CML Microsystems Plc

Results announced for the year ended
31 March 2022

CHAIRMAN'S STATEMENT

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 the 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.

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.

1. (2021 comparatives relate only to continuing operations)

For the year-ended March 2020, following the onset of COVID-19, the full year dividend was reduced to 4p (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 quicky 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

OPERATIONAL AND FINANCIAL REVIEW

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.

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)

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

Consolidated income statement for the year ended 31 March 2022

	Notes	**2022** **£'000**	2021 Restated £'000
Continuing operations			
Revenue	1,2	**16,964**	13,101
Cost of sales		**(4,169)**	(3,646)
Gross profit		**12,795**	9,455
Distribution and administration costs		**(11,562)**	(10,567)
Share-based payments		**(98)**	(143)
		1,135	(1,255)
Other operating income		**79**	278
Profit / (Loss) from operations		**1,214**	(977)
Other income		**500**	370
Revaluation of investment properties	8	**-**	579
Loss on sale of investment properties		**(50)**	-
Finance income		**106**	75
Finance expense		**(33)**	(37)
Profit before taxation		**1,737**	10
Income tax (charge) / credit	4	**(499)**	792
Profit from continuing operations		**1,238**	802
Profit from discontinued operations	7	**-**	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 12 for further details.

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**7.45p**	4.81p
Diluted earnings per share	5	**7.35p**	4.79p
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**7.45p**	141.13p
Diluted earnings per share	5	**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 cashflow in the business. For definition and reconciliation see note 6.

Adjusted EBITDA	6	**4,308**	2,731

Consolidated statement of total comprehensive income for the year ended 31 March 2022

	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	**3,307**		(897)	
Deferred tax on actuarial loss	**(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

Consolidated statement of financial position as at 31 March 2022

	2022 £'000	2022 £'000	2021 Restated £'000	2021 Restated £'000
Assets				
Non-current assets				
Goodwill		**7,531**		7,072
Other intangible assets		**1,119**		1,276
Development costs		**11,197**		9,191
Property, plant and equipment		**5,593**		4,864
Right-of-use assets		**458**		409
Investment properties		**-**		3,775
Deferred tax assets		**1,550**		1,531
		27,448		28,118
Current assets				
Investment properties – held for sale	**1,975**		-	
Inventories	**2,258**		1,450	
Trade receivables and prepayments	**2,199**		2,434	
Current tax assets	**409**		1,046	
Cash and cash equivalents	**19,084**		22,046	
Short term cash deposits	**5,958**		10,150	
		31,883		37,126
Total assets		**59,331**		65,244
Liabilities				
Current liabilities				
Bank loans and overdrafts		**-**		282
Trade and other payables		**2,827**		3,081
Lease liabilities		**230**		183
Current tax liabilities		**42**		80
		3,099		3,626
Non-current liabilities				
Deferred tax liabilities	**3,702**		2,339	
Lease liabilities	**238**		262	
Retirement benefit obligation	**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		**865**		859
Share premium		**1,362**		1,039
Capital redemption reserve		**8,285**		8,285
Treasury shares – own share reserve		**(1,670)**		(1,670)
Share-based payments reserve		**490**		570
Foreign exchange reserve		**1,182**		302
Accumulated profits reserve		**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 12 for further details.

Consolidated cash flow statement for the year ended 31 March 2022

	2022 £'000	2021 Restated £'000
Operating activities		
Profit for the year before taxation – continuing operations	**1,737**	10
Profit for the year after taxation – discontinued operations	**-**	22,762
Adjustments for:		
Depreciation – on property, plant and equipment	**375**	370
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
Profit on disposal of property, plant and equipment	**-**	16
Loss on disposal of investment properties	**50**	-
Revaluation of investment properties	**-**	(579)
Gain on disposal of discontinued operations	**-**	(21,740)
Rental income	**(215)**	(344)
Forgiveness US PPP loan	**(284)**	-
Movement in non-cash items (Retirement benefit obligation)	**176**	201
Share-based payments	**98**	143
Finance income	**(106)**	(75)
Finance expense	**33**	37
Movement in working capital	**(1,025)**	1,388
Cash flows from operating activities	**3,010**	7,329
Income tax received	**905**	494
Net cash flows from operating activities	**3,915**	7,823
Investing activities		
Disposal of business (net of expenses)	**-**	33,261
Acquisition of subsidiary, net of cash acquired	**-**	(100)
Proceeds from sale of investment	**1,750**	-
Purchase of property, plant and equipment	**(1,105)**	(390)
Investment in development costs	**(3,532)**	(7,270)
Repayment / (Investment) in fixed term deposits	**4,192**	(10,150)
Repayment of Investment loan note	**293**	-
Investment in intangibles	**-**	25
Rental income	**215**	344
Finance income	**106**	75
Net cash flows from / (used in) investing activities	**1,919**	15,795
Financing activities		
Lease liability repayments	**(287)**	(556)
Proceeds from borrowings	**-**	282
Issue of ordinary shares	**329**	29
Purchase of own shares for treasury	**-**	(1,590)
Dividends paid to shareholders	**(8,964)**	(674)
Share capital redemption	**-**	(8,276)
Finance expense	**-**	(15)
Net cash flows used in financing activities	**(8,922)**	(10,800)
Increase / (decrease) in cash and cash equivalents	**(3,088)**	12,818
Movement in cash, cash equivalents and fixed term deposits:		
At start of year	**22,046**	8,479
(Decrease) / increase in cash, cash equivalents and fixed term deposits	**(3,088)**	12,818
Effects of exchange rate changes	**126**	749
At end of year	**19,084**	22,046

