects our responsible behaviour, and our shareholders will benefit from the delivery of the long-term plan.

Corporate governance report continued

Corporate Governance Statement continued

04. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The Board has established Audit and Remuneration Committees and, as part of its leadership and control of the Company, the Board has specific items reserved for its consideration which include business strategy, financial performance, acquisitions, divestments and major capital investment. 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.
05. **Maintain the Board as a well-functioning, balanced team lead by the chair**	The Group is led and controlled by an effective and entrepreneurial Board that comprises two Executive Directors and two Non-Executive Directors. The Executive Chairman is primarily responsible for the running of the Board and the Group Managing Director is the Chief Operating Decision Maker with responsibility for the day-to-day running of the Group and for implementing Group strategy. The Board's activities are supported by its Nomination, Audit and Remuneration Committees. The Board and its Committees receive high quality, accurate and timely information on a regular basis. The Board meets formally a minimum of four times per year. All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees. All Directors are subject to re-appointment at the first AGM after their appointment and, thereafter, apart from the Group Managing Director, one-third of the remaining Directors shall retire by rotation at the AGM. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional Executive and Non-Executive Directors as the Company fulfils its growth objectives. **Board meetings** The Board meets against a defined reporting timetable and at times in between the scheduled meetings when required. The Board meets formally a minimum of four times per year. During the year ended 31 March 2022, 15 Board meetings were held where all Directors in post participated (2021: 18).
06. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	The evaluation of the Board, collective skills and its performance, along with that of the individual members, is considered on an ongoing basis considering the needs of the Company and its stakeholders. New appointments are led by the Group Managing Director and considered by the whole Board acting as the Nominations Committee.
07. **Evaluate the Board performance based on clear and relevant objectives, seeking continuous improvement**	The Board evaluates its own performance regularly. Annually the Remuneration Committee evaluates performance as part of the review of remuneration and discretionary bonus awards. The Board and the Remuneration Committee evaluate the Board performance, including, but not limited to, collective skills. Its performance along with that of the individual members is considered on an ongoing basis considering the needs of the Company.
08. **Promote a corporate culture that is based on ethical values and behaviours**	The Board and Senior Management define the core Vision, Values and Guiding Principles of CML Microsystems Plc which supports the objectives of the Company.

09. **Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	The Company's Corporate Governance Statement as set out in its 2022 Annual Report and Accounts explains the structures which are in place at Board and Committee level and how these interact, including the roles individual Directors fulfil on the Board. The organisational structure is kept under continual review and evolves as the needs of the business change to fulfil its growth objectives. Although the Board delegates some matters to its Committees (Remuneration and Audit), as part of its leadership and control of the Company, the Board has specific items reserved for its consideration which include business strategy, financial performance, acquisitions, divestments and major capital expenditure. The Chairman and Executive Directors make themselves freely available and regularly consult with the global workforce.
10. **Communicate how the Company is governed and is performed by maintaining a dialogue with shareholders and other relevant stakeholders**	CML Microsystems Plc encourages communication with its shareholders as disclosed in principle 2. The Board welcomes all shareholders to attend the Annual General Meeting, conditional upon applicable government pandemic rules in force on that date. Shareholders are able to question the full Board and, subject to the aforementioned rules, meet with them afterwards. Details of all briefings and meetings are communicated to the full Board. No Audit Committee Report is included within this statement. The results of all Annual General Meetings resolutions are announced promptly after the meeting has taken place. The results of all Annual General Meeting resolutions issued in the last five years are available on the Company's website at: https://www.cmlmicroplc.com/news/investor-relations/regulatory-news/. Historical Annual Reports and the unaudited half-year results for the past five years are available at: https://www.cmlmicroplc.com/news/investor-relations/financial-reports/.

By order of the Board

Nigel Clark
Executive Chairman
4 July 2022

Directors' remuneration report

Committee members:

Member	Attendance
Nigel Clark Committee Chair	●●
Geoff Barnes Senior Non-Executive Director	●●
Chris Gurry Group Managing Director	●●

Introduction

This report has been prepared in accordance with the regulations regarding Directors' remuneration report; even though this is not required, we are voluntarily preparing this information. As in previous years, the shareholders will be asked to approve the Directors' Remuneration Report at the forthcoming AGM of the Company at which the financial statements will be approved. Approval sought for this will have advisory status. The remuneration policy as set out in this report is considered at each AGM and voted upon by the shareholders. There are no changes deemed necessary to the current arrangements. There has been no change in remuneration policy in 2022.

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 Nigel Clark (Committee Chairman), Geoff Barnes and Chris Gurry. The Board acknowledged that this is a departure of the QCA code for the Executive Chairman to be the Committee Chairman. No member of the Remuneration Committee participates in deciding their personal remuneration package. During the year ended 31 March 2022, there were two meetings (2021: three meetings) where all Directors in post participated.

Remuneration policy

Set out in the following table is the Group's 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 Committee takes into account the pay and employment conditions of the wider employee population across the Company when setting Executive Director remuneration and considered that as context when reviewing the policy. While the Committee has not consulted employees directly in the remuneration policy for Executive Directors, the Committee is made aware of information such as workforce demographics, diversity initiatives, training programmes, engagement levels and cultural initiatives, as well as the remuneration principles and policies that apply to the wider workforce. It is expected that future salary increases for Executive Directors will be in line with the general employee population, except in exceptional circumstances.

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 and linked to strategy	Policy	Operation	Performance conditions
Base salary	To recognise the skills, responsibility, accountability, experience and value required to deliver the Company's strategy and drive business performance.	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 thereby facilitating the recruitment of high-calibre Executive Directors to deliver the Company's strategy.	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 market-competitive benefits which drive Executive Directors to deliver the Company's strategy.	Includes a car or car allowance, health cover and death in service cover.	As defined in the employment contract.	No specific performance conditions.
Annual bonus[2]	To reward and incentivise the achievement of annual financial and non-financial objectives integral to the Company's strategy.	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, which exercises discretion to ensure that longer-term interests of the business are met.
Share options	To provide Executive Directors with a long-term interest in the Company's long-term targets, encouraging retention and providing greater alignment with shareholders' interests.	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.
2. The Directors have reviewed the policy in the above table during the year and propose no changes. A discretionary bonus was paid in FY21 in respect of the disposal of the Storage Division.

Directors' remuneration report continued

Remuneration policy continued

Non-Executive Directors				
Element	**Purpose and linked to strategy**	**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; therefore, they 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.

Directors' service contracts

Chris Gurry is employed by the Company under a written contract of employment that provides for termination by either party giving twelve months' notice. Nigel Clark is employed by the Company under a written service contract that provides for termination by either party giving six months' notice. Hugh Rudden retired from the Company on 31 May 2021.

Jim Lindop has a service contract effective from 1 April 2019 and Geoff Barnes has a service contract effective from 1 April 2021. All Directors are subject to re-appointment at the first AGM after their appointment and, thereafter, apart from the Group Managing Director, one-third of the remaining Directors retire by rotation at the AGM in line with the Company's Articles of Association..

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.

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.

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 AGM on 10 August 2022.

This section of the Directors' Remuneration Report sets out the remuneration paid in 2022 and the proposed remuneration for 2023. This section will be put to an advisory shareholder vote at the 2022 AGM. During the year, the remuneration policy operated as intended. Sections which are subject to audit are indicated as such.

Single total figure of remuneration (audited)

Individual Directors' remuneration was as follows:

2022	Salary £'000	Benefits in kind £'000	Bonus £'000	Other £'000	Contribution to pension £'000	Total remuneration £'000	Total fixed £'000	Total variable £'000
Nigel Clark	**180**	**13**	**34**	**—**	**—**	**227**	**193**	**34**
Chris Gurry	**224**	**19**	**49**	**—**	**27**	**319**	**270**	**49**
Hugh Rudden	**16**	**—**	**—**	**30**	**35**	**81**	**81**	**—**
Geoff Barnes	**35**	**1**	**—**	**—**	**—**	**36**	**36**	**—**
Jim Lindop	**30**	**1**	**—**	**—**	**—**	**31**	**31**	**—**
	485	**34**	**83**	**30**	**62**	**694**	**611**	**83**

Hugh Rudden retired on 31 May 2021. Not included in the above is employers' NIC totalling £76,000 (2021: £81,000).

2021	Salary £'000	Benefits in kind £'000	Bonus[1] £'000	Other[2] £'000	Contribution to pension £'000	Total remuneration £'000	Total fixed £'000	Total variable £'000
Nigel Clark	180	13	90	—	—	283	193	90
Chris Gurry	224	19	112	32	27	414	270	144
Hugh Rudden	113	9	47	17	11	197	133	64
Geoff Barnes	25	1	—	—	—	26	26	—
Jim Lindop	23	1	—	—	—	24	24	—
	565	43	249	49	38	944	646	298

1. Bonus payment relates solely to the successful sale of the Storage Division during the year.
2. Other relates to ex-gratia payment in 2022 and the cancellation of share options in 2021.

See the 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.

Payments for loss of office and payments to former Directors (audited)

No payments for loss of office or payments to former Directors were made in 2022.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage increase/decrease in each Director's salary/fees, taxable benefits and annual incentives between 2021 and 2022 compared with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole.

% change for the end of the comparative period to the end of the reporting period	Salary	Benefits	Bonus
Nigel Clark	0%	0%	(62)%
Chris Gurry	0%	0%	(56)%
Hugh Rudden	n/a	n/a	n/a
Geoff Barnes	40%	0%	0%
Jim Lindop	30%	0%	0%
All employees (in UK)	5%	0%	(51)%

Hugh Rudden retired on 31 May 2021.

Directors' remuneration report continued

Share options (audited)

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

	Number of options at 1 April 2021 '000	Options exercised in year '000	Options lapsed in year '000	Options granted in year '000	**Number of options at 31 March 2022 000**	Exercise price	Exercise date
Chris Gurry	30	—	—	—	**30**	£3.51	25 Sept 2018 to 25 Sept 2025[1]
	75	—	—	—	**75**	£2.79	19 Mar 2022 to 18 Mar 2029[1]
Hugh Rudden[2]	55	—	(55)	—	**—**	£5.20	28 Mar 2021 to 28 Mar 2028
	75	(52)	(23)	—	**—**	£2.79	19 Mar 2022 to 18 Mar 2029
	235	(52)	(78)	—	**105**		

1. These share options are potentially exercisable.
2. Hugh Rudden exercised 25,000 share options on 30 June 2021 when the market price was £4.45 and exercised 27,208 share options on 8 November 2021 when the market price was £4.25. An overall gain of £81,000 was made on the exercise of these options. The options were exercisable outside the normal vesting period due to retirement.

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. No options have been granted in the year to Directors.

Pensions (audited)

The Group operates several pension schemes throughout the UK and overseas in which some of the Directors are included. Full details of these schemes are given in note 28 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:

	2022 Number	2021 Number
Defined contribution scheme	**1**	2

Life assurance cover and widows' death-in-service cover was provided under a separate policy for the year ended 31 March 2022.

Company contributions of £62,000 (2021: £38,000) 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 (2021: 65 years). There are no additional benefits that will become receivable by a Director in the event of early retirement.

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.

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 2022. Any movements awarded to salary are shown on page 39 and no external advice was taken in reaching this decision.

Directors' remuneration for the year ending 31 March 2023

Executive Directors' remuneration was reviewed and revised from 1 April 2022. Annual bonuses are decided at each year end by the Remuneration Committee. Independent Non-Executive Directors' remuneration remain unchanged.

Relative importance of spend on pay

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

	2022 £'000	2021 £'000	Movement £'000	Movement %
Employee remuneration	**8,713**	13,338	(4,625)	(34.7)%
Group Managing Director remuneration	**319**	414	(95)	(22.9)%
Distributions to shareholders (interim and final dividends paid)	**8,964**	674	8,290	1229.9%
Return of share capital redemption	**—**	8,276	(8,276)	(100.0)%

Prior year includes discontinued operations up to the date of disposal.

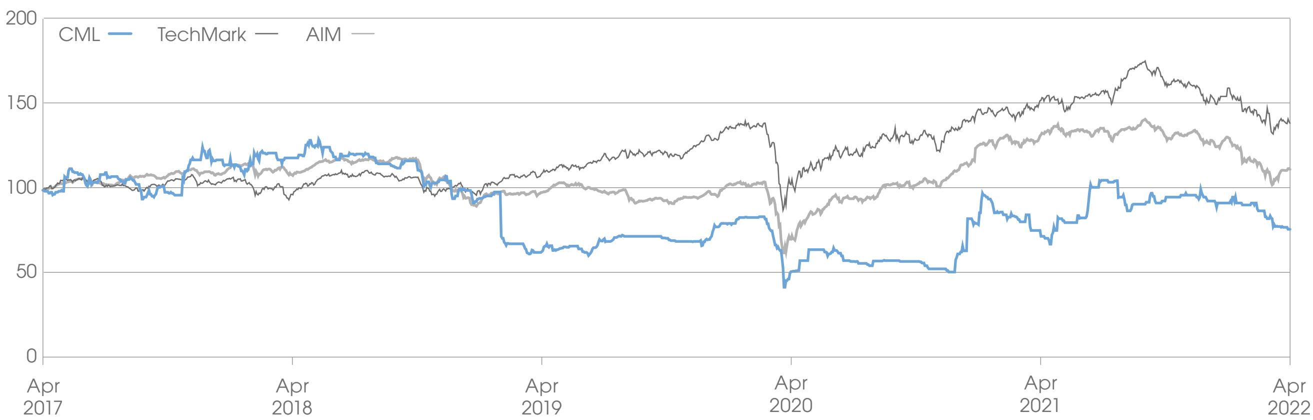
Shareholder voting

At the AGM on 4 August 2021, there was an advisory vote on the resolution to approve the Directors' Remuneration Report, the result of which is detailed below:

	% of votes for	% of votes against	% of votes withheld
Resolution to approve the Directors' Remuneration Report	100	—	—

Company's performance

The graph below shows the total shareholder return (TSR) on a holding of shares in the Company as against the average TSR of the companies comprising the TechMark and AIM All Share for the last five years. The TechMark has been selected because, in the opinion of the Board, it is one of the most appropriate comparisons for benchmarking the Company.



On behalf of the Board of Directors

Nigel Clark
Chairman of the Remuneration Committee
4 July 2022

Directors' report

The Directors submit their report and Group financial statements for the year ended 31 March 2022 in addition to the Directors' Remuneration Report on pages 36 to 41.

The Directors referred to on page 30 all served throughout the year ended 31 March 2022.

Corporate Governance Statement

The Group follows the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code"), details of which can be found on pages 32 to 35.

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 notes to the financial statements. The report also includes details of the Group's risk mitigation and management.

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.

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 global communications industries.

Business review and future developments

The Strategic Report on pages 01 to 29 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 12.

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 notes to the financial statements. The report also includes details of the Group's risk mitigation and management.

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, as required by legislation.

Dividends

An interim dividend of 4.0p per 5p ordinary share was paid on 17 December 2021 to shareholders on the Register on 3 December 2021.

The Directors are proposing to pay a final dividend of 5p per 5p ordinary share, taking the total dividend amount in respect of the year ended 31 March 2022 to 9p (2021: 52.0p total dividends).

Post balance sheet events

In April 2022 the company put in place a share buyback programme of £3,000,000 for the principal purpose of reducing the share capital of the Company.

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

Greenhouse gas emissions, energy consumption and energy efficiency are detailed in the Environment, social and governance section on page 26 and future developments in the Group Managing Director's Review on page 14. In accordance with Section 414C (11) of the Companies Act 2006, these have been included in the Strategic Report.

Share capital

The Company's authorised and issued ordinary share capital as at 31 March 2022 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 109,247 ordinary shares (2021: 12,500 ordinary shares) in the Company were issued under the terms of the various share option schemes.

Restrictions on transfer of securities

There are no specific restrictions on the transfer of securities in the Company, which is governed by the Articles and prevailing legislation. Nor is the Company aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Variation of rights

Subject to applicable statutes, rights attached to any class of shares may be varied with the written consent of the holders of at least 75% in nominal value of the issued shares of that class, or by a special resolution passed at a separate general meeting of the shareholders.

Rights and obligations attaching to shares

Subject to the provisions of the Companies Act 2006, any resolution passed by the Company under the Companies Act 2006 and other shareholder rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles) may decide. Subject to the Articles, the Companies Act 2006 and other shareholder rights, unissued shares are at the disposal of the Board.

Powers for the Company issuing or buying back its own shares

The Company was authorised by shareholders, at the 2021 AGM, to purchase in the market up to 2,482,752 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 2,496,140 ordinary shares of 5p at this year's AGM.

The Directors were granted authority at the 2021 AGM to allot relevant securities up to a nominal amount of £551,722. 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 £554,696.

Purchase of own shares

Details of the Company's share capital are shown in note 29 to the financial statements.

The Company was authorised at the 2021 AGM to purchase its own shares. During the financial year the Company purchased and held in treasury nil ordinary shares with a nominal value of 5p (none of which were purchased off market).

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 28 June 2022, 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
Premier Miton Group Plc	Institutional investor	12.15%
Otus Capital Management	Institutional investor	9.89%
Liontrust Asset Management	Institutional investor	8.52%
The Estate of June Margaret Gurry	Private investor	7.18%
Herald Investment Management	Institutional investor	6.77%
M. I. Gurry	Private investor	6.04%
C. A. Gurry	Director	5.71%
Ruffer Investment Management	Institutional investor	5.61%
T. M. R. Dean	Private investor	5.60%
Schroder Investment Management Limited	Institutional investor	3.72%

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 is not a trading entity and as such has no trade payables outstanding at the end of the financial year; the Company's practice in respect of the year with regard to its payment of creditors has been 30 days (2021: 30 days). The Group's general policy is to pay all creditors in a period between 30 and 45 days.

Directors' report continued

Market value of land and buildings

Investment properties are held for resale in both the Group and Company which comprises of freehold and long leasehold land and buildings. Lambert Smith Hampton, Commercial Property Consultants, professionally valued on a triennial basis the Company's investment property held for sale on the basis of open market value as at 31 March 2022, at a valuation of £1,975,000.

Directors and their interests

The Directors of the Company at 31 March 2022, 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 2022	31 March 2021
Nigel Clark	**24,600**	24,600
Chris Gurry	**908,816**	908,816
Geoff Barnes	**12,000**	12,000
Jim Lindop	**—**	—

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 2022 and 28 June 2022. 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 2022, Directors' and officers' liability insurance for the benefit of all Directors of the Company.

Annual General Meeting

The notice of the Annual General Meeting sets forth resolutions for the customary ordinary business resolutions 1 to 7 and special business comprising one ordinary resolution 8 and three special resolutions, 9, 10 and 11, relating to the following matters:

Special business ordinary resolutions

- 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 are 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.

Financial instruments

Further information regarding the financial risk management policies and objectives is provided in note 24.

Internal control and risk management systems in relation to the process of preparing consolidated accounts

The Board has delegated to the Audit Committee the responsibility for monitoring the effectiveness of the systems of risk management and for overseeing the system of internal controls to ensure these are appropriate to the business environments in which the Company operates.

The elements of the internal control system are aimed at ensuring the accuracy and reliability of consolidated financial reporting and guarantee that business transactions are recognised in full and at the proper time in accordance with statutory regulations and CML Microsystems Plc's Articles of Association. Furthermore, they ensure that inventory counts are carried out correctly and that assets and liabilities are accurately recognised, measured and disclosed in the consolidated financial statements. The systems also ensure that the accounting documents provide reliable, comprehensible information.

The controlling activities to ensure the accuracy and reliability of the accounting include analytical reviews as well as the execution and control of important and complex transactions by different people. The separation of administrative, executive, accounting and authorisation functions and their performance by different individuals (dual signatures) reduces the risk of fraud.

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

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

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

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 BDO LLP, as auditor of the Company will be put to the members at the forthcoming Annual General Meeting.

By order of the Board

Michelle Jones
Company Secretary

4 July 2022

Statement of Directors' responsibilities
in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards. 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 Company and of the profit or loss of the Group for that period.

In preparing these 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 UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of CML Microsystems Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated income statement, the Consolidated statement of total comprehensive income, the Consolidated statement of financial position, the Consolidated and Company cash flow statements, the Consolidated statement of changes in equity, the Company statement of financial position, the 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 UK adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- we obtained the Directors' cash flow forecasts and evaluated the key assumptions in respect of revenue growth, gross profit margins, and cash with reference to our knowledge of the business, its historical performance and results;
- we checked the mathematical accuracy of forecasts and assessed the integrity of the forecast model by analysing the assumptions and data verifying the information to supporting documentation;
- performed sensitivity analysis and reverse stress tests in relation to the Group's cash flow forecasts by checking that the stress tests left the Company and Group in a positive cash position whilst considering the likelihood of the stressed scenarios occurring. The analysis considered reasonably possible adverse effects that could arise as well as a stress test to consider the level of future revenue reduction the Group could support; and
- we considered the adequacy of disclosures in the financial statements to check they are in accordance with the directors going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

to the members of CML Microsystems Plc

Overview

Coverage	94% of Group profit before tax 96% of Group revenue 99% of Group total assets
Key audit matters	Capitalisation and amortisation of development costs Carrying value of goodwill
Materiality	Group financial statements as a whole £86,000 based on 5% profit before tax

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities, which form reporting components, consistent with those included in Note 19. CML Microsystems Plc, CML Microcircuits UK Limited, and Wuxi Sicomm Technologies, Inc are significant components and were subject to full scope audits.

The audit of Wuxi Sicomm Technologies, Inc. included the audits of its subsidiary entities, Shanghai Futiake Investment Consulting Co., Ltd and Wuxi Shilian Communications Technologies, Inc which are non-significant components.

CML Microcircuits (USA) Inc. and CML Microcircuits (Singapore) Pte Limited balances and transactions have been audited to component materiality. PRFI Limited was considered to be a non-significant component, where we performed desktop review procedures. All audits and desktop review procedures were completed by BDO LLP except for the audit of the sub-group headed by Wuxi Sicomm Technologies, Inc., which was completed by non-BDO local component auditors.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- audit scoping and planning meeting with local component auditors held remotely;
- provision of group engagement instructions for year ended 31 December 2021 containing information on the significant risks at group and component level, materiality calculations, summary of significant audit and accounting issues, specific procedures and communications required, considerations in respect of fraud and irregularity;
- provision of agreed upon procedures for period from 1 January 2022 to 31 March 2022 and as at 31 March 2022 together with procedures in respect of inventory as at 31 March 2021;
- audit progress meeting with local component auditors;
- review of group reporting information provided;
- remote review of local audit file and agreed upon procedures; and
- audit completion meeting with local component auditors held remotely.

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, including 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Intangible assets – Capitalised development costs The Group's accounting policy is described in note 1f with information relating to critical accounting judgements being given in 1r. Further analysis of the Group's development costs is included in note 16.	The Group has significant amounts capitalised as development costs as it has continued to develop its product portfolio. There is a risk over whether costs have been correctly capitalised in accordance with accounting standards and there is a degree of Management judgement involved in determining the appropriate point at which costs can be determined as development costs as opposed to research costs. Further to this, there is a risk that the internally generated intangibles useful economic life is inappropriate. We considered this to be a key audit matter due to the volume of expenditure and judgement involved as noted above.	**Our audit procedures included the following:** • We reviewed management's Review of Accounting Treatment for Research and Development Costs workpaper against the key criteria of IAS 38 Intangible Assets with regards to the capitalisation of internally generated intangible assets and scrutinised management's accounting policies regarding the capitalisation of development costs and the useful economic life over which they are amortised. • We held discussions with management and other key members of staff outside of the finance team to gain an understanding as to what products are being developed. • We also obtained an understanding of the internal costs that are being capitalised and assessed whether these are in line with IAS 38, specifically considering the percentage at which payroll costs are being capitalised and whether this percentage is appropriate based on their job role and actual work performed on a daily basis. • We agreed a sample of employees whose payroll costs have been capitalised back to underlying employment contract, checking the job description is consistent with a systems or test engineer. • We assessed the key assumption that a percentage of costs incurred by each cost centre should be capitalised by tracing a sample of these costs back to supporting documentation and checking that it was appropriate to capitalize these. • We critically assessed the key assumption that the development costs should be amortised over a period of six years from when the a product is in use by reviewing management's assessment of the useful economic life together with the revenue generation profile for a sample of products. **Key observations:** Based on the procedures performed, we found management's judgements and estimates used in the capitalisation of development costs to be appropriate and in line with the requirements of IAS 38.

Independent auditor's report continued

to the members of CML Microsystems Plc

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of goodwill The group's accounting policy is described in note 1e with information relating to the key sources of estimation uncertainty being given in 1r. Further analysis of the Group's goodwill is included in note 14.	The Group has recognised significant amounts in respect of goodwill arising on consolidation. Management and the Board are required to perform an impairment review which would indicate whether the carrying value of an asset at 31 March 2022 is impaired. Management is required to include appropriate disclosure in the financial statements in relation to key estimates and judgements. Due to the materiality of the goodwill and the sensitivity of the inputs into the impairment review we considered this to be a key audit matter.	**Our audit procedures included the following:** We evaluated Management's impairment assessment to determine whether there were any indicators of impairment. In doing so, we: • assessed the integrity of the model by considering whether the methodology applied in the annual impairment testing was consistent with the requirements of accounting standards. • assessed the appropriateness of key inputs into the impairment review by agreeing to supporting documentation, and we considered discount rates, growth rates and long term growth rates. • evaluated management's sensitivity analysis by recomputing the discount rate and performing our own sensitivity analysis using BDO computed rates. • assessed the appropriateness of the disclosures included in the financial statements, in particular in respect of the sensitivities, with regards to the requirements of relevant accounting standards. **Key observations:** We found Management's conclusion that the goodwill is not impaired at 31 March 2022 to be acceptable and the impact of sensitivities appropriately disclosed.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group 2022 £	Company 2022 £
Materiality	86,000	81,000
Basis for determining materiality	5% profits before tax	95% of group materiality
Rationale for the benchmark applied	We consider the use of profit before tax to be the most appropriate benchmark as this is a key statutory performance measure for stakeholders based on market practice and investor expectations and is reflective of the changing market sentiment in respect of alternate performance measures.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	51,600	48,600
Basis for determining performance materiality	60% of materiality on the basis of being our first year of audit.	60% of materiality on the basis of being our first year of audit.

Component materiality

We set materiality for each component of the Group based on a percentage of between 64% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £55,000 to £81,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1,700. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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 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 Statement of Directors' responsibilities in respect of the financial statements, 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.

Independent auditor's report continued

to the members of CML Microsystems Plc

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we gained an understanding of the legal and regulatory framework applicable to the Group and the components within the Group to the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, UK adopted international accounting standards, the Bribery Act 2010, and tax legislation including local taxation and employment law as applicable in component jurisdictions in USA, Singapore and China;
- we considered compliance with these laws and regulations through discussions with management and the Audit Committee. Our procedures also included reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- we assessed the susceptibility of the Group's financial statements to material misstatement as an engagement team, including how fraud might occur throughout the Group including the parent company and components, by meeting with management to understand where it is considered there would be a susceptibility of fraud;
- our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. Audit procedures were designed to focus on these areas of potential management override including review of journals recognised throughout the period and after year end, testing of a sample of revenue transactions throughout the period and after year end as well as reviewing significant estimates. We obtained an understanding of the processes and controls that the Group has established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud;
- with regard to the fraud risk in management override, our procedures included targeted journal transactions testing, with a focus on large or unusual transactions based on our knowledge of the business and we tested the application of revenue recognition policies;
- we identified areas at risk of management bias, including in respect of capitalisation and amortisation of development costs (refer to development costs KAM). We reviewed key estimates and judgements applied by management in the financial statements to assess their appropriateness; and
- we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members as well as component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. Component auditors were requested to report any instances of non-compliance with laws and regulations in the local jurisdiction.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Keeble (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Ipswich, UK

4 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 31 March 2022

	Notes	2022 £'000	2021 Restated £'000
Continuing operations			
Revenue	3	**16,964**	13,101
Cost of sales	4	**(4,169)**	(3,646)
Gross profit		**12,795**	9,455
Distribution and administration costs	4	**(11,562)**	(10,567)
Share-based payments	30	**(98)**	(143)
		1,135	(1,255)
Other operating income	5	**79**	278
Profit/(loss) from operations		**1,214**	(977)
Other income	5	**500**	370
Revaluation of investment properties	18	**—**	579
Loss on sale of investment property		**(50)**	—
Finance income	8	**106**	75
Finance expense	8	**(33)**	(37)
Profit before taxation		**1,737**	10
Income tax (charge)/credit	9	**(499)**	792
Profit from continuing operations		**1,238**	802
Profit from discontinued operation	13	**—**	22,762
Profit after taxation attributable to equity owners of the parent		**1,238**	23,564

The Consolidated Income Statement has been restated for year ended 31 March 2021. See note 36 for further details.

Earnings per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**7.45p**	4.81p
Diluted earnings per share	11	**7.35p**	4.79p
Earnings per share from total operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**7.45p**	141.13p
Diluted earnings per share	11	**7.35p**	140.56p

The following measure is considered an alternative performance measure, not a generally accepted accounting principle. This ratio is useful to ensure that the level of borrowings in the business can be supported by the cash flow in the business. For definition and reconciliation see note 12.

Adjusted EBITDA	12	**4,308**	2,731

The notes on pages 61 to 99 form part of these financial statements.

Consolidated statement of total comprehensive income

for the year ended 31 March 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Profit for the year			**1,238**		23,564
Other comprehensive (expense)/income:					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of defined benefit obligation	28	**3,307**		(897)	
Deferred tax on actuarial loss	27	**(827)**		170	
Change in deferred tax rate on defined benefit obligation		**345**		—	
Items reclassified subsequently to profit or loss upon derecognition:					
Foreign exchange differences		**880**		(312)	
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			**3,705**		(2,139)
Total comprehensive income for the year attributable to the equity owners of the parent			**4,943**		21,425
Total comprehensive income for the year attributable to the equity owners of the parent:					
Continuing operations		**4,943**		(237)	
Discontinued operations		**—**		21,662	
		4,943		21,425	

The notes on pages 61 to 99 form part of these financial statements.