The Consolidated and Company cash flow statements have been restated for year ended 31 March 2021. See note 12 for further details

Cash flows presented exclude sales taxes.

Consolidated 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	Foreign exchange reserves £'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)
Foreign exchange differences discontinued operations						(1,100)		(1,100)
Net actuarial gain recognised directly to equity on retirement benefit obligations							(897)	(897)
Deferred tax on actuarial gain							170	170
Total comprehensive income for year capacity as owners	-	-	-	-	-	(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		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 payments in year					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**
Net actuarial gain recognised directly to equity on retirement 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 capacity as owners	**-**	**-**	**-**	**-**	**-**	**880**	**4,063**	**4,943**
Transactions with owners in their capacity as owners	**859**	**1,039**	**8,285**	**(1,670)**	**570**	**1,182**	**48,125**	**58,390**
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 12 for further details.

1 Segmental analysis

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

The Group is focused for management purposes on one 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

2 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

3 Dividend – paid and 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 5.0p per ordinary share of 5p, taking the total dividend amount in respect of the year ended 31 March 2022 to 9.0p. It is proposed to pay the final dividend of 5.0p, if approved, on 19 August 2022 to shareholders registered on 5 August 2022 (2021: paid 13 August 2021 to shareholders registered on 30 July 2021).

4 Income tax expense

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

	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	**499**	(792)

5 Earnings per share

	2022	2021
Earnings per share for profit 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		
	Profit	**Weighted average number of shares**	**Earnings per share**	Profit	Weighted average number of shares	Earnings per share
Basic earnings per share	**£'000**	**Number**	**p**	£'000	Number	p
Basic earnings per share – from profit for year	**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	2021
Earnings per share for profit 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		
	Profit	**Weighted average number of shares**	**Earnings per share**	Profit	Weighted average number of shares	Earnings per share
Basic earnings per share	**£'000**	**Number**	**p**	£'000	Number	p
Basic earnings per share – from profit for year	**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

6 Adjusted EBITDA

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

	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 acquired and purchased intangibles recognised on acquisition	**283**	212
Share-based payments	**98**	143
Adjusted EBITDA	**4,308**	2,731

7 Cash, cash equivalents and fixed term deposits

	2022 £'000	2021 Restated £'000
Cash on deposit	**10,275**	10,288
Cash at bank	**8,809**	11,758
	19,084	22,046
Short term cash deposits	**5,958**	10,150
	25,042	32,196

8 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 year as a discontinued operation. The discontinued operations generated a profit £22,762,000 and a total cash inflow of £33,554,000 with a gain on sale after income tax of £21,740,000. Full details can be found in the statutory accounts for the year ended 31 March 2021 available at www.cmlmicroplc.com.

9 Investment properties

During the year an investment property was sold with proceeds of £1,750,000. This sale generated a loss on disposal of £50,000. The remaining investment property has been reclassified and is now held for sale.

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 value of the investment properties recognised is £Nil (2021: £3,775,000).

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. Investment properties held for sale £1,975,000 (2021: £Nil).

10 Principal risks and uncertainties

Key risks of a financial nature
The principal risks and uncertainties facing the Group are with foreign currencies and customer dependency. With the majority of the Group's earnings being linked to the US Dollar, a decline in this currency will have a direct effect on revenue, although since the majority of the cost of sales are also linked to the US Dollar, this risk is reduced at the gross profit line. 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.

11 Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2022 financial statements.

12 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 included within profit / (loss) from operations, having previously been incorrectly classified as other operating income after profit / (loss) from operations. The reclassification has resulted in a decrease in the loss on operations of £370,000.

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 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. The reclassification of these items has had no effect on the profit before taxation or net assets.

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.

13 General

These Condensed Consolidated 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. They do not include all of the information required for full annual statements and should be read in conjunction with the 2022 Annual Report.

The comparative figures for the financial year 31 March 2021 have been extracted from the Group's statutory accounts for that financial year. The statutory accounts for the year ended 31 March 2021 have been filed with the registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2022 were approved by the Board of Directors on 4 July 2022 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 10 August 2022.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2022 or 2021 as defined by Section 434 of the Companies Act 2006.

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

CML
Microsystems
Plc

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

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

group@cmlmicroplc.com

www.cmlmicroplc.com