Consolidated statement of financial position

as at 31 March 2022

	Notes	2022 £'000	2022 £'000	2021 Restated £'000	2021 Restated £'000
Assets					
Non-current assets					
Goodwill	14		**7,531**		7,072
Other intangible assets	15		**1,119**		1,276
Development costs	16		**11,197**		9,191
Property, plant and equipment	17		**5,593**		4,864
Right-of-use assets	17		**458**		409
Investment properties	18		**—**		3,775
Deferred tax assets	27		**1,550**		1,531
			27,448		28,118
Current assets					
Investment properties – held for sale	18	**1,975**		—	
Inventories	20	**2,258**		1,450	
Trade receivables and prepayments	21	**2,199**		2,434	
Current tax assets	26	**409**		1,046	
Cash, and cash equivalents	22	**19,084**		22,046	
Short term cash deposits	22	**5,958**		10,150	
			31,883		37,126
Total assets			**59,331**		65,244
Liabilities					
Current liabilities					
Borrowings	23		**—**		282
Trade and other payables	25		**2,827**		3,081
Lease liabilities	25		**230**		183
Current tax liabilities	26		**42**		80
			3,099		3,626
Non-current liabilities					
Deferred tax liabilities	27	**3,702**		2,339	
Lease liabilities	25	**238**		262	
Retirement benefit obligation	28	**2,439**		5,570	
			6,379		8,171
Total liabilities			**9,478**		11,797
Net assets			**49,853**		53,447
Capital and reserves attributable to equity owners of the parent					
Share capital	29		**865**		859
Share premium	30		**1,362**		1,039
Capital redemption reserve	30		**8,285**		8,285
Treasury shares – own share reserve	30		**(1,670)**		(1,670)
Share-based payments reserve	30		**490**		570
Foreign exchange reserve	30		**1,182**		302
Retained earnings	30		**39,339**		44,062
Total shareholders' equity			**49,853**		53,447

The Consolidated Statement of Financial Position has been restated for year ended 31 March 2021. See note 36 for further details.

The financial statements on pages 53 to 99 were approved and authorised for issue by the Board on 4 July 2022, and signed on its behalf by:

Chris Gurry
Director

Nigel Clark
Director

Registered in England and Wales: 000944010

Consolidated and Company cash flow statements

for the year ended 31 March 2022

	Notes	Group 2022 £'000	Group 2021 Restated £'000	Company 2022 £'000	Company 2021 Restated £'000
Operating activities					
Profit for the year before taxation					
– continuing operations		**1,737**	10	**408**	4,141
Profit for the year after taxation					
– discontinued operations	13	**—**	22,762	**—**	—
Adjustments for:					
Depreciation – on property, plant and equipment		**375**	370	**84**	85
Depreciation – on right-of-use assets		**258**	438	**—**	—
Impairment of development costs		**123**	701	**—**	—
Amortisation of development costs		**1,507**	3,789	**—**	—
Amortisation of intangibles recognised on acquisition and purchased		**283**	212	**21**	39
Profit on disposal of property, plant and equipment		**—**	16	**—**	—
Loss on disposal of investment properties		**50**	—	**50**	—
Revaluation of investment properties		**—**	(579)	**—**	(579)
Write down in investments held in subsidiaries		**—**	—	**400**	—
Gain on disposal of discontinued operations		**—**	(21,740)	**—**	—
Rental income		**(215)**	(344)	**(215)**	(344)
Forgiveness US PPP loan		**(284)**	—	**—**	—
Movement in non-cash items (retirement benefit obligation)		**176**	201	**176**	201
Share-based payments		**98**	143	**98**	143
Finance income		**(106)**	(75)	**(83)**	(13)
Finance expense		**33**	37	**—**	—
Movement in working capital	33	**(1,025)**	1,388	**(1,072)**	405
Cash flows from operating activities		**3,010**	7,329	**(133)**	4,078
Income tax received		**905**	494	**—**	—
Net cash inflow / (outflow) from operating activities		**3,915**	7,823	**(133)**	4,078
Investing activities					
Disposal of business (net of expenses)		**—**	33,261	**—**	32,802
Acquisition of subsidiary, net of cash acquired		**—**	(100)	**—**	(100)
Proceeds from sale of investment properties		**1,750**	—	**1,750**	—
Purchase of property, plant and equipment		**(1,105)**	(390)	**(149)**	—
Investment in development costs		**(3,532)**	(7,270)	**—**	—
Repayment / (Investment) in fixed term deposits (net)		**4,192**	(10,150)	**5,000**	(10,000)
Repayment of investment loan note		**293**	—	**—**	—
Investment in intangibles		**—**	25	**—**	25
Rental income		**215**	344	**215**	344
Finance income		**106**	75	**83**	13
Net cash inflow/(outflow) investing activities		**1,919**	15,795	**6,899**	23,084

	Note	Group 2022 £'000	Group 2021 Restated	Company 2022 £'000	Company 2021 Restated
Financing activities					
Lease liability repayments		**(287)**	(556)	**—**	—
Proceeds from borrowings		**—**	282	**—**	—
Issue of ordinary shares (net of expenses)		**329**	29	**329**	29
Purchase of own shares for treasury		**—**	(1,590)	**—**	(1,590)
Dividends paid to shareholders		**(8,964)**	(674)	**(8,964)**	(674)
Share capital redemption	30	**—**	(8,276)	**—**	(8,276)
Finance expense		**—**	(15)	**—**	—
Net cash outflow from financing activities		**(8,922)**	(10,800)	**(8,635)**	(10,511)
(Decrease)/increase in cash, cash equivalents and fixed term deposits		**(3,088)**	12,818	**(1,869)**	16,651
Movement in cash, cash equivalents and fixed term deposits:					
At start of year		**22,046**	8,479	**17,598**	507
(Decrease)/increase in cash, cash equivalents and fixed term deposits		**(3,088)**	12,818	**(1,869)**	16,651
Effects of exchange rate changes		**126**	749	**15**	440
At end of year	33	**19,084**	22,046	**15,744**	17,598

The Consolidated and Company cash flow statements have been restated for year ended 31 March 2021. See note 36 for further details.

Cash flows presented exclude sales taxes. Further cash-related disclosure details are provided in notes 22, 23, 24 and 33.

Changes in liabilities arising from financing activities relate to lease liabilities and borrowings only. The movement during the year in lease liabilities is set out in note 25 and the only movement in respect of borrowings in a cash flow movement as shown above.

The notes on pages 61 to 99 form part of these financial statements.

Consolidated statement of changes in equity

as at 31 March 2022

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2020	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)
Reclassification of foreign exchange differences on discontinued operations						(1,100)		(1,100)
Re-measurement of defined benefit obligations							(897)	(897)
Deferred tax on actuarial loss							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)
Issue of B shares	8,276	(8,276)						—
Share capital redemption	(8,276)		8,276				(8,276)	(8,276)
Dividend paid							(674)	(674)
Total transactions with owners in their capacity as owners	—	(8,247)	8,276	(1,590)	—	—	(8,950)	(10,511)
Share-based payment charge					143			143
Cancellation/transfer of share-based payments					(155)		155	—
At 31 March 2021 (restated)	859	1,039	8,285	(1,670)	570	302	44,062	53,447
Profit for year							**1,238**	**1,238**
Other comprehensive income								
Foreign exchange differences						**880**		**880**
Re-measurement of defined benefit obligations							**3,307**	**3,307**
Deferred tax on actuarial gain							**(827)**	**(827)**
Change in deferred tax rate on defined benefit obligation							**345**	**345**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**880**	**4,063**	**4,943**
	859	**1,039**	**8,285**	**(1,670)**	**570**	**1,182**	**48,125**	**58,390**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	**6**	**323**						**329**
Dividend paid							**(8,964)**	**(8,964)**
Total transactions with owners in their capacity as owners	**6**	**323**	**—**	**—**	**—**	**—**	**(8,964)**	**(8,635)**
Share-based payment charge					**98**			**98**
Cancellation/transfer of share-based payments					**(178)**		**178**	**—**
At 31 March 2022	**865**	**1,362**	**8,285**	**(1,670)**	**490**	**1,182**	**39,339**	**49,853**

The Consolidated Statement of Changes in Equity has been restated for year ended 31 March 2021. See note 36 for further details.

There is considered to be no significant tax effect of foreign exchange differences in the above Consolidated Statement of Changes in Equity.

The notes on pages 61 to 99 form part of these financial statements.

Company statement of financial position

for the year ended 31 March 2022

	Notes	2022 £'000	2022 £'000	2021 Restated £'000	2021 Restated £'000	2020 Restated £'000	2020 Restated £'000
Assets							
Non-current assets							
Intangible assets	15		**243**		264		596
Property, plant and equipment	17		**4,483**		4,422		4,507
Investment properties	18		**—**		3,775		3,170
Investments in subsidiary undertakings	19		**10,372**		10,772		14,508
Deferred tax assets	27		**952**		1,379		1,144
			16,050		20,612		23,925
Current assets							
Investment properties – held for sale	18	**1,975**		—		—	
Trade receivables and prepayments	21	**1,325**		700		813	
Cash and cash equivalents	22	**15,744**		17,598		507	
Short term cash deposits	22	**5,000**		10,000		—	
			24,044		28,298		1,320
Total assets			**40,094**		48,910		25,245
Liabilities							
Current liabilities							
Trade and other payables	25		**619**		1,055		764
Current tax liabilities	26		**—**		—		36
			619		1,055		800
Non-current liabilities							
Deferred tax liabilities	27		**902**		643		689
Retirement benefit obligation	28		**2,439**		5,570		4,697
			3,341		6,213		5,386
Total liabilities			**3,960**		7,268		6,186
Net assets			**36,134**		41,642		19,059
Equity							
Share capital	29		**865**		859		859
Share premium	30		**1,362**		1,039		9,286
Capital redemption reserve	30		**8,285**		8,285		9
Treasury shares – own share reserve	30		**(1,670)**		(1,670)		(80)
Share-based payments reserve	30		**490**		570		582
Merger reserve	30		**316**		316		316
Retained earnings	30		**26,486**		32,243		8,087
Total shareholders' equity			**36,134**		41,642		19,059

The Company Statement of Financial Position has been restated for year ended 31 March 2021. See note 36 for further details

The parent company profit for the financial year attributed in the financial statements of the parent company was £204,000 (2021: £33,678,000). The financial statements on pages 53 to 99 were approved and authorised for issue by the Board on 4 July 2022 and signed on its behalf by:

Chris Gurry
Director

Nigel Clark
Director

Registered in England and Wales: 000944010

Company statement of changes in equity

for the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2020 (restated)	859	9,286	9	(80)	582	316	8,087	19,059
Profit for year							33,678	33,678
Other comprehensive income								
Re-measurement of defined benefit obligations							(897)	(897)
Deferred tax on actuarial gain							170	170
Total comprehensive income for year	—	—	—	—	—	—	(727)	(727)
	859	9,286	9	(80)	582	316	41,038	52,010
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)
Issue of B shares	8,276	(8,276)						—
Share capital redemption	(8,276)		8,276				(8,276)	(8,276)
Dividend paid							(674)	(674)
Total transactions with owners in their capacity as owners	—	(8,247)	8,276	(1,590)	—	—	(8,950)	(10,511)
Share-based payment charge					143			143
Cancellation/transfer of share-based payments					(155)		155	—
At 31 March 2021 (restated)	**859**	**1,039**	**8,285**	**(1,670)**	**570**	**316**	**32,243**	**41,642**
At 1 April 2021 (as previously stated)	**859**	**1,039**	**9**	**(1,670)**	**570**	**316**	**45,031**	**46,154**
Prior year adjustments (see note 36)	**—**	**—**	**8,276**	**—**	**—**	**—**	**(12,788)**	**(4,512)**
At 1 April 2021 (as restated)	**859**	**1,039**	**8,285**	**(1,670)**	**570**	**316**	**32,243**	**41,642**
Profit for year							**204**	**204**
Other comprehensive income								
Re-measurement of defined benefit obligations							**3,307**	**3,307**
Deferred tax on actuarial gain							**(827)**	**(827)**
Change in deferred tax rate on defined benefit obligation							**345**	**345**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**—**	**2,825**	**2,825**
	859	**1,039**	**8,285**	**(1,670)**	**570**	**316**	**35,272**	**44,671**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	**6**	**323**						**329**
Dividend paid							**(8,964)**	**(8,964)**
Total transactions with owners in their capacity as owners	**6**	**323**	**—**	**—**	**—**	**—**	**(8,964)**	**(8,635)**
Share-based payment charge					**98**			**98**
Cancellation/transfer of share-based payments					**(178)**		**178**	**—**
At 31 March 2022	**865**	**1,362**	**8,285**	**(1,670)**	**490**	**316**	**26,486**	**36,134**

The Company Statement of Changes in Equity has been restated for year ended 31 March 2021. See note 36 for further details.

The notes on pages 61 to 99 form part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2022

1 Accounting policies

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 and preparation

The Group and Company financial statements have been prepared in accordance with UK adopted International Accounting Standards and are in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention with the exception of investment properties that are carried at valuation.

The financial statements have been prepared 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 Sterling and the Company's functional currency is Sterling and figures are rounded to the nearest thousand pounds.

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 notes to the financial statements. The report also includes details of the Group's risk mitigation and management.

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.

At 31 March 2022, the Group had cash and fixed term deposits balances of £25.042m and external debt only in relation to its lease liabilities of £0.468m.

The Directors have reviewed the detailed financial projections for the period ending 31 March 2023, as well as the business plan and cash flows for the twelve months from date of sign off. In addition, they have considered the principal risks faced by the Group, the ongoing potential impact of COVID-19, the war in Ukraine and the Group's significant financial headroom and are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least twelve months from the date of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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

IFRS 15 establishes principles for determining when and how revenue arising from contracts with customers should be recognised. The Group recognises revenues from semiconductor products at the point of satisfaction of its performance obligation and at a determined transaction price.

The Group reviews all income streams against the requirements of IFRS 15. An assessment of all contracts and revenue streams is undertaken across the Group using the five-step approach specified by IFRS 15:

1. identify the contract(s) with the customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligation in the contract; and
5. recognise revenue when (or as) a performance obligation is satisfied.

In determining the appropriate method of recognising revenue, the Group is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made on the basis of contract completion. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

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.

Notes to the financial statements continued

for the year ended 31 March 2022

1 Accounting policies continued

d) Revenue continued

Revenue relating to semiconductor products

Revenues are recognised when goods have been despatched to the customer and it is probable that the Group will collect the consideration. Product sales meet the definition of a distinct service whereby the associated revenue is to be recognised at a point in time, evidenced by the despatch of the products to the customer, ie. when control passes to the customer. Pricing is fixed and determinable pursuant to agreeing upon pricing lists that establish stand-alone selling prices. There are no further performance obligations associated with these sales.

Revenue relating to design and development

Revenue is recognised over the period of the contract on the basis of percentage contract completion which determines the point of satisfaction of its performance obligation and at a determined transaction price at a point in time.

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. Goodwill was recognised for the Sicomm acquisition in August 2016 and PRFI Limited acquired in March 2020. Goodwill is reviewed annually for impairment by comparing its carrying value to the value-in-use or fair value less cost to disposal of the cash generating unit; any resultant impairment being charged through the Consolidated Income Statement. Fair value less cost to disposal 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 and PRFI Limited. The other intangibles were deemed to be:

Brands

A brand is defined as a way of how our customers identify our business.

Customer relationships

Customer relationships are defined by the methods the Company uses to engage with its customers and improve customer experience.

Intellectual property

Intellectual property relates to the intangible assets created such as information, ideas, designs and automated processes.

These acquired intangibles have been amortised in accordance with the following:

• brands	10 years from date of acquisition
• customer relationships	6-9 years from date of acquisition
• intellectual property	10 years from date of acquisition

The amortised useful life was determined by:

- Brands – based upon the asset's relative importance to the business and consistent with the range of life expectancy identified in the process and previous transactions.
- Customer relationships – based upon the remaining life of customer relationships expected to match the product's life cycle which commonly lasts between six to nine years.
- Intellectual property – based upon historical data that technology is intended to be used for ten years from acquisition.

Intellectual property and software

The Group is progressively implementing an Enterprise Resource Planning system across all companies within the Group business functions. The purchased intangible will be amortised over its useful economic life of 15 years from its date of implementation.

The Group has also purchased a licence for the use of external software for vocoder purposes. This has been capitalised as an intangible asset and amortised over ten years in line with acquired intellectual property rights above.

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 Intangible Assets 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 in line with economic benefit commencing when the product is in use. From the date amortisation commences, the straight-line method is applied to the cost of the development over a period of six 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
- plant — 4% 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 Investment Properties, gains and losses arising on revaluation of investment properties are shown in the income statement.

h) Taxation

The tax expense represents the sum of the tax currently payable, adjustments in respect of prior years and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the year end.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based upon tax rates that have been enacted or substantively enacted by the year end. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

i) Inventories

Inventories are valued on a first-in, first-out basis and are stated at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost comprises direct materials, direct labour and a proportion of overhead expenses appropriate to the business.

j) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are recognised in 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 in subsidiary undertakings

Investments are stated at cost less any provision for diminution in value. Investments in subsidiary undertakings are reviewed for impairment on an annual basis.

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.

Notes to the financial statements continued

for the year ended 31 March 2022

1 Accounting policies continued

m) Employee benefits – pension obligations continued

Re-measurement of the UK defined benefit scheme due to actuarial gains and losses from experience adjustments and changes in actuarial assumptions is 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. The 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

Group as a lessee

Right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

• leased property	over the term of the lease
• leased vehicles	over the term of the lease

Lease liabilities

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a "short-term" lease or a "low-value" lease.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate (such as those linked to LIBOR and any future agreements linked to SONIA) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Group as a lessor

Leases of property, plant and equipment where the Group has substantially all the risk and rewards of ownership are classified as operating leases. Rental income under these 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 judgements and key sources of estimation uncertainty

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 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 t. Deferred tax assets are only recognised when there is a reasonable expectation of recovery.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Research and development – capitalisation of development costs

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

  In satisfying the recognition requirements for development costs a number of judgement factors include future demand and the resource necessary to finalise the development roadmap over the next few years. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. All internal activities relating to research and development are continuously monitored by the Group.

- Research and development – amortisation and impairment

  The Group exercises judgement concerning the future in assessing the carrying amounts of capitalised development costs. The criteria IAS 38 has been applied in considering the future economic benefit as a result of investment

  The annual impairment review resulted in the carrying costs of the development expenditure needing an impairment of £123,000 for the year (2021: £701,000). The impairment is based upon an updated judgement that a product previously deemed viable is now unlikely to be released. The product remains as part of the Group's development, with final viability of the product expected to be confirmed within the next twelve months. Should the outcome be successful and the updated assessment be that the product is viable, the impairment would be reversed. Following the revision of the judgement of the product lifecycle in the previous year 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 £701,000.

Key sources of estimation uncertainty

- Impairment of goodwill

  An annual review is carried out (as set out in note 14) 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 fair value less cost of disposal of the cash generating unit; the determination of these factors requires the exercise of judgement. Goodwill would be impaired if growth forecasts were not met and there is a reduction in profit of 6%.

- UK defined benefit pension scheme

  Actuarial assumptions are made in valuing future benefit pension obligations (as set out in note 28). 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.

- Overhead absorption

  Estimates are made of the level of overhead absorbed against inventory at the year-end date. The Group has an overhead absorption rate which is applied consistently throughout the year; due to the nature of trends and customer requirements there is an estimate in determining the cost in the financial statements.

- 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.

  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.

Notes to the financial statements continued

for the year ended 31 March 2022

1 Accounting policies continued

s) Financial instruments

(i) Recognition of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

(ii) Financial assets

Initial and subsequent measurement of financial assets

(a) Trade, Group and other receivables

Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest.

Receivables are subsequently measured at amortised cost using the effective interest rate method. Receivables are reviewed annually for impairment and an impairment charge recognised where identified. Historic, current, and forward-looking information is considered annually in our review of the requirement to include an estimated credit loss provision.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

(a) Trade, Group, lease liabilities and other payables

Trade, Group, lease liabilities and other payables are initially measured at fair value, net of direct transaction costs, and subsequently measured at amortised cost.

(b) Bank overdrafts and loans

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the loan using an effective rate of interest.

(c) Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

(iv) Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset it is derecognised. The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

t) Impairment of property, plant and equipment (including right-of-use assets), development costs and intangible assets other than goodwill

At each year end, the Group reviews the carrying amounts of its non-current assets with finite useful lives 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.

u) 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.

v) 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.

w) 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.

x) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Income Statement.

y) Adoption of International Accounting Standards

New standards, amendments to published standards and interpretations to existing standards effective in 2022, with their effective dates of adoption by the Group and brief description.

Following the UK's exit from the EU on 31 December 2020, UK-registered entities preparing accounts under IFRS are required to use UK-adopted international accounting standards for financial periods beginning on or after 1 January 2021.

The following standards, which are issued but not yet effective, set out those which had been endorsed by the EU prior to the UK's exit, which form part of UK-adopted International Accounting Standards from 1 January 2021, as well as those standards and interpretations which have been adopted by the UKEB subsequent to this.

Standard	Effective from:
IFRS 17 Insurance Contracts including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023
Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:	
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to: • IFRS 3 Business Combinations • IAS 16 Property, Plant and Equipment • IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Annual Improvements to IFRS (2018-2020 Cycle): • IFRS 1 • IFRS 9 • Illustrative examples accompanying IFRS 16 • IAS 41	1 January 2022
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to IFRS 17 – Initial Application of IFRS 17 and IFRS 19 – Comparative Information	1 January 2023

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.

Notes to the financial statements continued

for the year ended 31 March 2022

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 (Chris 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 operating segment, which is reported as the semiconductor segment, with similar economic characteristics, risks and returns, and the Directors therefore consider there to be one single segment, being semiconductor components for the communications industry.

Geographical information (by origin)

	UK £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2022				
Revenue to third parties – by origin	**4,569**	**2,572**	**9,823**	**16,964**
Property, plant and equipment	**5,504**	**12**	**77**	**5,593**
Right-of-use assets	**227**	**60**	**171**	**458**
Investment properties	**—**	**—**	**—**	**—**
Investment properties – held for sale	**1,975**	**—**	**—**	**1,975**
Development costs	**9,714**	**—**	**1,483**	**11,197**
Intangibles – software and intellectual property	**243**	**—**	**96**	**339**
Goodwill	**1,531**	**—**	**6,000**	**7,531**
Other intangible assets arising on acquisition	**184**	**—**	**596**	**780**
Total assets	**46,024**	**1,163**	**12,144**	**59,331**
Year ended 31 March 2021				
Revenue to third parties – by origin (restated)	5,867	1,624	5,610	13,101
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

Revenue contribution from the top one customer provided a contribution of approximately 12% (2021: one customer provided a contribution of approximately 12%).

3 Revenue

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

Continuing business	2022 £'000	2021 Restated £'000
Europe	**3,705**	2,996
Far East	**9,603**	7,636
Americas	**2,901**	2,000
Others	**755**	469
	16,964	13,101

In accordance with IFRS 15, within the Group's one operating segment there is revenue of £16,964,000 (2021: £13,101,000) is made up of revenue from semiconductor products of £15,909,000 (2021: £12,253,000) and revenue from design and development services of £1,055,000 (2021: £848,000), as detailed in the Group's revenue recognition policy (see note 1d).

The Group does not have any contract assets as at 31 March 2022 (2021: £Nil at 31 March) from semiconductors as it does not fulfil any of its performance obligations in advance of invoicing to its customer. The Group has contract assets of £157,000 as at 31 March 2022 (2021: £Nil at 31 March) from design and development. The Group, however, does have contractual balances in the form of trade receivables. See note 21 for disclosure of this. The Group does not have any contractual liabilities as at 31 March 2022 (£Nil at 31 March 2021).

The Group expects that all contractual costs capitalised or any outstanding performance obligations will be completed within the next twelve months.

4 Profit from continuing operations

	2022		2021 Restated	
	£'000	**£'000**	£'000	£'000
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation	**127**		110	
Amount of inventories written down	**3**		1	
Cost of inventories recognised as expense	**4,268**		3,333	
Other inventories expense	**(229)**		202	
Total cost of sales		**4,169**		3,646
Distribution and administration costs:				
Distribution costs (mainly staff costs)		**2,125**		1,913
Administration costs:				
Amortisation of development costs	**1,507**		1,191	
Research and development expensed	**1,261**		932	
Amortisation of acquired and purchased intangibles	**283**		212	
Impairment of development costs	**123**		701	
Depreciation – owned assets	**375**		200	
Depreciation – right-of-use assets	**258**		202	
Foreign exchange (gains)/losses	**(44)**		123	
Auditor's fees (see below)	**129**		132	
Other expenses (mainly staff costs)	**5,545**		4,961	
		9,437		8,654
Total distribution and administration		**11,562**		10,567

Amounts payable to BDO LLP, in respect of both audit and non-audit services, prior year figures relate to the auditor of the 2021 financial statements:

	2022 £'000	2021 £'000
Audit services:		
Statutory audit of the Company's annual accounts and Group consolidation	**68**	59
Other services:		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the UK)		
This includes:		
Audit of subsidiaries	**61**	56
Audit of associated pension schemes	**—**	17
	129	132

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5 Other operating income and other income

	2022 £'000	2021 Restated £'000
Other operating income		
Management fee – discontinued operations	—	190
Other operating income	**79**	88
Total other operating income	**79**	278
Other income		
Rental income	**215**	344
Government grants	**1**	26
COVID loan forgiveness (USA)	**284**	—
Total other income	**500**	370

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

6 Employees

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Staff costs, including Directors, during the year amounted to:				
Wages and salaries	**6,814**	10,895	**953**	1,028
Social security costs	**655**	1,234	**124**	132
Other pension and health care costs	**1,146**	1,066	**108**	83
Share-based payments	**98**	143	**98**	143
	8,713	13,338	**1,283**	1,386

The prior year includes discontinued operations up to the date of disposal.

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
The average number of employees, including Directors, during the year was:				
Administration	**29**	40	**7**	8
Engineering	**53**	87	**—**	—
Manufacturing	**33**	34	**—**	—
Selling	**22**	30	**—**	—
	137	191	**7**	8

The staff costs and employee numbers stated in 2021 are including the discontinued operations up to the date of disposal.

7 Directors' emoluments

	2022 £'000	2021 £'000
Remuneration (including fees)	**694**	944
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**319**	414

Further details on Directors' emoluments, including contributions to pension, can be found in the Directors' Remuneration Report on pages 36 to 41.

8 Finance income and expense

Finance income

	2022 £'000	2021 £'000
Bank interest receivable	**106**	75

Finance expense

	2022 £'000	2021 £'000
Bank interest payable	—	1
Lease liability interest	33	36
	33	37

9 Income tax expense

a) Analysis of tax expense in period

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on results of the year	(415)	(1,089)
Adjustment in respect of previous years	(6)	(37)
	(421)	(1,126)
Foreign tax on results of the year	121	248
Total current tax	(300)	(878)
Deferred tax		
Deferred tax – origination and reversal of temporary differences	6	91
Change in deferred tax rate	833	—
Adjustments to deferred tax charge in respect of previous years	(40)	(5)
Total deferred tax	799	86
Tax expense/(income) on profit on ordinary activities (note 9b)	499	(792)

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% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before tax	1,737	10
Profit before tax multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	330	2
Effects of:		
Fixed asset differences	(9)	(58)
Expenses not deductible for tax purposes	274	111
Share-based payments – tax effect	9	(29)
Research and development tax credits	(710)	(553)
Losses expired on assets not recognised	—	1
Different tax rates in countries in which the Group operates	(29)	(17)
Adjustments to current tax charge in respect of previous years	(6)	(37)
Adjustments to deferred tax charge in respect of previous years	(40)	(5)
Change in deferred tax rate	833	(2)
Non-taxable income and other	(153)	(205)
Tax expense/(income) for period (note 9a)	499	(792)

A deferred tax charge of £827,000 was recognised on an actuarial gain of £3,307,000 on a retirement benefit net obligation and a deferred tax charge on remeasurement of deferred tax balances of £345,000 led to a net deferred tax charge of £482,000 being recognised in the year in the Consolidated Statement of Total Comprehensive Income (2021: deferred tax credit of £170,000 on an actuarial loss of £897,000 on a retirement benefit net obligation). Deferred tax assets have only been recognised on partial losses to the extent that these losses utilised are deemed recoverable.

The Finance Bill 2021 provides that the main rate of corporation tax be increased from 19% to 25% with effect from 1 April 2023. The Directors therefore consider it appropriate to use 25% as the rate deferred tax should be provided for. Further details of the effects can be found in note 27.

Notes to the financial statements continued

for the year ended 31 March 2022

10 Dividend – proposed

During the year, a final special dividend of 50.0p per ordinary share of 5p was paid in respect of the year ended 31 March 2021.

An interim dividend of 4.0p per ordinary share was paid on 17 December 2021 to shareholders on the Register on 3 December 2021.

It is proposed to pay a final dividend of 5p per ordinary share of 5p, taking the total dividend amount in respect of the year ended 31 March 2022 to 9p (2021: total of 52.0p). It is proposed to pay the final dividend of 5p, if approved, on 19 August 2022 to shareholders registered on 5 August 2022 (2021: 13 August 2021 to shareholders registered on 30 July 2021).

11 Earnings per ordinary share

	2022 **p**	2021 p
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**7.45p**	4.81p
Diluted earnings per share	**7.35p**	4.79p

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:

	2022			2021		
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	**1,238**	**16,628,301**	**7.45**	802	16,696,060	4.81
Diluted earnings per share						
Basic earnings per share	**1,238**	**16,628,301**	**7.45**	802	16,696,060	4.81
Dilutive effect of share options	**—**	**219,951**	**(0.10)**	—	67,886	(0.02)
Diluted earnings per share – from profit for year	**1,238**	**16,848,252**	**7.35**	802	16,763,946	4.79

	2022 **p**	2021 p
Earnings per share from total operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**7.45p**	141.13p
Diluted earnings per share	**7.35p**	140.56p

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:

	2022			2021		
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	**1,238**	**16,628,301**	**7.45**	23,564	16,696,060	141.13
Diluted earnings per share						
Basic earnings per share	**1,238**	**16,628,301**	**7.45**	23,564	16,696,060	141.13
Dilutive effect of share options	**—**	**219,951**	**(0.10)**	—	67,886	(0.57)
Diluted earnings per share – from profit for year	**1,238**	**16,848,252**	**7.35**	23,564	16,763,946	140.56

During the year, the Company and staff exercised 109,247 staff share options under the terms of the staff share option schemes at a weighted average price of 400.0p per 5p 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:

	2022 £'000	2021 £'000
Profit before taxation (earnings)	**1,737**	10
Adjustments for:		
Finance income	**(106)**	(75)
Finance expense	**33**	37
Depreciation	**375**	310
Depreciation – right-of-use assets	**258**	202
Impairment of development costs	**123**	701
Amortisation of development costs	**1,507**	1,191
Amortisation of purchased and acquired intangibles recognised on acquisition	**283**	212
Share-based payments	**98**	143
Adjusted EBITDA for continuing operations	**4,308**	2,731

13 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 prior period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented is up to the date of disposal.

	2021 £'000
Revenue	9,505
Cost of sales	(3,043)
Gross profit	6,462
Distribution and administration	(5,396)
	1,066
Other operating income	8
Profit from operation	1,074
Finance income	—
Finance expenses	(42)
Profit before tax	1,032
Income tax expense	(10)
Profit after income tax of discontinued operation	1,022
Gain on sale of subsidiary after income tax	21,740
Profit from discontinued operation	22,762
Reclassification of foreign exchange differences on discontinued operation	(1,100)
Other comprehensive income from discontinued operations	(1,100)

Notes to the financial statements continued

for the year ended 31 March 2022

13 Discontinued operations continued

Financial performance and cash flow information continued

	2021 £'000
Net cash inflow from operating activities	3,879
Net cash outflow from investing activities	(3,380)
Net cash outflow from financing activities	(206)
Net increase in cash from discontinued operations	293
Net increase in cash from discontinued operations	293
Proceeds from sale of discontinued operations net of cost	33,261
Total cash inflow from discontinued operations	33,554

Details of the sale of subsidiary

	2021 £'000
Consideration received	
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 £'000
Non-current assets	
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 and 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	
Deferred tax	(2,920)
Lease liabilities	(4)
	(2,924)
Total liabilities	(7,141)
Net assets	8,742

	2021 p
Earnings per share from discontinued operations attributable to the ordinary equity holders of the Company:	
Basic earnings per share	136.92p
Diluted earnings per share	136.37p

14 Goodwill

	2022 £'000	2021 £'000
Cost and net book value		
At 1 April	**7,072**	10,741
Disposal – as part of discontinued business	**—**	(3,512)
Foreign exchange difference	**459**	(157)
At 31 March	**7,531**	7,072

The goodwill relates to (i) Sicomm group of companies £6,000,000 which is held in RMB, upon Group consolidation is therefore subject to foreign exchange between periods; and (ii) PRFI £1,531,000.

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 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 Impairment of Assets, 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 Sicomm goodwill and PRFI goodwill

The recoverable amount of Sicomm and PRFI related goodwill is determined using the value-in-use methodologies. For Sicomm related goodwill, the pre-tax discount rate used was 13.11% and growth rates vary from 7.5% to 10% over a five-year prospective period and long term growth rate is 7.5% (2021: pre-tax discount rate used was 12.29% and growth rates vary from 5% to 9%) and for PRFI related goodwill, the pre-tax discount rate used was 12.99% and growth rates of 3% per year for a five-year prospective period (2021: pre-tax discount rate used was 12.20% and growth rates vary from 2% to 10%). Management consider these key assumptions do not differ from past experience or external sources of information.

Sensitivity analysis

For the value-in-use methodology in respect of the Sicomm impairment review, the key assumptions are growth rates and discount rate. Long-term growth rates would have to average 7.3% or pre-tax discount rates move to 13.67% for carrying value to be impacted by any impairment. Sensitivity analysis of these key assumptions is built into our annual impairment testing modelling and a decrease in the long-term growth rate of 0.7% would lead to an impairment. In respect of the PRFI impairment review, the key assumptions are growth rates and discount rate. Growth rates in years 2-5 and the long-term growth rate would have to be less than 1% or pre-tax discount rates move to 17.19% for carrying value to be impacted by any impairment. Sensitivity analysis of these key assumptions is built into our annual impairment testing modelling.

Notes to the financial statements continued
for the year ended 31 March 2022

15 Other intangibles

Group	Intangible assets acquired in business combinations			Intangible assets capitalised/purchased		
	Brands £'000	Customer relationships £'000	Intellectual property £'000	Intellectual property £'000	Software £'000	Total £'000
Cost						
At 1 April 2020	134	963	579	133	655	2,464
Additions	—	—	—	—	(25)	(25)
Disposals – as part of discontinued operations (note 13)	—	—	—	—	(362)	(362)
Foreign exchange difference	(3)	(26)	(11)	(4)	—	(44)
At 31 March 2021	131	937	568	129	268	2,033
Additions	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange difference	**8**	**76**	**33**	**11**	**—**	**128**
At 31 March 2022	**139**	**1,013**	**601**	**140**	**268**	**2,161**
Amortisation						
At 1 April 2020	36	382	149	15	59	641
Charge for the year	12	95	53	13	39	212
Disposals – as part of discontinued operations (note 13)	—	(2)	—	—	(94)	(96)
At 31 March 2021	48	475	202	28	4	757
Charge for the year	**13**	**178**	**58**	**13**	**21**	**283**
Foreign exchange difference	**5**	**(24)**	**18**	**3**	**—**	**2**
At 31 March 2022	**66**	**629**	**278**	**44**	**25**	**1,042**
Net book value						
At 31 March 2022	**73**	**384**	**323**	**96**	**243**	**1,119**
At 31 March 2021	83	462	366	101	264	1,276

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

Company	Software £'000	Total £'000
Cost		
At 1 April 2020	655	655
Additions	(25)	(25)
Disposals – as part of discontinued operations (note 13)	(362)	(362)
At 31 March 2021	268	268
Additions	**—**	**—**
At 31 March 2022	**268**	**268**
Amortisation		
At 1 April 2020	59	59
Charge for the year	39	39
Disposals – as part of discontinued operations (note 13)	(94)	(94)
At 31 March 2021	4	4
Charge for the year	**21**	**21**
At 31 March 2022	**25**	**25**
Net book value		
At 31 March 2022	**243**	**243**
At 31 March 2021	264	264

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

16 Development costs

Group – development costs	£'000
Cost	
At 1 April 2020	41,370
Additions	7,270
Disposals – as part of discontinued operations (note 13)	(24,200)
Fully amortised costs	(1,996)
Foreign exchange difference	(27)
At 31 March 2021	22,417
Additions	**3,532**
Fully amortised costs	**—**
Foreign exchange difference	**104**
At 31 March 2022	**26,053**
Amortisation and impairment	
At 1 April 2020	24,440
Charged for the year	3,789
Impairment	701
Disposals – as part of discontinued operations (note 13)	(13,587)
Fully amortised costs	(1,996)
Foreign exchange difference	(121)
At 31 March 2021	13,226
Charged for the year	**1,507**
Impairment	**123**
Fully amortised costs	**—**
Foreign exchange difference	**—**
At 31 March 2022	**14,856**
Net book value	
At 31 March 2022	**11,197**
At 31 March 2021	9,191

No government grants have been credited to the cost of development in arriving at the net book value at the year end (2021: £Nil).

The annual impairment review resulted in the carrying costs of the development expenditure needing an impairment of £123,000 for the year (2021: £701,000). The impairment loss is included in the distribution and administration costs in the Group's income statement.

Notes to the financial statements continued

for the year ended 31 March 2022

17 Property, plant and equipment – owned assets

Group	Freehold and long leasehold premises £'000	Short leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2020	6,062	59	11,374	120	17,615
Additions	—	—	296	68	364
Disposals – as part of discontinued operations (note 13)	—	(43)	(1,611)	—	(1,654)
Disposals	—	—	(7)	(44)	(51)
Foreign exchange difference	—	(2)	(46)	(2)	(50)
At 31 March 2021	6,062	14	10,006	142	16,224
Additions	**—**	**—**	**1,105**	**—**	**1,105**
Disposals	**—**	**—**	**(83)**	**(31)**	**(114)**
Foreign exchange difference	**—**	**—**	**39**	**3**	**42**
At 31 March 2022	**6,062**	**14**	**11,067**	**114**	**17,257**
Depreciation					
At 1 April 2020	1,570	55	10,921	93	12,639
Charge for the year	79	—	285	6	370
Disposals – as part of discontinued operations (note 13)	—	(39)	(1,456)	—	(1,495)
Disposals	—	—	(7)	(28)	(35)
Foreign exchange difference	—	(2)	(115)	(2)	(119)
At 31 March 2021	1,649	14	9,628	69	11,360
Charge for the year	**79**	**—**	**275**	**21**	**375**
Disposals	**—**	**—**	**(77)**	**(31)**	**(108)**
Foreign exchange difference	**—**	**—**	**36**	**1**	**37**
At 31 March 2022	**1,728**	**14**	**9,862**	**60**	**11,664**
Net book value					
At 31 March 2022	**4,334**	**—**	**1,205**	**54**	**5,593**
At 31 March 2021	4,413	—	378	73	4,864

Company	Freehold and long leasehold premises £'000	Plant £'000	Total £'000
Cost			
At 1 April 2020 and 31 March 2021	6,062	70	6,132
Additions	**—**	**149**	**149**
Disposals	**—**	**(70)**	**(70)**
At 31 March 2022	**6,062**	**149**	**6,211**
Depreciation			
At 1 April 2020	1,570	55	1,625
Charge for the year	79	6	85
At 31 March 2021	1,649	61	1,710
Charge for the year	**79**	**5**	**84**
Disposals	**—**	**(66)**	**(66)**
At 31 March 2022	**1,728**	**—**	**1,728**
Net book value			
At 31 March 2022	**4,334**	**149**	**4,483**
At 31 March 2021	4,413	9	4,422

Right-of-use assets

Group	Property £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2020	1,401	24	181	1,606
Additions	100	—	—	100
Disposals – as part of discontinued operations (note 13)	(557)	—	(121)	(678)
Foreign exchange difference	(87)	—	—	(87)
At 31 March 2021	857	24	60	941
Additions	**577**	**37**	**—**	**614**
Disposals	**(606)**	**(24)**	**(17)**	**(647)**
Foreign exchange difference	**42**	**—**	**—**	**42**
At 31 March 2022	**870**	**37**	**43**	**950**
Depreciation				
At 1 April 2020	342	7	73	422
Charge for the year	382	7	49	438
Disposals – as part of discontinued operations (note 13)	(367)	—	(90)	(457)
Foreign exchange difference	129	—	—	129
At 31 March 2021	486	14	32	532
Charge for the year	**234**	**5**	**19**	**258**
Disposals	**(303)**	**(14)**	**(14)**	**(331)**
Foreign exchange difference	**33**	**—**	**—**	**33**
At 31 March 2022	**450**	**5**	**37**	**492**
Net book value				
At 31 March 2022	**420**	**32**	**6**	**458**
At 31 March 2021	371	10	28	409

The Company did not have any right-of-use assets in either financial year.

The Group has a property lease terminating on 31 December 2022 located in North Carolina, USA with a current net book value of £60,000. The Group is currently in negotiations to lease another property in the same area for a period of seven years. Additionally, the Group has a property lease expiring on 2 March 2023 located in UK, with a current net book value of £62,000. The Group is currently in negotiations to acquire a suitable property in the same area to relocate to.

18 Investment properties

Group and Company	Investment properties £'000	Total £'000
Valuation		
At 1 April 2020	3,170	3,170
Additions	26	26
Revaluation	579	579
At 31 March 2021	3,775	3,775
Disposals	**(1,800)**	**(1,800)**
Reclassification to held for sale	**(1,975)**	**(1,975)**
At 31 March 2022	**—**	**—**
Net book value		
At 31 March 2022	**—**	**—**
At 31 March 2021	3,775	3,775

Notes to the financial statements continued

for the year ended 31 March 2022

18 Investment properties continued

Investment properties – held for sale

Group and Company	Investment properties £'000	Total £'000
Valuation		
At 1 April 2021	—	—
Reclassification to held for sale	**1,975**	**1,975**
At 31 March 2022	**1,975**	**1,975**
Net book value		
At 31 March 2022	**1,975**	**1,975**
At 31 March 2021	—	—

Investment properties were measured at current market valuation. No depreciation is provided on freehold investment properties or on long 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 of investment properties recognised is £Nil (2021: £3,775,000). Investment properties held for sale is £1,975,000 (2021: £Nil).

The value of the investment properties were they to be held at historic cost would be £1,492,000 (2021: £2,462,000).

The Group/Company does not incur significant costs not otherwise recharged to its tenants for its investment properties.

Valuations were based on what is determined to be the highest and best use. When considering the highest and best use the Directors considered, on a property-by-property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differed from the existing use, the valuer considered 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 Group has applied method 3 in both current and prior year.

	Carrying/ fair value £'000	Valuation technique	Key observable inputs	Range (weighted average) 2021
Investment properties	3,775	Income capitalisation	Estimated rental value	£7-£10 per sq ft
			Per sq ft	2%-7%
			Equivalent yield	4.6%
	3,775			

The investment property was reclassified on 31 March 2022 as held for sale as the property became vacant with no prospective tenant in place and is held based upon the current market valuation methodology. The property is currently expected to sell within the next twelve months.

19 Investments

Company	2022 £'000	2021 £'000
Cost of investment in subsidiary undertakings:		
As at 1 April	**10,772**	14,508
Disposals – as part of discontinued operations (note 13)	**—**	(3,736)
Dormant company restructuring	**(400)**	—
As at 31 March	**10,372**	10,772

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 Microcircuits (UK) Ltd	England	100%	Trading in England	Direct
PRFI Ltd	England	100%	Trading in England	Direct
CML Microcircuits (USA) Inc	USA	100%	Trading in USA	Direct
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
Wuxi Shilian Communications Technologies, Inc	China	100%	Trading in China	Indirect
Applied Technology (UK) Ltd	England	100%	Dormant	Direct
Integrated Micro Systems Ltd	England	100%	Dormant	Direct

Applied Technology (UK) Ltd and Integrated Micro Systems Ltd were dissolved on 16 June 2022.

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 the financial results and financial position of these Chinese subsidiaries up to 31 March 2022.

Company registered addresses/locations are as follows:

CML Microcircuits (UK) Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
PRFI 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
Wuxi Shilian Communications Technologies, Inc	Room 201, Building L, 21 Changjiang Road, Wuxi, Jiangsu, 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

Notes to the financial statements continued

for the year ended 31 March 2022

20 Inventories

	Group	
	2022 £'000	2021 £'000
Raw materials	**879**	604
Work in progress	**889**	467
Finished goods	**490**	379
	2,258	1,450

21 Trade receivables and prepayments

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Amounts falling due within one year:				
Trade receivables	**969**	1,002	**—**	1
Trade receivables – intercompany	**—**	—	**226**	155
Other receivables	**326**	383	**33**	4
Other receivables – intercompany	**—**	—	**800**	300
Prepayments and accrued income	**904**	1,049	**266**	240
	2,199	2,434	**1,325**	700

Disclosure of credit risk and associated disclosures are provided in note 24.

22 Cash, cash equivalents and fixed term deposits

	Group		Company	
	2022 £'000	2021 Restated £'000	**2022 £'000**	2021 Restated £'000
Cash on deposit	**10,275**	10,288	**10,275**	10,289
Cash at bank	**8,809**	11,758	**5,469**	7,309
	19,084	22,046	**15,744**	17,598
Short term cash deposits	**5,958**	10,150	**5,000**	10,000
	25,042	32,196	**20,744**	27,598

Disclosure of foreign currency risk is provided in note 24. Cash, cash equivalent and fixed term deposits as per the statement of cash flows includes cash on deposit and cash at bank totalling for the Group £19,084,000 (2021: £22,046,000) and the Company £15,744,000 (2021: £17,598,000).

23 Borrowings

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Borrowings	**—**	282	**—**	—
	—	282	**—**	—

Undrawn facility details are provided in note 24. Borrowings relate to a loan given to the US subsidiary from the US government in relation to the COVID-19 Paycheck Protection Program. On 23 May 2021, confirmation was received that the Paycheck Protection Program borrowings were forgiven.

24 Financial instruments

Financial instruments

The Group's financial instruments can comprise cash balances, overdraft facilities and items such as trade receivables and trade payables and leased liabilities 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 risk, 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 IFRS 9 Financial Instruments, 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. Credit risk on cash and cash equivalents is managed by depositing funds with high rated banks.

Capital market risk

The Board considers capital to be the carrying amount of equity and debt. The Group presently does not have any external debt with the exception to right-of-use assets. 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 and 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 or the transition to SONIA 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 £400,000 (2021: £750,000), and US$100,000 (2021: US$100,000), and is subject to renewal annually.

Foreign currency risk

The Group has overseas subsidiary operations in the US, China and Singapore. As a result, the Group's Sterling statement of financial position could be affected by movements in the US Dollar, Chinese Renminbi and Singapore Dollar to Sterling exchange rates. At 31 March 2022, the Group had cash and cash equivalents denominated in foreign currencies of approximately £3.6m (2021: £4.5m), of which approximately 52% (2021: 70%) was denominated in US Dollars, 47% in Chinese Renminbi (2021: 30%) and 1% (2021: 0%) in Singapore Dollars. 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 gain of £44,000 (2021: loss of £123,000).

Financial instruments recognised in the Consolidated Statement of Financial Position

The term financial assets in the following table refers to financial assets measured at amortised cost in accordance with IFRS 9 definitions.

	Group		Company	
	2022 Amortised cost £'000	2021 Amortised cost £'000	**2022 Amortised cost £'000**	2021 Amortised cost £'000
Current financial assets				
Trade and other receivables	**1,295**	1,385	**1,059**	460
Fixed term deposits	**5,958**	10,150	**5,000**	10,000
Cash and cash equivalents	**10,275**	10,288	**10,275**	10,289
Cash at bank	**8,809**	11,758	**5,469**	7,309
Total	**26,337**	33,581	**21,803**	28,058

Trade and other receivables are all due within six months.

At 31 March 2022, £483,000 (2021: £307,000) of trade receivables were denominated in Sterling, £470,000 (2021: £695,000) in US Dollars, and £16,000 in Chinese Renminbi (2021: £Nil). The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £25,042,000 (2021: £32,196,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair values.

Notes to the financial statements continued

for the year ended 31 March 2022

24 Financial instruments continued

Impairment of financial assets

The Group and Company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is significantly more than the associated credit terms past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Determination of credit-impaired financial assets

The Group and Company considers financial assets to be "credit-impaired" when the following events, or combinations of several events, have occurred before the year end:

- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or Group support;
- a breach of contract, including receipts being more than materially past due; or
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy

Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than materially past due.

Impairment of trade receivables

The Group and Company calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year end based on the ageing of the receivables and historical data about default rates on the same basis. That data is adjusted if the Group and Company determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

The average credit period was 22 days (2021: 29 days). There were no impairment losses recognised on any financial assets measured at amortised cost at 31 March 2022 (2021: £Nil). Based on the profile of the Group and Company's trade receivables, history of bad debts and looking forward to future events which may affect recoverability of receivables, no loss allowance provision has been recognised. Following Russia's invasion of Ukraine, the Group took the decision to cease all supplies to customers based in Russia; this resulted in non-payment of a debt totalling £16,000 ($20,000) which has been fully provided for. At 31 March 2022, of the £969,000 (2021: £1,002,000) trade receivables outstanding, they were all within 0-60 days (2021: all within 0-60 days).

The term financial liabilities in the following table refers to financial liabilities measured at amortised cost in accordance with IFRS 9 definitions.

	Group		Company	
	2022 Amortised cost £'000	2021 Amortised cost £'000	**2022 Amortised cost £'000**	2021 Amortised cost £'000
Current financial liabilities				
Borrowings	**—**	282	**—**	—
Trade and other payables	**814**	732	**171**	535
Accruals	**1,442**	1,608	**316**	434
Lease liabilities	**230**	183	**—**	—
Total	**2,486**	2,805	**487**	969

	Group		Company	
	2022 Amortised cost £'000	2021 Amortised cost £'000	**2022 Amortised cost £'000**	2021 Amortised cost £'000
Non-current financial liabilities				
Lease liabilities	**238**	262	**—**	—
Total	**238**	262	**—**	—

At 31 March 2022, the total financial liabilities consisted of £1,865,000 (2021: £1,613,000) denominated in Sterling, £545,000 (2021: £1,240,000) in US Dollars, and £314,000 in Chinese Renminbi (2021: £214,000).

The maturity of the gross contractual undiscounted cash flows due on the Group's and Company's financial liabilities with the exception of lease liabilities are all less than six months. Group financial liabilities totalling £2,256,000 (2021: £2,622,000) and Company financial liabilities totalling £487,000 (2021: £969,000) equal the gross contractual cash flows. The gross contractual cash flows relating to lease liabilities for the Group total £540,000 (2021: £494,000) with £261,000 (2021: £183,000) within twelve months and £279,000 (2021: £311,000) greater than twelve months.

Sensitivity analysis

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. There is no foreign exchange risk in relation to the Company.

	US$ impact		RMB impact	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
10% movement in rates will have an impact on:				
Profit before taxation	**520**	480	**15**	42
Cash	**185**	311	**167**	134
Equity	**687**	677	**406**	360

The Group and Company 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.

Notes to the financial statements continued

for the year ended 31 March 2022

25 Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Amounts falling due within one year:				
Trade payables	**711**	720	**138**	121
Trade payables – intercompany	**—**	—	**—**	305
Other taxation and social security costs	**414**	646	**132**	209
Other payables and deferred income	**103**	12	**33**	8
Deferred income	**157**	95	**—**	—
Accruals	**1,442**	1,608	**316**	412
	2,827	3,081	**619**	1,055

Leased liabilities

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current lease liabilities	**230**	183	**—**	—
Non-current lease liabilities	**238**	262	**—**	—
	468	445	**—**	—

	£'000
1 April 2021	445
Additions	**614**
Lease modifications	**(337)**
Interest expense	**33**
Repayment of lease liabilities	**(287)**
31 March 2022	**468**

The Group's total cash outflow for all leases in the year was £287,000 (2021: £556,000).

26 Current tax liabilities/assets

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current tax liabilities	**42**	80	**—**	—
Current tax assets	**409**	1,046	**—**	—

£409,000 (2021: £1,043,000) of the current tax asset is an R&D claim that by its nature is subject to HMRC approval.

27 Deferred tax

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 Restated £'000
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(1,119)**	(666)	**(902)**	(643)
Tax losses carried forward	**818**	246	**276**	212
Pensions	**610**	1,058	**610**	1,058
Share-based payments	**66**	109	**66**	109
Research and development	**(2,429)**	(1,509)	**—**	—
Other	**(98)**	(46)	**—**	—
	(2,152)	(808)	**50**	736
Deferred tax asset	**1,550**	1,531	**952**	1,379
Deferred tax liability	**(3,702)**	(2,339)	**(902)**	(643)
	(2,152)	(808)	**50**	736
At 1 April	**(808)**	(3,617)	**736**	431
Foreign exchange difference	**(7)**	(2)	**—**	—
Deferred tax liability introduced on acquisition	**—**	(34)	**—**	—
Deferred tax credited on discontinued operations	**—**	2,761	**—**	—
Deferred tax (charged)/credited in income statement for year (see note 9)	**(799)**	(86)	**(148)**	135
Deferred tax credited on share-based payments	**(56)**	—	**(56)**	—
Deferred tax credited to statement of total comprehensive income	**(827)**	170	**(827)**	170
Change in deferred tax rate on defined benefit obligation	**345**	—	**345**	—
At 31 March	**(2,152)**	(808)	**50**	736

The financial statements include a deferred tax asset of £1,550,000 (2021: £1,531,000) of which £798,000 (2021: £226,000) 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 gain of £854,000 (2021: deferred credit of £170,000) relates to the retirement benefit obligation (see note 28). 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 Bill 2021 provides that the main rate of corporation tax be increased from 19% to 25% with effect from 1 April 2023. The Directors therefore consider it appropriate to use 25% as the rate deferred tax should be provided for.

In accordance with the requirement of IAS 12 Income Taxes, the Directors have considered the likely recovery of any deferred tax asset as part of this process.

28 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 Group and Company. The Trustees are responsible for the operation and governance of the schemes.

Following the valuation of the defined benefit scheme as at 31 March 2020, the Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. The defined benefit scheme returned to surplus as at 31 December 2020.

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% (2021: 6%) of eligible salary but are subject to minimum employee contributions.

Notes to the financial statements continued

for the year ended 31 March 2022

28 Retirement benefit obligations continued

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

The total contributions to the schemes over the year were:

	2022 £'000	2021 £'000
Pension contributions		
UK defined benefit pension scheme (discussed further below)	—	—
Defined contribution pension schemes (UK and overseas)	**936**	580
	936	580

In relation to the UK defined contribution scheme, the Group had outstanding contributions of £62,000 (2021: £44,000). 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 Financial Position 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 one member-appointed Trustee 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 Employee Benefits 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 2020. 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 2020, resulted in a net pension (deficit) of £2,242,000 (1 April 2017: net pension surplus of £1,890,000). The market value of the assets of the scheme as at 31 March 2020 was £19,144,000 (1 April 2017: £19,490,000) and the actuarial valuation showed that these assets had insufficient coverage at 90% (1 April 2017: 111%) 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; ie. the discount rate, of 3.65% 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; pensions accrued between 6 April 1997 and 6 April 2005 will increase in payment at 5% p.a.; ie. in line with RPI subject to a minimum 3% p.a.; pensions accrued between 6 April 2005 and 31 March 2009 will increase in payment at 3% p.a. compound and early leaver revaluations will be at 2.85% p.a.

The valuation calculated under the funding valuation basis of £2,242,000 pension deficit above is different to the accounting valuation presented in the Group Consolidated Financial Position, which shows a net pension liability of £2,439,000. 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, together with any changes in market conditions between the two valuation dates of 31 March 2020 and 31 March 2022. Therefore, for funding valuation purposes the liabilities are determined based on assumptions set by the Trustees following consultation with the Company and the scheme actuaries. For example, the discount rate used for the most recent funding valuation is based on a 3.65% 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 1.8%.

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 from 1 April 2021 until the earlier of any revised settlement arising from the next triennial valuation or by 31 March 2024 ("future revised date"); all administration expenses of running the scheme are met directly by the scheme 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 employer has made a one-off advance contribution of £225,000 towards the running expenses. The next triennial actuarial funding valuation will be as at 31 March 2023.

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 2021, using assumptions further in this note. As at the last valuation date, the present value of the defined benefit obligation included approximately £13,891,000 (2021: £16,263,000) relating to deferred members and £9,620,000 (2021: £11,279,000) relating to pension members.

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 if those estimated assumptions are not borne out in practice or if different assumptions are agreed. 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

	2022	2021
Discount rate	**2.7%**	1.8%
Future salary increases	**n/a**	n/a
Expected duration of liabilities (years)	**14**	15
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.8%**	2.2%
Pension escalation in payment (Retail Prices Index		
– max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.8%**	3.2%
Proportion of employees opting for early retirement	**0%**	0%
Inflation assumption	**3.9%**	3.6%

The difference between the expected investment returns on the scheme's assets and the actual investment return was a gain of £191,000 (2021: gain £2,900,000).

b) Demographic assumptions

	2022	2021
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**21.9**	21.9
Females	**24.3**	24.3
Retiring in 20 years		
Males	**23.2**	23.2
Females	**25.7**	25.7

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 years to 31 March 2022 and 31 March 2021 are as follows:

	2022 £'000	2021 £'000
Amounts recognised in the Consolidated Income Statement are as follows:		
Administration expenses (see details above)	**(75)**	(95)
Net interest on deficit	**(101)**	(106)
Total	**(176)**	(201)
Amounts recognised in the Consolidated Statement of Total Comprehensive Income:		
Actual return on assets less return implied by net interest income	**191**	2,900
Experience gain/(loss) on liabilities	**465**	(351)
Change in assumptions:		
Discount rate	**3,249**	(1,886)
Inflation rate	**(629)**	(1,255)
Demographic assumptions	**31**	(305)
Re-measurement of defined benefit obligation recognised in equity	**3,307**	(897)

Notes to the financial statements continued

for the year ended 31 March 2022

28 Retirement benefit obligations continued

Financial and demographic assumptions continued

b) Demographic assumptions continued

	2022 £'000	2021 £'000
Amounts recognised in the Consolidated Statement of Financial Position:		
Present value of funded obligations	**(23,511)**	(27,542)
Fair value of plan assets	**21,072**	21,972
Deficit under IAS 19 as reported by the actuary	**(2,439)**	(5,570)

The main reason for the decreased deficit in the IAS 19 accounting position relates to the changes in assumptions in using a lower discount rate due to the fall in corporate bond yields at the period end; the scheme's deterioration is the actual return on assets being much lower than required to meet the increase in defined benefit obligation over the year. However, this was partially offset by the change in assumptions used to value the defined benefit obligation. 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.	-6.6%/+7.3%
RPI	+/- 0.5% p.a.	+2.3%/-2.1%
Assumed life expectancy	+ 1 year	+ 4.0%

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

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

	2022 £'000	2021 £'000
Funded status at start of period	**(5,570)**	(4,697)
Amount charged to income statement	**(176)**	(201)
One-off contributions by employer	**—**	225
Actuarial gain/(loss) (recognised in other comprehensive income)	**3,307**	(897)
Funded status at end of period	**(2,439)**	(5,570)

The weighted average duration of scheme liabilities at the end of the year is 14 years (2021: 15 years).

Present value of the defined benefit obligation

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

	2022 £'000	2021 £'000
Opening defined benefit obligation	**27,542**	23,873
Expenses incurred (including GMP equalisation)	**75**	95
Interest cost	**483**	541
Actuarial loss/(gain)	**(3,116)**	3,797
Benefits paid (including expenses)	**(1,473)**	(764)
Closing defined benefit obligation	**23,511**	27,542
Comprising:		
Deferred members	**13,891**	16,263
Pension members	**9,620**	11,279

The actuarial gain due to the change in demographic assumptions was £31,000 (2021: actuarial loss of £305,000) and the actuarial gain due to the change in financial assumptions was £2,620,000 (2021: actuarial loss of £3,141,000).

Fair value of defined benefit plan assets

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

	2022 £'000	2021 £'000
Opening fair value of plan assets	**21,972**	19,176
Interest income on assets	**382**	435
Actuarial gain on assets	**191**	2,900
One-off contributions by employer	**—**	225
Benefits paid	**(1,398)**	(669)
Expenses paid	**(75)**	(95)
Closing fair value of plan assets	**21,072**	21,972

The return on plan assets excluding net interest was £573,000 (2021: £3,335,000). 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 has contributed £Nil (2021: £225,000) as contributions to the CML Microsystems Plc Retirement Benefits Scheme and expects to contribute £Nil in the next accounting year.

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

	Year ended 31 March 2022		Year ended 31 March 2021	
Asset class	**Market value £'000**	**% of total assets**	Market value £'000	% of total assets
Equities (all quoted)	**12,286**	**58%**	12,488	57%
Cash	**601**	**3%**	940	4%
Diversified growth funds	**2,206**	**10%**	2,210	10%
Diversified credit funds	**2,426**	**12%**	2,316	11%
Liability-driven investments	**3,209**	**15%**	3,349	15%
Other	**344**	**2%**	669	3%
Closing fair value of plan assets	**21,072**	**100%**	21,972	100%

Note: all assets listed above have a quoted market price in an active market or have been independently priced and reconciled to the underlining market prices 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 Trustees' 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.

Notes to the financial statements continued

for the year ended 31 March 2022

29 Share capital and share options

	2022 £'000	2021 £'000
Authorised		
25,000,000 ordinary shares of 5p each (2021: 25,000,000 ordinary shares of 5p each)	**1,250**	1,250
Issued and fully paid		
At 1 April		
17,190,152 ordinary shares of 5p each (at 1 April 2020 and 1 April 2021: 17,177,652)	**859**	859
Issued in year: 109,247 ordinary shares (2021: 12,500) of 5p were issued in the year as a result of employees exercising their options	**6**	—
At 31 March		
17,299,399 ordinary shares of 5p (at 31 March 2021: 17,190,152)	**865**	859

On 19 March 2021, shareholders were issued with one B share with a nominal value of 50p each for each ordinary 5p share held on 18 March 2021. The Company subsequently redeemed each B Share for 50p and then cancelled each B share shortly following the issue on 19 March 2021. As a result, 16,551,685 redeemable class B shares with a nominal value of £8,276,000 were issued and subsequently redeemed. The share premium account was used for this transaction to the value of £8,276,000.

Following the redemption, 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.

Long Term Incentive Plan

On 23 March 2022, the Company approved at the General Meeting a scheme which is UK HM 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					
	2021 Number	Granted Number	Cancelled Number	Exercised Number	Forfeited Number	**2022 Number**
From 31 March 2025 to 30 March 2032 at £0.05	—	49,420	—	—	—	**49,420**
	—	49,420	—	—	—	**49,420**

Of the total outstanding at the end of the year none were potentially exercisable at the prices detailed in the table above.

The Company issued 49,420 Long Term Incentive Options at a price of £0.05p per share on 31 March 2022 to those that qualified for the scheme.

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 AGM a scheme which was UK HM Revenue & Customs approved. This scheme was amended and re-approved at the Extraordinary General Meeting held on 10 February 2004. At the 2008 AGM a new Enterprise Management Incentive share option plan was approved. On 18 November 2011 a further scheme was approved which is UK HM Revenue & Customs approved and has an addendum for issuing unapproved options. On 23 March 2022 the Company approved at the General Meeting a further scheme which is UK HM 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					
	2021 Number	Granted Number	Cancelled Number	Exercised Number	Forfeited Number	**2022 Number**
From 15 June 2014 to 14 June 2021 at £2.20	9,870	—	—	—	(9,870)	**—**
From 2 October 2015 to 1 October 2022 at £3.22	17,351	—	—	—	(14,078)	**3,273**
From 2 October 2015 to 1 October 2022 at £3.34	5,000	—	—	—	—	**5,000**
From 25 September 2018 to 25 September 2025 at £3.51	327,713	—	—	(32,922)	(102,263)	**192,528**
From 25 September 2018 to 25 September 2025 at £3.475	15,000	—	—	—	—	**15,000**
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	51,288	—	—	—	(17,678)	**33,610**
From 28 March 2021 to 28 March 2028 at £5.20	55,000	—	—	—	(55,000)	**—**
From 19 March 2022 to 18 March 2029 at £2.79	137,117	—	—	(5,286)	(15,986)	**115,845**
From 19 March 2022 to 18 March 2029 at £2.79	298,491	—	—	(71,039)	(29,408)	**198,044**
From 4 April 2023 to 3 April 2030 at £2.31	227,122	—	—	—	(4,862)	**222,260**
From 27 September 2024 to 26 September 2031 at £4.05	—	373,709	—	—	(5,603)	**368,106**
	1,163,952	373,709	—	(109,247)	(254,748)	**1,173,666**

Of the total outstanding at the end of the year, 583,300 share options were potentially exercisable at the prices detailed in the table above (2021: 501,222 share options). The weighted average market price of the share options exercised in the year was 400.0p (2021: 415.0p). The weighted average exercise price of options exercised in the year was 308.0p (2021: 230.00p). 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 367.0p (2021: 338.0p). The weighted average exercise price of all options exercisable is 318.7p (2021: 312.0p) and the weighted average expected remaining contractual life is three years (2021: three years).

During the year the Company issued 373,709 share options over its own 5p ordinary shares at a price of £4.05p per share on 27 September 2021 to staff and management.

Notes to the financial statements continued

for the year ended 31 March 2022

30 Other equity reserves

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Share premium				
At 1 April	**1,039**	9,286	**1,039**	9,286
Issued in year: 109,247 ordinary shares (2021: 12,500 shares of 5p were issued in the year as a result of employees exercising their options)	**323**	29	**323**	29
Issue of B shares	**—**	(8,276)	**—**	(8,276)
At 31 March	**1,362**	1,039	**1,362**	1,039

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

	Group		Company	
	2022 £'000	2021 Restated £'000	**2022 £'000**	2021 Restated £'000
Capital redemption reserve				
At 1 April	**8,285**	9	**8,285**	9
Cancellation of shares	**—**	8,276	**—**	8,276
At 31 March	**8,285**	8,285	**8,285**	8,285

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. On 19 March 2021, the Company redeemed 16,551,685 class B shares for 50p per share for cancellation. An amount equal to the nominal value of the cancelled shares was transferred to a capital redemption reserve.

	Group				Company			
	2022 Number	**2022 £'000**	2021 Number	2021 £'000	**2022 Number**	**2022 £'000**	2021 Number	2021 £'000
Treasury shares – own share reserve								
At 1 April	**638,467**	**(1,670)**	23,467	(80)	**638,467**	**(1,670)**	23,467	(80)
(Purchased)/issued in the year	**—**	**—**	615,000	(1,590)	**—**	**—**	615,000	(1,590)
At 31 March	**638,467**	**(1,670)**	638,467	(1,670)	**638,467**	**(1,670)**	638,467	(1,670)

The treasury shares reserve represents the nominal value of own shares purchased by the Company. No treasury shares were purchased in the year.

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Share-based payments reserve				
At 1 April	**570**	582	**570**	582
Options exercised or released	**(178)**	(155)	**(178)**	(155)
Charged in year	**98**	143	**98**	143
At 31 March	**490**	570	**490**	570

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 £98,000 (2021: £143,000).

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

Long Term Incentive Plan

Grant date	31/03/22
Share price at grant date (£)	3.38
Exercise price (£)	0.05
Number of employees	1
Shares under option	49,420
Vesting period (years)	4
Expected volatility	25.81%
Option life (years)	10
Expected life (years)	4
Risk-free rate	1.74%
Expected dividend yield	1.00%
Possibility of ceasing employment before vesting	4.5%
Fair value per option (£)	0.23

Share Option Plan

Grant date	27/09/21	04/04/20	19/03/19	28/03/18	01/08/17	22/12/16
Share price at grant date (£)	4.05	2.31	2.79	5.20	4.58	3.70
Exercise price (£)	4.05	2.31	2.79	5.20	4.58	3.70
Number of employees	125	9	203	2	47	1
Shares under option	373,709	227,122	703,400	110,000	84,521	20,000
Vesting period (years)	3	3	3	3	3	3
Expected volatility	44.64%	31.42%	31.63%	23.31%	19.37%	16.02%
Option life (years)	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3
Risk-free rate	1.08%	0.31%	1.19%	1.37%	1.10%	1.15%
Expected dividend yield	3.32%	2.49%	1.67%	1.40%	1.84%	1.86%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.46	0.41	0.56	0.80	0.54	0.35

Grant date	25/09/15	25/09/15	01/10/12	01/10/12	15/06/11
Share price at grant date (£)	3.475	3.475	3.34	3.34	2.20
Exercise price (£)	3.475	3.51	3.34	3.22	2.20
Number of employees	4	158	1	124	22
Shares under option	100,000	400,131	5,000	26,872	57,165
Vesting period (years)	3	3	3	3	3
Expected volatility	33.20%	33.20%	29.36%	29.36%	35.70%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk-free rate	1.83%	1.83%	3.09%	3.09%	4.28%
Expected dividend yield	1.92%	1.92%	1.49%	1.49%	1.50%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.74	0.73	0.67	0.67	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.

Notes to the financial statements continued

for the year ended 31 March 2022

30 Other equity reserves continued

Company only	2022 £'000	2021 £'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	2022 £'000	2021 £'000
Foreign exchange reserve		
At 1 April	**302**	1,714
Reclassification to P&L of foreign exchange differences on discontinued operations	**—**	(1,100)
Retranslation of overseas subsidiaries	**880**	(312)
At 31 March	**1,182**	302

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

	Group		Company	
	2022 £'000	2021 Restated £'000	2022 £'000	2021 Restated £'000
Retained earnings				
At 1 April	**44,062**	30,020	**32,243**	8,087
Profit for the year	**1,238**	23,564	**204**	33,678
Share capital cancellation	**—**	(8,276)	**—**	(8,276)
Dividend paid	**(8,964)**	(674)	**(8,964)**	(674)
Cancellation/transfer of share-based payments	**178**	155	**178**	155
Net actuarial profit/(loss)	**3,307**	(897)	**3,307**	(897)
Deferred tax gain on actuarial loss	**(827)**	170	**(827)**	170
Change in deferred tax rate on defined benefit	**345**	—	**345**	—
At 31 March	**39,339**	44,062	**26,486**	32,243

This reserve represents the movement in retained earnings of the Group in the year.

31 Capital commitments

Capital commitments which have been authorised by the balance sheet date represent a three-year purchasing commitment with three suppliers for £1,574,000 (2021: £1,182,000), and £122,000 (2021: £Nil) in relation to intangible assets. No provision has been made in these financial statements for these capital commitments.

32 Leases

The Group as a lessee

The following table shows how lease expenses have been included in the income statement, broken down between amounts charged to operating profit and amounts charged to finance costs:

	Leased offices £'000	Office equipment £'000	Motor vehicle £'000	Total £'000
Depreciation – right-of-use assets	234	5	19	258
Charged to operating profit	**234**	**5**	**19**	**258**
Finance expense – lease liabilities	29	2	2	33
Charged to profit before taxation	**29**	**2**	**2**	**33**

At 31 March 2022, the Group had not entered into any leases to which it was committed but had not yet commenced.

The Group and Company as a lessor

Property rental income earned during the year was £215,000 (2021: £344,000). The investment property has been reclassified in the year as held for sale.

33 Notes to the cash flow statement

Group	**2022 £'000**	2021 £'000
Movement in working capital:		
(Increase)/decrease in inventories	**(808)**	159
(Increase)/decrease in receivables	**(79)**	518
(Decrease)/increase in payables	**(138)**	711
	(1,025)	1,388

Analysis of changes in net cash – Group:

	Net cash at 1 April 2021 Restated £'000	Cash flow £'000	Loan Forgiveness £'000	Exchange movement £'000	**Net cash at 31 March 2022 £'000**
Cash, cash equivalents	22,046	(3,088)		126	**19,084**
Fixed term deposit	10,150	(4,192)		—	**5,958**
Borrowings (USA COVID loan)	(282)	—	282	—	**—**
	31,914	(7,280)	282	126	**25,042**

Company	**2022 £'000**	2021 £'000
Movement in working capital:		
(Increase)/decrease in receivables	**(625)**	1,371
Decrease in payables	**(447)**	(966)
	(1,072)	405

Analysis of changes in net cash – Company:

	Restated Net cash at 1 April 2021 £'000	Cash flow £'000	Exchange movement £'000	**Net cash at 31 March 2022 £'000**
Cash, cash equivalents and fixed term deposit	17,598	(1,869)	15	**15,744**
	17,598	(1,869)	15	**15,744**

Notes to the financial statements continued

for the year ended 31 March 2022

34 Related party transactions

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

Company	2022 £'000	2021 £'000
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**1,248**	1,000
CML Microcircuits (USA) Inc	**—**	153
Hyperstone GmbH	**—**	195
PRFI Ltd	**180**	120
	1,428	1,468
Dividends paid to parent:		
Received from CML Microcircuits (UK) Ltd	**—**	3,500
Received from CML Microcircuits (USA) Inc	**893**	—
Received from CML Microcircuits (Singapore) Pte Ltd	**268**	252
Received from Wuxi Sicomm Technologies, Inc	**430**	149
Received from PRFI Ltd	**—**	225
Received from Hyperstone Asia Pacific Ltd	**—**	405
Received from Applied Technology (UK) Ltd	**83**	—
Received from integrated Micro Systems Ltd	**73**	—
	1,747	4,531
Trade balances outstanding:		
Owed to CML Microsystems Plc by Wuxi Sicomm Technologies, Inc	**226**	155
Owed to CML Microsystems Plc by CML Microcircuits (UK) Ltd	**800**	300
Owed by CML Microsystems Plc to CML Microcircuits (USA) Inc	**—**	(305)
	1,026	150

Contributions to the Group's pension schemes

Contributions to the Group's defined contribution pension schemes by the Group as employer consisted of £936,000 in the year (2021: £580,000). Contributions to the closed UK defined benefit scheme were £Nil (2021: £Nil).

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	2022 £'000	2021 £'000
Employee benefits	**632**	906
Pension contributions	**62**	38
Share-based payments	**9**	33
	703	977

35 Listings

CML Microsystems Plc's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange and the Company is incorporated and domiciled in the UK. The Company's registered address is: Oval Park, Langford, Maldon, Essex, CM9 6WG, England.

36 Prior year restatement

The financial statements for year ending 31 March 2021 have been restated as follows:

The Consolidated Statement of Comprehensive Income

Third-party product re-sales have been reclassified from other operating income to revenue and presented on a gross basis to correctly reflect the group's role as principal in a revenue arrangement. In the prior year, Revenue of £631,000 and Cost of sales of £449,000 were presented net as other operating income. This has now been correctly classified as Revenue and Cost of sales respectively on a gross basis in the restated statement of comprehensive income. The reclassification of these items has had no effect on the profit before taxation or net assets.

Rental income and government grants have been reclassified as other income to be excluded from profit / (loss) from operations, having previously been incorrectly classified as other operating income before profit / (loss) from operations. The reclassification has resulted in a increase in the loss on operations of £370,000 (See note 5 for further details).

Share-based payment expense was incorrectly presented below profit/(loss) from operations. They have been reclassified to be included within profit/(loss) from operations to properly reflect the nature of the expense. This has resulted in an increase in the loss from operations of £143,000.

The reclassification of the rental income, government grants income and share based payment expenditure provides a better measure of operating profit/(loss) in the consolidated statement of comprehensive income. The reclassification of these items has had no effect on the profit before taxation or net assets.

The Consolidated statement of financial position

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

Short term cash deposits with initial maturity of more than 3 months were incorrectly included within cash and cash equivalents. Therefore, the short term cash deposits of £10,150,000 have been reclassified as financial assets.

The Consolidated and Company cash flow statements

Short term cash deposits totalling £10,150,000 with initial maturity of more than 3 months were incorrectly included within cash and cash equivalents. Cash flows from investing activities have therefore been corrected to reflect the movements in the short term cash deposits instead of reflecting these in cash and cash equivalents. Cash flows from rental income have been reclassified as investing activities from operating activities within the Consolidated and Company cash flow statements to ensure consistent presentation with rental income within the Consolidated Statement of Comprehensive Income.
The reclassification of these items has had no effect on the profit before taxation or net assets.

The Company statement of financial position

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

Short term cash deposits with initial maturity of more than 3 months were incorrectly included within cash and cash equivalents. Therefore, the short term cash deposits of £10,150,000 have been reclassified as financial assets.

The retirement benefit obligation for which the company is the beneficial employer was omitted in error. As a liability of the parent company, a correction has been made to recognise the liability of £5,570,000 and associated deferred tax assets of £1,058,000, together decreasing net assets by £4,512,000. This has had no effect on the profit before taxation.

The Consolidated statement of changes in equity

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

The Company statement of changes in equity

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

The remeasurement of defined benefit pension obligation of £897,000 of which the company is the beneficial employer, along with corresponding deferred tax actuarial gain of £170,000, had been omitted from the Company statement of changes in equity.

37 Post balance sheet events

In April 2022, a £3,000,000 Share Buyback Programme was put in place for the principal purpose of reducing the share capital of the Company and returning funds to shareholders. During April, the £3,000,000 had been used in its entirety to repurchase 748,188 ordinary shares and these shares were taken into treasury.

Notice of Annual General Meeting

Notice is hereby given that the AGM of CML Microsystems Plc (the "Company") will be held at Pontlands Park Hotel, West Hanningfield Road, Great Baddow, Chelmsford, Essex, CM2 8HR on 10 August 2022 at 11.00am to transact the following business.

The resolutions numbered 1 to 8 (inclusive) are proposed as ordinary resolutions and must receive more than 50% of the votes cast in order to be passed. The resolutions numbered 9 to 11 (inclusive) are proposed as special resolutions and must receive at least 75% of the votes cast in order to be passed.

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 2022.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2022.
3. To declare a final dividend of 5p per 5p ordinary share for the year ended 31 March 2022 to be paid on 19 August 2022 to shareholders whose names appear on the register at the close of business on 5 August 2022.
4. To re-appoint Nigel Clark, who retires by rotation, as a Director of the Company.
5. To send or supply all documents or information relating to the Company to members by making them available on a website.
6. To re-appoint BDO LLP as auditor of the Company.
7. To authorise the Directors to determine the remuneration of the auditor.

Special business

Ordinary resolution

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

8. That pursuant to Section 551 of the Companies Act 2006 (the "Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
   (a) comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £530,424 (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 £265,212 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £265,212, provided that (unless previously revoked, varied or renewed); and
   (c) these authorities shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM 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 resolutions

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

9. That, subject to the passing of resolution 8 and pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act"), the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authorities granted by resolution 8 and to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
   (a) the allotment of equity securities or sale of treasury shares in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph a) of resolution 8, such power shall be limited to the allotment of equity securities in connection with a rights issue):
      i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them;
      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 £39,750 and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM 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).

10. That, subject to resolution 8 being passed, and in addition to any authority granted under resolution 9 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 8 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 £119,300 (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 AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM 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).

Notice of Annual General Meeting continued

Special business continued

Special resolutions continued

11. 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 2,386,000;
    (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 AIM market 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 UK 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 AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM 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

Michelle Jones
Company Secretary
4 July 2022

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, Steelpark Road, Halesowen, West Midlands B62 8HD.

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.

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.

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, Steelpark Road, Halesowen, West Midlands B62 8HD, not later than 11.00am on 8 August 2022 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, Steelpark Road, Halesowen, West Midlands B62 8HD.

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 11.00am on 8 August 2022 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.

Notice of Annual General Meeting continued

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). In any event, all members are requested to appoint the Chairman as their proxy. If a member (or joint members) appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote.

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). Corporate representatives are requested to appoint to Chairman to act as their proxy.

7 Entitlement to attend and vote

To be entitled to attend (by proxy) 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 6.00pm on 8 August 2022 (or, if the AGM is adjourned, at 6.00pm 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 1 July 2022 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 17,299,399 ordinary shares, carrying one vote each. The Company holds 1,386,655 shares in treasury, meaning the total voting rights in the Company as at 1 July 2022 were 15,912,744 votes.

Shareholders are able to vote in advance of the meeting using their Proxy Form. The Proxy Form covers all resolutions to be proposed at the AGM.

Voting at the AGM will be conducted by way of a poll (rather than on a show of hands), which will be directed by the Chairman at the AGM. This is more transparent and equitable as votes are counted according to the number of shares registered in their names and also allows the votes of all shareholders who wish to vote to be taken into account.

At the AGM we will disclose the total of the proxy votes received, the proportion for and against each resolution or approval vote and the number of votes withheld. Votes withheld will not be counted in the calculation of the proportion of votes "for" and "against" a resolution. Voting results will be announced to the London Stock Exchange as soon as possible after the conclusion of the AGM and will be published on our website.

12 Payment of dividend

It is proposed to pay the dividend, if approved, on 19 August 2022 to shareholders registered on 5 August 2022.

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 letters 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).

Five-year record

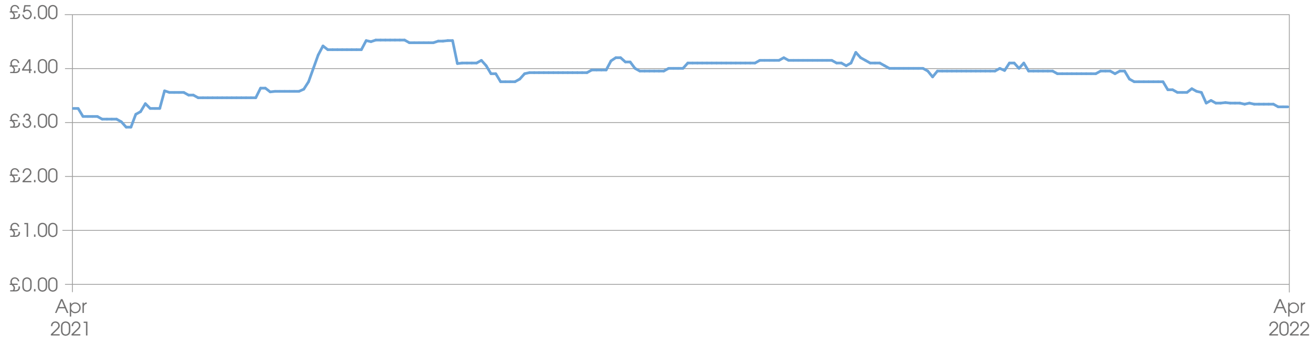
	2022 £'000	2021 Restated £'000	2020 Restated £'000	2019 Restated £'000	2018 £'000
Income statement					
Revenue (continuing operations)	**16,964**	13,101	15,565	28,825	31,674
Revenue (discontinued operations)	**—**	9,505	11,457	—	—
Total revenue[1]	**16,964**	13,101	15,565	28,825	31,674
Gross profit[1]	**12,795**	9,455	11,930	20,508	22,236
Gross profit percentage[1]	**75.42%**	72.17%	76.65%	71.13%	70.20%
Profit before taxation[1]	**1,737**	10	1,178	2,982	4,583
Profit after taxation[1]	**1,238**	802	1,371	2,694	4,139
Adjusted EBITDA[2]	**4,308**	2,731	4,483	8,754	9,998
EPS[1]					
Basic	**7.45p**	141.13p	8.98p	15.77p	24.52p
Diluted[1]	**7.35p**	140.56p	8.94p	15.36p	23.95p
Statement of financial position					
Shareholders' equity[1]	**49,853**	53,447	42,390	42,322	41,770
Net cash, cash equivalents and fixed term deposits	**25,042**	31,914	8,479	12,809	13,816
Dividends per ordinary share					
Dividends proposed/paid per 5p ordinary share[1]	**9.00p**	52.00p	4.00p	7.80p	7.80p

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

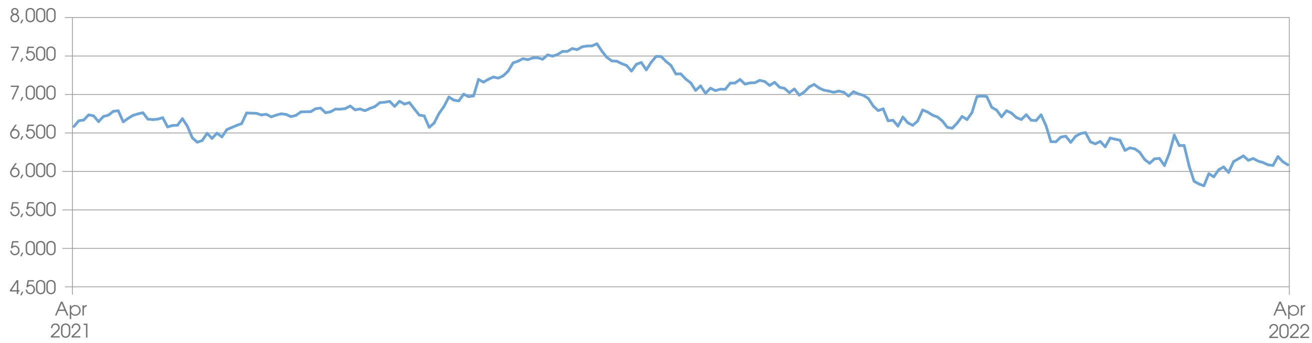
	Number of shares 2022	Number of shares 2021	Number of shares 2020	Number of shares 2019	Number of shares 2018
Ordinary shares of 5p allotted, issued and fully paid, excluding shares held in treasury	**16,660,932**	16,551,685	17,154,185	17,075,166	17,062,023
Shares held in treasury	**638,467**	638,467	23,467	100,000	50,000
Total ordinary shares of 5p allotted, issued and fully paid	**17,299,399**	17,190,152	17,177,652	17,175,166	17,112,023

Shareholder information

CML Microsystems Plc share price – for the year ended 31 March 2022



TechMark 100 Index – for the year ended 31 March 2022



AIM All Share – for the year ended 31 March 2022

Financial calendar

2022

10 August	AGM
30 September	Half year end
22 November	Anticipated date for half-year results

2023

31 March	Year end
20 June	Anticipated date for Results announcement of year-end 2023 results

Glossary

5G	Fifth Generation Cellular Network Technology
AIM	Alternative Investment Market
CAGR	Compound Annual Growth Rate
DTR	Disclosure and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
EU	European Union
FRC	Financial Reporting Council
GaAs	Gallium Arsenide
GaN	Gallium Nitride
GMP	Guaranteed Minimum Pension
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IC	Integrated Circuit
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
OEM	Original Equipment Manufacturer
R&D	Research and Development
RF	Radio Frequency
RFID	Radio Frequency Identification
ROI	Return on Investment
SoC	System on Chip
TSR	Total shareholder return
VP	Vice-President
WEF	World Economic Forum

Advisors

Registered office
CML Microsystems Plc
Oval Park
Langford
Maldon
Essex CM9 6WG

Registrars
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
West Midlands B62 8HD

NOMAD and Stockbrokers
Shore Capital Stockbrokers Ltd
Cassini House
57-58 St James's Street
London SW1A 1LD

Auditor
BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk IP3 9SJ

Financial Public Relations
Alma PR
71-73 Carter Lane
London EC4V 5EQ

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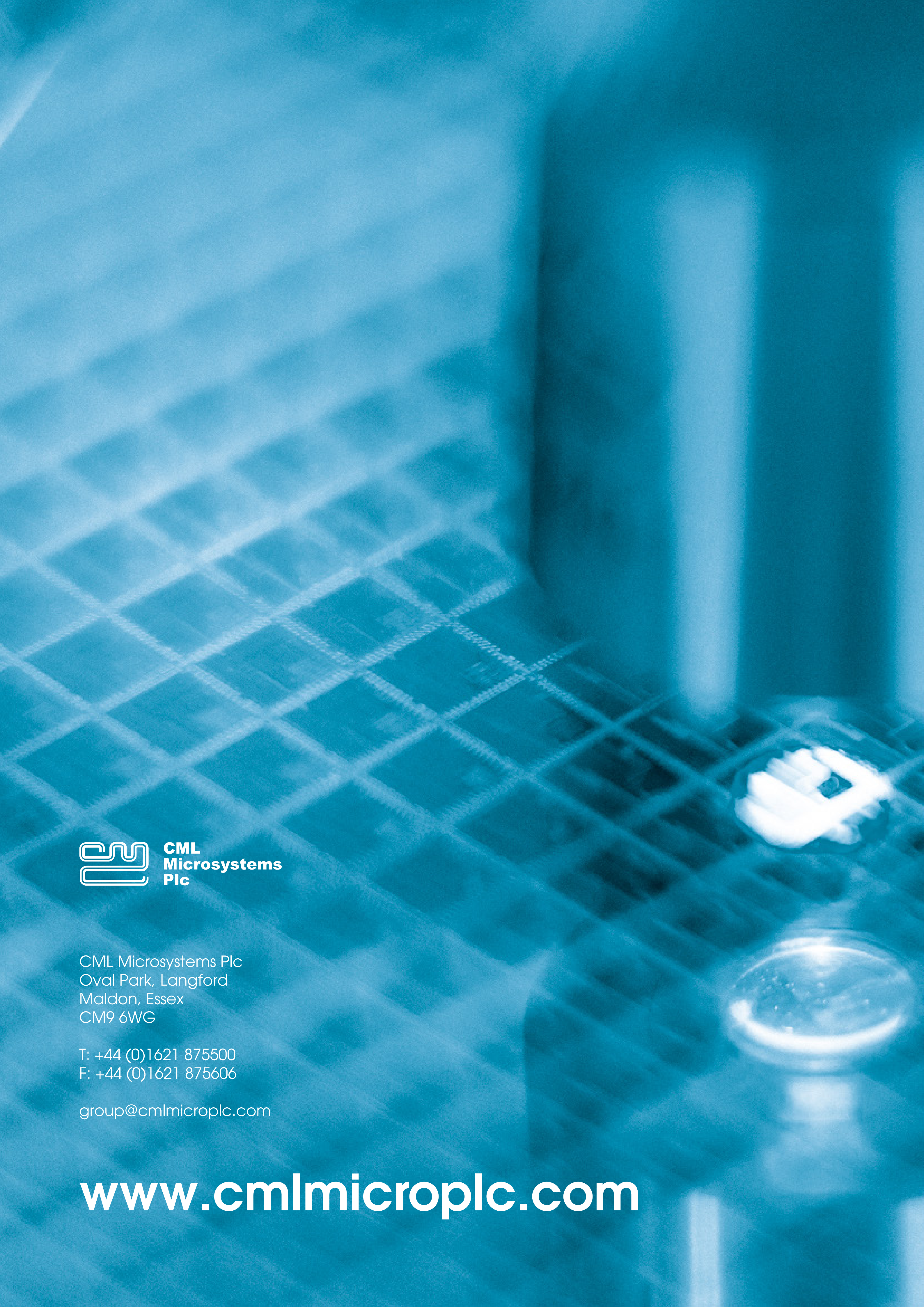

CML Microsystems Plc

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